

Lights out for SureBeam

13/01/2004 - US-based SureBeam, a leading provider of electron beam food safety systems and services for the food industry, will be out of business by the end of the week. The company announced today that it has been unable to reach a restructuring agreement with its senior secured lender, and that it has decided to seek the protection of the Bankruptcy Court.

SureBeam will cease to operate its business on 16 January 2004.

This is an extraordinary end to a firm that seemed on the verge of dominating the irradiated food market. But US Food and Drug Administration (FDA) approval for its irradiation technology simply never came, and cracks in the company began to appear last year. It is now clear that beneath a veneer of self-confidence, a crisis was taking place.

It is still surprising, however, just how rapidly the house of cards collapsed. In October 2003, a Securities and Exchange Commission investigation was launched against the company, and two auditors, KPMG and Deloitte Touche Tohmatsu, were fired. SureBeam was also delisted from the NASDAQ Stock Market because of its failure to file quarterly earnings reports with the Securities and Exchange Commission.

But even then, investors were continually assured that the company was on the verge of greatness. The company boasted last October that its shares had increased by more than 30 per cent after the firm won its latest grocery contract. Plants were opened and deals were signed; in 2002, a new facility in California was opened in anticipation of FDA approval. The plant was later closed.

Many investors now feel misled. Several have signed class action lawsuits that have been filed over the last few months alleging that SureBeam lacked adequate internal controls to ascertain its true financial condition and that it improperly recognised revenue by including funds that the company knew would not be paid. This resulted in the company's reported earnings, net income, and earnings per share being exaggerated.

This is the end of the road for [SureBeam](#), a public company that was spun off from San Diego defence contractor Titan in March 2001. SureBeam has never posted a profit in nearly three years of existence. The company's stock has lost 95 per cent of its value over the last year.