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Bioscience Steering Committee  
August 22, 2016

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The Bioscience Steering Committee met at 1:30 p.m. on Monday, August 22, 2016, in Room 1524 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing. Senators present: Adam Morfeld, Chairman; Jerry Johnson; John Kuehn; Heath Mello; and Paul Schumacher. Senators absent: None.

SENATOR MORFELD: (Recorder malfunction)...Morfeld. I am the Chair of the committee and I represent District 46 in northeast Lincoln. We have two people staffing the committee. Thank you, Laurie, for dedicating her time to doing this. Laurie, if you want to introduce yourself quick.

LAURIE VOLLERTSEN: Laurie Vollertsen. I'm in Senator Mello's office.

SENATOR MORFELD: All right, thank you.

JULIA HOLMQUIST: And then...

SENATOR MORFELD: And then...what? Well, and then we have Julia. And Julia doesn't want to be recognized, but Julia is my legislative assistant.

JULIA HOLMQUIST: I'm Julia Holmquist and I'm his legislative aide.

SENATOR MORFELD: Yep. And then we have...we'll start with Senator Johnson, if you want to introduce yourself.

SENATOR JOHNSON: Yeah. Senator Johnson, District 23, Saunders, Butler, and most of Colfax County.

SENATOR SCHUMACHER: Paul Schumacher, District 22; that's Platte and parts of Colfax and Stanton County.

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SENATOR KUEHN: John Kuehn, District 38, seven counties in south-central Nebraska.

SENATOR MORFELD: Great. And Senator Mello should be joining us soon. We're going to first get started with Rob Owen. I'm assuming you're Rob Owen.

ROB OWEN: I am.

SENATOR MORFELD: You are the Rob Owen. Good, good.

ROB OWEN: I am 24/7.

SENATOR MORFELD: Good. And the way that we're going to do this is 20-30 minute introduction into the topic that you're talking about and then I'd like to leave 10-15 minutes for senators to ask questions if they have any.

ROB OWEN: I think going through this morning I probably have 18 minutes maybe.

SENATOR MORFELD: Perfect.

ROB OWEN: So there's plenty of time to ask, you know, answer questions, ask questions.

SENATOR MORFELD: Yeah. And extra points for people that get done early.

ROB OWEN: Awesome.

SENATOR MORFELD: So that's, you know...(laughter). In any case, please get started, Mr. Owen. Thank you (inaudible).

ROB OWEN: And I will say this not my presentation right here.

SENATOR MORFELD: Oh, okay, great.

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ROB OWEN: This is for a later participant.

SENATOR MORFELD: It still looks nice.

ROB OWEN: So I am not American Laboratories, Incorporated, so.

SENATOR MORFELD: Okay, perfect.

ROB OWEN: (Exhibit 1) All right. So, Chairman Morfeld and members of the Bioscience Steering Committee, good afternoon. My name is Rob Owen. I am general counsel for Streck, Incorporated, based in La Vista, Nebraska, and I also serve as chairman of the board of...for Bio Nebraska Life Sciences Association. On behalf of both organizations, I'd like to thank you for scheduling this hearing and allowing us to participate. It's a real honor to be here. We are here today to help figure out how to improve the bioscience industry in Nebraska. But before we can address that topic, I believe we need to first ask the question, are the biosciences in Nebraska a wise investment? So I had a packet there that I passed out. There's about two pages there. It's...on the first page is the Omaha World-Herald editorial that was in the paper on Thursday, and that was titled, "Biosciences grow jobs for Midlanders." And I'd like to point you to the first paragraph of that editorial where the Omaha World-Herald say bioscience "is an up-and-coming part of the state's economic future." If we move down to the fourth paragraph, we have some data there talking about there's over a thousand bioscience businesses in Nebraska employing over 16,000 people. And when you have the multiplier effect, you're looking at 88,000 jobs in Nebraska that are affected by the biosciences. But probably most important, if you look at the next paragraph, "The (average) annual salary at a Nebraska bioscience company is \$61,701, compared with \$40,640 for the state's overall private sector." That's a big difference. I think if you look at the SRI report titled "Nebraska's Next Economy," they have the average salary for the bioscience cluster at \$68,754. So whatever you look at it, you're looking at a difference of \$20,000-25,000 in average salary in the bioscience industry. And really, no matter what town you're in--Omaha, Lincoln, Columbus, Grand Island, Kearney--\$68,000 is a pretty nice salary. So if I'm looking at this information alone, I'm going to say that the biosciences are worth an investment in Nebraska. We have high-quality, high-paying jobs that we should try to grow. So how do we do that? And that's what we need to do today is identify maybe some areas that need

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some attention here and elsewhere to maybe grow this industry. So as I said, I'm general counsel at Streck, so I'm going to wear that hat for now and then I'll put my Bio Nebraska hat on after that. So first of all, there's a pack, there's a one-pager there in that document, a little background on Streck. Streck was founded in 1971 by Dr. Wayne Ryan in Omaha. At the time it was called Streck Laboratories and about 20 years ago changed to Streck. Today we have over 350 employees and sales over \$125 million. We have one facility, based in La Vista, about 108th and Harrison. That's the only Streck facility in the entire country. We have manufacturing, research and development, sales, quality is all right there. So essentially we are a medical device manufacturing company. If you'll see on that handout I...there's three main areas that Streck really kind of focuses on. First are hematology controls and this is what Streck is known for throughout the world. So what's a hematology control? When you go to the doctor, they draw your blood in a tube and they take that to a clinic, lab, hospital, and they run it on a big analyzer, big machine. And that spits out data, tells you what your white blood counts are, red blood counts are. Our control product comes in a vial about this big and it is essentially a manufactured blood product that we know when you run that control on that analyzer, the data that comes out should fit in the assay that we send you and, if it does, then you know your machine is working properly. So a lot of the time, you'll run a control in the morning when the analyzer starts up, so you'll know that your machine is working properly. And then you'll run another control at the end of the day so, therefore, you can validate and verify that all the tests, blood tests that were run in the morning through the afternoon, are validated So that's Streck's key product and that's what we've been doing now for 45 years. Another area that's really taken off for Streck are blood collection tubes. We manufactured a little bit of a preservative that you put in the bottom of a blood collection tube. You add blood to that, shake it up, that tube will protect or stabilize and preserve that blood for up to 14 days, some of our tubes, at room temperature. So what does that mean? That means you can draw blood anywhere in the world and ship it to the other side of the world for analysis and that blood is not degraded; it is as if time has frozen, the...it is not frozen literally, but it is as if you just drew the blood at that time. So about five years ago our blood collection tube sales took off and we couldn't figure out what was going on, and there was a new industry that had arrived with the noninvasive prenatal tests. And this is an industry that kind of popped up in South Carolina...or southern California, excuse me. And what they figured out is that if you have a pregnant woman, you can collect mom's blood and, in there, there are small amounts of the baby's DNA floating in there. What you do then is you isolate that DNA and then

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you can run tests on that DNA for, let's say, Down syndrome test (inaudible) very noninvasive test. Whereas an amniocentesis, there's risk associated with that, here you're just drawing mom's blood. So this industry figured out that our blood collection tubes, because of the quality of the stabilization preservation of the sample, really like our tubes, plus the ability to collect those samples anywhere in the world and send them back to their centralized lab, which was usually in southern California. So that's another one of our big products, their blood collection tubes. Third is a molecular product, and this is kind of hard to explain but...because I'm just learning it. But we're going to be releasing a product later this year that essentially you can tell a patient what antibiotics will not work. So why is that important? If you go to the doctor, they give you an antibiotic, it may take one or two or three tries to see if that antibiotic actually works, and that takes days because it takes some time to get through the system. With this kit that we are going to be releasing soon, you can run that test on that patient and two hours later you will know what antibiotics won't work. It won't tell you what ones will work, but they will tell you what ones won't work so, therefore, you can narrow down those drugs rather quickly. So instead of four or five or six days down the road, you can take care of it that day. So those are kind of the three products or the three product lines that Streck does. And again, we're a medical device manufacturer. So if there are any questions on that, if there's any science, I can try to answer but we'll see. So with my Streck hat on, what are two areas that are kind of affecting us in order for us to grow? And one I don't think is probably any surprise, but it's finding labor, labor supply. We've had a hard time over the years at our senior level finding senior-level research and development, marketing, quality, manufacturing. Luckily, over the last few years we've really had a nice relationship with the University of Nebraska-Lincoln and Ryan Anderson who has allowed us to kind of tap into some research and some R&D scientists and that's been a nice, nice supplement for us. But that still doesn't help us with our other needs. So the problem is, is that you try to go...you post your job in Nebraska, Council Bluffs, and we have people at Streck come in from Lincoln, Blair, Council Bluffs, the metro area. If you can't get that employee on your Nebraska posting, your next hope is to find a Nebraskan who has left the state and has some connection--family is here, friends are here--and they are a little bit open to maybe moving back. You have them. They understand what Nebraska is about; they understand here. If you can't get that, then you're left to finding people out there in the black hole who have no ties to Nebraska. So not only do you need to sell your business for them to come here, but you need to sell Nebraska; and for Streck, you need to sell Omaha, Papillion, Gretna, whatever, for here. And

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usually it's not a one-person decision; it's a family decision. For example, just recently we hired a vice president of marketing and sales and that position had been open for some time because we couldn't find a qualified candidate. We found a gentleman who was born and raised in Alliance, had been working in California for 15 or 16 years in the bioscience industry. The lure of Streck was enticing to him. But after many trips and many discussions, he decided that it was the right move for him, but he had to talk his wife into coming, who is a Californian, and their kids to move to Nebraska. Luckily, they all decided and they moved here back in May and of course it's 182 degrees outside and they weren't necessarily used to that. But it worked out for us because, if we would have not had that connection, if he would not have that connection to Nebraska, I'm not sure he would have come here and then we would still have an open position. So there's somehow we need to figure out and, you know, we're limited in population and such, but we need to have more of a labor pool out there. And I know you have to start. You won't get seniors right away, senior executives. But we need to build that up so Streck's not out looking somewhere else for an executive that we may not have a shot of getting. The second area where I think Streck would like to see some movement on is communication. As I mentioned, Streck has some molecular products coming out. We got into that industry about six years ago where we purchased a small, little company that was borne out of the University of Nebraska-Lincoln, and the name of that company was Philisa, which I believe means "good life" in Zulu or something. This was a professor and two grad students who had come up with a machine, a PCR thermal cycler, which essentially takes DNA, breaks open the DNA through rapid heating and cooling, replicates and amplifies it. So you can take a little bit of DNA and you make a lot of it or you can replicate it and then you can run your tests using that, like our molecular test. Streck didn't know anything about that company, had never heard of that. Our current president and CEO, Connie Ryan, a friend of hers came to Connie and said, hey, listen, I saw this presentation, I don't know anything about that technology but it looks like something that Streck would be in...you know, interested in. So after doing some due diligence, we bought that. Then it got us thinking, what else is available in our universities here in Nebraska that the private sector doesn't know about? Well, we're looking at maybe some more communication between the private sector and our educational institutions here. Again we contacted Ryan Anderson down at the University of Nebraska-Lincoln and he kind of set up a show-and-tell day for Streck. There were three or four of us that came down to Lincoln. We met with the chemistry department, the biochem, physics department, and we kind of introduced ourselves of what Streck is all about. They kind of

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mentioned what they were working on and with the hope of building a relationship. So if they're sitting in the lab one day and they're like, oh, yeah, Streck is working on some stabilization things, this might be something they're interested in, let's see if we can work on a deal. So unfortunately, we did that, met some people, but it hasn't really grown since then. That's not to say...we have a really good relationship with University of Nebraska-Lincoln, with Creighton, with the Med Center. We have research projects with them, so that's...we have really nice relationships there. But it would be really nice to see somehow if there's a better communication about what's going on in our university labs and workspaces. There's a lot of smart people here and there are willing companies like Streck who may be...you know, to come in and invest in those projects. So that's kind of my Streck hat. It's really labor and more communication and that's just from personal...I mean that's from Streck's experience. So let me turn over to my Bio Nebraska hat. And for those of you who don't know about Bio Nebraska, it's a trade association of over 65 members. Right, Phil, 65 or so? And we range anywhere from, you know, the entrepreneur start-ups to your big, multinational corporations--BD, Medtronic, and such. Let me just read you our mission from our Web site. "The mission of Bio Nebraska is to be the champion of biotechnology and an advocate for its member organizations promoting academic, industry, and government partnerships to foster the growth of life sciences within Nebraska." So I've been with Bio Nebraska for five years serving in various capacities and I think again what we hear time in and time out from our members, it's labor, it's finding labor for their employee...I mean finding employees. Where Streck's has mostly been at the senior level, I think when we've had lunches with the Governor or round tables, and depending on where our member companies are, it may be at the entry level all the way up to the senior level. And again, some of our jobs are just not four-year...you don't need a four-year degree. Could be a two-year degree, could be a high school degree, but we have a hard time figuring, you know, filling those spots. So at Bio Nebraska we've been trying to figure out how we can help that and what we're trying to do is identify ways maybe to get into the schools--junior highs, elementary, high school--and let those students know that there's a bioscience industry in Nebraska and that there are good, high-paying, quality jobs with good wages at the end of the light. So if they're in chemistry, math, physics, or whatever, they know that there is someplace to go when they get out of college or pursue that. And we've been trying to figure out how best to address that. And I think one of the ways we'll do that hopefully is get some of our senior, our CEOs, senior folks from our companies, and hopefully have that dialogue with students just so we go in and say, hey, listen,

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here's my company, this is what we do, and when we're looking for employees, we're looking for employees that have this background, this education. And hopefully that keeps some kids in that path and then we grow the pool organically here. I mean it's...again, at one point, 9 million people, doesn't matter what, it's...we're just kind of limited. So that's one way, that's one issue. The other issue that Bio Nebraska has been working on for a couple years now is an incentive program, state incentive program. And what we think is that if there's going to be an incentive program in the state of Nebraska, we hope that it fairly applies to all industries, which is kind of tough because we have a diverse industry base here in Nebraska. And I believe--Phil, help me, correct me here--but we believe that there are a couple of our member companies who had significant capital outlays of millions of dollars to expand their facilities but on the back end of that they did not have the number of employee growth that they needed to really be eligible for Nebraska Advantage. Our industry is very, I mean, capital intensive. And we would hope that if our member companies put in millions and millions and millions of dollars of investment and pay taxes on it, somehow that would be enough, or down the road, for an incentive program if there's going to be one. We're not looking, the bioscience company...or industry is not looking for a handout or a carve out or such. But I think if there is going to be a discussion or wherever we go with an incentive program, that it needs to be looked upon all the industries and maybe treated fairly in that way. And then finally, and this is more of a specific issue, but it's the availability of affordable wet lab space. And this really goes toward our start-up and entrepreneur members and groups out there. And wet lab space is essentially what it is. It's a lab that has utilities, water, ventilation. It's where you do biologics and pharmaceuticals and such. And from...we've heard for the last five years from our member companies that there's not affordable wet lab space. We hope that the...with Nebraska Innovation Campus coming on-line that that will help maybe address that. But again, when you're a start-up, when you're a one- or two-person organization, every dollar counts and you really need to...you know, the cost is really the most important thing there. So that's...we've also been trying to figure out how to address that issue too. So in summary, I think the one question you have is, are the biosciences worth investment in Nebraska? I say yes. That's my answer. If we go back to the editorial in the Omaha World-Herald, you can see this is a statewide industry. You have BD Medical in Columbus, Broken Bow, Holdrege; Medtronic in Norfolk; West Pharmaceutical and Ward Labs in Kearney; Nova-Tech in Grand Island; Streck in La Vista. So this is just not Omaha or Lincoln; this is a statewide industry. On top of that, we have quality, high-paying jobs, and who doesn't want that? We

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should encourage that. Again, the areas we kind of need to look at: growing a labor pool here so we're not looking outside the state for people and, if we do, the chances of getting them here are difficult. Communication: We have a lot of smart people in our educational institutions throughout the state. What are they...I mean there's probably some great ideas there and if Streck can find them or Nova-Tech or whatever, who knows, that may be the next, you know, big thing and it could be homegrown here in Nebraska. Again, an incentive program, we're just looking to be treated just like everyone else--on a level playing field--but it appears as though a lot of our members, because of that employee threshold, are just not eligible. And that's a decision for the Legislature to make and such, but that's what we would hope, that we could be more truly fair...treated fairly on that. And finally, wet lab space, and that's a smaller issue and a more detailed one, but I think that would go a long way in helping our start-ups and entrepreneurs, you know, move to the next level. So that kind of ends my discussion. Just want to give you guys a couple updates on what's happened at Bio Nebraska. We have an event here in Lincoln on September 13, Bio and Beers, down at Lazlo's. It's a very casual event; it's a lot of networking. We are lucky to have Chancellor Ronnie Green who will be doing the presentation that night, and we're lucky at Bio Nebraska to have the chancellor on our board of directors and has been. So we're looking forward to that. Also, the first week of October is Bioscience Week and we'll have events throughout the state and that gives an opportunity for the industry to kind of cheer on the industry and whatever our accomplishments are over the year. So there's a lot of good things going on. Bio Nebraska is always here to help in any way we can. We're small but mighty but I think we're turning the corner on that and really making it known that Nebraska can be a home for a bioscience industry. We have good workers. We have everything here. We just need to give it and oomph and grow it and hopefully we move it to the next level. So with that, thank you very much for the opportunity to be here today and I'd be happy to answer any questions.

SENATOR MORFELD: Thank you, Mr. Owen. Anybody have specific questions? Senator Mello.

SENATOR MELLO: Thank you, Chairman Morfeld. And thank you, Mr. Owen. I apologize for being late. I know a little bit about Streck Labs so it was good to get a little primer on it. The question I had--and maybe I don't want to look over at Phil as well but if he wants to jump in on this to help you out from a Bio Nebraska perspective--is there right now is a kind of another

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committee within the Legislature that's looking at entrepreneurship and start-up, kind of the entrepreneurship ecosystem and innovation ecosystem from a different level, not specifically just for biotechnology. And one of the programs that we heard from the Governor's Economic Development Summit was the Business Innovation Act that currently is in statute and some of the grant funding and some of the different kind of incentives that are part of that existing law in comparison to a purely tax incentive-related component. Would that be something either one of you would be willing to share a little bit more maybe in the sense of giving some background to the committee in regards to where maybe Bio Nebraska or the biosciences community is looking at it from the Business Innovation Act knowing that it sounds like the Governor is also looking at making possibly some changes to that and then this other legislative committee that's looking at more of maybe a more global start-up, entrepreneurial ecosystem, possible changes with that act?

SENATOR MORFELD: And I'll also note that I lied a little bit earlier in that it's not a live mike, but we are recording. So if you want to come up, Phil, you might want to, just that way we get it on the...so you won't get in trouble right away, but once the committee transcript comes out, then you might.

PHIL KOZERA: Okay, so, thank you. Phil Kozera, executive director of Bio Nebraska. And, Senator Mello, from the industry perspective, when we look at the Business Innovation Act, really, the focus is on the start-up community.

SENATOR MELLO: Um-hum.

PHIL KOZERA: And I think it's safe to say that that's been really significant for our industry. And prior to the Business Innovation Act, there really weren't any avenues for the start-up community to plug into.

SENATOR MELLO: Um-hum.

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PHIL KOZERA: And with the invention of the Business Innovation Act, it really changed that. And we have a few individuals that will talk in more detail about their specific experiences tomorrow.

SENATOR MELLO: Okay.

PHIL KOZERA: But when you look at, one of the goals that we have as an industry is to take that technology that comes out of the university and hopefully keep it here so that it can be commercialized and then let the economic benefits take place.

SENATOR MELLO: Um-hum.

PHIL KOZERA: And so the Business Innovation Act has been very helpful. The challenge that we've had, and Rob talked about this a little bit, and that is that our industry is not like developing software. I mean you can sit in your mom's basement on the couch in a pair of jeans working on your computer and develop a technology that may have some IT applications with very little resources. Our industry, you need to have a place to go, you need to have the scientific expertise, you need to have the resources. That's one of the challenges that we see is that the SRI report, when it was presented, it really put into scope the amount of money that other states are investing in this area and the realities of what we're currently investing. And so the challenge with that is great programs, there's not enough funding, there's a lot of competition for those funding. Those are all good things. But because our industry tends to be more highly...especially on that up-front piece require more funding, a lot of those funds are gone before they can be applied to our industry. But there are some things within the Business Innovation Act that really separates Nebraska. When we look at the prototyping grant, when we look at the SBIR matches that we have, this was a year ago, but I think at the time Nebraska was one of only 13 states to have that SBIR match. And that's huge when you're talking to a company that if they get the funding and approval from the federal government they can basically on that phase one leverage that for an additional \$100,000-150,000 and on that phase two significantly more. So overall, you know, we certainly are appreciative of those funds.

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SENATOR MORFELD: I do have one question for Mr. Owen, so we'll just switch back real quick. First off, I appreciate you coming with some solutions, obviously, because one thing I didn't mention at the beginning here is at the conclusion of this hearing tomorrow we're going to be meeting as...in Executive Session to talk about where we steer the research, to update the original biosciences report. So one of the things that Senator Kuehn and a few of the other committee members really emphasized is we really want to come away with two or three strategic goals for the next session so we don't...so we get something accomplished...

ROB OWEN: Sure.

SENATOR MORFELD: ...and not just have 20 things to accomplish and get nothing accomplished. And so I appreciate that. One of the things that you brought up but I didn't necessarily hear a solution to, and you provided a lot of other good solutions, was the communication piece with the university. I mean, how do you see that improving? I mean, is that something that's more internal, a university working with private sector, or what...or do you think there does need to be a...

ROB OWEN: Three or four years ago it was a university thing.

SENATOR MORFELD: Okay.

ROB OWEN: I think it was a lack of communication or coordination within the university and I think over the years through NUtech Ventures in Lincoln and then UNeMed and such, there's been a...when we talk...that day that we were here, we went to NUtech Ventures and David Conrad was the executive director. And I think previous to David being there they had, say, 7,000 potential patent applications or whatever. And NUtech Ventures went to all the professors and whatever and said, hey, listen, that's a great idea, but what's the commercial value of this? Like, we're not going to spend time and money doing this when it's no commercial value. So we cut down the patent applications to what they really thought were something was commercialized. So I think it was, first of all, a mind-set at the university, not at the Tech Transfer Office, but the professors and such that maybe they need to be more focused on commercial ideas versus just

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having a patent application or writing the paper. And I think that's something that NUtech Ventures has been doing over the last couple years is maybe changing the mind-set there.

SENATOR MORFELD: Okay.

ROB OWEN: I mean, I don't know why you can't do an open house or whatever, invite private...maybe they do. They don't invite us and I don't know if it goes right through NUtech Ventures or whatever.

SENATOR MORFELD: Okay.

ROB OWEN: But have an open house. I mean I thought it was a great idea that what we kind of set up was that show and tell, come in, and a lot of the people we talked to didn't know anything about Streck and we didn't know what they were up to. So I think it's that build...you've got to build some relationships there but have open houses or whatever, invite us down, see what's going on.

SENATOR MORFELD: Okay. Great.

ROB OWEN: So I think that's more of a university thing. I mean I think if I called Ryan Anderson up over at the university and said, hey, we'd like to come down and do another tour, he would do that, absolutely, but that's on our...

SENATOR MORFELD: Yeah.

ROB OWEN: ...shoulders and not necessarily them doing that.

SENATOR MORFELD: Well, between the group of us, we know some people down at the university, too, so.

ROB OWEN: Yeah. And again, we have a great relationship with them. I mean it's very easy when...you know, for...

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SENATOR MORFELD: No, no, definitely. Yeah. I didn't take it as a negative thing at all. I'm just wondering...

ROB OWEN: Yeah. No, no, no. It's just something I think in addition to. And it's really, I think, a win-win. I mean in this day and age...

SENATOR MORFELD: Um-hum.

ROB OWEN: ...NUtech Ventures and UNeMed, I mean, they submit budgets and, like, this is how much money we're going to be bringing in off of license agreements and all that,...

SENATOR MORFELD: Certainly.

ROB OWEN: ...so if we can get in there and help out with that, you know.

SENATOR MORFELD: It seems like a great labor pool, too, and...

ROB OWEN: Yeah, I mean, it's really...and once we kind of got tapped into Lincoln that we've hired I would say in the last year, two years, two or three R&D scientist doctorates from Lincoln, which has been great.

SENATOR MORFELD: That's great.

ROB OWEN: And they drive up every day. So it's worked out really well. And again on that...on the labor pool it's we may need to start at the bottom and just grow that and keep more people here and so, you know, in 10, 15, 20 years, all of a sudden, they're senior-level bioscience experts and we don't need to go to New Jersey or Florida or scour the earth to look for a new, you know, vice president of marketing and sales.

SENATOR MORFELD: Yeah.

ROB OWEN: Or research, yeah.

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SENATOR MORFELD: I think Senator Kuehn has a question.

SENATOR KUEHN: Yeah, I have a quick question for you regarding the labor pool, because I totally understand your challenge with trying to help people understand the career in life sciences. But additionally what my challenge is, is helping identify exactly what those credentials or skills are, because some of them are basic, you know, pipetting skills, aseptic technique, you know, things that have to be trained that some of that's on-the-job training. Others are helping young adults understand the career pathway and how that develops, that that may begin in a technical role in high school, college, and develop into a research role and elsewhere. So I guess my question and my challenge to Bio Nebraska and to the entire industry is how do we develop that inventory not only of just people, but really it's a skills inventory. So what's the infrastructure that we need to put in place that's going to require...you know, that may be a revisiting of our credentials for skills in the life sciences and high schools. I mean, you know, kids don't even dissect anymore, much less learn how to, you know, measure and pipette in a chemistry class.

ROB OWEN: Sure.

SENATOR KUEHN: So are there skills that we need to look at the high school level? Do we need to do a better job through something like the Postsecondary Coordinating Commission at developing an inventory of available not just majors, but, you know, what's the inventory and capacity in our technical training programs, what do we have for inventory in the university program, where...

ROB OWEN: Sure.

SENATOR KUEHN: And I don't expect you to have the questions or the answers right off the bat but...

ROB OWEN: Two things: (1) I think we've been very supportive. Southeast Community College has now a bioscience kind of track there that we've been very supportive of at Bio Nebraska trying to move that along to get it to that's a two-year degree or whatever and move on. Also, as

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you mentioned, maybe it's industry looking at the jobs and what is needed, and Streck is doing that. We, in a lot of our processing area, we have a lot of blood that comes in. And that is a very entry-level position and what we...our job qualifications for that are...is like a degree, a four-year degree. And what we find is those kids who come in with a chemistry degree or a biology degree, like after a year of doing that, they're like, this is not what I signed up to do, I mean, it's just processing, and they leave. And you could understand if you have a degree in biology or chemistry and all you're doing is sitting in a back room day after day, opening up blood packs or whatever, that may not be what you wanted to do. So internally Streck is now looking at, like, all right, is that something someone with a two-year degree or a high school diploma or whatever can come in and do that? And if they're getting an X number of wage, that may be great, you know, and then we don't need to...if they are...it's a good wage and they like doing that, then we don't have to worry about turnover every year or two years. So I think it's something that the industry has to do, go back and look at its employees, what's really required in those positions, and then say, all right, you need an advanced degree, that's a four-year degree, that's a two-year degree, and that's a high school diploma or whatever, and be comfortable with that. And that may, at least for Streck, help with turnover. I mean, again, that's at the low entry level. We usually don't have a problem doing that but we don't want to be hiring someone and then a year and a half later posting that job. That's not worth our time; it's not worth their time. So we're doing an internal evaluation of that. But I think programs like Southeast Community College, and again that's at the college level, but I think we need to get down farther and that's why I kind of like the idea of a CEO or someone coming into the junior high and saying, we do this; if you have these things, you know, you have this background, this...we want you; continue to do what you're doing because we'll hire you. And I think that would help.

SENATOR MORFELD: We can talk off-line. I think that there is some opportunities in the after-school space and then obviously during the during-the-day space, too, which is a little bit less flexible.

ROB OWEN: Yeah, and now as part of the Nebraska Innovation Campus that Bio Nebraska is part of building out the wet lab space, we're part of that component. And as a part of that, Bio Nebraska has been in charge of a mentoring program for the surrounding area of Nebraska and for...

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PHIL KOZERA: So we have two: mentoring for participants and outreach for (inaudible) underserved (inaudible).

SENATOR MORFELD: Great.

ROB OWEN: And so once that kind of gets up and going, I mean, that's underserved around here in Lincoln, around Innovation Campus, but that would be another opportunity for some of our senior-level folks in our association to get into the schools and just say, hey, right down the street here, this is what's going on; you know, if you continue down this path, this may be someplace you can be.

SENATOR MORFELD: Great. Any other questions for Mr. Owen? Senator Schumacher.

SENATOR SCHUMACHER: Thank you for your testimony today.

ROB OWEN: Absolutely.

SENATOR SCHUMACHER: Thank you, Mr. Chairman. A couple of things on attracting labor and how they educate labor to the state for this area. Have you or do you know if anybody in your industry sector has attempted to interview, make inquiry of kids who may have a connection with Nebraska who are in some of the major educational institutions outside of the state of Nebraska to find out what they view as the impediments of setting up shop in Nebraska?

ROB OWEN: I know Streck has not done that. I think that would be something to look into if we can identify where those kids are.

SENATOR SCHUMACHER: I don't think it's that hard to identify where they're at. I think there, probably the deans of students at most of these institutions would have that. But it seems to me we often make the mistake of seeing Nebraska through Nebraskan eyes and if you're going to interact with the rest of the world and expect to have people move to you from the rest of the world, we need to know how they see us.

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ROB OWEN: Sure.

SENATOR SCHUMACHER: And I think in a lot of cases it's surprisingly different what we see us. So that's one...

ROB OWEN: I would agree with that and that may be...there may need to be like a national awareness that Nebraska is a bioscience area--come to Nebraska, hear what we have. And so it's like just more of a marketing campaign opening...you know, doors are open for business in the bioscience industry.

SENATOR SCHUMACHER: Yeah. As to, you know, what, what is the impediment, and maybe the spouse says, hell, no, I won't go,...

ROB OWEN: Yeah, right.

SENATOR SCHUMACHER: ...which is maybe more often than not (laughter). But there...you know, what are the reasons...

ROB OWEN: Yep.

SENATOR SCHUMACHER: ...and why, and there should be an equilibrium flow of people leaving here and coming back here and what are those forces? The second thing is the Business Innovation Act is a relatively small thing--\$9 million, \$10 million, something like that. So it's not going to light the world on fire and it's spread across a multitude of industries though. Is there anything...I mean if...to the extent there is start-up capital, early development capital is an issue. In a world where we have, and it's literally great wealth, enough to invest \$15,000 an acre into a piece of farmland, but is there anything that we can do structurally? Knowing that we've got nine-figure deficits that we're going to face for the next few years for sure at the state level and not a lot of cash, is there anything we can do structurally that would help your industry and those starting industries tap into that vast amount of private capital that's just sitting around wasting, and to give it the confidence to make an investment or get a certain number of those ideas together so you have the law of big numbers, figuring that some of them are going to win?

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ROB OWEN: Right. I think the issue with private capital is always losing control of your company.

SENATOR SCHUMACHER: Isn't that life?

ROB OWEN: Could be. I mean that's a trade-off. If you can go out and it's a great idea and someone's willing to invest in it, are you willing then to give up a certain percentage or sell, you know, to move on? We've tried through Bio Nebraska. We've invited to some of our Bio and Beer events some private capital folks to come in, private equity groups. But I think as you see in Nebraska, I remember seeing a survey four years ago and Nebraska was 51st in private equity behind Wyoming and Puerto Rico.

SENATOR SCHUMACHER: So is there something structurally, that doesn't cost us money, that we can do to facilitate such an organization to give an exemption from securities or regulatory frameworks or something like that, so that money would feel a little safer pooling there and distribute it out over a number of potential start-up ideas, hoping that one of them is a winner?

ROB OWEN: I don't have an answer to that. We can certainly look into if that's something. And it may be that private equity, private capital just doesn't come to Nebraska because they don't know what's going on here.

SENATOR SCHUMACHER: It doesn't have to come here; we have it here. We habitually send our private capital, either plow it into \$15,000-an-acre farmland or invest it in a market and then beg for some of it to come back here. What can we do to (inaudible)?

ROB OWEN: Well, but also, you know, like if that's...if...I mean Streck, we're lucky we are...we do okay. We're willing...

SENATOR SCHUMACHER: Are you a private company?

ROB OWEN: We're willing to invest, you know, and...

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SENATOR SCHUMACHER: Are you publicly traded?

ROB OWEN: No, we're privately held. We're willing to invest if we see a good idea. And so like the Philisa group that we bought down here, they thought, the Philisa guys thought they were six months away from launching a product that will go gangbusters. It took us three years to get from where they were to a place that was actually commercially viable. So I think what we found is the folks who have these start-ups have unrealistic expectations. They think they've got it built and off they go. We spent millions of dollars additionally of what we purchased for them to get a machine up and going. So now when Streck looks at investment opportunities, we really need to figure out, are they at point A or are they at point N, because if they're at point A, we're not at this point willing to dive in, I mean, unless it's strictly in our wheelhouse. But if it's something outside of it, which Philisa was, I mean, that was six years ago and we still are still tinkering around with that one. So I think if...now what we know, we probably wouldn't have done Philisa because they were so far away and we just didn't know. So I think we're kind of gun-shy right now of going out and getting into an industry or a sector that we don't know anything about, because we...it could be a black hole of cash.

SENATOR SCHUMACHER: And it would be that way for the taxpayers, too, if you take on...

ROB OWEN: Yeah. Yeah, sure.

SENATOR SCHUMACHER: I mean who funds it is...what you talked is reality.

ROB OWEN: Yeah.

SENATOR SCHUMACHER: It's a long...you know, you'd like to see things go for six months, but reality is three years.

ROB OWEN: And I remember Streck hosted the Deputy Assistant Secretary of Commerce about four or five years ago and...Shawn (sic) Farritor, is that right? Shawn (sic) Farritor...

PHIL KOZERA: Shane Farritor.

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ROB OWEN: Shane Farritor was there and he talked about how he had his surgical...right? Yeah. And so he again thought he was ready to go, like he was...had a product that was going to go gangbusters. So he met with a bunch of private capital folks and he goes, I never felt so defeated but I learned so much because they shot me down at X, Y, and Z, but they taught me that I needed to be much further down the road than where I was. And he goes, it was the best...those were the best meetings I ever had because it taught me when you think you're done, you're not, you need to get to here until you find private capital. I mean that doesn't address your question, but I think it's going back to these start-ups, they think they're ready to go, they want investment, they're pounding on it, and some people are going to be like, no, that's just not, you need to do a lot more work. So it's a tough...I mean it's a tough thing starting from scratch. I don't know what...I mean again, on our Philisa project, we spent millions and millions of dollars. We essentially started from scratch.

SENATOR SCHUMACHER: So is there a way then, from your experience, that--and other companies, let's presume they have somewhat similar experience, what you describe as life--to get...a lot of times there's safety in number, there's also better cash flow in numbers to organize these kind of things into some type of a collective co-op, investment something or another, so that a company like yours would feel comfortable throwing some money at it but not betting the farm on it and knowing that it may be three, four years, if the thing matures, before you see any money back.

ROB OWEN: Yeah.

SENATOR SCHUMACHER: But if you get enough of those projects going, it should cash flow.

ROB OWEN: If you can get four or five or six different entities agree to an agreement on how that would all pan out, then that might be possible.

PHIL KOZERA: (Inaudible)...if you're looking at the biotech (inaudible) estimate the programs that Nebraska, and I'm assuming (inaudible). But really that hasn't made (inaudible)... they're looking to invest (inaudible) dollars (inaudible) pull a larger group together (inaudible) Nebraska so that (inaudible)...Minnesota has the investment (inaudible)...very successful...

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(inaudible)...that's really the challenge that we're talking about. How do you (inaudible)...is there a reason for us (inaudible)...great to have the angel investment tax credit, but that's not going to go to biotechnology (inaudible)...and we don't have a (inaudible), even though there are (inaudible) money in Nebraska.

SENATOR SCHUMACHER: One would think that Boston is a spot where a lot of biotech stuff happens. How do they do it there? Are we missing something or are we just not big enough?

PHIL KOZERA: Well, they invested early on in (inaudible). They have great infrastructure (inaudible)...the global leader (inaudible) they didn't start off that way (inaudible) state of Massachusetts (inaudible)...have the intellectual capital. With the intellectual capital we develop some programs that help support those, along with (inaudible)...a lot of collaboration (inaudible)...mostly on the human (inaudible).

SENATOR SCHUMACHER: Thank you.

ROB OWEN: And I think again it's a perception issue too. Dr. Tyler Martin, who will present tomorrow, he's Nebraskan, lived on the West Coast for many, many years, worked in many different bioscience companies. He decided to move back to Nebraska and he wanted to start some businesses. And he's like, low cost, I'm great, this is going to work out really well. And what surprised him actually was the quality of the labor here, maybe not the quantity but the quality. He did not expect to see the quality. And again I think it goes to the perception that people don't see Nebraska as a place where bioscience/life sciences can thrive. And if we can get that across, I mean, here's Dr. Tyler Martin, West Coast for many, many, many years and came back, it's like that surprised the heck out of me. And if more people knew about cost, the quality of the worker, that may help. Again, the quantity is an issue; but quality, I think we probably have it.

SENATOR MORFELD: Mr. Owen, I think we have one more question from Senator Johnson, and then we're going to move on to Kyle Nixon next. Thank you.

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SENATOR JOHNSON: Thank you, Senator Morfeld. Thank you, Rob, for coming in. Glad to hear a lot of interest in work force. I've got a granddaughter that's in biosystems engineering or something and maybe I can convince her to stay in Nebraska, that type of thing.

ROB OWEN: Senator, yeah, that could be a fit there at Streck maybe.

SENATOR JOHNSON: Yeah. My comment is, as different industry, it's the ag industry or ag sector and Nebraska Advantage Act and some of the same situations there where it doesn't work because of the amount of capital needed and not a lot of labor involved. And so we're asking that to be reviewed. So you mentioned that earlier, so that might help in other industries too.

ROB OWEN: Yeah. And again, we're not looking for a carve out or some sort of...we're just looking for that to be evaluated because if you're...if our industry is investing millions and millions of dollars, is that worthy then of some incentive? So that's all.

SENATOR JOHNSON: Thank you.

SENATOR MORFELD: Thank you very much, Mr. Owen.

ROB OWEN: Um-hum, thank you.

SENATOR MORFELD: I appreciate it.

ROB OWEN: Thank you very much.

SENATOR MORFELD: Then we have next Mr. Kyle Nixon. Mr. Nixon, welcome to the committee. Just so you know, we're going to have about 15 to 20 minutes for your presentation and comments and then we'd like to get at least 10 to 15 minutes of questions.

KYLE NIXON: (Exhibit 2) Great. That sounds great. Are we ready?

SENATOR MORFELD: Yep. Go for it, Mr. Nixon. Thank you.

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KYLE NIXON: You bet. Thank you, first of all, for having me in. I appreciate the opportunity. My name is Kyle Nixon. I'm the general manager of our site in Blair with Novozymes. At Novozymes we are an industrial enzyme producer; specifically, at our plant in Blair we produce enzymes for the biofuel industry, for ethanol in particular. I've been with Novozymes actually for...what I planned to do today was introduce myself and then take you through exactly what we do at Novozymes, a little bit about our plant and the history, some of the things that got us to Blair, and we'll go from there. So I've been with Novozymes for about five years. The plant itself is about five years old. So I've...was with UPS, the brown trucks, for about 20 years prior to that. I started...I went to the University of Nebraska-Lincoln and started right down here in Lincoln, and again there about 20 years, and went through several jobs and left there as a division manager to come to Novozymes and the fact that they were building this plant which really interested me. Started off there as the formulation manager, moved into the operations manager role and became the general manager of the site about a year ago. I'm a lifelong Nebraskan. I grew up in Laurel, Nebraska. So not only do I have the interests of Novozymes in mind, when it comes to Nebraska and discussions with Novozymes about where we want to do some expansions, I'm a strong advocate with Novozymes for the state of Nebraska and I'm very interested in seeing our plant expand and I'll walk you through that a little bit. So if we go to the first slide, I would be remiss if I didn't talk about safety at our site very quickly, because we do that at every meeting that we have on site and any meeting that we do out of site. So we've got a very good safety record focused on the five life-saving rules, which are permits, defined spaces, fall protection, lockout/tagout, suspended loads. If any violation of those occurs on our site that is willful, typically that means we have an employee that we're going to let go. We take those very, very seriously because those are life-threatening, obviously. We are over 1,400 days without a lost-time incident. We're pretty proud of that, although we don't dwell on it and we know that anything could change this afternoon and we want to make sure that people walk out the same way that they walked in. So that number doesn't mean much if you have an injury this afternoon. Our reportable injury rate is less than 0.7. We're recognized by the National Safety Council as a safety leader in Nebraska. We've got a cooperative and open safety culture that stresses talents of all. I love the culture of Novozymes, in particular it's based off of trust. We have four core values and one of those is very strong trust, so when it comes to safety that's no different. If you're on our safety...if you're on our site, you're an ambassador of safety. You have the right to stop any work that is unsafe. We go to the next slide, our mission statement in Blair

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is to "Be the Best enzyme production facility serving the biofuel industry." With our site, it's a global site based out of Copenhagen, Denmark. We've got sites in China; we've got sites in Brazil; we've got several R&D facilities all around. We've got a major facility in Franklinton, North Carolina, just outside of Raleigh. Again, we just built the site up in Blair. It's about five years old. We go to the next slide. Novozymes is involved in several different avenues-- household care, food and beverage. You can read the ones that are on the sheets there. So at our site, as an example, in Franklinton, we're really involved in making all of the enzyme for all of these different industries, but the site in Blair right now is solely focused on biofuels. And all of our product goes out in tankers, or it did up until about a month ago, and we just added a tapping station in our formulation building that now goes into the one-ton totes. We also send that out and we're sending some of that to Brazil actually. If you go to the next slide, there are several reasons, and I'll get, I think, into those a little bit later. There are several reasons that Novozymes decided to build in Blair. This was a big one. We were actually producing biofuel enzyme out of North Carolina and the numbers that you see around the states there represent the number of ethanol plants that we serve. So it was very beneficial for us to build a plant in Blair and be very close to our customers. Again, we were making everything out of North Carolina and shipping it out here, so that's the way we went about it and that is a very big reason why we came to Blair. Go to the next slide. That is an overview picture of our site as it is now. The size of the property is 37 acres. We are on the Cargill site or the Blair Biorefinery Campus. We started off with 37 acres. You can see the buildings there. I'm going to get into the space that we have leftover on that part of the site in particular. But we've also got the option for 30 additional acres to the south of our site on the campus. Our direct job creation, actually, when we were building the site, it was over 400 contractors that we had on the site. Right now we are at 118 full-time employees and I'll get to the breakdown of that in a little bit. We had our groundbreaking January 26 of 2009. In our building all the way to the right there, that was the first building that was built and that's where I actually started. We have what we call the MMU, which is the modular mixing unit, and it's...it was actually...there's a building inside of that building that was built in Franklinton and we started producing enzyme from that modular unit out of North Carolina, moved it up here, built a giant building around it and we actually have a 40-ton crane in there. On the inside of that warehouse stores over 220 foot "C" containers in which we hold our product. It's pretty impressive, especially with the crane flying around over the top of you. But the enzyme production, so we actually started producing enzymes for customers out of that

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building October 31, 2009, and we were bringing in concentrates from our other plants. And then we started producing our own enzyme for production on...in August of 2012. Next slide. We are on the Blair Biorefinery Campus. Cargill originally located a corn wet milling operation on the campus in 1995. There are several other companies on site now, obviously: Cargill, NatureWorks, Evonik, Corbion and, most recently, Novozymes. The Biorefinery Campus is the single largest private investment in the state of Nebraska at approximately \$2 billion-U.S. If you go to the next slide, it's hard to see this from here and it would be nice if I had the pointer, but I'm just going to point out...sorry this is hard to see, but this is a wing right here that we currently have; this is a building that we have; this is a building. The light-blue shaded buildings are actually the buildings that are currently in existence. So the current site that we have, before we move into the additional acres that we've got on reserve with Cargill, the current space that we're on is actually laid out for five times' expansion than what we have now. Obviously our expansions will be dependent upon market development. But, yeah, we have a lot of room for expansion there, and very interested in making those expansions in Blair. From a production standpoint, I just want to walk you through what we do. We have...we've had...we have visitors (inaudible). Several visitors come on a weekly basis. In fact, I know we've got two tours this week. Sometimes people walk out of our site thinking that we produce ethanol at our site. We do not produce ethanol. We produce the enzyme for the ethanol producers. And so part of our process or our entire process is we actually get a freeze-dried microorganism from one of our other sites--typically it comes from our headquarters in Denmark--shipped to us. At that point we put it into a flask where it grows in our lab. Eventually that is inoculated into one of our seed fermenters. We're adding additional raw materials at that point. Once it...as it is, I'll call it, eating the food, or as it's absorbing what we're giving it, the microorganism is actually going to secrete the enzyme. And when we started off, basically we're starting it into a flask, we're moving it into a bigger tank, we're moving it into about a 40 cubic meter tank and as it continues to grow and it continues to produce the enzyme, eventually we move it into a four story tall, 160 cubic meter tank. We have ten of those on our site right now. And from that point, that's our fermentation process. It's over a period of...could be over a period of seven to ten days depending on the product that we're trying to produce. So that's our fermentation process. After fermentation we send it over to our recovery process which is a series of filters basically and we're just taking...now we've got a broth that has our enzyme in it, it's got living and deceased microorganism, it's got additional food that it was not eaten. So we've got this broth and now we

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need to filter out and just wind up with the enzyme which, in the end, will be a liquid product. But we take it through a chamber filtration. After chamber filtration we actually have some spent biomass there that we've gone through a two-year study, a crop study with the university to be able to land apply that and we're looking forward to being able to do that very soon. Right now it is going to the landfill. We take it through the chamber filters. We've got a series of other filters. Eventually it goes through an evaporator to take out any additional water. At that point we've got our cold storage with the pure enzyme concentrate, send that down to our formulation building. And depending on customer order, we will mix a certain blend of the concentrates that we make and ship that out on a menu level of products that we make for our customers depending on their individual needs in the ethanol plants. From a management team standpoint, this is...and I broke this out just because I kind of wanted to go through it a little bit and describe the positions that we have on our site. Obviously I'm the general manager. I've got an admin assistant that works for me as well. But Chris McDowell is our process engineering manager. Chris is actually an adjunct professor here at the university. We work very closely with the engineering department, specifically chemical engineers. We take advantage of the intern program that we have. We just had six interns this summer and, in fact, one of them had already graduated. We had never done that and I'm glad we did because it looks like we've got a person in our lab that is going to be a stay-at-home mom and this intern is going to go right into that job. She did a great job this summer for us in the lab and we're really looking forward to having her on board. But we work very closely with the university specifically for the process engineers. And we start our engineers...I will tell you, all of our engineers came from the University of Nebraska. We've got six chemical engineers right now...I want to make sure that's right. Yes, they all came from the university, fresh out of the university. Novozymes is about getting new minds and new eyes and a lot of people to come in and learn. And I believe we started our engineers roughly at about \$75,000 apiece. Jody Hankenson is our repairs and maintenance manager. Our craftsmen are coming in, depending on their experience, \$22 to \$26-27 an hour, again depending on their experience. Our QES manager--quality, environment, and safety--our folks in our lab, depending on lab techs all the way to Suzanne's position in the manager role, our team lead position, those are going to range \$40,000 to \$50,000, pretty much \$40,000 to \$70,000, \$40,000 to \$75,000, something like that, depending on their experience, if they've got micro experience or analytical or both. Logistics, Pete Adams is our manager down there. That is primarily...we've got one chemical engineer down there. That is primarily an operator role. We've got one P&O partner

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which is our HR. Mary Pat is on site. I've got a finance controller and then I've got some project execution people for additional projects that we're doing. In fact, we're doing a \$5 million project on the site right now to enhance our SBM program. Our fermentation and recovery managers, I missed them there. It's very important. We've got about 47 operators on the site. And we start our operators, depending on experience, at...with no experience we start them at \$17. If they've got some pretty good experience, we'll start them in the \$20 to \$21 range, very good benefit package, so on and so forth. Initially when we built the plant we needed to have people that had a lot of experience, obviously, in pumps and pipes and valves and all that good thing. To be honest, anymore we are looking for good people with good attitudes that are able to work on their own, so on, and we feel that we've got a training program now that we can train anybody. Now if we get somebody that comes in with experience and a great attitude, then we've really got something there and typically we're going to hire them on the spot. Key points then on the next slide...I'm sorry, am I out of time or am I getting close?

SENATOR MORFELD: You're right on time.

KYLE NIXON: Okay, very good.

SENATOR MORFELD: About five more minutes and we'll do questions.

KYLE NIXON: All right. Sounds good.

SENATOR MORFELD: Thank you.

KYLE NIXON: So key points for Novozymes: In Nebraska Advantage, I want to be clear on this. We took advantage of the Nebraska Advantage plan; it's a good plan. The different areas that we had primarily was the compensation tax credit was very helpful to us, the sales tax refund credit. The one that...so obviously here today, for me anyway, it's kind of a planner and discussion to discuss how we can make that better. I can tell you that Novozymes would not be in Blair without these incentives. There were several reasons why Novozymes came to Blair. Part of it...and it was a global search for us, and I mean global. There were sites that were "seeked" out in China and Brazil. Obviously in the U.S. we looked at a site in Wisconsin, looked at several

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different sites in Iowa, and eventually came down to Blair. Part of that was the incentive plans that Nebraska had; part of it was being on the Missouri River; part of it was the partnership that we had with Cargill; part of it was the very cheap electricity prices compared to the U.S. There was a lot going on there with why we came to Blair but I do want to say the incentives were a big part of that and I don't feel that we would be here if it wasn't for that. Blair is the preferred expansion site globally for Novozymes, period, because we've got the room, we've got the technology, as well, to be able to make different products. We want to keep Blair based off of the ethanol market, and when it comes to that, we are the preferred site for that. The RFS--the renewable fuel standard--played a major role in slowing our expansion plan. I can tell you that, without getting into any specifics, we had plans over a year and a half ago to significantly invest in our plant, expand. The RFS did play a major role in the decision making with that. The robustness of the market wasn't there and that caused us to change our minds as well. But we are still strongly considering some expansion in Blair and so that's the next topic. Still considering a major investment and impact to site. Some of our major concerns are work force additions--with the low unemployment rate that we have here in Nebraska, that's tough, so we are going to have some additions there--money invested, downstream planning to include SCO. If we expand our side with the operations, we're going to see some expansion as well down in SCO and how does that play into what we want to do? And this is the big one for us. The largest credit awarded under the Advantage Act is the investment credit and can only be used to reduce Nebraska state income tax liability or obtain refunds on sales, use taxes paid. We're going to leave a lot on the table based off of the Nebraska income tax that we have and that's just through the direct appropriations. But because of that, we're going to see a lot of (inaudible)...because of the modest state apportionment rules, we're going to see a big part of that that we're not going to be taking or that we're not going to be able to utilize from the initial opening of the plant. So in the next page was some possible options for incentive changes. This is from our standpoint in particular to extend the carryover period right now (inaudible) seven years. If the carryover period for the utilization of those credits were extended to, say, 20-plus years, that would encourage more growth and expansion, especially in our case but may attract new business even more. Allow the investment tax credit to be used to retain a portion of the income tax withheld from employees--this was something that we've seen in other areas but that was an idea. And then allow companies to sell their investment tax credits--again, we're talking about some major funds that we have that...or credits that we have that are going to go unutilized. And the option to

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be able to sell, we do have a handful of states that do allow those or have those options to be able to sell those to other companies. We would likely then sell those at a discount, but that would help us as well as help someone else. Those are ideas. The two biggest ones though that I wanted to talk about today was the incentive dollars spent compared to jobs created. As we look towards expansion, and again I'm discussing significant expansion but we're also looking at a lot of technology going into those, we typically run our entire plant with approximately...we're 24/7. We run the entire plant with approximately 15 operators on site at any given time. We're very automated. So as we look to expand sites and put the money into...it may not be (inaudible) initially but I definitely see some additional head count as we go down the road. But there will be a lot of technology going in. And then incentivize high-salary positions, create...we, as I talked about in some of the org chart discussion, that we do offer a very I think high salary for (inaudible) for our employees' time here. And our raise structure is also extremely good, so incentivizes the high-salary positions created. In closing and in summary, there are many great reasons Novozymes selected Nebraska and Blair specifically. I talk about those. We want to...we really do want to expand our site in Blair. There are many factors that are going to play into that decision. The current Nebraska Advantage plan will have some impact, and we did take some advantage of some of those, but will make a minimal difference when it comes to the overall investment tax credit regarding any additional investments that we would have. I have to say this, that I want to thank the Governor for his leadership on the Governors' Biofuels Coalition. He came out to our site last year and did a press conference and we want to thank him for all he's done in regards to that. And I want to throw this out for everyone here, just an open invitation to our site. As I stated, we give a lot of tours and we'd love to have any and all of you come out at any point in time to check out our site and to see what we do. Thank you.

SENATOR MORFELD: Thank you very much, Mr. Nixon. And apologize for the noise--we're installing new fountains now if you'd like to come check them out a few months from now.

KYLE NIXON: Ah! Yeah (inaudible). And trust me when I say that's...we're in the middle of that work all the time so (inaudible).

SENATOR MORFELD: Fountains? Okay (laugh).

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KYLE NIXON: Not fountains.

SENATOR MORFELD: Construction. No, that's good to hear. No, that was very informative. Thank you. Do we have questions from the committee on...Senator Schumacher.

SENATOR SCHUMACHER: One of the comments you made was that, early on in your presentation, is that you're a strong advocate for Nebraska in when your company is thinking of making investments. Okay. If you're able to do so, could you kind of share with us type of discussions your company and companies like you have in the decision-making process as to where to expand, how many employees to position there. What is the thinking that goes into making a decision and advocating for one location versus another?

KYLE NIXON: Sure. When I say that I'm an advocate, obviously, when we're talking about from a Novozymes standpoint, the majority of that discussion comes out of Denmark. So for most Danes, they don't know a lot about Nebraska, nor do a lot of people that we have in North Carolina. And so I can tell you that we've had a handful of people that have come out to help us get the plant started. It's, in fact, a general manager that came and selected the site was from North Carolina and he had been...he moved back and took over the site down there and I talk to him regularly. He would love to move. He has become a strong advocate. I think those discussions revolve around work force, integrity, work ethic when it comes to those types of things. The incentives are a big part of that as well and what is the relationship between local, state, government in particular, and those relationships are extremely good. And again, as part of that, I think that's what put it over the top to make the (inaudible) Blair. As far as the expansions go, we do have other sites obviously. And those are some of the same discussions that I'm having right now. The argument that I'd give back is, if we do expand in Blair, especially from a work force, we will have (inaudible) we will have jobs. The number of jobs compared to what the advantage would be or the incentives would be isn't going to be at that level immediately but the real concern from them would be Nebraska, which is a good thing, has a 3 percent or less unemployment rate and how do we fill those positions? We're struggling with that right now. We had a programmer position that paid roughly \$60,000--we started that person I think up at \$60,000--that was open (inaudible). We had an environmental specialist position that was open for six months and we started that person out at I think \$47,000 (inaudible). So that's their

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biggest concern, especially from employment standpoint are we going to be able to fill those positions. But to back that up, the relationships that we have are our selling points.

SENATOR SCHUMACHER: What arguments/feedback do you get? I assume when you're trying to recruit folks for the Blair area, you're trying in North Carolina where you've got some base of operation. What feedback do people there with the skills that you'd like to bring to Blair give you as to why, no, we won't go?

KYLE NIXON: Well, again, we have had some come, and those folks that have come out here and moved specifically from North Carolina talk about schools a lot in Nebraska, how good they are, have, you know, kids. Compared to North Carolina, we're obviously much better. For the most part they won't come because of family. I think that there is a...you know, in North Carolina, from a weather standpoint, that's a big part. I mean that's the truth that they think that, you know, nine months of pure snow, you know, and cold and, you know, so I think that's a big part of it, too, is the weather. But for us, we do a lot of travel as a company and that's a way that we've been able to attract some people to come. I've been (inaudible) I've been to Denmark twice, I've been to China once. I've seen...I think the only places really that I haven't seen (inaudible) but I'm going there in October. We send...I've sent operators to (inaudible) to see how we operate there and to see what they have. So as we brought people in, they've gone back and been able to recruit more and more from our site in North Carolina, especially for some of these special (inaudible).

SENATOR SCHUMACHER: You mentioned travel. What impact does the lack of an international airport in Omaha or even decent connections out of Omaha, what...does that affect you guys at all?

KYLE NIXON: That honestly affects us about every other week because of flights scheduled. There are...I just had...we were expecting a visitor to come out last week from North Carolina. We had planned it for about six months. The Delta issues that they had, she was going to get stuck in Atlanta and wasn't sure if she was going to get out at all. The day that we had the meetings planned where we had people come in (inaudible) wasn't sure she (inaudible) canceled; that happens a lot.

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SENATOR SCHUMACHER: And finally, is this a privately owned company or a publicly traded one?

KYLE NIXON: It is publicly traded in Denmark.

SENATOR SCHUMACHER: Thank you.

SENATOR MORFELD: Any other questions from the committee? Thank you very much, Mr. Nixon.

KYLE NIXON: All right, thank you.

SENATOR MORFELD: Yep. Okay, next up we have Mr. Kenny Sohoto (phonetically). Hopefully I said that name correct. Did I pronounce your name correctly?

KENNY SOEJOTO: Seeyoto (phonetically).

SENATOR MORFELD: Okay. Seeyoto (phonetically)? Okay. Kenny?

KENNY SOEJOTO: I'm Kenny today, so it's a lot easier.

SENATOR MORFELD: Fine, we can do that too.

KENNY SOEJOTO: (Exhibit 3) Mr. Chairman, thank you. And, Senators, thank you. Senator Mello, I know you know us...

SENATOR MELLO: Um-hum.

KENNY SOEJOTO: ...a little bit. We're in your district, south Omaha plant. I'm Kenny Soejoto. I'm the president/CEO of American Laboratories. But before I get into about American Laboratories, I wanted to make a few comments. As Phil was describing Boston (inaudible) to you area about private equity group, I get calls from private equity probably (inaudible) slow

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week five, in an average week probably (inaudible). I'd say 80 percent of them are based in Boston and I think a lot of it is because of the concentration of the biopharmaceutical industry there. My personal opinion with private equity group, I don't like it (inaudible) partner with them. Control is the number one issue. We're an established company so we don't need to take the risk; we don't need to go to them for the finances. But if you're a start-up, it's a great idea. I believe in that, but for us it's not good. I think one of the few exceptions of that, especially with (inaudible) privately held companies, is for liquidity. But we're not looking down that road so (inaudible). I wanted to also comment on I think it was your question regarding the university and a private company, interactions between the two. With American Labs it was our problem. We did not reach out to the universities. What changed it was Governor Johanns' and Heineman's agriculture trade missions to Japan where we have business, China, and also Taiwan. That helped us a lot. Hope Governor Ricketts continues that. But I know most of it was in the agricultural area which was good for us because we're involved in it. All our products are made from beef and pork products. And we remember in around 2000 we had the BSE--bovine mad cow disease--issue and we lost a lot of business in Japan. It also affected us. So I hope the Governor (inaudible) biopharmaceuticals to (inaudible). What that did for us is it got me personally involved with Dr. Flores at the University of Nebraska Food Processing Center. Ultimately (inaudible). I just wanted to make those comments. And lastly, because we're now a Big Ten school, it enabled Dr. Flores' group (inaudible) Mexico (inaudible) on their advisory board. It gave us access as companies and private industries to other Big Ten schools. And specifically for us, we (inaudible) connections with them. So American Labs...how do I do this? Sorry. Okay. We are a privately held company. We started in 1967--this is our 50th anniversary--by two gentlemen, Bill Phalen and Jack Jackson. They both worked for the Cudahy Pharmaceutical Company which was also in south Omaha or in the 33rd and...the old stockyards is (inaudible). And those two gentlemen started on a lot of guts and very little money. And they begged, borrowed, and stole money--ah, forget the "stole"--begged and borrowed for money--and returned it all too. And they had good investors that believed in them and they started our company. When they left Cudahy, Cudahy told them, when you lose all your money and your investors' money, please come back, we want you back. In '72, Jack and Bill bought the...what remained of Cudahy Pharmaceuticals because Cudahy decided to move back to Chicago or Wisconsin, if I understand. Back in the older days of the '40s and the '50s and the '60s, every sausage company, every meat company, every slaughterhouse had a pharmaceutical division.

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Some of them that you might know is Armour Sausage Company; that's Armour Pharmaceuticals. Armour Pharmaceuticals is now owned by Allergan Pharmaceuticals. They were a customer of ours. Oscar-Mayer, hot dog people, they have Scientific Protein Labs which is still in existence in Wisconsin. That's a little bit of our history and what we do. Today we have about 100...it was 111 at our last count last week, employees, and we're still growing. We primarily sell into the human nutritional and the human pharmaceutical industries. We have...of the 111 employees, we have a lot of high school-educated people which most of them we're starting at about \$36,000 a year. And we have people in excess of \$100,000. We have employees...I think our employee base average is about 18 to 19 years with our company. I've been with the company (inaudible). We have...we train them in house, the high school, and also the people with degrees, we train them in house. We also provide continuing education with them, for instance, at the Food Processing Center at UNL. We hire college graduates. We try to hire within the state. We look at UNL, we look at UNO, UNK, and also with Creighton. And those people are starting on average about \$45,000 a year and some of our directors are in the neighborhood of (inaudible) but we're paying them (inaudible). Our engagement is not only with the universities, the local universities, we also are involved in a national organization: APS is the Association of Pharmaceutical Scientists; the Microbiological Society; USP, which is United States Pharmacopeial; and other industries or watchdog industries like that. The skills that, Senator Kuehn, I think you had asked what skills do we need for it, I can't answer that. I would try to jot some notes and it's difficult. But I think it's...the onus is on us to get with the universities more, maybe not on a weekly basis, a monthly or quarterly basis (inaudible) what we need to do as an industry. With 50 years behind us as primarily enzymes--Novozymes is more into the industrial enzymes--we're more into the food and pharmaceutical side of the enzyme. The majority of our products...all our enzymes are made from porcine raw materials. That's why we're based in the Heartland of the country. The other materials that we do are bovine-based materials and that's another reason why we're here. They're used as APIs, which is active pharmaceutical ingredients, for what we use, but we also manufacture proteins and palatants and biologics. Again mostly in the human usage, but our palatants, if you look at the high-end dog foods that...not the ones that cost \$20 a bag but the ones that cost \$75 or \$80, 20 to 40 pounds, our products go into that area there. Our pancreatin product, which is our number one human nutritional but it's also an API, in the API industry it's primarily used for (inaudible) people with cystic fibrosis. Cystic fibrosis, it doesn't cure it, but they have a breakdown of the enzymes in

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their (inaudible) breakdown of the pancreas glands. You and I have and we excrete our own pancreatin we (inaudible). They can't digest food, so this is a supplement for them to help them digest their foods. Pepsin is our second largest product and in the enzyme side and that's made for cheeses. But if...as some of us are aging we have to drink these protein shakes. Those are what they call predigested proteins. They use the pancreatin and the pepsin to help predigest the product. So (inaudible) but it's also the infant formulas use that. I missed a slide, I'm sorry. So but however our growth is in biopharmaceutical. That's where we're looking (inaudible) our business. We're still going to maintain our human nutritional but it's going to go into the biopharmaceutical area. This was the slide I missed. It's just some of the expansions that we've done through the years. So our experience, I know we had other experiences but this was the main one, it was the LB775. We had...I told you before we started a small facility. It's actually...we're on 102nd and I (Streets). Then we bought the Cudahy facility and with it we had five acres. Cudahy campus was throughout that area there. I think they (inaudible) blocks or so (inaudible). And we had an opportunity to buy another five acres and we used...we took advantage of LB775 prior to me starting in 1998. I believe we started it about in 1996 is when we started the program and it helped us. It was about the only thing that we could do to build the building. All in all, I think we invested about \$5 million and completed it in 2000. But in the LB775, the parameters was we had to have 30 hires for \$3 million. The \$3 million investment, that was the easy (inaudible) above that close to \$5 million. It was the 30 hires that was difficult. And it took us nearly seven years to achieve that. What we had to do to comply with it is we had salaried employees that we had to turn (inaudible) hourly even in the director level. I believe we even...I don't think we went to the vice president level but I know we went to the director level. So they were working there full time, 2,080 (hours), but we weren't getting credit for their overtime since they were salaried. We had to change some of these people to an hourly wage so they were working 2,080 plus (hours) maybe another 540 hours so we got that equivalent of a quarter person. And that was the only way that we could achieve that 30 full-time equivalent (inaudible). If you look the cost that we incurred because of overtime, and basically the chairman of our company when he was president of the company said work all the overtime you want (inaudible). They're going to be clocked in for all the hours they want but are they actually working? We never put a pencil down on a piece of paper to estimate how much...or to really find out how much we cost ourselves trying to meet this full-time equivalent, but it's in the neighborhood of about 20 percent that we overpaid for (inaudible). The other parts of it is it was

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lengthy and it was time consuming. I didn't write the script on here and they said pain in the...but I'll say it...butt. It was difficult. And we had to have consultants helping us and they really cut into whatever value that we got back from it. That was the hardest part. To show you, to get to the main point, is the Nebraska Advantage Act is roughly \$100,000 to \$130,000 of capital investment per full-time employee. I believe the lowest level is a million-dollar investment. And is it ten employees?

SENATOR MELLO: Ten, um-hum.

KENNY SOEJOTO: Okay. To give you an idea of what we're doing today, we're probably \$1.3 million per full-time employee. Like Novozymes and like Streck, we're very highly capital (inaudible). Capital is all...everything (inaudible) high amount of money. So this is where this becomes a problem. In our future plans, but I want to acknowledge that this does not include about \$1.75 million that we've invested since (inaudible) of (inaudible). During that time, I believe we did increase (inaudible) right around ten employees but these were employees that we needed. We were running short on things because we worked the old way system where we had to have people work overtime. Our people are getting tired. They've been working overtime for ten years. They've been running at least 60-hour weeks and they're just tired and we had to stop that. We had to bring in more people. But with our growth and just like...oh, I'm sorry. With our growth right now we're looking at a new building, not sure if it'll be in your district. It's on 94th and (inaudible) I think so, 94th and J (Streets) I believe (inaudible).

SENATOR MELLO: Yeah. I know where it's at, so.

KENNY SOEJOTO: So we're looking at a new building there to move our dry warehousing area and some of our cooler product under refrigeration, and our corporate office, to this building, which leaves our south Omaha facility, which is about 60,000-75,000 square feet. Where we're doing that, that is made for biopharmaceutical manufacturing (inaudible) lot of real estate value because we value it at about (inaudible) a square foot, whereas the warehouse we value at \$100 a square foot. So we're looking at a \$5 million investment and we're going to have three full time (inaudible) all we're going to have. Our next side is to build a specialized biopharmaceutical site. More than likely, that will be on our campus. We have ten acres and we have buildable space

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there and it's about a \$15 million addition that (inaudible) new building. And that's going to be about 12 incremental full-time equivalents. And then when that project is completed--this is all one major project actually, it's a \$30 million investment for about 24 people--then we'll do the second phase of it. And later on, towards the end, I'll get to...you had asked what's the driving force for (inaudible) and I'll get into that. But as you can see, we're not looking at \$100,000 (inaudible). We're looking at a million dollars (inaudible) and there's no incentive plan that has, that covers that. We're a privately held company so I can't divulge our finances. But if you could see, I started in 1998. Shortly thereafter we had a downturn (inaudible) (laughter). And I think this is very typical for most companies except these last years of 2016, 17, and 18. One of the driving forces is we landed a very large customer (inaudible). They're helping us with (inaudible). They've asked us to look not overseas, like Novozymes (inaudible) areas and I'll get into that a little bit more. But this is our growth. It's not really that much. And the green line is our growth of employees. That...in 1992, we had 36; '98, when I started, was about 45 people. Then we had to get to about 75 to do the full-time equivalents on it. And we didn't achieve that till we had 87 in 2005 so right around 2004, 2005 is when we finally achieved it and then we we're growing. We're looking out, and I added on this for the 2018 because of the two major projects we're good, that's what's going to take us to (inaudible) 30 employees. And we want it all based in Omaha, Nebraska. We do feel strong about that. One of the points I wrote down here is, like Streck and like Novozymes, we're having problems getting technical people, biopharmaceutical-based, biotechnology-based people. I believe we're stealing from each other one way or another. Sure, maybe someone quits there because they're disgruntled but I (inaudible). Someone doesn't like me and Streck picks (inaudible) have a lot of that so it's just going around in circles. We're not really getting that good growth (inaudible). We're even getting people out of Lincoln (inaudible) opportunity. Our people at our company asked me to talk a little bit about me personally. This says it all in one slide (inaudible). I believe Omaha, I believe Nebraska is home to me. I was born and raised in southern California and I was...that's where I started my career in 1998. And I was a customer of American Laboratories...I'm sorry, 1979, (inaudible) started when I was 11 or 12 years old (laughter). But I was a customer of our company (inaudible) and I personally knew Jack and the family. And when they asked me to come here, they gave me a really good opportunity because I believe (inaudible) running a company, running a family business even though I'm not part of the family. But I think...I can't remember who asked how do we attract people, what do we tell people. I could only talk about

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myself. This is what I knew of Nebraska. I knew the College World Series. I knew Vince Farragamo and Husker football, because he played for a rival high school team. That was the only...those were the two major things I knew. Otherwise I said, like everyone else says, we're flyover country. We really have to get (inaudible) because once I got here, I never looked back. I've worked in New York for Merck after I was in California. And all my colleagues in the east and west, they thought I was crazy moving out here. But when they come visit me here, they want to know how they could get (inaudible). But their big thing is their family ties because they're East Coast...they're embedded in the East Coast and the West Coast. But again, now 18 years later, this is my home. I plan to retire here. This is where I want to stay. Our company, even though we don't say...we can't say we're family owned, we're one big family. The majority of our people are homegrown Nebraskans. And we asked about earlier, I think there was a statement said about how do we keep our kids here in the states. Well, again, I could talk about for myself. I have three kids. My daughter went to the Ohio State University. Wanted to go walk on and (inaudible) women's hockey. Got hurt, didn't play, but got her education there. I had to bribe her to come back to Omaha, Nebraska, to go to Creighton Law School, and I bribed her with a new car I think to get her back. This is my own child, had to do (inaudible). She became a public defender here in Omaha (inaudible) Riley (phonetic) and loved it. Unfortunately, she moved down to Florida. My next son went to UNK. He was the only one that stayed around. But after he got a job with an international company, he moved to California. We were lucky and we lured him back. He's now a salesman (inaudible). So I lost...I brought one back, lost one, brought one back, so at least we're (inaudible). My youngest son had no choice. He had to go to Ohio State because of his older sister. But we got him to come (inaudible). And some of that was the ties that we had with Dr. Flores. I got to go there. I got to go to the university and talk to their people, his fraternity. And we actually have about three or four boys that...from his fraternity that decided to come here because Ohio, it's just the farthest East Coast version of Nebraska, a lot of similar ties (inaudible). So why did my kids leave? Number one reason: scholarships. We didn't give enough in-house, in-state scholarship monies. My youngest son graduated with a 3.95 from Elkhorn High School, had I think a 29 or a 30 on his ACT. He didn't get anything, nothing, but Ohio State gave him \$35,000.

SENATOR MORFELD: Kenny, when did he graduate?

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KENNY SOEJOTO: He graduated in...out of Ohio State in 2013.

SENATOR MORFELD: So this was recent...

KENNY SOEJOTO: Yeah.

SENATOR MORFELD: ...that he graduated high school and...okay.

KENNY SOEJOTO: So he...it was the class of 2009. The problem with his high school, Elkhorn High School...and I don't remember who was on the board. Dr. Flores, at the time, he had asked me about my son and...Pete (phonetic); long Greek last name.

JULIA HOLMQUIST: Annasopoulos (phonetic)?

KENNY SOEJOTO: That might be. He had asked me about my son and I told him that and he looked into it for me and his office was able to come up with a scholarship, but my son already committed to Ohio State and he wasn't (inaudible) back, because in his class I think they had, out of a class of 100, I think there was 20 people that scored 30 on the ACT. So that was...his class was just too smart. That was his problem. But I think that's one thing that we can do to help our kids stay in the state. So to conclude, we tried to use it and it was difficult for us to (inaudible) wasn't (inaudible). Our decision points aren't...maybe this isn't the right place to say it, but our decision point really doesn't hinge on these (inaudible) incentives (inaudible) take advantage of them if we could. We're here because of the proximity of our suppliers. We have...we're buying from (inaudible) we're buying from Omaha and we're going north and we're going south. Within 500 miles, this is where we're buying. But we're also buying from Ohio, North Carolina, and South Carolina. The biggest producers, Smithfield Foods, is based in the Carolinas. The hog business, there's 325,000 hogs slaughtered a week...or, sorry, a day in the nation. One of their facilities is doing 32,000. They have 10 percent just in one facility. And they're our supplier. We could move down there. We've looked at Ohio. They're very friendly towards us. We looked at North Carolina. We looked at South Carolina but really don't want (inaudible) honestly. We do aim to stay here regardless of what you do, but I still would like you to still look at a few incentives for us. Like the gentleman from Novozymes said, great place (inaudible). Our motto

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now is "the good life." I truly believe it is. The last part of my conclusion is the toughest part is I don't like to tell you, because you're listening to me, I'm telling you the problems, but I don't have a solution. I don't like that. My job is to find solutions. But I do think that if you hear what the problem (inaudible), then we could work on a solution. Thank you.

SENATOR MORFELD: Thank you, Kenny. Does anybody have any questions? Senator Mello.

SENATOR MELLO: Thank you, Chairman Morfeld. And thank you, Kenny, for coming in and spending some time with us. It's been good to work with you guys over the last eight years down in south Omaha. The question in comparison to maybe Streck and Novozymes, and I'm going to pose this to you and I probably should have posed to them as well, and if anything, Phil can probably get some feedback from them. You're more...you're a much more established company and have been around for awhile. Do you see for your organization being a more established company that the work force challenges matter more in comparison to maybe the tax climate or the tax incentives? Or does the tax components matter more in regards to your investment decisions or your organization, where it may move? I mean I think that's the challenge that we wrestle with here is that we've...we know there's some start-up companies, we know there are some younger-stage firms in businesses that are looking that have different challenges than American Labs who have been around for a considerably long time. And that would maybe help us understand a little bit more in regards to maybe the different stages of companies in regards to what really would be the driving factor for you.

KENNY SOEJOTO: And a 50-year-old company, I'd say we're more established than (inaudible). I worry more about people. Jack had always a saying is: All we have is a bunch of pots and pans (inaudible). It's the people that make (inaudible). Without the people, we can't (inaudible). Even though we're only looking at another 27 employees after \$35 million investment, those are very specialized (inaudible). We need people that have high school diplomas and people that have bachelor of science degree, master's (inaudible). Even at the bachelor of science (inaudible) having (inaudible) think we've come to the...we've always...we just changed this. In fact, I'm making the announcement on Wednesday at a companywide meeting. We're basically in the healthcare area, so why do our employees have to worry about (inaudible) health insurance? We're moving, starting Wednesday...or, sorry, announcing

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Wednesday. We can't do it until January 1. Our company is paying 100 percent of everyone's health insurance. That's an increase of a million dollars a year. But we have to do that. (Inaudible) took surveys. BSK (Financial) is not doing that. I don't know if Streck or Novozymes, but the old Pfizer facility out in Elkhorn by my house, they're not doing it. I don't know if very many people (inaudible). That's some of the things we have to do because we can't attract them. Some of the companies on the East Coast and the West Coast aren't doing that and we're getting some resumes from those (inaudible). Even our 401(k), we never had one. We had a profit-sharing program and it wasn't that good. We're changing that also Wednesday. That starts October 1. We're paying every one of our employees 3 percent of their...whatever W-2 wages are, salary and bonuses, any type of bonus, we're paying them 3 percent right off. They don't have to put a dime into it. Then we're giving them a 6 percent match on top of this. We're giving 9 percent. That's almost unheard of for us to do this, but we have to do those things. We have to invest in our people. That comes from us.

SENATOR MORFELD: Where's your job listings?

SENATOR MELLO: I was going to say.

SENATOR KUEHN: Are you hiring? (Laughter) Openings for a plucky veterinarian with an interesting resume?

KENNY SOEJOTO: But we're also using it for employer (inaudible). We want those people. They're our success so it's...let me read a sentence in the...sorry I have to read it, I should...supposed to have this memorized. Our values statement is: Our employees, the future leaders of our company and industry; our customers, the driver of our business; our suppliers, the foundation of our quality; our environment, the sustainability of our community; and our integrity, being honest and genuine. That last statement I think says Nebraska right there. But the first one is we have to invest in our employees current and present.

SENATOR MELLO: Well, I can...as I mentioned earlier, it's been great working with you guys over eight years and I appreciate your progressive leadership in regards to looking in the future, not just in south Omaha but across the metro area. Thanks, Kenny.

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KENNY SOEJOTO: Thank you.

SENATOR MORFELD: Senator Schumacher.

SENATOR SCHUMACHER: Thank you, Senator Morfeld. Thank you for your testimony. One of the earlier comments you made was that you try to hire in state. Do you suppose that that may contribute to the problems that we have in the state of attracting out-of-state interest? I mean, to the extent we're so internalized that we don't reach out and establish those relationships with other universities, with other areas of the country, even if they've only worked here a few years and go back, they at least know that Nebraska is not Omaha Beach in Europe. And so, you know, should we make more of an effort to engage in commerce with the centers of education and labor that are on the coasts?

KENNY SOEJOTO: I believe so. Streck had mentioned they (inaudible) past Nebraskans back to (inaudible) have a great alumni association (inaudible). I do think, yes, we should. Are we guilty of only trying to hire from here and not going out? I think in the past, yes, I do know our chairman (inaudible). He had...he still says, reminds me constantly, is he was a wannabe East Coast/West Coast (inaudible). He and I would always (inaudible) Nebraska. Then when I came here I said, no, I had it wrong. I always wanted to be...I was a wannabe Nebraskan. I feel at ease (inaudible). So I think we as a company, yes, we should have looked out more and we are doing that more. And I tell you, through UNL we are using that tie into (inaudible) very little but we're still trying to through their Food Processing Center (inaudible) reached out to Penn State. We've reached out to (inaudible).

SENATOR SCHUMACHER: And then to follow up on another angle, you mentioned some frustration with the Nebraska Advantage incentive programs. I think that those are a frustration we all feel. They are too complicated in many cases. They are so complicated that many, many, many businesses, the bulk of our employees and investments, don't even get a smell of them. They're limited because they just aren't made completely of money and probably less and less so each year. So the struggle is, if we play the incentive game, we almost have to because other states are playing the incentive game. Is there a better way to do it? And let me ask you this. What if we were to try and fashion an incentive program that was based on growth? If you grow

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the business here, the first so many years following the growth, that growth, the benefits from that growth are some factor times that growth is not taxed. And so you have...we reward growth, not level of performance, but growth performance. Any appeal?

KENNY SOEJOTO: Our CFO and director of finance actually wanted me (inaudible) very much (inaudible).

SENATOR SCHUMACHER: Help me work on that, will you? And finally...

KENNY SOEJOTO: I'm not a finance guy but I'll try.

SENATOR SCHUMACHER: Well, whoever your finance guy is. And finally, to what extent does a minor change or...and I should phrase this way. In recruiting, does the personal income tax rate ever come up?

KENNY SOEJOTO: You know, I've used it because, again, I was born and raised and educated in southern California and I have a lot of ties there and I'm trying to get colleagues here and I use that to our advantage because their income tax there is almost double (inaudible). They're 13 percent (inaudible). That's...and that gets their (inaudible) housing, cost of living. There was something here in the Omaha World-Herald last week about what a hundred dollars means. I think here a hundred dollars is about \$106 or \$108; California was \$88. That helps. That really helps. That even takes in account our property tax (inaudible) quite high in my opinion. They're as high as what I paid in New York. But it doesn't...it's small in comparison (inaudible). So I do use that (inaudible).

SENATOR SCHUMACHER: Okay, thank you very much.

KENNY SOEJOTO: Thank you.

SENATOR MORFELD: Thank you very much, Kenny. Well, that ends today. We're actually a half-hour early. I'd like the committee to take note of that for being efficient. And we'll

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reconvene tomorrow at 9:30. Senator Mello will be here promptly at 9:40 (laughter) and we'll get started again. Thank you very much.