

BEFORE THE OHIO STATE SENATE
Small Business and Economic Development Committee

Testimony of Geoffrey Korff
CEO and Founder of Galenas LLC

OFFERED AS AN INTERESTED PARTY AS TO
SENATE BILL 261

November 30, 2021

Chairman Rulli and honorable members of this committee, thank you for inviting me to testify here today as an interested party regarding Senate Bill 261. My name is Geoffrey Korff and I am the founder and CEO of Galenas LLC. Galenas is a Level 2 medical marijuana cultivator in Ohio, and we own no other licenses in the state. Our cultivation facility is located at 1956 South Main Street, Akron, Ohio, and we have been operating in that location since April of 2019. We currently employ 19 full-time equivalent employees.

By way of background, I am a licensed attorney in Ohio, having graduated from the Ohio State University in 2005 and Syracuse University College of Law in 2008. I returned to Ohio, passed the bar exam here, and have been an active member of the Ohio State Bar in good standing for the past 13 years. However, only a short portion of my career was spent in the active practice of law. Within a few years after becoming an attorney, I took a position in a private manufacturing company in northeast Ohio, and eventually became president of that company in 2015. I left my previous employer in 2018 after my newly formed company Galenas was awarded a cultivation license in the initial round of licensing for Ohio's medical marijuana program. My full-time role is now with Galenas. I am also a happily married father of 3 wonderful children, all of whom are students in Hudson Public Schools in Hudson, Ohio.

I hope this brief recitation of my background makes it clear what I am not some bogeyman waiting in an alley to sell drugs to minors. I am a person that deeply cares about the suffering of patients in Ohio, as well as being someone that is doing his level best to operate and grow a professional business in this new and challenging industry.

My company Galenas, like all Level 2 medical marijuana cultivators, is only permitted to grow within 3,000 square feet of regulated space. By any measure or in any market, this is an extremely small amount of cultivation space. Within about 9 months of starting our business in Akron, we were effectively sold out of product after every harvest for a period of days and unable to meet demand from our customers. Then as the program grew and demand continued to increase, days of our empty vault became weeks, and we established a rhythm of low inventories which has become so common we've developed a shorthand for it, referring to the month that we have no inventory as our "3rd Month," which is the period of time in a normal cultivation cycle where sales are typically off by 50% or more due to reduced and then non-existent inventory. Just this past month, November, was such a 3rd month for us, and sales were off from

the previous month by 61%. Again, not because we do not have demand for our products, but because we are habitually low on finished goods inventory as a result of our extremely limited production capacity. We are grateful to be in high demand, but being perpetually unable to grow our business to meet that demand has been exceptionally frustrating to say the very least.

Despite our smaller size, we have virtually all of the same operating expenses and compliance requirements of the much larger Level 1 cultivators, save for the annual fee that is required to maintain our license. We have to meet the same extensive security requirements, the same quality requirements, the same transportation, permitting, inspections, and overall regulatory burden. The only functional difference between Level 2 license holders and Level 1 cultivators is the regulated cultivation space that is allowed in our operations.

Now, it is true that we have just recently been approved to expand our cultivation space from 3,000 square feet to 6,000 square feet. In this regard we sincerely appreciate the Department of Commerce's attention and approval of our petition for expansion. But with that said, we have been requesting expansion for approximately 12 months, and it was only recently determined by the Director of the Department of Commerce that our requests would be considered. The opportunity cost of those 12 months is substantial for any business, but for a small business desperate to grow, the lost opportunity was enormous. And 6,000 square feet, despite it being a doubling of space, is still very little space compared to any other state, and certainly compared to the 50,000 square feet that Level 1 cultivators are now permitted to request.

I fully expect that we will build out our expansion, operate for 6 months, and then be sold out of inventory again. If nothing changes we will go through the same process once more, returning to the Department of Commerce, pleading that the government allow us to grow our business, and all the while small businesses like mine will continue to lose market share and the opportunity to grow, hire more employees, and invest in our communities.

If the current plans for cultivator expansion that are represented in Senate Bill 261 are allowed to proceed as is, and all Level 2 cultivators expand to 6,000 square feet, while all Level 1 cultivators expand to 50,000 square feet, the Level 1 medical marijuana cultivators in Ohio will control 92.3% of all production capacity in Ohio. The Level 2 companies, including my company Galenas, will be left with an exceedingly modest 7.7% market share. If the goal of this bill was to level the playing field to any extent, it does not accomplish that goal. To the contrary, it makes the discrepancy between the Level 1's and the Level 2's substantially more pronounced.

My request to this Committee and to the Legislature of the state of Ohio is to consider this dramatic discrepancy as you review this bill. What Galenas would like to see is quite simple -- we would like to see a pathway to growth that, upon meeting clearly defined milestones, allows us to grow our business if and when we so choose. By no means am I asking for a gift, I am only asking for a path, for an opportunity to grow this small business in the hopes that one day we might not be quite so small. I am asking that we be allowed to compete on a level playing field, and that we be given the opportunity to provide our products to the customers that want them, who tell us literally every day that they would love to buy more if only they could find our products on the shelves.

Respectfully Submitted,

Geoffrey Korff
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