

Alberta Small Brewers Development (ASBD) Program Terms and Conditions

1. Purpose

The Alberta Small Brewers Development (ASBD) Program (the “Program”) is a discretionary non-entitlement Program to support the development of the small alcohol beverage manufacturing industry.

2. Definitions

- a. “AGLC” means the Alberta Gaming and Liquor Commission.
- b. “Annual Worldwide Production” or “AWP” means the cumulative total annual worldwide production of liquid products as determined in accordance with Schedule “C”.
- c. “Associate” means an associate as defined and determined under section 1 of the Gaming and Liquor Regulation (AR 143/96 as amended), and any applicable AGLC policy.
- d. “Class E Licensee” means an entity that holds a Class E Manufacturer’s Licence or a Class E Brew Pub Licence issued pursuant to section 55(a) or (b) of the Alberta Gaming and Liquor Regulation.
- e. “Contract Brewer” means a liquor agency (registered) or liquor supplier, both as defined under the Alberta Gaming and Liquor Act, who contracts with a Class E Licensee to produce Qualifying Product for the registered liquor agency or liquor supplier to sell in Alberta.
- f. “Cumulative Sales” means the cumulative sales volume of Qualifying Product in Alberta of:
 - i. the applicant or Program Participant; and
 - ii. all Associates of the applicant or Program Participant.
- g. “Minister” means Her Majesty the Queen in right of Alberta, as represented by the Minister of Agriculture and Forestry.
- h. “Program Participant” means an applicant that has been approved for funding under the Program.
- i. “Qualifying Product” means beer manufactured in Alberta containing up to 11.9% alcohol by volume.

3. Term

- a. The Program commences August 5, 2016 for a period of 10 years (the “Term”).
- b. Grant funding for Contract Brewers is limited to two years after the date of funding approval.

4. Eligible Applicants

- a. To be eligible for funding under the Program an applicant must be either a Class E Licensee or a Contract Brewer and meet the applicable eligibility requirements set out in this section. A Class E Licensee (including a Class E licensee that contract brews) must meet the requirements in section 4(b). A Contract Brewer that is not a Class E Licensee must meet the requirements in section 4(c).

Class E Licensee:

- b. To be eligible for funding under the Program as a Class E Licensee, an applicant must:
 - i. be a Class E Licensee;
 - ii. have Cumulative Sales of no more than 300,000 hL of Qualifying Product in the previous calendar year; and
 - iii. have AWP of no more than 400,000 hL of liquid products as determined in accordance with Schedule “C” in the previous calendar year.

Contract Brewer:

- c. Contract Brewers may be eligible for two years of temporary funding. To be eligible for temporary funding under the Program as a Contract Brewer, an applicant must:
 - i. be a Contract Brewer that is not a Class E Licensee;
 - ii. have identified the contract brewing arrangements to the AGLC and documented those arrangement to the satisfaction of the AGLC in accordance with AGLC requirements;
 - iii. have Cumulative Sales of no more than 300,000 hL of Qualifying Product in the previous calendar year;
 - iv. have AWP of no more than 400,000 hL of liquid products as determined in accordance with Schedule “C” in the previous calendar year; and
 - v. satisfy the Minister that the applicant has a reasonable business plan and capacity to become a Class E licensee within 2 years of the date of application to the Program, and must reasonably proceed with implementation of the business plan and report in accordance with the requirements set out in section 4(d).
- d. A Contract Brewer shall provide the Minister with six-month interim status reporting, to the Minister’s satisfaction and on dates specified by the Minister, detailing progress in:
 - i. becoming a Class E Licensee;
 - ii. acquiring financing; and
 - iii. any other requirements as determined by the Minister.
- e. During the first twelve months of the Term, a contract brewer that does not meet the requirement in section 2(e) of contracting with a Class E Licensee to produce Qualifying Product may be eligible for transition funding for sales in Alberta of beer manufactured outside of Alberta containing up to 11.9% of alcohol by volume, if:
 - i. The contract brewer meets all eligibility requirements for funding as a Contract Brewer under section 4(c) and meets the definition of a Contract Brewer under section 2(e) other than the requirement to contract with a Class E Licensee to produce Qualifying Product;
 - ii. the beer was obtained by that contract brewer under a contract with a manufacturer that was executed and in effect prior to July 28, 2016 and was identified and documented to the AGLC in accordance with section 4(c)(ii) prior to July 28, 2016;

- iii. that contract brewer has sales in Alberta under that contract reported to the AGLC, prior to July 28, 2016; and
- iv. that contract brewer is an Alberta entity that was registered with Alberta Corporate Registry prior to July 28, 2016.

Any beer produced and sold under such circumstances will be treated as Qualifying Product.

5. Compliance with Eligible Applicant Requirements

- a. The Minister may confirm with the AGLC an applicant's compliance with section 4 prior to the Minister approving that applicant for funding under the Program, and prior to making any payments to a Program Participant.
- b. Program Participants must continue to comply with section 4 during the Term to be eligible for funding under the Program. The Minister may confirm such compliance with the AGLC at any time during the Term.

6. Ineligible Applicants

- a. Any applicant whose Cumulative Sales of Qualifying Product exceed 300,000 hL in the calendar year previous to the date of their application.
- b. Any applicant whose AWP exceeds 400,000 hL of liquid products in the calendar year previous to the date of their application.
- c. Any entity deemed ineligible in the sole discretion of the Minister may not participate in the Program.

7. Eligible Sales

- a. The Program provides monthly funding based on a Program Participant's monthly Cumulative Sales. Sales are eligible only once under the Program.

8. Application

- a. Applicants must complete an application form provided by the Minister to apply to participate in the Program.
- b. Applications must include the following, to the satisfaction of the Minister:
 - i. a completed application form;
 - ii. a declaration of production or confirmation that a declaration of production has been provided to the AGLC;
 - iii. if the Applicant is a Contract Brewer applying for temporary funding under section 4(c) or as a contract brewer applying for transition funding under section 4(d):
 - A. a detailed business plan to become a Class E Licensee within two years of the date of application to the Program. Business plans should address details on and milestones for :marketing, manufacturing plant development, production, financing, management capacity and meeting Class E licensing requirements; and
 - B. financial statements that support the business plan provided; and
 - iv. any other information required by the Minister.

9. Grant Payments

- a. Grant payments will be made monthly to Program Participants.
- b. A Program Participant's grant payment in any given month is determined by multiplying the Program Participant's Cumulative Sales in the immediately preceding month by the grant rate as determined in accordance with Schedule "A".
- c. Grant rates are determined and apply for six-month time periods as set out in Table 1 of Schedule "B".
- d. The applicable twelve month Cumulative Sales period changes for each applicable six-month grant rate period. The applicable twelve month Cumulative Sales periods and corresponding grant rate periods are set out in Schedule "B".
- e. The AGLC will provide the Minister with Program Participant's Cumulative Sales as required to calculate the grant payments.
- f. Notwithstanding any other term or condition of the Program, in no circumstances will a Program Participant receive funding under the Program in excess of \$12 million in a calendar year.

10. AGLC Policies

- a. Program Participants shall comply with AGLC policies at all times during the Term.

11. Verification

- a. The applicant and/or Program Participant consents to the Minister releasing any information contained in their application, or related to it and obtained by the Minister, to any other government department, as required for the purpose of administering the Program.
- b. The applicant and/or Program Participant consents to the Minister releasing their application, declaration of production, business plan, financial statements and reports provided under section 4(d) to the AGLC as required for the purpose of administering the Program.
- c. The applicant and/or Program Participant expressly authorize the Minister to obtain information from any government department or the AGLC as required for the purpose of administering the Program.
- d. During the Term, the applicant and/or Program Participant shall provide any information requested by the Minister or the AGLC which the Minister or the AGLC requires for the purpose of administering the Program.
- e. From the date of the application until one year following the date of the last payment under the Program, the Program Participant agrees to maintain records relevant to the grant, and to give access to these records to the Minister or the AGLC, or representatives of the Minister, for the purpose of the Minister determining compliance with the Program Terms and Conditions. The Program Participant agrees to make available all records, books of account, income tax returns, invoices and databases that are necessary for the audit of the Program Participant's compliance. If the Program Participant fails to provide such information and access within a reasonable time on reasonable notice, as determined by the Minister, the Applicant may be required to pay back any payments received under the Program.

12. Changes to Funding

- a. In the event that funding available to the Minister to make the grant is reduced or eliminated, the Minister may, in his sole discretion, cancel, or reduce the amount of the grant.

13. Non-compliance

- a. The Minister may do one or more of suspend, cancel, reduce, or demand the repayment of the grant, in whole or in part, or terminate the Program Participant's participation in the Program, if the Program Participant:
 - i. has knowingly provided false information or misleading information in its application or during its participation in the Program, or in any communication with the Minister or the AGLC;
 - ii. breaches the Program Terms and Conditions, including without limitation failing to comply with the applicant eligibility requirements under section 4, all determined in the sole discretion of the Minister; or
 - iii. ceases to operate or makes an assignment, proposal, compromise, or arrangement for the benefit of creditors, or is petitioned into bankruptcy, or files for the appointment of a receiver.

14. General

- a. The Program Participant shall comply with all applicable legislation.
- b. Approval of an application under this Program creates no obligation on the part of the Provincial Crown or the AGLC to provide licences or approvals under any legislation.
- c. The Minister has the right to deduct from a Program Participant's grant any amount due and owing to the Provincial Crown.
- d. The applicant and/or Program Participant represents and warrants that it has made full, true, and plain disclosure to the Minister and the AGLC of all facts relating to its participation in this Program.
- e. Payments under this Program are grants subject to the Agriculture and Rural Development Grant Regulation. The applicant and Program Participant acknowledge that, in addition to complying with these Program Terms and Conditions, the applicant and Program Participant must comply with the Agriculture and Rural Development Grant Regulation.
- f. The Program Participant may not assign its right to participate in, or entitlement to receive a payment under, the Program.
- g. Upon notice being provided by the Minister, the Program Participant shall immediately refund to the Provincial Crown any payment received under the Program not in accordance with the Program Terms and Conditions.
- h. Information provided to the Minister or AGLC under this Program is subject to the *Freedom of Information and Protection of Privacy Act*.

15. Changes to the Program

- a. The Program will be reviewed on an ongoing basis, and the Minister may change or terminate the Program at any time without notice. If the Minister changes the Program,

Program Participants shall be required to comply with the updated Program Terms and Conditions, and the Minister will send a copy of the updated Program Terms and Conditions to Program Participants.

16. Ministerial Discretion

- a. The Minister has absolute discretion to determine the eligibility of any applicant and Program Participant under the Program and any payment due under the Program. The decision of the Minister is final.

Schedule A
Alberta Small Brewers Development (ASBD) Program

Table 1: Grant Rate Table up to 150,000 hL.

Program Participant's total Cumulative Sales of Qualifying Product for the applicable twelve month period (set out in Schedule B) in hectolitres (hL)			Grant Rate (\$/Litre)
1	to	10,256	1.15
10,257		10,810	1.14
10,811		11,428	1.13
11,429		12,121	1.12
12,122		12,903	1.11
12,904		13,793	1.10
13,794		14,814	1.09
14,815		16,000	1.08
16,001		17,391	1.07
17,392		19,047	1.06
19,048		21,052	1.05
21,053		23,529	1.04
23,530		26,666	1.03
26,667		30,769	1.02
30,770		36,363	1.01
36,364		44,444	1.00
44,445		50,877	0.99
50,878		52,727	0.98
52,728		54,716	0.97
54,717		56,862	0.96
56,863		59,183	0.95
59,184		61,702	0.94
61,703		64,444	0.93
64,445		67,442	0.92
67,443		70,731	0.91
70,732		74,358	0.90
74,359		78,378	0.89
78,379		82,857	0.88
82,858		87,878	0.87
87,879		93,548	0.86
93,549		100,000	0.85
100,001		107,407	0.84
107,408		116,000	0.83
116,001		126,086	0.82
126,087		138,095	0.81
138,096		150,000	0.80

Note: Refer to Table 2 of Schedule A to determine the Grant Rate where the Program Participant's total Cumulative Sales of Qualifying Product for the applicable twelve month period exceeds 150,000 hectolitres (hL).

Schedule A (Continued)
Alberta Small Brewers Development (ASBD) Program

Table 2. Grant Rate Formula over 150,000 hL

Where the Program Participant's total Cumulative Sales of Qualifying Product for the applicable twelve month period exceeds 150,000 hectolitres (hL), use the following Grant Rate formula to calculate the Grant Rate.

Note: In the formula, **CS_{12 months}** is the Program Participant's total Cumulative Sales of Qualifying Product for the applicable twelve month period. The maximum **CS_{12 months}** is 300,000 hL where the Grant Rate is equal to zero.

Grant rate formula where CS_{12 months} exceeds 150,000 hL but not more than 300,000 hL

$$\text{Grant Rate} = \left(\frac{300,000 \text{ hL} - \text{CS}_{12 \text{ months}}}{\text{CS}_{12 \text{ months}}} \right) \times \$0.80 \text{ per litre}$$

Example:

A Program Participant has 165,000 hL of total Cumulative Sales of Qualifying Product for an applicable twelve month period. **CS_{12 months}** = 165,000 hL.

Use the Grant Rate formula to calculate the Grant Rate where **CS_{12 months}** = 165,000 hL.

$$\begin{aligned} \text{Grant Rate} &= \left(\frac{300,000 \text{ hL} - \text{CS}_{12 \text{ months}}}{\text{CS}_{12 \text{ months}}} \right) \times \$0.80 \text{ per litre} \\ &= \left(\frac{300,000 \text{ hL} - 165,000 \text{ hL}}{165,000 \text{ hL}} \right) \times \$0.80 \text{ per litre} \\ &= \left(\frac{135,000 \text{ hL}}{165,000 \text{ hL}} \right) \times \$0.80 \text{ per litre} \\ &= 0.81818 \times \$0.80 \text{ per litre} \end{aligned}$$

$$\text{Grant Rate} = \$0.65455 \text{ per litre}^*$$

* rounded to five decimals

Schedule A (Continued)
Alberta Small Brewers Development (ASBD) Program

Table 3.
Example Grant Payment Calculation

A grant payment in a particular month is determined by multiplying the Program Participant's Cumulative Sales in the immediately preceding month by the Grant Rate.

Example:

A Program Participant has a Grant Rate of \$1.12 per litre, based on the Program Participant's total Cumulative Sales of Qualifying Product for the applicable twelve month period and Table 1 of Schedule A.

In the immediately preceding month, the Program Participant has Cumulative Sales of Qualifying Product of 467 hL. $CS_{1 \text{ month}} = 467 \text{ hL}$. The grant is calculated on a per litre basis.

$$\text{Grant} = \text{Grant Rate per litre} \times CS_{1 \text{ month}}$$

$$= \$1.12 \text{ per litre} \times 467 \text{ hL} \times \frac{100 \text{ L}}{\text{hL}}$$

$$\text{Grant} = \$52,304.00$$

Schedule A (Continued)
Alberta Small Brewers Development (ASBD) Program

Table 3.
Example Grant Payment Calculation

Grant payments are determined by multiplying the Program Participant's Cumulative Sales in the immediately preceding month by the Grant Rate.

Example:

A Program Participant has a Grant Rate of \$0.65455 per litre, based on the Program Participant's total Cumulative Sales of Qualifying Product for the applicable twelve month period of 165,000 hectolitres ($CS_{12\text{ months}} = 165,000\text{ hL}$). The Grant Rate is based on the calculation in Table 2 of Schedule A.

In the immediately preceding month the Program Participant has Cumulative Sales of Qualifying Product of 14,675 hL. $CS_{1\text{ month}} = 14,675\text{ hL}$. The grant is calculated on a per litre basis.

$$\begin{aligned}\text{Grant} &= \text{Grant Rate per litre} \times CS_{1\text{ month}} \\ &= \$0.65455 \text{ per litre} \times 14,675 \text{ hL} \times \frac{100 \text{ L}}{\text{hL}}\end{aligned}$$

$$\text{Grant} = \$960,552.13$$

Schedule B

Alberta Small Brewers Development (ASBD) Program

Note: the Grant rate is updated every six months based on a preceding twelve month sales period.

Table 1. The twelve Month Sales Period and the corresponding Grant Rate Period

Twelve Month Sales Period	Grant Rate Period
July 1, 2015 to June 30, 2016	August 5, 2016 to January 31, 2017
January 1, 2016 to December 31, 2016	February 1, 2017 to July 31, 2017
July 1, 2016 to June 30, 2017	August 1, 2017 to January 31, 2018
January 1, 2017 to December 31, 2017	February 1, 2018 to July 31, 2018
July 1, 2017 to June 30, 2018	August 1, 2018 to January 31, 2019
January 1, 2018 to December 31, 2018	February 1, 2019 to July 31, 2019
July 1, 2018 to June 30, 2019	August 1, 2019 to January 31, 2020
January 1, 2019 to December 31, 2019	February 1, 2020 to July 31, 2020
July 1, 2019 to June 30, 2020	August 1, 2020 to January 31, 2021
January 1, 2020 to December 31, 2020	February 1, 2021 to July 31, 2021
July 1, 2020 to June 30, 2021	August 1, 2021 to January 31, 2022
January 1, 2021 to December 31, 2021	February 1, 2022 to July 31, 2022
July 1, 2021 to June 30, 2022	August 1, 2022 to January 31, 2023
January 1, 2022 to December 31, 2022	February 1, 2023 to July 31, 2023
July 1, 2022 to June 30, 2023	August 1, 2023 to January 31, 2024
January 1, 2023 to December 31, 2023	February 1, 2024 to July 31, 2024
July 1, 2023 to June 30, 2024	August 1, 2024 to January 31, 2025
January 1, 2024 to December 31, 2024	February 1, 2025 to July 31, 2025
July 1, 2024 to June 30, 2025	August 1, 2025 to January 31, 2026
January 1, 2025 to December 31, 2025	February 1, 2026 to July 31, 2026

Schedule B is illustrated by the graphic on the following page.

Schedule B (Continued)

Illustration

The Grant rate is updated every six months based on a preceding twelve month sales period. Table 2. below illustrates the grant rate update schedule from August 5, 2016 to July 31, 2018.

Table 2.

July 1, 2015 to June 30, 2016	Grant rate in effect from August 5, 2016 to January 31, 2017
January 1, 2016 to December 31, 2016	Grant rate in effect February 1, 2017 to July 31, 2017
July 1, 2016 to June 30, 2017	Grant rate in effect August 1, 2017 to January 31, 2018
January 1, 2017 to December 31, 2017	Grant rate in effect February 1, 2018 to July 31, 2018

Schedule C

Determination of Annual Worldwide Production

To be eligible for funding under the Program in each year of the Term, an applicant and/or Program Participant (including Associates of the applicant and/or Program Participant) must have Annual Worldwide Production (AWP) of liquid products of less than or equal to 400,000 hL in the previous calendar year.

AWP is determined as follows:

1. References to “manufacturer” or “liquor supplier” in this schedule refer to manufacturer or liquor supplier as defined under the Gaming and Liquor Act (Alberta).
2. Total annual worldwide production in any facility where the applicant and/or Program Participant is or was producing or obtaining its beer products is included in the determination of the AWP. This includes production of all liquid products (both liquor and non-liquor products) and includes all contracted, leased and co-packaging volumes produced for any applicant and/or Program Participant at other facilities. If an applicant and/or Program Participant enters into a contract with a manufacturer or liquor supplier to produce beer products, the AWP for all involved manufacturers and liquor suppliers of all liquid products will be added together with the production of the applicant and/or Program Participant to determine AWP for the purposes of the Program. Production of all Associates of the applicant and/or Program Participant, manufacturer and supplier will be included.
3. The applicant, as part of their application to the Program, must provide a declaration of production (in a form specified by the Minister) or confirmation that a signed declaration of production has been provided to the AGLC.
4. Following the first year of participation in the Program and for each subsequent year, Program Participants must provide, to the satisfaction of the Minister, either an annual declaration of production or confirmation that a declaration of production has been provided to the AGLC in order for the Minister to assess the Program Participant’s continued eligibility for the Program. A Program Participant must provide the declaration of production or confirmation within thirty days of the end of the preceding calendar year in order to be eligible for funding in the current calendar year.
5. All applicants and/or Program Participants must provide independent verification that verifies the reported production volumes of all products is accurately reflected in the declaration of production. Independent verification must be provided by an internal or external auditor/accountant. Those providing verification must be independent of management and in good standing with their legislatively recognized accounting body. The independent verification must be provided together with the declaration of production and is subject to the same deadlines. The independent verification must be to the satisfaction of the Minister.
6. The Minister has absolute discretion to determine whether the declaration of production and independent verification meet the requirements of the Program.