



case 1-429-051
April 23, 2010

Molten Metal Technology (B)

As 1996 began, the future looked bright for Bill Haney and MMT. Analysts forecast a prosperous year, anticipating that revenues would grow from \$44 million to \$74 million during the year and that 1995's modest \$300,000 profit would grow to over \$12 million in 1996, reaching \$62 million by 1998. This optimism was based on the assumptions that the CEP process would go into commercial production and that MMT would further penetrate government, chemical, and international markets.¹ To date, the vast majority of MMT's revenue had been generated by grants and royalties. Analysts believed that a steady and significant stream of operating revenue was key to the future of MMT and their forecasts. However, technological difficulties at the company's three plants were slowing its efforts to achieve full commercial operations. The timing of these delays would prove disastrous.

With Peter Knight and Bill Haney securing lucrative financial grants from the U.S. Department of Energy while gaining favor with Al Gore, a likely Democratic presidential candidate in 2000, MMT came under the scrutiny of Republican investigators searching for illegal fundraising practices. A Senate campaign-finance investigation resulted in subpoenas for Haney and Knight; it charged that they had solicited political contributions from the firm and, in return, secured the critical government contracts that the company so badly needed.² Haney now faced competing demands and responsibilities — continue to manage MMT and prepare testimony for Senate and House committees on campaign-finance reform. The latter responsibility would siphon precious resources for Haney and his staff for nearly a year.

October 21, 1996, became a pivotal date for MMT. Starting a chain reaction, the Department of Energy declined to renew a research contract with the company. A DOE spokesman said that the cutoff of funds resulted from an assessment that MMT's technology was so good that it no longer needed government assistance.³ The DOE decision eliminated \$12 million dollars in expected government financing and prompted company officials to "refocus" their operations on a few key projects.⁴ The funding withdrawal proved even more fateful when the *Wall Street Journal* erroneously reported that the DOE had withdrawn the research grants because of doubts about the commercial viability of CEP. As a result, the end of the chain reaction saw the share price falling to \$14.25 in NASDAQ trading in one day, a decline of 49% (see **Exhibit 1**), as investors believed that the cut in government funds and the suspicions of unscrupulous government dealings signaled trouble for the high-flying company. But to make matters worse, the sale of \$2.6 million worth of MMT stock

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