

**HEARING BEFORE A PANEL
OF THE BOARD OF
ALBERTA GAMING, LIQUOR AND CANNABIS COMMISSION**

**IN THE MATTER OF the *Gaming, Liquor and Cannabis Act*
Revised Statutes of Alberta 2000, Chapter G-1, as amended
and the Regulation**

and

**Confluence Distilling Ltd. (Licensee)
o/a Confluence Distilling
507 36 Ave SE
Calgary, AB T2G 1W5**

DATE OF HEARING:	December 9, 2025
HEARING PANEL:	Wayne Drysdale, Presiding Member Patti Grier, Panel Member Serena Donovan, Panel Member
LICENSEE / REPRESENTATIVE:	Ross Alger, Director/Shareholder Pheelan Mah, Shareholder
REGULATORY SERVICES DIVISION:	Toni Hazelwood, Hearing Officer
OBSERVER:	Petrina Nash, AGLC Supervisor, Inspections

DECISION OF THE HEARING PANEL

The Panel finds that Confluence Distilling Ltd. (the Licensee) contravened section 79(1) of the *Gaming, Liquor and Cannabis Act* (the Act).

In accordance with section 91(2)(c) of the Act, the Panel imposes a fine of \$2,500.

The fine is to be paid on or before April 6, 2026.

The Licensee may make a lump sum payment or pay in installments. The Licensee is directed to contact the Regulatory Services Division to make payment arrangements.

The Panel strongly recommends that the Licensee pay any outstanding invoice amounts in a timely manner.

I. Jurisdiction and Preliminary Matters

[1] On September 8, 2025, Gary Peck, the Vice President of the Regulatory Services Division (Regulatory Services) of Alberta Gaming, Liquor and Cannabis Commission (AGLC) contacted Larry Spagnolo, Board Chair, via email to request that the Board convene a hearing for Confluence Distilling Ltd. (the Licensee) as a result of the following alleged contravention:

- Section 79(1) of the Act: No manufacturer may sell the liquor it makes to any person other than the Commission unless the manufacturer's liquor licence provides otherwise.

[2] Mr. Peck cited two AGLC policies in support of his request:

- Section 5.4.1 of the Liquor Manufacturer Handbook (the Handbook): Liquor cannot be distributed to a liquor licensee until the licensee buying the product has paid the AGLC for the liquor, in accordance with Section 80(3) GLCA; and
- Section 5.4.10 a) of the Handbook: A Small Manufacturer must report all wholesale sales transactions to AGLC on a monthly basis. (Note: the reports may be submitted more frequently). These transactions include: a) sales to another licensee.

[3] Pursuant to section 11 of the Act, the Board Chair directed that a hearing before a Panel of the Board be convened and designated three members of the Board to sit as a Panel to conduct the hearing and make a decision – Wayne Drysdale (Presiding Member), Patti Grier and Serena Donovan.

[4] The parties and the Hearing Panel were provided with a record containing various documents pertaining to the issues before the panel. The Licensee confirmed receipt of the Notice of Hearing dated September 18, 2025 and the attached hearing record. The following documents were entered into evidence:

- Exhibit 1 Hearing Record, including Tabs 1 to 3
- Exhibit 2 Documents provided by the Licensee, including Tabs A to D
- Exhibit 3 Additional document provided by Regulatory Services

II. Issues

[5] Did the Licensee contravene section 79(1) of the Act?

[6] If the Licensee contravened section 79(1) of the Act, what sanction should the Panel impose in accordance with section 91(2) of the Act?

III. Regulatory Services Submissions

[7] Regulatory Services called one witness: Dana McInnes, AGLC Inspector. Inspector McInnes has been an inspector with AGLC for 12 years. He authored an Incident Report which details an incident that occurred on August 6, 2025 and a subsequent investigation (Exhibit 1, Tab 1).

[8] The following is a summary of the evidence provided by Inspector McInnes.

[9] On August 7, 2025, Inspector McInnes' supervisor forwarded him an email from the Licensee with an attached letter (Exhibit 1, Tab 1, Attachment 1). The letter advised that:

- between 2023 and 2025, the Licensee did not track and record all their sales in the Liquor Sales Application (LSA);
- the Licensee hired a new accounting company;
- proper practices would be adhered to going forward;
- the Licensee did not have funds available to pay off the outstanding amount immediately; and
- they wished to arrange a meeting with AGLC to discuss paying off the outstanding balance.

[10] Inspector McInnes advised that he met with Ross Alger, Director and Shareholder of Confluence Distilling Ltd., in person on August 11, 2025. Mr. Alger provided Inspector McInnes with a list of unsubmitted invoices dating from April 2023 to the end of 2024, which showed that there was close to \$50,000 in markup owed to AGLC. Inspector McInnes asked Mr. Alger if there were any outstanding invoices from 2025, and Mr. Alger said that he believed there would be another \$10,000 in markup owed to AGLC. Inspector McInnes asked Mr. Alger why there were so many unsubmitted invoices, and Mr. Alger explained that the Licensee was using an accounting software program that was ineffective; he started another job and was not at the distillery as much; and he was reluctant to submit some invoices that were issued to certain licensees that he believed would be harder to get payment from. Inspector McInnes said that Mr. Alger expressed some frustration with AGLC payment system.

[11] Inspector McInnes said that Mr. Alger asked for leniency on payment of the outstanding invoices and indicated that he could make monthly payments over the next 5 to 6 months to clear the balance. Inspector McInnes told Mr. Alger that he would speak with his supervisor regarding the request.

[12] On August 15, 2025, Inspector McInnes contacted Mr. Alger to advise him that an Incident Report would be submitted and to request documentation for the outstanding invoices from January 2025 until the end of June 2025. Inspector McInnes received the invoices, which showed approximately \$12,500 in markup owed to AGLC.

[13] Several days later, Inspector McInnes asked Mr. Alger to enter the outstanding invoices into the LSA. Mr. Alger asked if he could submit the invoices for his taproom using penny pricing SKUs, and Inspector McInnes confirmed that he could do that. Mr. Alger entered all the outstanding invoices, which showed a total amount of approximately \$721,833. Almost \$90,000 of that amount was markup owed to AGLC. Inspector McInnes advised that by the time the Incident Report was submitted, the invoice amount was closer to \$650,000, with \$80,000 in markup owing to AGLC.

[14] Inspector McInnes explained the normal payment and remittance process for Class E small manufacturers when selling their product to another licensee, such as a restaurant or liquor store:

- The manufacturer sends their invoice to the licensee and inputs the details of the invoice into the LSA.
- The licensee purchasing the product from the manufacturer pays off the invoice in the LSA.
- Once the money is received, AGLC takes the markup and additional fees.
- AGLC returns the remainder of the money, known as the consignment, to the manufacturer.

[15] Inspector McInnes explained that Class E small manufacturers have two options for payment and remittance when selling their product in their taproom:

- The first option is to use the wholesale SKU and essentially buy the product from themselves at the wholesale price.
- The manufacturer pays the invoice through the LSA, AGLC takes the markup, GST, deposit fees and recycling fees, then returns the balance to the manufacturer.
- The second option is to use a penny pricing SKU.
- If a manufacturer has created a penny pricing SKU, they can submit details of the product that they are moving from their production area to their taproom using that registration number and submit only the markup and additional fees to AGLC.

[16] Inspector McInnes said that he reached out to AGLC Liquor Revenue to determine what percentage of invoices were not submitted through the LSA. He was advised that \$1.74 million in invoices were submitted between the start of 2023 and the end of July 2025, and the inspector determined that roughly 30% of sales were not submitted to AGLC during that time.

[17] Since the Incident Report was submitted, Inspector McInnes advised that the Licensee has made numerous payments to AGLC. Because invoices for the Licensee's taproom were initially submitted using the wholesale price and then resubmitted using the penny pricing SKUs, the amounts owing to AGLC changed.

[18] Inspector McInnes clarified that resubmitting the taproom invoices using penny pricing registration numbers only changed the invoice amount and did not change what was owed to AGLC in markup and additional fees.

[19] Inspector McInnes contacted Liquor Revenue on November 16, 2025 by email, and Nicole Walters, AGLC Manager of Liquor & Cannabis Revenue, advised on November 17, 2025 (Exhibit 3) that:

- at its peak, there were roughly 1,200 unsubmitted invoices owed to AGLC;
- the total balance owing to AGLC was 530 invoices totaling approximately \$227,000, with roughly \$59,000 of that amount owed to AGLC in unpaid markup; and
- since the Incident Report was submitted, the Licensee has been submitting new invoices through the LSA and paying them off.

[20] Inspector McInnes contacted Liquor Revenue on December 8, 2025 with a request for updated numbers, and he was informed that the invoice amount was approximately \$49,500, of which \$28,500 is owed to AGLC in markup.

[21] Inspector McInnes advised that he has been working with Class E manufacturers for two and a half years and has approximately 70 licensees assigned to him. He is responsible for conducting inspections at these businesses and liaising with the licensees. He often reaches out to licensees who have not submitted invoices for a month or two and asks them to submit their outstanding invoices, and the issues are typically rectified within a week. Inspector McInnes contended that the large number of invoices that were not submitted by the Licensee makes them an outlier.

[22] Inspector McInnes referred to a letter from the Licensee to the AGLC Board of Directors (Exhibit 2, Tab A), which mentions that the Licensee has paid \$61,960 to AGLC. Liquor Revenue confirmed with Inspector McInnes that they had received that amount, and most of it would be returned to the Licensee in consignment. Mr. Alger noted in the letter that he planned to take the consignment and re-submit it so that the Licensee could continue paying off all the invoices, and he also mentioned a payment strategy.

[23] Inspector McInnes said that he had numerous conversations with Mr. Alger regarding his plans for dealing with the unpaid invoices. Mr. Alger indicated that he was looking into securing a loan, and Inspector McInnes advised him to make as much progress as possible before the hearing.

[24] Inspector McInnes stated that AGLC does not give preferential treatment to any licensee, the Licensee should have collected money from other licensees at the time their products were sold and the money owed to AGLC is not debt; as such, a payment plan would only benefit licensees who do not comply with AGLC's policies.

[25] When Mr. Alger asked Inspector McInnes if he believes that the Licensee acted in good faith by advising AGLC of their unpaid liability in August 2025, Inspector McInnes replied yes and stated that this is the first time a licensee has come forward and acknowledged that they have outstanding invoices.

[26] When Mr. Alger asked Inspector McInnes if he was cc'd on a number of emails between Mr. Alger and Ms. Walters from September to November 2025, Inspector McInnes replied yes.

[27] When Mr. Alger asked Inspector McInnes if he was familiar with the conversation between Mr. Alger and Ms. Walters regarding crediting the outstanding invoices to resubmit them as penny pricing, Inspector McInnes said that he is aware of the conversation but some of the content was more relevant to Liquor Revenue.

[28] When Mr. Alger asked Inspector McInnes if he understands that the Licensee did not receive consignment payments from Liquor Revenue for three weeks in October because of the way the Licensee submitted the invoices, Inspector McInnes said that he does not know the specifics but recalls the back-and-forth regarding the return of the Licensee's consignment so that they could continue to pay off their invoices.

[29] When Mr. Alger asked Inspector McInnes if he believes that the Licensee has made reasonable efforts to pay down the outstanding amount over the last few months, Inspector McInnes said that the Licensee has made a lot of effort and meaningful progress on paying the amount owing to AGLC.

[30] When the Panel asked if AGLC would have discovered the outstanding invoices through an audit if the licensee had not come forward, Inspector McInnes explained that he:

- conducts regular on-site inspections of Class E manufacturers, takes a few batches of a SKU and balances it from production to finish;
- looks at what the manufacturer produced and bottled and notes any discrepancies; and
- looks at what was bottled, what is still on site and what was sold to balance it down to zero to ensure that what the manufacturer is producing matches with what they have in inventory combined with what they have sold.

Inspector McInnes further stated that it is trickier to catch large scale amounts, but Regulatory Services is closely monitoring this process.

[31] When the Panel asked Inspector McInnes to provide clarification on the consignment, he explained that it is the amount that is returned to the Class E manufacturer after their invoice is paid and AGLC has deducted the markup and additional fees.

[32] When the Panel asked for clarification on what amount needs to be submitted by the Licensee, Inspector McInnes explained that the Licensee must submit approximately \$49,500, which represents the outstanding invoices. Once AGLC has deducted the markup and additional fees, they will return approximately \$28,500 to the Licensee. The inspector further stated that a consignment amount is typically returned to a licensee a couple of days after the invoice is paid.

[33] Inspector McInnes advised the Panel that Regulatory Services has launched a new missing invoice project and will be going through all licensees' missing invoices as listed in the LSA. Any time a licensee skips a number in the sequence of their invoices in the LSA, it shows up as missing, and all those missing invoices will be assigned to inspectors.

[34] When Mr. Alger asked Inspector McInnes if he recalls the details of their conversations regarding missing invoices, Inspector McInnes replied no.

IV. Confluence Distilling Ltd. Submissions

[35] The Representative for the Licensee, Ross Alger, gave evidence on behalf of the Licensee.

[36] The following is a summary of the evidence provided by Mr. Alger.

[37] Mr. Alger advised that he is the president and Ms. Mah is the co-founder and general manager of Confluence Distilling, which opened in 2018.

[38] Mr. Alger said that when the business first started, they hired a CFO, accountants and bookkeepers and worked with them for a few years. Mr. Alger found that the amount of time he was spending on reviewing the bookkeeper's work took longer than the time it would have taken for him to do the work himself, so he started doing all the bookkeeping in 2020. This included submitting invoices to the LSA and tracking payments.

[39] In August 2023, the Licensee changed their accounting software to integrate with their inventory management system in an effort to create better systems. The change added a level of complexity that was beyond Mr. Alger's ability, so the Licensee hired a number of bookkeepers who did not have accounting designations throughout 2023 and 2024. The Licensee hired one bookkeeper at a time, and there was turnover in the role for various reasons.

[40] In November 2023, Mr. Alger advised that he took a full-time position as an engineer in order to continue funding Confluence Distilling.

[41] Mr. Alger said that AGLC changed the way unpaid invoices were reviewed in 2023. Previously, if there was an outstanding invoice in the LSA, inspectors would help the Licensee obtain payment from

the licensee that was issued the invoice. Since the system changed, AGLC contacts the Licensee and asks them to chase the licensee who was issued the invoice for payment.

[42] Mr. Alger stated that he is under the impression that AGLC allows some licensees, such as large companies with complicated accounting systems, to pay their invoices after they receive product, which is not in the legislation. Mr. Alger said that this creates a double standard in how the Licensee receives payment from other licensees because if the Licensee does not receive payment before delivery, then their product should not be delivered. Mr. Alger provided an example of a large licensee who takes three or four weeks to pay the Licensee's invoices, and he stated that it would be unreasonable for the Licensee not to deliver their product to the large licensee before receiving payment.

[43] Mr. Alger said that as a small manufacturer, the Licensee must balance following the legislation with providing flexibility to large licensees in order to sell their product. Mr. Alger advised that there are many licensees that they do business with who do not pay beforehand, and he believes that this is not an uncommon practice.

[44] Mr. Alger advised that the Licensee occasionally provided product without receiving payment first, and they were only submitting invoices to the LSA when they knew they were going to receive payment. This helped the Licensee avoid receiving letters from AGLC advising that there were outstanding payments for invoices. Mr. Alger contended that this was not a good policy and has since been rectified, and this is part of the reason why the Licensee had some outstanding invoices.

[45] Mr. Alger said that most of the invoices were not submitted because of his lack of diligence in reviewing the Licensee's books, but the Licensee did not intentionally avoid submitting the invoices to AGLC.

[46] Mr. Alger advised that the Licensee hired accountants who found that there were missing invoices. The Licensee worked with their accountants to figure out what that amount was. Once that amount was determined, the Licensee immediately brought it to AGLC's attention.

[47] Mr. Alger said that he hopes the Licensee can pay AGLC the outstanding amount, continue operating as a licensee and operate within the law. Since identifying their issues, the Licensee has corrected all their bookkeeping systems and has set up multiple bank accounts so that any payments made directly to the Licensee are put in a holding account and then paid directly to AGLC on a weekly basis. The Licensee has also set up their inventory management system to automate their LSA submissions so that there are no discrepancies between what the Licensee has invoiced and what the Licensee has submitted to AGLC. Mr. Alger advised that he reviews the submissions on a weekly basis for accuracy.

[48] Mr. Alger said that he worked with Ms. Walters to convert the invoices eligible for penny pricing SKUs, and this allowed the total markup amount owed and the total invoicing amount to be as close together as possible. Mr. Alger referred to Exhibit 2, Tab A, which states that on November 17, 2025 the Licensee paid nearly \$62,000 to AGLC, but that payment was for the total invoice amount so the consignment would be returned to the Licensee. Mr. Alger said that every week since November 18,

2025, the Licensee has been repaying the consignment back to AGLC in order to pay down this entire amount of markup owed.

[49] Mr. Alger explained that he corresponded with Ms. Walters about the delay in paying the outstanding invoice amounts to AGLC, which was due to the consignment not being returned to the Licensee. Mr. Alger advised that the Licensee planned to pay off the full outstanding amount before the hearing, but the delayed return of the consignment prevented that from happening.

[50] Mr. Alger said that when the Licensee submits a payment to AGLC, it takes a full week to receive the consignment back. The Licensee pays as much possible each week, but they cannot pay twice a week because of how long it takes to receive the consignment.

[51] Mr. Alger stated that the Licensee submitted a payment of \$6,093.81 to AGLC on the evening of December 8, 2025, and he calculated \$21,620 as the total balance of markup owed. The Licensee will be receiving over \$14,000 as a consignment payment on December 11, 2025, and it is the Licensee's intention to pay back the entire balance on that same date. Mr. Alger said he apologizes for the outstanding balance, which was due to the delay in November.

[52] Mr. Alger said that the Licensee is trying to set up better systems internally in order to track their accounts receivable before providing products to licensees who have not paid. The Licensee wants to implement a system where they only deliver liquor to licensees that have already paid the Licensee, but it is very infeasible when dealing with large companies who have much more rigorous systems in place and thus do not allow the Licensee to determine the terms of the sale despite the law stipulating that liquor must be paid in advance.

[53] When Regulatory Services asked Mr. Alger to expand on his role with Confluence Distilling, Mr. Alger explained as the president, he oversees the sales and operations departments which includes overseeing production, invoicing, delivery and daily operation activities. He trusts employees to perform this work and reviews their work afterwards.

[54] When Regulatory Services asked Mr. Alger if he delegates any of the remittance and reporting tasks to employees, he said that he delegates those tasks to his operations staff and reviews the LSA on a weekly basis to validate it against the Licensee's inventory management system, which lists all their invoices. He further stated that he was not previously completing this process with the detail that was required.

[55] When Regulatory Services asked Mr. Alger if he identified the software issues that might have caused some of the Licensee's problems, he advised that the issues were caused by changing software. Some of the invoices were missed because they were submitted into the old software and not carried over into the new software, but the main issue was Mr. Alger's inability to track all the information by himself and a lack of understanding on how the new software worked.

[56] Regulatory Services read aloud section 5.4.1 of the Handbook. When Regulatory Services asked Mr. Alger if the Licensee delivered product to some licensees before receiving payment for the product, Mr. Alger replied yes. He further stated that the Licensee allowed this to occur because large companies

are often unable to pay invoices in advance due to their complicated accounting systems, and he has brought this issue forward to AGLC in the past.

[57] When Regulatory Services asked if they would be able to walk into the Licensee's storefront and take a bottle without paying for it, Mr. Alger said that was not a good example because in many industries it is common to provide a service and get paid for that service at a later date.

[58] Regulatory Services read aloud section 5.4.10(a) of the Handbook. When Regulatory Services asked Mr. Alger what prevented the Licensee from reporting on a monthly basis, he said that they had poor systems in place that were not being reviewed.

[59] When Regulatory Services asked Mr. Alger when the Licensee changed their practice to only delivering liquor to licensees after payment has been received, Mr. Alger said that practice changed in August 2025.

[60] When Regulatory Services asked Mr. Alger if the Licensee would have experienced a delay in receiving consignment payments if they had reported their invoices on a monthly basis in accordance with policy, Mr. Alger replied no.

[61] When Regulatory Services asked Mr. Alger if there is anything that would prevent the Licensee from paying the outstanding amount by December 11, 2025, he replied no.

[62] When the Panel asked Mr. Alger what response he received from AGLC when he requested a payment plan, he said that he was told that they would not provide a payment plan because this was not a debt and the money needed to be paid immediately.

[63] When the Panel asked Mr. Alger to elaborate on Ms. Mah's role with Confluence Distilling, Mr. Alger said that Ms. Mah oversees their bar, hiring HR staff, product development, marketing and branding.

[64] When the Panel asked Mr. Alger if he is confident that their invoices will be submitted accurately and on time with the Licensee's new accounting system and accountant, Mr. Alger stated that the Licensee is very confident that their invoices will be accurate going forward, and their systems and accountant are much more rigorous.

[65] Mr. Alger referred to his letter to the Board (Exhibit 2) and said that he wanted to clarify one of the statements Inspector McInnes made regarding the letter. In the last paragraph of the letter, Mr. Alger states "This payment strategy was implemented through discussion with Dana McInnes and Nicole Walters." Mr. Alger explained that Inspector McInnes' answer was not completely accurate regarding Mr. Alger's intent with the payment strategy. Mr. Alger meant that his payment strategy was to pay down the outstanding amount in chunks on a weekly basis.

[66] When Regulatory Services asked Mr. Alger if he was advised by Inspector McInnes that he could not be provided with a payment plan, Mr. Alger said that was correct and that his payment strategy was not necessarily accepted by Inspector McInnes.

V. Summation

Regulatory Services

[67] Regulatory Services submits that the matter before the Panel is section 79(1) of the Act, and the supporting policies include sections 5.4.1 and 5.4.10 a) of the Handbook.

[68] The evidence provided by Inspector McInnes indicates that upon being notified of the issues, the inspector found that the Licensee made approximately \$750,000 in liquor sales that were not reported to AGLC. This included \$89,503 in markup that AGLC did not receive at the time of the sales.

[69] In examining the sales that the Licensee did not submit over that same period, it appears that they underreported about 30% of total sales. The Licensee did not cease reporting entirely; they seemed to have selectively reported sales, showing that they knew how to follow the policy but chose not to.

[70] The Licensee has since caught up on the missed payments through borrowing efforts, but Regulatory Services contends that they should have reported at the time of sale in accordance with the legislation, not months afterwards and upon realizing that they may face consequences.

[71] Regulatory Services takes the position that the Licensee's assertion that this was an accounting or software error is not demonstrated by the evidence presented. The initial amount as indicated in the Incident Report of roughly \$720,000 would be a large mistake for a manufacturer moving significant volumes. Mr. Alger corrected his statement regarding software issues by noting it was user input and not the software mechanics themselves. The Licensee also clarified that delivering product without receiving funds first is a poor practice that opens them to risk. Regardless of the realities of business, AGLC policy indicates that manufacturers should not deliver product before receiving funds for it. Furthermore, the allegation that the limits of or issues with AGLC's reporting process caused the issues that the Licensee experienced was not borne out in the evidence presented.

[72] Regulatory Services submits that had the Licensee followed the requirements of legislation and the requirements of policy by reporting and remitting at the time of sale, the delay that Mr. Alger described experiencing would not have occurred. By their own doing, the Licensee is now in a position where they need to use new sales to cover old remittances. This is not AGLC's fault.

[73] Regulatory Services is of the opinion that it is admirable that once the Licensee realized that the missing invoices and funds might be discovered, they strived to catch up on reporting and submitting; however, the fact remains that AGLC was completely bypassed at the time of sale. Section 79(1) of the Act states that no manufacturer may sell liquor to anyone other than the Commission. The Licensee sold liquor to others without reporting it to AGLC and effectively held the markup, GST, bottle deposit and recycling fees, which would have been included in the end user's price and charged to them. This means they had the benefit of over \$89,000 in funds until they chose to report them.

[74] There are many other small manufacturers that would benefit from an unsecured and interest-free cash injection of \$89,000. Regulatory Services contends that this action effectively gave the Licensee a competitive advantage over those who follow the legislation and policy.

[75] Regulatory Services encourages the Panel to consider that AGLC is in business with the Licensee. If you are in a business relationship with someone and your business partner misses rent payments, fails to pay contractors or neglects to issue the staff's paycheques, would you stay in business with that particular business partner? If the answer is no, then the Panel should seriously consider the cancellation of the licence rather than risk having to pursue unreported sales in the future. Inspectors are not debt collectors, the liquor services department is not a creditor, and AGLC is not a bank. These funds were not a loan.

[76] Regulatory Services acknowledges that there are licensees all over Alberta that are struggling, and there are regular risks and difficulties that licensees may encounter. Mr. Alger has not provided any unique or novel scenarios to explain why sales were not reported and funds were not remitted. He indicated that his practices were inadequate, and he demonstrated a lack of diligence. If AGLC permits licensees to skip reporting and remitting until they find it convenient to do so and pay late, defer payments, or make partial payments on some sort of schedule, then AGLC is effectively acting like a lending institution. Regulatory Services asserts that no manufacturer will be compelled to report and remit, and many will choose to take advantage of the flexible self-distribution model to access funds they are not entitled to.

[77] If the Panel chooses not to cancel the licence despite the inherent risk and continues the business relationship with Confluence Distilling Ltd., then Regulatory Services respectfully recommends that a sanction be imposed to deter future non-compliance and guard against the industry habitually contravening legislation. The administrative sanction listed in the Administrative Sanction Guideline for Violations for this contravention starts at \$2,500 dollars. Regulatory Services recommends that at minimum, a fine of \$2,500 should be imposed.

[78] Additionally, Regulatory Services also respectfully asks that the Panel direct the Licensee to pay any other outstanding amounts that have not been remitted as soon as possible.

Confluence Distilling Ltd.

[79] The Licensee submits that they have worked in good faith to bring forward information on the unpaid markup owed to AGLC, and they are serious about working within the legislation.

[80] As a result of poor due diligence, the Licensee accrued unpaid markup; however, the Licensee contends that they did not intentionally withhold the markup.

[81] As of August 2025, the Licensee massively reformed their internal systems to ensure that this does not happen ever again. The Licensee hired new accountants, changed their banking systems and changed their internal reporting systems so that everything operates within the legislation going forward.

[82] The Licensee submits that they came forward because they want to work with AGLC, and they are trying to rectify their wrongdoing.

[83] The Licensee intends to have the entire markup paid by December 11, 2025 and hopes that they can continue operating in Alberta, working with AGLC as good business partners and growing the Alberta liquor industry with AGLC to create a great area of business.

VI. Analysis

[84] The Panel carefully considered the oral and documentary evidence submitted by Regulatory Services and the Licensee in making its finding of fact.

[85] Inspector McInnes provided testimony that on August 6, 2025, Regulatory Services received a letter (Exhibit 1, Tab 1, Attachment 1) from the Licensee stating that, among other things, Confluence Distilling Ltd. failed to submit a large amount of liquor markup to AGLC. Inspector McInnes conducted an investigation and directed the Licensee to submit all their outstanding invoices. After the Licensee completed their submissions on August 27, 2025, Inspector McInnes received confirmation from Liquor Revenue that the licensee owed just under \$90,000 in markup to AGLC.

[86] Mr. Alger, on behalf of the Licensee, admitted that the Licensee neglected to track and record all their sales in the LSA between 2023 and 2025; delivered liquor to other licensees before ensuring that AGLC received payment for the liquor; and accepted payment for their product directly from other licensees.

[87] Section 79(1) of the Act deals with manufacturer sales to the Commission. Based on Inspector McInnes' explanation of the payment process and the respective roles of AGLC and licensees in the process, the Panel finds that all sales transactions must flow through AGLC.

[88] The Licensee's Class E licence provides a Special Authorization that the Licensee is "authorized to deliver the specified product direct to licensees." There is no such Special Authorization that permits the Licensee to sell liquor directly to other licensees.

[89] The Panel accepts Mr. Alger's admissions as evidence that the Licensee failed to comply with section 79(1) of the Act.

[90] As such, the Panel finds that the Licensee failed to record numerous sales in the LSA between 2023 and 2025; delivered liquor to other licensees before AGLC received payment for the product and deducted the appropriate mark, GST and fees; and sold its product directly to other licensees in contravention of section 79(1) of the Act.

[91] The Panel acknowledges that upon learning that their internal deficiencies and insufficient practices led to a significant amount of markup and additional fees owed to AGLC, the Licensee acted in good faith by bringing their issues forward to Regulatory Services. The Panel acknowledges that the Licensee took accountability for their delinquencies and has worked diligently to pay the outstanding markup and additional fees owed to AGLC. Further, the Licensee has taken a number of actions to ensure that future invoices and payments are reconciled in accordance with the legislation and AGLC policies. However, the Panel also recognizes the gravity of the Licensee's misconduct and the significant time and resources that AGLC has expended on this matter. The ability to manufacture and deliver liquor directly to other licensees, as permitted by the Licensee's Class E liquor licence, is a privilege. Confluence Distilling Ltd. took advantage of this privilege by evading AGLC's remittance policies.

[92] Regulatory Services recommended a \$2,500 fine should the Panel decide not to cancel the licence. The Panel agrees that such a fine is reasonable and appropriate.

[93] It is a privilege to manufacture and sell liquor in Alberta, not a right. This privilege comes with significant responsibilities, including the requirement for licensees to comply with the Act, the Regulation, AGLC's policies and all licence conditions without exception.

VII. Finding

[94] For the reasons stated above, the Panel finds that the Licensee contravened section 79(1) of the Act.

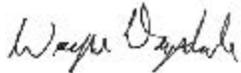
[95] In accordance with section 91(2)(c) of the Act, the Panel imposes a fine of \$2,500.

[96] The fine is to be paid on or before April 6, 2026.

[97] The Licensee may make a lump sum payment or pay in installments. The Licensee is directed to contact Regulatory Services to make payment arrangements.

[98] The Panel strongly recommends that the Licensee pay any outstanding invoice amounts in a timely manner.

Signed at Grande Prairie, this 6th day of January, 2026



Wayne Drysdale, Presiding Member, Hearing Panel