



Department of Justice

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KTM INDUSTRIES, INC. RESOLVES FALSE CLAIMS ACT ALLEGATIONS INVOLVING NATIONAL SCIENCE FOUNDATION AWARD

GRAND RAPIDS, MICHIGAN — KTM Industries, Inc. (“KTM”), a Lansing-based company that develops and manufactures biodegradable engineered foam, has agreed to pay \$170,923.65 to the federal government to resolve allegations that it fraudulently obtained funding under a National Science Foundation (“NSF”) award in violation of the federal False Claims Act. As part of the settlement, KTM’s CEO agreed to pay an additional \$25,000 and submit to a three-year exclusion from participation in federal programs, grants, and contracts. The government previously received \$54,076.35 from Michigan State University (“MSU”) in a related investigation into whether, under a subcontract with KTM, MSU spent NSF award funds on unallowable equipment. KTM, KTM’s CEO, and MSU did not admit liability as part of their respective settlements.

In September 2010, NSF awarded KTM Phase II funding under a Small Business Technology Transfer (“STTR”) grant to support the development of chemically-modified plastic starch bio-foams. The United States alleged that to obtain and maintain this funding, KTM and its CEO knowingly made a number of false statements and supplied NSF and NSF contractors with false documents. These false statements and false documents concerned, among other things, KTM’s accounting system and timekeeping records, the actual expenditure of NSF award funds, and the primary employment and payment of the principal investigator on the NSF project. The United States further alleged that during the investigation of this case, KTM produced 24 false and fraudulent employee timesheets in response to an administrative subpoena, the creation of which timesheets was directed by the company’s CEO.

“Those who seek federal funding must be truthful and accurate in their dealings with government agencies,” said U.S. Attorney Patrick Miles. “Companies and individuals that make misrepresentations to obtain such funding undermine the integrity of the grant process and unfairly divert funds from qualified grantees who will play by the rules.”

Allison Lerner, NSF’s Inspector General said, “STTR funding is a valuable tool for small businesses to develop innovative technologies. Unscrupulous individuals and companies who lie to fraudulently obtain these funds will not be tolerated. I commend the U.S. Attorney for his support in this case.”

This case was investigated by NSF’s Office of Inspector General. Assistant U.S. Attorney Adam B. Townshend represented the United States.