

**STEVE JOHNSON TESTIMONY BEFORE THE U.S. HOUSE COMMITTEE  
ON SMALL BUSINESS, SUBCOMMITTEE ON ECONOMIC GROWTH,  
TAX AND CAPITAL ACCESS: APRIL 18, 2013**

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Chairman Rice, Members of the Committee, ladies and gentlemen:

My name is Steve Johnson and I am President and CEO of CreatiVasc Medical in Greenville. Our company began full-time operations in 2007 and we are focused on developing medical device innovations for one of the most expensive chronic diseases: End Stage Renal Disease, or kidney failure, which now represents over a \$47 billion burden on our healthcare system. These patients must rely on dialysis to live but this costs over \$86,000 per patient per year. It is also a field that has had little innovation in over 30 years.

CreatiVasc developed and now has in clinical trials at Johns Hopkins an innovative device called the Hemoaccess Valve System<sup>®</sup> which has the potential to significantly reduce the complications and cost of dialysis.

Last year, CreatiVasc was selected by the FDA to be one of the three inaugural companies in the agency's new Innovation Pathway program which is designed to accelerate the clinical testing and

approval of promising new technologies without compromising patient safety.

Our company is in South Carolina, which has been traditionally viewed as a “fly-over state” when it came to innovation: you flew over us to get somewhere else like Research Triangle, Palo Alto or Boston. Now, we are proud that South Carolina is quickly becoming a “destination site” for innovation. Over the last 6 years, over 280 technology-based companies started up in our state.

#### What has caused this dramatic change?

One major stimulus has been a program created by South Carolina Research Authority (or “SCRA”) called “SCLaunch” – and while the state of South Carolina fostered the creation of this program, not a penny of state funding has supported it. This SCRA program provides tax incentives to encourage private donations which are used to support early-stage innovation in our state. This SCRA early-stage funding is provided only after extensive and rigorous scrutiny of not only the technology but its management team, its competition and patents as well as its path to market.

Early-stage SCRA funds have triggered over \$220 million in follow-on capital from angel and venture capital investors, and Forbes

magazine named it as one of the top five economic programs in the nation.

The SCRA program recognizes that capital is the fuel that drives the economic engine. Capital transforms “technology” into “products.” This then translates into manufacturing which generates jobs. But something has to prime that pump – and most times, traditional sources of capital such as banks and now even venture capital funds, want to avoid the risk of early-stage technology start-ups. Programs like SCLaunch fill that vacuum. Without this program, most of these innovation startups, including our own company, would not exist.

As a native South Carolinian, I fully recognize that our state has rarely been at the top of any ranking. We usually come in 48<sup>th</sup> or 49<sup>th</sup>. But that is rapidly changing when it comes to encouraging, supporting and creating new companies with breakthrough innovations.

Innovation is the key to economic growth because it is how we can compete in a global marketplace. It is also how we create good, high-paying jobs here at home. But for innovation to succeed, there must be adequate capital to mature these inventions from the lab to the market. I can tell you from personal experience that the greatest challenge is to find long-term funding. Even though CreatiVasc was fortunate enough to be selected by FDA to be one of the top three

innovations for one of the most expensive chronic diseases, it is amazingly difficult to find capital, especially for medical devices which take years to develop, test and get to market.

This is the opportunity for the future: to provide attractive incentives that secure private investment to support innovative but maturing technologies.

Thank you for this opportunity to speak about something that I feel very passionate about – and I look forward to your questions.

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