

**Senate Committee on Finance- Hearing Regarding the Effect of Tax and
Fiscal Policies on the Military Community**

Wednesday, September 22nd, 2010
Room 215 of the Dirksen Senate Office Building

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Short Biography is Attached

Executive Summary

We appreciate the opportunity to address this committee. The background of Athena GTX, a small business, is offered as a key to understanding our company's position in this matter. Our company is developing state of the art wireless miniature electronic medical vital signs monitoring devices for use on injured humans, from point of injury back to the treatment center. The initial development of these vital signs monitors began with close contacts in various military branches. These devices can be used in the civilian emergency markets as well, and after initial production of recently FDA cleared product is supplied to the military, the civilian market will be introduced. The founders and long term employees of our company have a long history of working with various branches of the military, and therefore may have a unique understanding of the importance of this option for serving the country. Several employees are retired service members or have served in reserve and National Guard units. Many have been recalled and/or served.

It is our testimony that the personnel deployment impacts 1.) compensation and tax incentives, 2.) health care, 3.) emotional stability, and 4.) re-assimilation upon return. These impacts affect both the soldier and the company. The soldier and his/her family, and the corporation/business, are affected before the deployment, during the deployment and, by our experience, after return from duty. Additionally, these impacts for the corporation/business become more deleterious as the overall size of the company decreases, and the long term impacts more serious as the importance of the individual's role in the small business increases. Finally, these impacts become greater for younger single employees and young married employees than they may be for older and married employees.

It is our belief, and our corporate policy, that no pressure has, and never will, be put on any employee serving in the National Guard or as a reservist to resign. Our business has benefitted tremendously from employment of past and present active duty, retired, reservist and Guard affiliated employees. However it remains cost prohibitive to continue to provide compensation including wages, health care or PTO (Paid Time Off such as sick and vacation accrual) benefits to those called up. We suggest a full understanding of these impacts on both those put in harm's way and those left behind would lead to possible legislative changes benefitting both. Possibilities include: a.) travel expense deductions for any related period that the employee is called away from corporate duties regardless of the distance travelled; b.) tax credits for businesses hiring temporary workers to fill in for deployed personnel, especially when such temporary employee also has direct military ties (such as a spouse or relative of a deployed soldier); c.) tax credits to continue health care benefits to deployed personnel and their family as an option for TRICARE, d.) when and as possible consideration of continued part time employment benefitting both the employer, employee and employee's family, e.) tax incentives for employers hiring returning soldiers especially when wounded, and finally, f.) consideration for continued tax breaks for returning soldiers in need of extended medical and psychological treatment during re-assimilation into the workforce.

Discussion

The basic vision and mission of Athena is to create new wireless medical products for the US military with a focus out at the point of injury or wounding through treatment, transport and disposition. As such it is important for Athena's teammates to understand the high technology of biomedical sensing, medicine, triage, and wireless communication electronics and to have in depth experience with or an understanding of the environment and users. To succeed in this space, Athena is focused on being fast to develop prototypes, and has a basic philosophy that younger electronics and bioengineers with military experience and work ethics make the best employees and consultants. Hence, it has not been uncommon that a majority of the development engineers and relationships are or have been tied to the military as well as many of our strategic partners and consultants. Knowing this we also recognize that if these employees remain active as reservists or National Guard the potential for recall and possible deployment for extended periods of time remains. Athena is not unaware of the risk but severely underestimated the impacts.

The history of Athena recalls the following deployments and recalls and "almosts". One Army National Guard employee was recalled and deployed to Utah to backfill a unit deployed to Iraq. At the time this was our Lead Software Engineer. He is still with us. One Marine reservist was recalled and deployed to Iraq serving for 6 months. He came back "different". It took him over a year to begin to recover in our opinion. At the time of deployment he was a Program Lead electronics engineer on an innovative medical product for medical triage in the military called MIDDAS- a sensor glove that took vital signs by laying the hand on the wounded soldier. In retrospect we had some real issues with him and he never quite returned to his former or pre-deployment capabilities and eventually left us. When these two were recalled it took 50% of my critical development team away and seriously impacted our performance. Frankly, it killed us technically and slowed down all of our efforts substantially.

One Army National Guard reservist was informed of his recall but left us before the decision was formalized and his deployment date was finalized. In our opinion, his productivity and attitude went sour upon the notice as he had just signed a new apartment lease, moved out of his parents house and was starting his life after school. He developed a belligerent attitude and we replaced him. One Marine Special Forces reservist was recalled but was able to get a Special disposition and Honorable Discharge only one month prior to unit deployment. Two times he was recalled; the first time into a stand-by position and the second time he was able to avoid the deployment since his discharge came through. He had already deployed twice before these recalls. Our Special Forces medic had retired and joined us, and almost immediately struggled with recall notices and rumors of same. These seriously hindered his ability to do what he was hired to do. He eventually structured a reservist role to train medics rather than deploying and had to work part time for us. As a Business Development Specialist the impact was a major change in our role for him and his ability to complete tasks. He is retained only part time now and continues in his reservist duties.

There have been several articles and hearings concerning the effects of Reserve Call-Ups on civilian employers. Upon review of these documents and studies by both government commissions and university institutes, and based upon the experience of our company, it is clear that this is a complicated issue. It may distill down to the attitudes of the reservist and employer on how to accommodate this important service to our country. It is not clear to us that one policy or law will meet the broadest of personal stories and applications for these individuals nor meet broadly the needs of various corporations doing a variety of different services when facing such recalls. However, some basic guidelines and thoughts are provided primarily from only our business and perspectives.

Compensation, HealthCare, and Tax Incentives

Our world has forever changed with global wireless communications and the World Wide Web. It is not uncommon for our company to continue to communicate with deployed customers and employees when deployed even in remote areas of the world. Many of our customers will continue to communicate with us and maintain a decision making perspective even when deployed. If possible and depending on the duties during deployment and the military branch, some employees may be able to continue to work at least part time for the company. When such work lessens the financial burden of the employee and also lessens the burdens associated with the loss to the employer, it has a really good stabilizing impact for both. In these cases, continuing the employee's compensation and benefits is a very good idea. Perhaps employers that are able to do so should benefit by tax breaks for the cost of doing so and the income these soldiers earn can be viewed with less tax burden.

Recalled employees suffer significant loss of income once gone if they cannot continue to work. Employers often cannot continue to pay employees when they are gone but may be willing if the government provides some measure of significant tax benefit to do so. This is true for both pay and for health insurance for the employee and family as well as for other benefits such as vacation accrual. These benefits to the employee are obvious but the benefit of the tax break for the business has to be a high enough return to remain cost effective. Additionally, a possible tax credit to the company when backfilling a deployed employee with a military employee; a temporary worker or a military family member of someone deployed could be considered. One way to do this is would be to maintain a data bank of deployed soldiers' spouses or family members needing temporary employment to offset loss of income.

We believe that any reasonable transportation cost to serve in the Guard or reservist capacity should be considered a tax deduction regardless of the distance travelled or reasonable costs. A simple way to do so is to reimburse at the government per diem rate for direct expenses. In our case the deployed Utah employee did travel considerable miles to spend time with the family and kids at his own expense whenever possible. The employee kept his family strong during his deployment though he often traveled long distances without a break. Although this was a personal choice, the soldier returned and the family stayed strong and together and appear to be thriving. His sacrifice to serve both the country and his family during deployment should set an example for others and our support of such sacrifices should not go unmeasured.

HealthCare for deployed employees is more critical for those with families and ongoing medical treatment than it is for single individuals. An option to retain the employers insurances has to be established without putting the burden solely on the company. Perhaps the intangible here is emotional but the volatility of switching health care systems and providers for the family is disruptive. Constant health care providers and sameness, especially for younger children is important for the family and for the soldier.

Finally, the cost of serving the country often lasts well after return. For employees and companies recognizing issues with returning soldiers, whether emotional or physical, some sort of tax incentive should be provided to assist in re-acclimating the individual back into the workforce. The decreased productivity could be handled with adequate consideration for the healthful return of the soldier over time.

Emotional

One of the most damaging issues for the National Guard employees subject to recall is simply "not knowing for sure". Our experience is that few soldiers/employees will "wear this emotion on their sleeve" but it certainly does exist. Our employees were often not really sure if they were going to be called up or not. For a married couple this is probably hard enough but for an employer this is devastating. The

employee is refocused about “if” and “when”, and the employer doesn’t know whether to interview or not; when or if to start interviewing. Few companies have flexible schedules to allow for last minute decisions, lay a significant risk on the table when hiring without due process, and most simply do not have the ability to act in a timely manner. For Athena, the process of finding the right engineer is a timely and highly critical task involving both a technical and team oriented review process. Additionally, upon return of the replaced employee from duty, where does the company put them? We are not big enough to utilize two in the same capacity and it would be nearly impossible to hire a temp without knowing when the deployment will end. In addition, without at least a chance of continuity, the temporary employee never totally committed to the job. The reality of a pending deployment or call up often results in employee’s loss of focus. Performance and attitude drop significantly. It can be a substantial financial burden, as well as seriously damaging strategic schedules/growth for a firm that is too small to absorb the impact.

During deployment there is less emotional burden on the business, except for ties to the remaining family, and the bonds of his/her teammates in the company. It would be wonderful to be able to offer more to the family and children of those serving. Part of this is only reassuring the spouse of our intent to rehire and helping financially as much as possible.

Here are some of the emotional difficulties involved for the individual relayed by our deployed employees:

- Less pay – especially for degreed engineers that make a very good wage. This is more dramatic for single soldiers who make MUCH less money than married soldiers when deployed
- Health care changes caused by companies stopping the health care and forcing a switch to Tricare. Then, switching back when they came back.
- Some people in the National Guard are not as prepared as active duty personnel for deployment and being away from their family. This was obvious to us in terms of decreased focus leading up to deployment
- It takes a while to assimilate back into the company when returning and companies change a bit too in the months soldiers are gone, which was oddly one of the biggest issues for returning military personnel returning; they seek familiar roles and responsibilities which may be outdated.
- Employees deployed feel they are abandoning their team and this is contrary to what their military training teaches them. This is a large emotional burden on them as they feel they left with a large void. It does and they know it. Ideally bringing in a non-threatening replacement before they leave helps to ease this burden for them but not the replacement. For companies that do this perhaps a tax break would help offset the cost.

Re-assimilation

Upon return we will need to employ more wounded warriors with a wide variety of issues and injuries that are both physical and emotional. We believe that we have seen some of this in returning employees, but not to the extent of physical injuries such as amputation and burns. We feel the incentives to hire these veterans and their families must be a priority. Employing such returnees is possible and the right thing to do with proper support. We believe there is no greater way to encourage their assimilation back into a viable workforce than to support them and surround them with their peers; others that have walked in their shoes. Our company will continue to produce innovative products to save lives on the battlefield and we will employ these returning vets with emotional and physical issues in the program we call “Still Serving those that Serve”. Such programs throughout this nation will need your continued support, incentives and tax breaks.

Mark Irwin Darrah, Ph.D.- Short Biography

Professional Summary Over twenty-five years of comprehensive and diverse biomedical engineering, aerospace life support and miniature sensor/electronics research and development including engineering experience within both research and manufacturing-based companies, including 10 years at McDonnell Douglas Corporation in St. Louis, Missouri (now Boeing Corp), and both large and small businesses serving the DoD. After successful employment with other companies in various capacities, he founded Athena GTX in 2000.

President/CEO

Athena ISG / GTXtreme, Inc. dba Athena GTX
Rancho Cucamonga, California
San Antonio, Texas
Des Moines, Iowa

2000-current

Dr. Darrah is the President/CEO of Athena GTX; a certified DoD small high-tech bioengineering business with 24 employees in three states. Athena GTX serves primarily the US Army on advanced wireless medicine products, and the US Navy, DARPA and OSD in various development programs. Athena has won numerous SBIR activities and conducts technology leveraging for current and future products in fire rescue markets, medical triage, Weapons of Mass Destruction (WMD) and terrorism response protective equipment. Athena GTX continues to hire many veterans and military-experienced consultants and subcontractors.

Dr. Darrah has the primary responsibility to maintain innovation, grow the company and to coordinate technical activities and business development initiatives between various suppliers and in house in support of ongoing development programs. Additionally, he has the responsibility to develop potential new product thrusts, and teaming relationships involving both defense and diverse commercial interests. In this capacity he has completed work with Combat Medical Systems (CMS), Titan Corporation, EBTech, CSI, Lockheed Martin (LMCO), Red Inc., Transaero, Inc, and GEO Centers (SAIC).

Primary Education:

- Ph.D.** Biomedical Engineering (Minors: Engineering Mechanics/Physiology)
Iowa State University, Ames, Iowa. 1982
- M.S.** Biomedical Engineering (Minors: Chemical Engineering/Physiology)
Iowa State University, Ames, Iowa. 1979
- B.S.** Biology
Delaware Valley College, Doylestown, Pa. 1975

Professional Affiliations:

President of SAFE, 1996, SAFE Board of Directors, 1993-2010 (Executive Advisor four times , SAFE Science and Technology Committee Chair, 1993-1995 (Presidents Award 1994, 1995), Honorary Life Member, 1999, SAE, IEEE and SAFE Journal Editor in Modeling and Simulation Aerospace Physiology, Aerospace Medical Association (AsMA), Publications Chair for SAFE (2006), AsMA Bioengineering Branch, Defense Preparedness Association, Army Aviation Association, Physiologist Society, SAE, Society of Flight Test Engineers, and IEEE (Bioengineering Society).