

HEARING TESTIMONY OF GRANT AND MAIRI MARTIN, MAG INDUSTRIES LTD.

Opening Statement

Good morning Chairman Frankel, Chairwoman Rapp, and members of the House Health Committee.

My name is Grant Martin, President and Chairman of MAG Industries, a Pennsylvania-based processor and distributor of kratom and hemp-derived cannabinoid products, such as delta-8 THC. With me today is Mairi Martin, our General Counsel.

Thank you for inviting us to participate in this important hearing to discuss the regulation of our products. We're grateful for this opportunity, and we hope that our extensive experience as lawyers and entrepreneurs in this industry will be valuable to the Committee. In general, we support the effort to regulate these products to ensure that appropriate consumer protections are in place.

In our testimony today, I will provide some brief background about ourselves and our business. Then, Mairi will discuss our specific recommendations for regulating these products.

About Us – Personal Bios

I was born and raised in a small town outside of Altoona in rural central Pennsylvania, coming from a middle-class family of small business owners.

I went to Penn State for business and earned a full-tuition scholarship to The Penn State Dickinson School of Law.

After graduating law school *cum laude* and passing the bar exam, I practiced as an attorney at some of the largest law firms in the country, including K&L Gates in Pittsburgh and Vorys in Columbus. Then, I started MAG Industries with my older brother, Adam, who was an experienced sales broker in the tobacco, vape, and hemp industries.

Mairi, our General Counsel, is from Cleveland originally, coming from a family of military veterans and public service workers. She went to the prestigious law school of William & Mary in Virginia and, like me, started her legal career at Vorys in Ohio, before ultimately joining MAG Industries full time to lead our Legal Department.

Mairi is also my wife and the mother of our 2-year-old son, with another baby coming this June.

About Our Company – Company Bio

Our company, MAG Industries, is primarily a supplier to retailers, including convenience stores and tobacco outlets. We buy and resell many product categories, such as hemp, tobacco,

vape, candy, and smoking accessories, but most relevant here is that we own and produce a popular brand of hemp-derived delta-8 THC products.

We currently sell to approximately 2,600 stores in about two dozen states throughout the U.S., with our primary region being the tri-state area of Pennsylvania, West Virginia, and Ohio.

In just three years, we have grown from zero to about 100 employees, and we are always hiring. In addition to job creation, we are investing millions of dollars in technological innovations, manufacturing equipment, and facility improvements.

Our Impact

Importantly, all of this growth and investment is taking place in a small town in rural Pennsylvania. Like so many other small Pennsylvania towns, ours has been starved for jobs and economic opportunity since the decline of steel, rail, and coal, and this has resulted in dilapidated buildings, widespread mental health issues, and an epidemic of life-ruining drugs like opioids and meth.

Our business is creating new hope and opportunity. We're making professional positions that are allowing our young, educated talent to stay local, as well as creating safe and good-paying laborer jobs. We are transforming an abandoned, boarded-up warehouse into a state-of-the-art facility, and we're generating optimism and excitement through community engagement and charitable contributions.

The best part is that this is only the beginning. If Pennsylvania's government and businesses work together to make hemp products safe for consumers and friendly for businesses, Pennsylvania could be a national leader in a new, booming industry, just as it was many years ago in steel, rail, and coal.

We believe that the first step is to pass reasonable regulations that keep the products away from minors, empower consumers with facts about what they're consuming, and force irresponsible sellers out of the market.

Mairi will now go into detail regarding our recommendations for regulating these products.

Key Components of a Regulatory Scheme for Hemp-Derived Cannabinoid Products

Based on our experience with industry best practices and the laws of other jurisdictions, we have identified four key components of an effective regulatory scheme for hemp-derived cannabinoid products.

1. **The purchase of hemp-derived cannabinoid products must be age-restricted.** Specifically, we recommend prohibiting sales to anyone under the age of 21, both to maintain consistency with existing alcohol and tobacco laws and to ensure that potentially intoxicating products are kept out of high schools.
2. **Certain basic information must be mandated on a product's packaging.** For example, what specific cannabis-derived compounds does the product contain, and in what amounts? Is the product intoxicating? Labeling standards such as these enable consumers to make informed decisions about whether or not to use a particular product, reducing the risk that they will experience unwanted effects or inadvertently place themselves in unsafe situations (e.g., by driving under the influence).
3. **Safety testing must be required and standardized.** To protect consumers, products must be tested for common contaminants such as pesticides, heavy metals, and solvents, and specific limits must be established for these substances.
4. **Products and sellers must be registered.** Registration provides accountability by requiring sellers to take responsibility for their products' compliance. If a list of registered products is made public, it also empowers consumers to vet their sources, which extends regulators' resources by allowing the market to help police itself.

For additional detail on each of these four key components, please see the one-page overview we have provided along with our written testimony.

Conclusion

Thank you again for the opportunity to provide comments on this important issue today. We applaud the Committee's efforts to ensure appropriate consumer protections are in place for the hemp industry in Pennsylvania and we would be happy to answer any questions you may have.

Proposed Regulatory Scheme for Hemp-Derived Cannabinoid Products

By establishing reasonable regulatory standards for hemp-derived cannabinoid products, the General Assembly has the opportunity to support Pennsylvania businesses, protect consumers, and maintain the Commonwealth's place as a national leader in the hemp industry.

Please consider the following regulatory framework for hemp-derived cannabinoid products:

1. Minimum Age of Purchase.

To maintain consistency with existing alcohol and tobacco laws and keep hemp-derived cannabinoid products out of high schools, purchase should be restricted to individuals aged twenty-one (21) and older.

2. Labeling Standards.

Risks of adverse consumer experiences, impaired driving, and access by minors can be substantially mitigated by establishing labeling standards, including requirements that: (1) all cannabinoids contained in a product must be listed on the packaging; (2) all potentially intoxicating products must bear a standardized warning label, such as the one pictured on the right; (3) labels must not use cartoon characters, "copycat" candy labels, etc.; and (4) all labeling must include a standardized warning regarding the minimum age of purchase.



3. Testing Standards.

To protect consumers, the law should set limits for common contaminants, such as pesticides, solvents, and heavy metals. Further, if products exceed these limits, the Department of Agriculture should be authorized to seize them and take other actions to protect the public health, similar to the existing enforcement scheme for adulterated food products. Products should also be required to undergo potency testing to confirm that their cannabinoid content is consistent with their labeling.

4. Mandatory Registration with the Department of Agriculture for Products and Sellers.

Requiring registration with the Department of Agriculture would help ensure that products meet the applicable regulatory standards, improve traceability in case of adverse consumer events, and empower consumers to vet particular sources. Additionally, registration fees could be used to help offset the Department's costs, subject to caps for products that can be shown to use Pennsylvania-grown hemp.

MAG Industries gets off to hot start

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From left, MAG Industries management executive Megan Martin-Sunderland, CEO and co-founder Adam Martin and president and co-founder Grant Martin look over the demolition of part of their building at 1631 Lincoln Ave. in Tyrone. Mirror photo by Patrick Waksmunski

TYRONE — A local landmark is being brought back to life, even though part of it is being demolished.

MAG Industries Ltd., owned by brothers Grant and Adam Martin, is running and growing in the former Big Yank building on Lincoln Avenue. MAG Industries Ltd. is a wholesale distribution and

manufacturing company that introduces the latest products to smoke shops, convenience stores and other distributors across the country.

According to Mirror files, the Big Yank building dates back to at least 1898 when a factory was founded there as the Reliance Manufacturing Co.

Big Yank, which manufactured blue jeans for Levi Strauss and Co., Kmart and J.C. Penney Co., closed in late 1992, putting 160 employees out of work. At one time, the plant employed more than 300, but foreign competition and a rocky economy had shrunk those numbers.

In 1994, Nick Drost and Jim Decker bought the building at a bankruptcy court in New York and opened Tyrone Apparel Manufacturing Inc. U.S.A., which operated for a short time.

The Martin brothers, Bellwood natives who had moved away from the area, decided to come back to the area and start up MAG Industries Ltd.

“We started two years ago in the summer of 2020 in the heart of COVID. I was a lawyer and had moved away and my brother had a successful career in sales and found himself with an independent sales brokerage in this industry where he gained many store customers,” said Grant Martin, company president. “We left our careers, came back home and built a distribution center designed to serve those customers directly. Since then, we’ve increased our customer base by five or six times. We have gone from zero to 80 employees in the last two years; we are growing really fast.

After renting the building for about two years, they purchased it from Blair Companies in June.

“When the real estate was available, we made it our home and are glad to be back here in Blair County and contribute to our community. This summer, the stars lined up, and we purchased it. We are creating higher paying jobs, have a great culture and a great place to work. It is exciting to be back,” Grant Martin said.

“I fell in love with this building the moment I saw it. I knew that we would bring this building back to life and bring exciting jobs to Tyrone,” CEO Adam Martin said.

Renovation work began immediately after the purchase.

“It was a struggle for two years because we were renting and couldn’t renovate. It was a big relief to purchase and start renovations. It had been an eyesore for years and has been vacant. We are cleaning it up and are thrilled to make it a better place to work,” Grant Martin said.

Eleven new air conditioning units have been added to the warehouse.

The building was 100,000 square feet when purchased. G&R Excavation and Demolition is demolishing the oldest portion (40,000 square feet which served as a sewing factory), which leaves the company 60,000 square feet to use and renovate now. Later, new offices and additional warehouse space will be constructed where the demolition has occurred.

The Martins purchased the building for a half million dollars and will be putting several million dollars into the renovations over the coming years, Grant Martin said.

MAG Industries has customers throughout the United States. Local customers include Nic’s Tobacco and Martin’s General Stores.

Blair Candy Co. had been working with Adam Martin even before MAG Industries was started.

“He was very helpful to me in bringing into Blair Candy a new category of innovative products. By starting MAG he was able to bring in a large variety of products as well as keeping up with all the new products available in the marketplace. He gave me the option to use him as a master distributor instead of having to deal with the many companies out there,” said Vice President Terry Dandrea of Blair Candy, the distributor for the Nic’s Tobacco and Nic’s Grab n Go Chain, as well as many independent stores.

Grant Martin said he appreciates the history of the building in which their business has been established.

“We have an appreciation of the history and what Big Yank meant to the community. We are preserving as much as we can. We are excited to preserve the majority of Big Yank and carry on the tradition and revitalize a building that used to be a thriving hub of Tyrone and center of job creation. We are bringing life into this and creating jobs and bringing revenue into town, it is an exciting place to be,” Grant Martin said. “Everyone here is part of the culture; we are striving for success. We have a group of people who want challenged to do their best. We should have hundreds of employees, but we are doing it with about 80. It is a valiant effort. Everyone here can be proud of doing something big and something special.”

MAG Industries’ growth has been rapid.

“There is never a slow day at MAG, never a boring day. What has allowed us to grow and keep up with sales and demand is having a great team, having great people who have a great work ethic. We are in a new booming industry, the opportunities are endless,” Grant Martin said.

“The key to our success is our employees and our customers. Everyone at MAG plays an important part in our customers’ success. It doesn’t matter if you’re picking, packing, entering orders, delivering the products or reconciling our bills. It’s all an important part of the process that results in providing our customers with quality products that help them grow their businesses,” Adam Martin said.

“MAG Industries has had a very positive impact already in bringing back local employment with competitive wages and friendly working atmosphere. It is very commendable on their part to bring life back into an old building that has sat empty for years. I have no doubt when construction is done, the building will have an attractive modern entrance and a parking lot of its own,” said Executive Director Rose Black of the Tyrone Area Chamber of Commerce.

MAG Industries expects to continue growing and hiring.

“We are always looking to hire. We can’t hire as fast as we are growing. We are looking for talent in all areas. By the end of 2023, we will be at 150 employees or more,” Grant Martin said.

“Our short-term goal is to provide sales and service to every viable retail outlet in Ohio, Pennsylvania, and West Virginia. From there, we will continue to build out our distribution network until we are one of the largest suppliers in the U.S.,” Adam Martin said.

“Our goal is not to get rich, we want to build something that is good for the area and the employees,” Grant Martin said.

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