

**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**

**Krang Spirits Inc. (Licensee)  
c/o Bishop & McKenzie  
Suite 2200, 555 - 4 Avenue SW  
Calgary, AB T2P 3E7**

<b>DATE OF HEARING:</b>	<b>December 16, 2025</b>
<b>HEARING PANEL:</b>	<b>Wayne Drysdale, Presiding Member Patti Grier, Panel Member Jack Fujino, Panel Member</b>
<b>LICENSEE / REPRESENTATIVE:</b>	<b>Jelena Melnychyn, Legal Counsel, Bishop &amp; McKenzie Michael Guenzel, Director/Shareholder</b>
<b>REGULATORY SERVICES DIVISION:</b>	<b>Alisha Hurley, Legal Counsel, Field Law Petrina Nash, Resource Officer</b>

**DECISION OF THE HEARING PANEL**

The Panel finds that Krang Spirits Inc. (the Licensee) contravened section 79(1) of the *Gaming, Liquor and Cannabis Act* (the Act).

In accordance with section 91(2)(b) of the Act, the Panel imposes the following condition on the Class E Small Manufacturer liquor licence #774312-3:

- On or before April 23, 2026, Krang Spirits Inc. must pay the net balance owing (markup, GST, container fees and recycling fees) to AGLC with respect to all open invoices that were submitted to AGLC on or before July 15, 2025.

Liquor Revenue is directed to confirm the net balance owing to AGLC.

The Licensee is directed to contact Liquor Revenue to make payment arrangements.

Further, in accordance with section 91(2)(c) of the Act, the Panel imposes a fine of \$20,000.

The fine is to be paid on or before April 23, 2026.

With respect to the \$20,000 fine, 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.

## **I. Jurisdiction and Preliminary Matters**

[1] On August 14, 2025, Gary Peck, the Vice President of the Regulatory Services Division (Regulatory Services) of Alberta Gaming, Liquor and Cannabis Commission (AGLC) contacted Len Rhodes, Board Chair, via email to request that the Board convene a hearing for Krang Spirits Inc. (the Licensee/Krang) 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, Board Chair Rhodes 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 Jack Fujino.

[4] Len Rhodes' tenure on the Board of Directors ended as of August 14, 2025, and Larry Spagnolo's appointment as Board Chair commenced August 15, 2025. Board Chair Spagnolo signed the Notice of Hearing dated August 22, 2025.

[5] On October 16, 2025, Susan Ransom, Director and Shareholder of Krang, requested an adjournment due to the Licensee's legal counsel being unavailable on the scheduled hearing date of November 10, 2025. Regulatory Services did not object to the adjournment request. The Hearing Panel granted the adjournment, the hearing was rescheduled to December 16, 2025, and an Updated Notice of Hearing dated October 28, 2025 was sent to the parties.

[6] The parties and the Hearing Panel were provided with a record containing various documents pertaining to the issues before the Panel.

[7] On December 15, 2025, legal counsel for the Licensee, Jelena Melnychyn, emailed an Agreed Statement of Facts to the Hearing Panel Office on behalf of herself and legal counsel for Regulatory Services, Alisha Hurley. Ms. Melnychyn also attached the following documents to her email:

- Letter from the AGLC Director of Compliance, Darcy Strang, to all Class E Small Manufacturers regarding reporting and remitting sales dated November 19, 2025; and
- Administrative Sanction Guideline for Violations.

Ms. Melnychyn stated that she may be seeking to enter the letter from Mr. Strang and the Administrative Guidelines for Violations as additional exhibits during the hearing. The Hearing Panel Office forwarded the documents to the Hearing Panel before the hearing.

[8] At the outset of the hearing, Presiding Member Drysdale advised the parties that the Panel received the Agreed Statement of Facts and asked the parties if they wished to proceed with the hearing. Ms. Melnychyn stated that the Licensee has admitted to breaching section 79(1) of the Act, but the Hearing Panel needs to hear the Licensee's full story before deciding the sanction since the main consideration for sanction is reasonableness. Ms. Hurley agreed that the witnesses should be called to explain what happened even though the Licensee had admitted to the violation of section 79(1) of the Act. Presiding Member Drysdale directed the hearing to proceed.

[9] Ms. Melnychyn confirmed receipt of the Updated Notice of Hearing dated October 28, 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 1 to 21
- Exhibit 3 Additional documentary submissions provided by Regulatory Services, including Tabs 1 to 3
- Exhibit 4 Agreed Statement of Facts, provided jointly by Regulatory Services and the Licensee

[10] Presiding Member Drysdale asked the parties for their positions on entering the letter from Mr. Strang and the Administrative Guidelines for Violations as evidence. Ms. Hurley stated that these documents should not be submitted until they are addressed during the hearing. Ms. Melnychyn stated that she may ask for these documents to be submitted as evidence when the witnesses provide their testimony. On behalf of the Hearing Panel, Presiding Member Drysdale agreed to allow Ms. Melnychyn to present the documents during the hearing.

## **II. Issues**

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

[12] 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**

[13] Regulatory Services called two witnesses:

- Keith Scotland – AGLC Inspector
- Nicole Walters – AGLC Manager, Liquor & Cannabis Revenue

[14] The following is a summary of the evidence provided by Inspector Scotland and Ms. Walters.

### **Inspector Scotland**

[15] Inspector Scotland has been an inspector with AGLC for seven years. Inspector Scotland and AGLC Inspector Matt Whitley co-authored an Incident Report, which details an incident that occurred on April 23, 2025 and a subsequent investigation (Exhibit 1, Tab 1).

[16] Inspector Scotland advised that inspectors conduct liquor inspections, which include requesting invoices issued by a manufacturer to confirm that the product has been paid for and is lawfully in Alberta.

[17] Inspector Scotland advised that Krang holds Class E Small Manufacturer liquor licence #774312-3 (the Class E Licence) and Class D Manufacturer's Off Sales liquor licence #774312-2 (the Class D Licence, and together with the Class E Licence, the Licences).

[18] Inspector Scotland explained that small manufacturers are allowed to sell their liquor to other active liquor licensees in accordance with the policies set out in the Handbook. A small manufacturer issues their invoice to the purchaser, the purchaser pays the invoice amount to AGLC using the Liquor Sales Application (LSA), and AGLC keeps the markup and other fees and then remits the balance back to the small manufacturer. Once the small manufacturer receives confirmation that the invoice has been paid, they may ship their product directly to the purchaser. A small manufacturer must report their sales to AGLC on a monthly basis.

[19] Inspector Scotland referred to an invoice issued by Krang to a retail liquor licensee (Exhibit 1, Tab 1, Attachment 1) and noted that it states, "All payments must be made to: Alberta Gaming & Liquor Commission." The inspector advised that if a small manufacturer does not enter the details of their invoice into the LSA and accepts payment directly from a purchaser, AGLC will not know that the transaction occurred and cannot collect mark-up, GST, the container fee and the recycling fee.

[20] While Inspector Scotland was conducting an annual liquor inspection at a retail liquor store in Lethbridge on April 23, 2025, the retailer provided him with an invoice from Krang which had been issued more than 30 days ago. The retailer provided confirmation that they paid the invoice by e-transfer to a Krang email address and received the product. Inspector Scotland said that he entered the invoice number into a database and discovered that Krang did not submit the invoice to the LSA. The inspector looked for additional missing invoices in the database and found just over 1,000. He noted that it appeared as though batches of invoices would be submitted with large gaps between each batch.

[21] Inspector Scotland said that he has never seen such a large number of unsubmitted invoices.

[22] On April 29, 2025, Inspector Scotland contacted Susan Ransom, a director and shareholder of Krang. Inspector Scotland asked Ms. Ransom why the missing invoice was not submitted to the LSA, and she said that the retail liquor licensee may not have paid for the product yet. When Inspector Scotland advised Ms. Ransom that he found approximately 1,000 additional missing invoices, she said that she wanted to speak to an inspector that she had a rapport with. The inspector told Ms. Ransom that he would email her the details and copy Inspector Whitley.

[23] Inspector Scotland emailed Ms. Ransom a section 100 letter (Exhibit 1, Tab 1, Attachments 3 to 5), which set out a request for the missing invoices. Ms. Ransom emailed Inspector Whitley on May 6, 2025 and acknowledged the missing invoices (Exhibit 1, Tab 1, Attachment 6).

[24] When Ms. Melnychyn asked Inspector Scotland to explain his experience in dealing with small Class E manufacturers, he explained that he has licensed small manufacturers and conducted liquor inspections at small manufacturers. He further stated that he conducts maintenance inspections at small manufacturers' tap rooms and reviews their off sales.

[25] When Ms. Melnychyn asked Inspector Scotland if there are inspectors who solely deal with small manufacturers, he replied yes and confirmed that Inspector Whitley deals solely with small manufacturers.

[26] When Ms. Melnychyn asked Inspector Scotland if it made sense that Ms. Ransom was more comfortable speaking with Inspector Whitley given their rapport, Inspector Scotland responded yes.

[27] Ms. Melnychyn referred to Inspector Scotland's statement that he had never seen so many unsubmitted invoices before and noted that he does not deal solely with small manufacturers. When Ms. Melnychyn suggested that Inspector Scotland would not notice large numbers of unsubmitted invoices for this reason, Inspector Scotland stated that he did not agree with Ms. Melnychyn's statement because he conducts audits of small manufacturers all the time and frequently reviews invoices from all over Alberta.

[28] When Ms. Melnychyn asked Inspector Scotland if he agrees that Ms. Ransom was cooperative throughout the investigation and provided all the requested information, he responded yes.

[29] When Ms. Melnychyn asked Inspector Scotland if he recommends a sanction when a violation is found, he explained that inspectors only prepare incident reports, and managers recommend disciplinary action.

[30] When Ms. Melnychyn asked Inspector Scotland if this incident was the Licensee's first violation, he said that he could not confirm if this was their first violation because he did not review their operating history.

[31] When Ms. Melnychyn asked Inspector Scotland if AGLC is regularly paid by small manufacturers instead of by the licensees that purchase liquor from small manufacturers, Inspector Scotland said that was quite possible, but that does not mean it is correct.

[32] Ms. Melnychyn made a request for the letter from Mr. Strang to be presented. Presiding Member Drysdale asked Ms. Melnychyn if she would like to submit the letter as evidence, and she responded yes and said she had discussed it with Ms. Hurley. Presiding Member Drysdale asked Ms. Hurley if Regulatory Services had any objections to the letter being entered as an exhibit, and she suggested entering it as an exhibit after Ms. Melnychyn explained why she wanted to raise it. She further stated that she had concerns that Inspector Scotland was not the author of the letter, confusion might be created by portions of the letter, and Regulatory Services may have called a witness who could speak to it more fully had they known the letter was going to be introduced.

[33] When Ms. Melnychyn asked Inspector Scotland if he was aware of Mr. Strang's letter, Inspector Scotland said that he was aware of the letter and knew it was sent to all Class E small manufacturers.

[34] When Ms. Melnychyn asked Inspector Scotland if he knew why Mr. Strang's letter was sent out, Inspector Scotland stated that it was his understanding that the letter was sent out to inform all Class E small manufacturers of the process for submitting payments to AGLC. He further agreed with Ms. Melnychyn that the point of the letter was to remind small manufacturers that other methods of payment are not acceptable.

[35] Ms. Melnychyn read aloud the following paragraph in Mr. Strang's letter:

- To ensure a level playing field between manufacturers and to protect consumer choice, alternative remitting such as payment plans, credit granting or other methods to delay reporting and remitting are not considered to be compliant by Regulatory.

When Ms. Melnychyn asked Inspector Scotland if he agreed that based on this letter, AGLC is aware that other methods of payment are being accepted by manufacturers and sometimes payments are not coming directly from retailers, Inspector Scotland agreed that some small manufacturers have been paying AGLC instead of retailers.

[36] Ms. Melnychyn referred to a passage in Mr. Strang's letter indicating that AGLC would be conducting audits of small manufacturers for missing invoices. When Ms. Melnychyn asked Inspector Scotland if he would be involved in that project, he stated that he is currently involved in the project. He further confirmed that the project was launched after the letter was sent out.

[37] Ms. Melnychyn asked for Mr. Strang's letter to be entered as an exhibit. Presiding Member Drysdale, on behalf of the Hearing Panel, directed the Hearing Panel Office to enter it as Exhibit 5.

[38] When Ms. Hurley asked Inspector Scotland if he would have any way of knowing that Ms. Ransom provided all the information requested, he responded no and advised that the only way he would know for sure is if he did a full audit on every invoice dating back to Krang's year of inception.

[39] When Ms. Hurley asked Inspector Scotland if a full audit on all invoices would require those invoices to have been issued in a manner in which they could be discovered, Inspector Scotland confirmed that was correct.

[40] When the Panel asked Inspector Scotland how long the timeline is for when a small manufacturer sells their product and AGLC sends out confirmation of payment, Inspector Scotland said that on average it takes 24 hours, and delivery of the product once the payment confirmation is issued depends on the small manufacturer.

[41] When the Panel asked Inspector Scotland if products should only be released by a small manufacturer with AGLC's approval, he confirmed that was correct.

[42] When Ms. Melnychyn asked Inspector Scotland to confirm that he is not involved in the process of remitting payment back to manufacturers and does not know how long it takes for AGLC to remit the

consignment amount to small manufacturers, he stated that he is not directly involved, but he has been educated on the process by Liquor Revenue.

**Ms. Walters**

[43] Ms. Walters has been with AGLC for three years. She has been in her current role for two years and explained that she is responsible for the integrity and accuracy of the financial data for Liquor and Cannabis Revenue.

[44] Ms. Walters explained that small manufacturers are responsible for reporting their sales to AGLC, and AGLC does not know what they have sold unless those sales are reported in the LSA.

[45] Ms. Walters said that she was advised that Krang missed reporting approximately \$1.2 million in sales in the LSA. Of that amount, approximately \$250,000 was owed to AGLC in mark-up. Once Krang entered the details of the outstanding invoices, Ms. Walters created numerous spreadsheets to determine the mark-up, GST, fees and consignment amounts.

[46] Ms. Walters presented a spreadsheet she created (Exhibit 3, Tab 1) and explained that:

- the table on the left outlines all the invoices submitted by Krang that were unpaid as of November 28, 2025;
- the amounts have changed since November 28, 2025 given that accounts receivable is dynamic;
- each licensee who purchased liquor from Krang is listed with the accompanying invoice number and total invoice amount;
- the date listed next to each invoice represents the date the invoice was submitted to the LSA; and
- the majority of the old invoices date back to June and July of 2025.

[47] Ms. Walters presented a second spreadsheet with two tables that she created as of November 28, 2025 (Exhibit 3, Tab 2) and explained that:

- the table on the left shows invoices that were submitted by Krang to the LSA and the actual accounts receivable;
- the total of all the open invoices was \$1,236,163.28;
- there was \$18,053.74 of open payments received from licensees that had not been matched with a corresponding invoice;
- the total amount of accounts receivable was \$1,218,109.54;
- the total amount to be returned to Krang after receiving full payment of all outstanding invoices, known as the consignment, was \$987,114.48;
- the net balance owing to AGLC was \$230,995.06, which consists of mark-up, GST, recycling fees and container fees; and
- the table on the right shows a breakdown of each invoice.

[48] Ms. Walters presented a third document that she created with data ranging from December 4, 2024 to November 28, 2025 (Exhibit 3, Tab 3) and explained that:

- the main spreadsheet shows the sales submitted to the LSA by Krang and breaks down the amounts at the product/SKU level;

- approximately 4,900 invoices were submitted to AGLC between December 4, 2024 and November 28, 2025;
- four pivot tables summarize the data from the main spreadsheet;
- one of the pivot tables shows the total invoices reported in the LSA by the date the products were ordered (Pivot Table 1);
- one of the pivot tables shows the total invoices reported in the LSA by the date the invoices were submitted in the LSA (Pivot Table 2); and
- Pivot Table 2 shows that there were only 213 invoices submitted in 2024, all of which were submitted in December of that year;
- Pivot Table 1 shows that there were 1,657 invoices issued by Krang in 2024; and
- Pivot Table 2 shows that in June and July 2025, there were large numbers of invoices submitted to the LSA.

[49] Ms. Walters advised that a full audit would be required to determine if all invoices issued by Krang have been submitted.

[50] Ms. Walters clarified that:

- money should not be owed to AGLC by a small manufacturer since purchasers are required to pay AGLC for the liquor they buy from small manufacturers;
- AGLC does not tell small manufacturers that they can release their products to a purchaser;
- AGLC only tells small manufacturers that they have received payment from the purchaser; and
- it is up to the small manufacturer to release their products to purchasers.

[51] Ms. Walters obtained updated data during the morning of December 16, 2025, which did not reflect payments made on December 15, 2025. She advised that:

- there was \$1,210,921 in accounts receivable; and
- \$213,906 was the net balance owing to AGLC, of which \$177,000 was mark-up owed.

[52] The process for when a retailer places an order with a small manufacturer is as follows:

- The small manufacturer provides an invoice to the retailer.
- The retailer pays the invoice amount to AGLC.
- AGLC confirms receipt of payment with the small manufacturer.
- AGLC remits the consignment to the small manufacturer.

Ms. Walters advised that this process usually takes two or three days if the invoice details from the small manufacturer and the payment from the purchaser align.

[53] Ms. Walters stated that her team has only dealt with Ms. Ransom, and Ms. Walters said that Ms. Ransom was highly diligent, organized and kept good records.

[54] Ms. Walters advised that on or about November 17, 2025, she received a phone call from a retail licensee who was concerned because Krang contacted the retail licensee about missing payments for four invoices. Ms. Walters said that she checked the records and confirmed that AGLC did not

receive payment for the invoices, nor did Liquor Revenue have record of the invoices. She also checked the records a few days before the hearing and found that the invoices still had not been submitted. The retail licensee sent Ms. Walters a follow-up email with copies of the invoices, and within that email was a request from Mr. Guenzel to the retail licensee to pay the outstanding amounts by e-transfer directly to Mr. Guenzel.

[55] Ms. Melnychyn noted that the email Ms. Walters referenced is new evidence, and she asked for a copy of the email and a recess to discuss it with the Licensee. Ms. Hurley noted that it was not her intention to introduce the e-mail as evidence. Presiding Member Drysdale asked Ms. Walters to share the email with Ms. Nash, and Ms. Walters advised that there were three emails. Ms. Nash forwarded the emails to the Hearing Panel Office, who then forwarded the emails to Ms. Melnychyn and Ms. Hurley. Ms. Hurley raised a concern about sensitive information in the emails and asked that she be able to review them before Ms. Melnychyn. Presiding Member Drysdale called a recess.

[56] Upon returning from the recess, Presiding Member Drysdale asked the parties for their positions on submitting the emails as evidence. Ms. Hurley advised that one of the emails contained privileged information and should not have been forwarded to Ms. Melnychyn. Ms. Melnychyn agreed to delete the email with privileged information. Ms. Hurley advised that she was not seeking to enter the other emails as evidence but had no objection to them being entered as new evidence. Ms. Melnychyn asked for another brief recess to review the emails. Presiding Member Drysdale called a recess.

[57] Upon returning from the recess, Presiding Member Drysdale asked Ms. Melnychyn if she wished to enter either of the emails as evidence. Ms. Melnychyn asked if she could question Ms. Walters on the email first before making a request to submit it as evidence. Ms. Hurley did not object.

[58] When Ms. Melnychyn asked Ms. Walters to provide more details on her discussion with the retail licensee who called her on November 17, 2025, Ms. Walters advised that:

- the retail licensee said they were contacted by Krang and asked to remit payment for some invoices;
- the retail licensee asked her to check AGLC's records to see if AGLC had received payment for the invoices;
- she asked for a copy of the invoices; and
- she confirmed with the retail licensee that AGLC had not received payment for the invoices.

[59] When Ms. Melnychyn asked Ms. Walters if retailers are supposed to remit payment directly to AGLC, Ms. Walters advised that if a small manufacturer is selling product through their Class E licence, payment for the product should be made directly to AGLC.

[60] When Ms. Melnychyn asked Ms. Walters if she found it unusual that the retail licensee called to clarify whether or not payments were received by AGLC given that it was their responsibility to pay AGLC, Ms. Walters said that it was not unusual to receive those types of calls.

[61] Ms. Melnychyn presented an email chain. The first email in the chain was from Ms. Ransom to Liquor Revenue on November 17, 2025 with the retail licensee cc'd. Ms. Melnychyn stated that her

understanding of the email was that Ms. Ransom was following up with Liquor Revenue because the retail licensee told Ms. Ransom that the invoice amounts had already been paid to AGLC. When Ms. Melnychyn asked Ms. Walters if that was also her understanding of the email, Ms. Walters said that she interpreted the email differently and explained that the retail licensee said that they paid the invoices but not necessarily to AGLC. She further stated that the invoices did not show as paid in the records because AGLC did not receive the invoices.

[62] Ms. Melnychyn read aloud a comment in the email from Ms. Ransom stating, “We have not received notifications for any of these.” When Ms. Melnychyn asked Ms. Walters to explain the comment, she stated that every time AGLC receives payment for a small manufacturer’s invoice, AGLC notifies the small manufacturer that payment has been received. Ms. Ransom would not have received that notification because AGLC did not receive the payment. Ms. Walters further stated that small manufacturers are responsible for entering invoice details into the LSA.

[63] When Ms. Melnychyn asked Ms. Walters how the invoice and the payment are matched in the system, Ms. Walters explained that the system does it automatically if all the details are entered properly, including the licence number and the amount of the invoice. She further clarified that:

- submissions of invoices and payments of invoices are dealt with automatically by the system, and her team largely deals with the exceptions; and
- only invoice details, not the actual invoices, are entered into the LSA.

[64] When Ms. Melnychyn asked Ms. Walters if she asked the retail licensee whether payment had been made to AGLC, she said no because it depended on how Krang billed the retail licensee.

[65] Ms. Melnychyn asked the Hearing Panel to enter the email chain dated November 17, 2025 into evidence. Ms. Hurley stated that she had no objection. On behalf of the Hearing Panel, Presiding Member Drysdale directed the Hearing Panel Office to enter the email chain as Exhibit 6.

[66] Ms. Melnychyn advised that Ms. Hurley circulated updated spreadsheets during the morning of December 16, 2025. When Ms. Melnychyn asked Ms. Walters if the outstanding amount owed to AGLC was \$213,906.71, Ms. Walters reviewed the spreadsheets and clarified that the total invoice amount owed to AGLC is \$1.2 million, and \$213,906.71 represented the mark-up, GST and other fees.

[67] Ms. Melnychyn asked for the updated spreadsheets to be entered as an exhibit. Ms. Hurley did not object to the request. Presiding Member Drysdale directed the Hearing Panel Office to enter the spreadsheets as Exhibit 7. Ms. Hurley clarified that Exhibit 7 was the same document as Exhibit 3 but with updated data as of December 16, 2025.

[68] When Ms. Melnychyn asked Ms. Walters if she was aware that Krang has been making payments on a weekly basis towards the outstanding invoices, Ms. Walters stated that she has not monitored Krang’s payments. She further explained that:

- Krang is making payments while other licensees are making payments;
- Krang is paying off old arrears but also have daily or weekly sales that come through and are paid;
- Krang should not be paying on behalf of the licensees they sell products to; and

- Liquor Revenue does not know the source of the payments they receive.

[69] When the Panel asked Ms. Walters if she agreed 1,000 outstanding invoices was a large number, Ms. Walters responded yes.

[70] When the Panel asked Ms. Walters if it is common to e-transfer money directly to an individual as opposed to a business, Ms. Walters stated that:

- it was highly unusual;
- CRA would take issue with it; and
- she would have to check with Krang or Mr. Guenzel to determine if the money was e-transferred to him because she does not have access their bank accounts.

[71] When the Panel asked Ms. Walters if Krang told her when they expect to have the outstanding amount paid to AGLC, Ms. Walters responded no.

[72] When Ms. Melnychyn asked Ms. Walters why she agreed that 1,000 outstanding invoices was a lot of outstanding invoices, Ms. Walters explained that in the regular course of business, there should be little or no arrears to account for timing issues between invoice and payment.

[73] When Ms. Melnychyn asked Ms. Walters what her response was based on when she said that it was uncommon for money to be transferred directly to a small manufacturer, Ms. Walters explained that if an invoice directs the purchaser to pay AGLC, then AGLC should be receiving the payment. AGLC does not accept e-transfers for invoice payments, and it is unusual for someone to accept money that belongs to AGLC.

[74] When Ms. Melnychyn asked Ms. Walters what experience she has in the industry that led her to believe that it is highly unusual for small manufacturers to accept e-transfer payments from purchasers and that it is not happening outside of Krang, Ms. Walters said that it could be because people break rules.

#### **IV. Krang Spirits Inc. Submissions**

[75] Legal Counsel for the Licensee, Jelena Melnychyn, called one witness: Michael Guenzel, Director and Shareholder of Krang.

[76] The following is a summary of the evidence provided by Mr. Guenzel.

[77] Mr. Guenzel advised that Ms. Ransom is also a director and a shareholder of Krang.

[78] Mr. Guenzel explained that Krang made its first sale in 2016 and has operated continuously since then. It is primarily a manufacturer of spirits, but they also have a retail outlet. Krang has nine employees, including Mr. Guenzel and Ms. Ransom.

[79] Mr. Guenzel stated that he does not believe that the Licensee has had any other violations with AGLC since the business started.

[80] With respect to the missing invoices, Mr. Guenzel said that after Inspector Scotland brought the first missing invoice to Ms. Ransom's attention, she investigated and found more missing invoices which were immediately disclosed to AGLC.

[81] On May 8, 2025, Mr. Guenzel and Ms. Ransom met with Inspector Whitley to discuss the issue. In advance of the meeting, Ms. Ransom sent an email to Inspector Whitley admitting that the Licensee uncovered many unsubmitted invoices (Exhibit 2, Tab 4). She also asked if the Licensee could pay only the net balance owing to AGLC.

[82] Mr. Guenzel said that during the meeting with Inspector Whitley, they explained the situation to him, fully admitted the issue had gotten out of control and requested guidance on how to deal with the issue as quickly as possible. Inspector Whitley told Mr. Guenzel and Ms. Ransom that AGLC works with licensees to resolve compliance issues and someone would be in touch with them.

[83] Mr. Guenzel said that Ms. Ransom sent an email to Inspector Whitley after their meeting (Exhibit 2, Tab 5) making it clear that Krang took full responsibility for the issue and never intended to avoid their obligations.

[84] Mr. Guenzel advised that Ms. Ransom subsequently provided the outstanding invoices to Inspector Whitley. Inspector Scotland then contacted Ms. Ransom and asked her to enter the invoices into the LSA.

[85] On July 18, 2025, Inspector Scotland emailed Ms. Ransom to thank her for entering the invoices into the LSA and to advise that Liquor Services would contact the Licensee (Exhibit 2, Tab 12). Mr. Guenzel said that Liquor Services did not contact the Licensee, and the first contact Krang received from AGLC was a Notice of Hearing on August 22, 2025. He found it upsetting because he and Ms. Ransom were transparent, and they believed that AGLC would work with the Licensee to resolve the issue.

[86] Mr. Guenzel explained the process for receiving an order from a retailer:

- Krang receives an order by phone, email or text and enters the order into a Google spreadsheet.
- Krang sends an invoice to the retailer, which is created using the AGLC template;
- Depending on the retailer, they will either pay AGLC in accordance with the legislation, give Krang a cheque payable to AGLC upon delivery of the product, pay Krang upon delivery of the product or e-transfer funds to Krang.
- Krang sometimes receives post-dated cheques made out to Krang or AGLC, and when the cheques bounce, Krang is liable;
- Krang does not have a designated accounts receivable email address, so e-transfers are sent to Mr. Guenzel's company email.

[87] Mr. Guenzel advised that Krang tends to receive orders on Thursday, which is when retailers receive money from AGLC. They are typically out of stock and in a rush, so that is why Krang delivered orders prematurely.

[88] Mr. Guenzel said that in his dealings with retailers, he has learned that payments made outside of the regulatory requirements are far more prevalent than they should be. Some retailers are very hesitant to pay AGLC directly for unknown reasons. Mr. Guenzel stated that he understands that manually depositing cheques made out to either AGLC or Krang is not proper, but that is what happened in the past.

[89] Mr. Guenzel stated that the Licensee does not know in advance how much they will receive in consignment remittances from AGLC each Monday and Thursday, and this creates cash flow issues.

[90] Mr. Guenzel said that this incident is the Licensee's failure and they take full responsibility, but there are mitigating reasons. In 2023, there were numerous events that occurred:

- The Licensee lost a couple of key marketing and production personnel.
- A significant number of administrative data entry issues were discovered.
- The Licensee cycled through five different administrative assistants, which resulted in a huge amount of incorrect data.
- The replacement of the product manager and training of new staff tied up Mr. Guenzel's time.
- Ms. Ransom experienced serious medical issues throughout the year.
- The Licensee's business grew, which increased the number of invoices issued.
- Numerous cash flow disruptions occurred as a result of retailers failing to pay or issuing cheques that would bounce.

[91] In addition to the events that occurred in 2023, Mr. Guenzel said that the blending of operating money and money earmarked for AGLC created issues.

[92] Mr. Guenzel advised that Krang continues to grow, and the business is his and Ms. Ransom's retirement plan. They have worked hard to make it a successful and viable business.

[93] Since Inspector Scotland made the Licensee aware of the issues, Mr. Guenzel said that Krang has fully complied with AGLC's requests. The Licensee has also:

- entered the missing invoices into the LSA and opened a separate bank account for monies earmarked for AGLC;
- advised their clients that they will not accept payments other than payments made directly to AGLC;
- ceased shipping products until AGLC confirms that they have received payment, unless a retailer can produce a screenshot showing a payment receipt from AGLC;
- reviewed their invoices and records since 2023 and corrected any errors;
- made weekly payments on the arrears and produced weekly internal reconciliation reports;
- employed a collection agency to help collect outstanding amounts owed by retailers in relation to the outstanding invoices;
- cut their internal expenses, heightened fiscal controls and implemented cost-saving measures; and
- trained their administrative staff to carry out their duties with accuracy.

[94] Mr. Guenzel said that he and Ms. Ransom have effectively taken no income and put their pension funds into Krang in order to accelerate their payments to AGLC.

[95] Mr. Guenzel advised that when Krang discovered the scope of the issue, they proposed a regimented plan to pay AGLC the outstanding amount. The Licensee did not receive any feedback on the proposal. They implemented it as-is in November, and it includes:

- weekly payments of \$6,500;
- two lump-sum payments of \$50,000, to be paid in October 2026 and October 2027;
- an offer to conduct a full audit with AGLC under their terms so that Krang can demonstrate the validity of their submissions and statements.

[96] Mr. Guenzel contended that having to pay the full amount of the invoices, waiting for the consignment remittance and then re-submitting the consignment through the LSA creates a delay in paying the net balance owing to AGLC. Krang proposed only paying the net balance owing to AGLC in the approximate amount of \$213,000, which would cause the amount owing to be paid down more rapidly, but they did not receive feedback from AGLC.

[97] When Ms. Hurley asked Mr. Guenzel if Krang only sells liquor in Alberta, Mr. Guenzel said that tourists purchase products from Krang's retail storefront in Cochrane, but products sold through the Class E licence are only sold to AGLC licensees.

[98] When Ms. Hurley asked Mr. Guenzel who was responsible for submitting invoices to the LSA from 2023 to 2025, Mr. Guenzel explained that:

- Ms. Ransom was responsible for submitting the invoices;
- he was responsible for making payments to the bank; and
- part of the paperwork the Licensee used was handled by administrative assistants, but ultimately the Licensee was responsible for submitting invoices.

[99] When Ms. Hurley asked Mr. Guenzel if the total number of invoices that had not been submitted within 30 days was approximately 1,000, Mr. Guenzel said that it was somewhere around that number.

[100] When Ms. Hurley asked Mr. Guenzel who is responsible for invoicing retailers and releasing products to retailers, he explained that:

- either Ms. Ransom or an administrative assistant would generate invoices based on order sheets and send those invoices to retailers;
- Ms. Ransom and Mr. Guenzel currently release products to retailers once they receive confirmation of payment; and
- previously, Ms. Ransom was mostly responsible for releasing liquor to retailers.

[101] When Ms. Hurley asked Mr. Guenzel how neither he nor Ms. Ransom noticed that almost 1,000 invoices had not been submitted, he stated that they knew they were behind on invoices and that there were receivables, but they did not have a good grasp of the number of invoices. He further confirmed that the Licensee knew there were issues before being approached by Inspector Scotland, they were working to resolve the issues, and they believed the problem was more manageable than it was.

[102] When Ms. Hurley asked Mr. Guenzel what the Licensee was doing to resolve the issues before they were contacted by Inspector Scotland, Mr. Guenzel explained that they reviewed paper files and spreadsheets on an ongoing basis to determine what payments were outstanding. He further stated that Krang was on top of everything until 2023.

[103] When Ms. Hurley asked Mr. Guenzel if the Licensee took any steps to let AGLC know that there were issues, he responded no and stated that they were working through the issues and catching up.

[104] Ms. Hurley noted that Ms. Ransom told Inspector Scotland the first missing invoice he found was due to a late payment and did not disclose that there were ongoing issues. Mr. Guenzel said he could not speak to that.

[105] When Ms. Hurley asked Mr. Guenzel if he was aware that accepting payments directly from retailers did not comply with the legislation, he responded yes.

[106] When Ms. Hurley asked Mr. Guenzel if he knew that delivering products to retailers before receiving a payment confirmation from AGLC was a violation of the legislation, he responded yes.

[107] When Ms. Hurley asked Mr. Guenzel to confirm what Krang's gross sales were in 2024 and 2025, he stated that he believes gross sales were \$2.1 million and \$2.3 million, respectively.

[108] Ms. Hurley referred to Exhibit 3, Tab 3 and said that the total amount of sales listed in the spreadsheet is significantly different from the numbers that Mr. Guenzel provided during the hearing. When Ms. Hurley asked Mr. Guenzel if he knew why there were differences in the amounts, he stated that the spreadsheet reflects invoices that are still open in the LSA and any paid invoices are not reflected. Ms. Hurley said that the report refers to all sales and noted that she would not ask further questions since the document was not created by the Licensee.

[109] Ms. Hurley referred to Exhibit 6 and asked Mr. Guenzel why he requested an e-transfer payment from the retail licensee. Mr. Guenzel explained that:

- the Licensee reaches out to retail licensees to address outstanding invoices and requests confirmation of payment;
- the Licensee's systems are not rigid enough to determine whether a payment has or has not been made;
- retail licensees sometimes think they have paid an invoice when they have not;
- the issue with paying direct on older invoices is that the Licensee runs into duplicate payments or payment on the incorrect invoice number; and
- it was historically easier for the Licensee to keep the invoice numbers and the amount straight if the retail licensee cleared their accounts with the Licensee.

[110] When Ms. Hurley asked Mr. Guenzel if it was correct that the Licensee's historical practice of asking retail licensees to clear up payment with Krang caused a situation where \$1.2 million in sales were not submitted to AGLC, Mr. Guenzel said that was correct.

[111] When Ms. Hurley asked Mr. Guenzel whether the product should have been released to the retail licensee when the invoices had not been paid, he stated that it should not have been released but Krang took the retail licensee at their word.

[112] When Ms. Hurley asked Mr. Guenzel if the Licensee collected funds directly from retail licensees and did not submit invoices or remit payment, Mr. Guenzel said that was true in some cases.

[113] When Ms. Hurley asked Mr. Guenzel if it was true that the Licensee delivered products to retailers without receiving confirmation of payment from AGLC, Mr. Guenzel said that was correct.

[114] When Ms. Hurley asked Mr. Guenzel if monies that belong to AGLC were used by Krang for its operations prior to creating separate bank accounts, Mr. Guenzel responded yes and acknowledged that Krang had the benefit of those funds for the past two years.

[115] When the Panel asked Mr. Guenzel if the Licensee would have still identified all the outstanding invoices had they not been audited, he explained that they were in the process of bringing their records up to date from 2023 onwards.

[116] When the Panel asked Mr. Guenzel if the Licensee attempted to contact AGLC after receiving Inspector Scotland's email of July 18, 2025 and before receiving the Notice of Hearing on August 22, 2025, Ms. Melnychyn advised that Krang sent follow-up emails to AGLC (Exhibit 2, Tabs 13 to 20). Mr. Guenzel further stated that he believes that the Licensee tried to get in contact with AGLC.

[117] When the Panel asked Mr. Guenzel if the Licensee received Mr. Strang's letter to all Class E small manufacturers, he confirmed that Krang received it.

[118] The Panel read aloud an excerpt from Mr. Strang's letter:

- To ensure a level playing field between manufacturers and to protect consumer choice, alternative remitting such as payment plans, credit granting or other methods to delay reporting and remitting are not considered to be compliant by Regulatory.

When the Panel asked Mr. Guenzel if he acknowledges that statement, Mr. Guenzel responded yes and stated that it was good news because it was reminder of what the rules are.

[119] When the Panel asked Mr. Guenzel why the Licensee accepted payments on behalf of AGLC, Mr. Guenzel stated that Krang was presented with cheques made out to AGLC as payment, and they deposited those cheques at the bank.

[120] When the Panel asked Mr. Guenzel if the Licensee will accept payments on behalf of AGLC in the future, Mr. Guenzel advised that Krang has already declined payments directed to them, and their order list is backing up substantially with holds because retail licensees have been told that payment must be made to AGLC.

[121] When the Panel asked Mr. Guenzel if it is difficult to enter invoice details into the LSA, Mr. Guenzel said that:

- he is hesitant to criticize AGLC, but entering invoices is a manual process and the system frequently breaks down;
- invoices are not issued within minutes of receiving an order from a retailer;
- retail licensees do not typically pay invoices within minutes of receiving an invoice;
- sometimes it takes days to see payments show up in the LSA;
- while Krang awaits payment confirmation, retailers often run out of product and lose business; and
- the 24-hour turnaround time discussed by Regulatory Services' witnesses does not happen very often.

[122] When the Panel asked Mr. Guenzel if the Licensee could pay off the outstanding amount fairly quickly if they only had to pay the net balance owing to AGLC, Mr. Guenzel responded yes and said it would be more efficient.

[123] When the Panel asked Mr. Guenzel when the Licensee expects to have all the arrears cleared up, Mr. Guenzel advised that as part of their second proposal, they calculated the latest date for repayment would be the end of October 2027, but they intend to pay it down as quickly as possible.

## **V. Summation**

### **Regulatory Services**

[124] Regulatory Services takes the position that the Licensee admitted to breaching the legislation and policies. Although the Licensee suggested that they are prepared to accept the consequences of their actions, they instead proposed a payment plan extending to October 2027 to pay the money that should have been in AGLC's hands some time ago. This puts AGLC in a position as a creditor of Krang because there is effectively a loan outstanding, and Krang will be operating with AGLC's money for the next couple of years. For these reasons and others, Regulatory Services has not agreed to accept a proposal for a payment plan.

[125] Although Krang has now admitted that they did not submit invoices, they did not admit it until they were challenged. When initially challenged by Inspector Scotland, Ms. Ransom suggested that the first invoice found by the inspector was a one-off. Inspector Scotland advised Ms. Ransom that he had found approximately 1,000 unsubmitted invoices, and it was not until then that she disclosed to Inspector Whitley that there were outstanding invoices. Regulatory Services submits that Krang in fact knew prior to being contacted by Inspector Scotland that they were non-compliant and had not submitted invoices and payments to AGLC. Further, they did not take steps to come forward to AGLC with their issues. Regulatory Services contends that there is no guarantee that Krang would have addressed these issues in any meaningful way had Inspector Scotland not found the invoice and contacted the Licensee.

[126] Mr. Guenzel and Ms. Ransom were the only people responsible for submitting invoices; there was no other party who went rogue and failed to submit the invoices. This suggests that Krang was aware of what was going on or facilitated this major shortfall in funds and failure to pay by knowingly violating the regulatory requirements. Even if the failure to submit invoices was not done knowingly,

there are concerns that it was highly careless. Regulatory Services submits that there are some questions as to whether all invoices have been submitted to AGLC.

[127] Over \$1 million worth of liquor sales were never reported to AGLC. Although Krang said they take responsibility, Mr. Guenzel said some concerning things during his testimony. For example, when he was asked about the delivery of liquor products to a retailer without payment, Mr. Guenzel's response was that they took the retail licensee at their word that they would pay. This disregards the regulatory requirements that Krang must comply with.

[128] Regulatory Services contends that this matter goes beyond the fact that there are outstanding funds owed to AGLC. From a regulatory perspective, these are the sales of a regulated substance that occurred without any oversight on the part of the regulator. Through their actions, Krang facilitated the sale of over \$1 million of liquor without any regulatory oversight. Inspector Scotland explained some of the reasons why that oversight is necessary, including that AGLC wants to ensure that there is no improper importation of liquor. Other reasons include the potential for sale of stolen liquor and improper sales. Regulatory Services takes the position that this hampers AGLC's ability to regulate this industry.

[129] Mr. Guenzel admitted that the monies that were received went into Krang's operational account. Krang may not have collected all those monies in connection with the unsubmitted invoices because of its practice to deliver products before payment was received; out of the monies Krang collected, they have had use of the portion that belongs to AGLC for years and had the opportunity to pay its creditors, expenses, employees and potentially its shareholders.

[130] The Licensee is asking to pay back the money owed to AGLC over the next two years, and at the same time they are asking AGLC to continue to do business with them while AGLC risks not receiving the money. Regulatory Services contends that it is effectively like AGLC is financing Krang with a \$213,000 loan that Krang claims will be paid back over two years. Mr. Guenzel said this will allow them to continue to successfully operate their business. Regulatory Services submits that Krang is benefitting from withholding AGLC's money, and no other licensees who are operating according to the regulatory requirements are receiving this benefit. If licensees can flout the requirements and not face any real penalty, this creates a problematic situation where there is no risk resulting from non-compliance. Further, it penalizes compliant licensees who operate and compete in the same regulatory space. Mr. Guenzel said that he hopes AGLC cracks down on non-compliant licensees, which is interesting since Krang operated outside of the regulatory process.

[131] Regulatory Services takes the position that licensees who breach the regulatory requirements should face some sort of penalty. Holding a licence is a privilege, not a right. Krang has failed either through carelessness or with intent. This was not just one non-compliant incident; there were approximately 1,000 incidents of non-compliance to the tune of over \$1 million. There may be a suggestion that this was a one-time or a first-time offence, but that does not effectively capture this incident since there were approximately 1,000 failures over a period of two years. Krang discovered these failures but failed to come forward with them.

[132] For these reasons, Regulatory Services asks that the Panel cancel the Licences.

[133] Regulatory Services has significant concerns that if AGLC remains in business with Krang, the Licensee may not be able to pay back the outstanding amount. If the Licensee does pay AGLC, there are concerns that it will not pay amounts owing in the future. Regulatory Services questions if they will have any recourse. Unless the Licence is cancelled, the Licensee gets to operate with a float from AGLC which may be paid back. The inability to impose an appropriate penalty that would compel future compliance is another reason why Regulatory Services submits that cancellation is the appropriate action in this case.

#### **Krang Spirits Inc.**

[134] When considering a sanction, the Panel must consider it on the basis of the standard of reasonableness. Krang submits that repayments of the amount owing and a fine would be fair and reasonable in these circumstances.

[135] There is only one Board decision regarding a breach of section 79 of the Act published on AGLC's website. In that decision, the panel found that Red Cup Distillery Ltd. (Red Cup) violated section 79(1) of the Act and cancelled the licensee's liquor licences and registration. It was the second hearing they had relating to similar issues. Red Cup disputed that they contravened that section, and they were completely uncooperative with AGLC inspectors. Because of Red Cup's lack of cooperation with an audit, AGLC had no way of confirming the scope of the breach but it was estimated that they owed AGLC approximately \$7 million. Further, the owner of Red Cup slandered AGLC in the media. The licences and registration were cancelled in accordance with sections 91 and 92 of the Act, as Red Cup failed to comply with the Act and was found to be ineligible to hold a licence because of a conviction or an offence. The Licensee contends that the Board's decision to cancel Red Cup's licences and registration was completely appropriate and reasonable.

[136] The Licensee submits that the facts in the Red Cup case are completely different from the matter before the Panel. Mr. Guenzel was a very forthright and honest witness who accepted responsibility. He admitted wrongdoing on behalf of Krang, he is committed to working with AGLC, and this is a first violation. Regulatory Services suggested that had Ms. Ransom not submitted the invoices, AGLC might not have ever known about the invoices. There was no motivation to submit all those invoices other than wanting to be forthright and compliant as a partner with AGLC moving forward.

[137] The Licensee is not using the excuse that other licensees are violating section 79(1) of the Act so Krang should too. There should be compliance across the industry, but the letter that was sent on November 19, 2025 is indicative that this issue goes beyond just Krang. Krang is not a rogue actor that needs to be made an example of. Krang could be a partner with AGLC and be the gold standard of compliance moving forward.

[138] Regulatory Services submitted that there is a lot of risk that Krang will not pay, but they still want to continue doing business. The Licensee submits that AGLC is not a regular creditor and recognizes that trust has been broken. There are safeguards that can be put into place to rebuild AGLC's trust in the Licensee, such as licence conditions and regular audits.

[139] The Licensee submits that the Panel should consider section 3 of the Act, which states that the purposes of the Commission are to generate revenue for the Government of Alberta and work with

Alberta businesses. This needs to be balanced with other goals of Regulatory Services, but shutting down a viable Alberta business that is committed to cooperating with AGLC, ongoing compliance and repaying monies owed is in direct contrast to the goal of the Act. Most importantly, it would not be reasonable in these circumstances. By implementing a repayment plan and fine, the Board could achieve the goals of working with a growing and viable Alberta business and generating revenue for the Government of Alberta.

[140] The Licensee is very aware that this was a serious breach. They provided an explanation for that, including the health challenges that Ms. Ransom faced that resulted in inconsistent submissions of invoices. The key here is what Krang is going to do moving forward, and the Licensee submits that the guardrails that they have put in place moving forward should provide AGLC with comfort that this is not a business that needs to be made an example of; this is a business that has taken full responsibility and wants to be a partner with AGLC moving forward.

[141] In the Agreed Statement of Facts, it is noted that Krang has paid more than \$280,000 towards invoices since being notified of the issue by Inspector Scotland. This was done voluntarily and without any enforcement. Starting in November 2025, Krang has made voluntary weekly payments of \$6,500 without any enforcement towards the amounts owing.

[142] The Licensee submits that they have made a reasonable proposal for repayment. AGLC is not a regular creditor, so there are creative ways that this can be addressed in terms of rebuilding trust and ensuring ongoing compliance. Further, AGLC would not be taking on a significant risk if Krang does not pay because this is a growing business that is committed to repaying AGLC and ongoing compliance.

[143] In terms of the amount of the fine, the Licensee submits that a fine of \$10,000 would be appropriate. This is Krang's first violation, and it is clear from Mr. Guenzel's evidence that the Licensee takes this very seriously. Their pensions are in this business, and Krang is their retirement plan. The risk of Krang continuing to be non-compliant is minimal.

## **VI. Analysis**

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

[145] Inspector Scotland provided testimony that he conducted a liquor maintenance inspection at a retail liquor store on April 23, 2025. He received an invoice issued to that retailer by Krang and found that Krang had not submitted the invoice to the LSA. A further search for missing invoices showed that Krang had not submitted approximately 1,000 invoices to AGLC. Inspector Scotland subsequently directed the Licensee to submit all their outstanding invoices. After the Licensee completed their submissions in July 2025, Inspector Scotland received confirmation from Liquor Revenue that nearly 1,000 outstanding invoices valued at approximately \$1.4 million had not been submitted. Approximately \$280,000 of that amount was the markup, GST and other fees owed to AGLC.

[146] Section 79(1) of the Act deals with manufacturer sales to AGLC. Based on Inspector Scotland's 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.

[147] The 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.

[148] Mr. Guenzel, 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.

[149] The Panel accepts Mr. Guenzel’s admissions and the facts set out in the Agreed Statement of Facts as evidence that the Licensee failed to comply with section 79(1) of the Act.

[150] As such, the Panel finds that the Licensee failed to submit approximately 1,000 invoices in the LSA between 2023 and 2025; delivered liquor to other licensees before AGLC issued confirmation of payment for the product; and sold its product directly to other licensees in contravention of section 79(1) of the Act.

[151] The Panel acknowledges that the Licensee accepted responsibility for the issues that occurred and has tried to take steps to rectify their transgressions. However, the numerous issues that the Licensee experienced in 2023 do not absolve the Licensee of their wrongdoing. Further, Mr. Guenzel admitted that the Licensee was aware they were behind on submitting invoices to the LSA but neglected to bring this forward to AGLC.

[152] The Panel 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 Class E Licence, is a privilege. Krang Spirits Inc. took advantage of this privilege by evading AGLC’s reporting and remitting policies.

[153] Regulatory Services recommended cancelling Krang’s liquor licences. The Licensee recommended the Panel impose a \$10,000 fine.

[154] The Panel does not find that cancelling the Licences would be reasonable and appropriate at this time. The Licensee has accepted all responsibility and should be given an opportunity to pay the money they owe to AGLC. Mr. Guenzel submitted that it would take until October 2027 to pay the total amount of the outstanding invoices. The Panel finds that this an unreasonable amount of time; as such, the Panel finds that an exception should be made to allow for payment of only the outstanding markup, GST, container fees and recycling fees.

[155] 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**

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

[157] In accordance with section 91(2)(b) of the Act, the Panel imposes the following condition on the Class E Licence:

- On or before April 23, 2026, Krang Spirits Inc. must pay the net balance owing (markup, GST, container fees and recycling fees) to AGLC with respect to all open invoices that were submitted to AGLC on or before July 15, 2025.

[158] Liquor Revenue is directed to confirm the net balance owing to AGLC.

[159] The Licensee is directed to contact Liquor Revenue to make payment arrangements.

[160] Further, in accordance with section 91(2)(c) of the Act, the Panel imposes a fine of \$20,000.

[161] The fine is to be paid on or before April 23, 2026.

[162] With respect to the \$20,000 fine, 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.

Signed at Grande Prairie, this 23<sup>rd</sup> day of January, 2026

A handwritten signature in black ink, appearing to read "Wayne Drysdale". The signature is written in a cursive, somewhat stylized font.

Wayne Drysdale, Presiding Member, Hearing Panel