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Joan Claybrook, President

March 10, 2003

Gov. Jim Doyle  
Office of the Governor  
115 East State Capitol  
Madison, WI 53702

Dear Governor Doyle:

On behalf of our 150,000 members, we are writing to you regarding a matter of great importance to the citizenry of Wisconsin.

As you know, the State of Wisconsin Investment Board manages the \$55 billion Wisconsin Retirement System, in which a half-million current and former state and local government employees participate. SWIB also manages the \$5.2 billion State Investment Fund, as well as the Patient Compensation, Life Insurance, Tuition Trust and other funds.

Over the past year and a half, SWIB has steadily increased its holdings in a company called SureBeam Corp. Recently formed by the Titan Corp. of San Diego, SureBeam uses linear accelerators originally designed for the "Star Wars" missile-defense system to irradiate foods. Prior, Titan had little or no food safety experience.

SWIB currently owns 11 million shares of SureBeam stock – fully one-sixth of the company's total common stock, making SWIB by far SureBeam's top shareholder. SWIB acquired a vast majority of these shares – 6.7 million – in August and September of 2002.

We find these developments alarming, considering the following:

- SureBeam's stock price has fluctuated significantly since SWIB began purchasing stock in October 2001 – from a high of \$15.41 to a low of \$1.48. Last week, SureBeam's stock price fell 30 percent when the company's CEO resigned, nearly wiping out SWIB's entire \$12 million gain. "Everybody is shaken up," a SWIB analyst was quoted as saying in media reports.
- SureBeam has lost approximately \$52 million since SWIB began purchasing stock in the company. During this period, SureBeam executives and other parties have collected \$16.2 million in insider trading; two executives have collected more than \$5 million apiece.
- Since 1997, SureBeam – which did not become a completely independent company until this past August – has lost a total of \$113 million.

- In an April 29, 2002 article, *Forbes* stated that SureBeam “needs a little disinfectant on its balance sheet.” SureBeam, the magazine said, “was booking revenue before it even sent out invoices to the customers.”
- SureBeam has persistently engaged in questionable marketing tactics. In September 2001, the U.S. Department of Agriculture refuted SureBeam’s public claims that irradiation is the equivalent of pasteurization, which kills food-borne pathogens with heat – not ionizing radiation, as is the case with irradiation. SureBeam’s tactics rose to such a level of concern that the Federal Trade Commission began an inquiry into these marketing practices. Two months later, our organization filed a complaint with the Securities and Exchange Commission against SureBeam and Titan, which had used the misleading euphemism “electronic pasteurization” to describe its technology in nearly all of its press releases spanning two years.
- SureBeam reported to the U.S. Securities and Exchange Commission last year: “We risk not being able to overcome [consumer] fears through our educational efforts.” The company also acknowledged that “our systems and services may not gain market acceptance, which would severely limit our ability to market and sell our products.”

As you may be aware, SWIB has come under criticism of late.

In November 2001, the Legislative Audit Bureau reported that SWIB’s rate of return ranked last among seven funds of similar size. The Bureau also reported that SWIB’s vice chair created an “appearance of a conflict” of interest related to SWIB’s investment in a company with which he had financial ties. And, the Bureau found that two SWIB trustees created “at a minimum an appearance of a conflict that the trustees should have taken steps to avoid” related to investments in a company in which the trustees owned stock.

In these times of economic uncertainty, we feel that SWIB’s substantial holdings in SureBeam expose the fund to great risk. And, given the recent wave of corporate accountability scandals, we feel that SWIB’s substantial holdings in a company that has exhibited questionable practices are inappropriate for a public agency.

We respectfully urge you to review this situation and determine whether SWIB’s investment in SureBeam is in the best interest of current and future pensioners, as well as the state of Wisconsin in general.

If you have any questions or would like any additional information, please feel free to contact me.

Sincerely,

Wenonah Hauter  
Director, Critical Mass Energy and Environment Program

cc: State Auditor Janice Mueller  
Patricia Lipton, Executive Director, State of Wisconsin Investment Board