



Matthew Strongin  
Chief Financial Officer  
Sustainable Bioproducts

November 2, 2018

**RE: Independent Insurance and Risk Management Consulting for Sustainable Bioproducts - Initial Phase Summary Report**

Dear Matt,

It has been a pleasure for Durrett & David Risk Management, Inc. (DDRMI) to provide you with our initial insurance and risk management consulting services in our effort to help you establish a solid insurance platform for Sustainable Bioproducts. As requested, we worked with you and others at SBP to evaluate and procure the necessary insurance coverages based on your existing operations, exposures and the requirements placed upon you by your business partners.

Over the course of the last four months, we have completed the following:

- Worked with CNA Insurance Company regarding your Small Business Policy on the following items:
  - Expanded the property insurance coverage to include your second location in Chicago.
  - Added the corporate entity "Sustainable Bioproducts, Inc." to the Named Insured language on the policy.
  - Obtained contact information for you so you could finally obtain a Certificate of Insurance for your PEO, Insperty, evidencing the required auto liability and general liability insurance coverage was in place.
  - These items were achieved at no additional cost to SPB.
- Conducted an independent review of the \$2M Directors' and Officers' Liability program being proposed for SBP by Risk Strategies Company (an insurance broker with whom you had already started working) and suggested numerous amendments and improvements to what was being proposed. As a result, the following clarifications and enhancements were successfully put into place:
  - Regulatory Exclusion - This exclusion was eliminated for a 10% premium increase along with a \$25k retention.
  - Extended Reporting Period - This was added and is shown as Items 5 and 6 of the binder.
  - Subrogation - Agreed to improved standard/threshold for subrogating against individuals as found in the conduct exclusions, i.e., upon a "final adjudication in the underlying action".
  - Conduct Exclusion - Agreed to amending "final judgment" with "final adjudication in the underlying action" standard for applying the exclusion.
  - Prior or Pending Litigation Exclusion - Agreed that this date will match the effective date of the policy.
  - Securities Offering Exclusion - Agreed to add an exception for IPO Roadshow activities.

519 Johnson Ferry Road  
Suite 450  
Marietta, Georgia 30068  
770•565•1200  
770•565•1204 (fax)

[www.ddrmi.com](http://www.ddrmi.com)

- Coordinated directly with your team and the broker, Risk Strategies Company, to acquire an Excess Management Liability policy providing an additional \$1M of coverage in order to meet the needs of your Board of Directors.
- Reviewed the Excess Management Liability policy when it was issued to ensure that it provided all the expected language and insurance coverage.
- Coordinated directly with your team and BEV's insurance broker, Woodruff-Sawyer, in order to get a Products Liability insurance policy in place for SPB. It is now effective from 10-3-18 to 10-3-19 and a Certificate of Insurance can be provided to your PEO, Insperty, as required by contract. For your reference, a few notes on the policy:
  - This is a "Claims Made" policy which is standard for this kind of a risk. This means that a claim against the policy must actually be made during the policy period in order for it to be valid. If, for any reason, you don't choose to renew this policy with the same insurance company, then prior to the expiry of the policy it will be necessary to make sure that any claims or occurrences (i.e., potential claims) are noticed to Chubb so they have them on record. If you choose to renew with Chubb, this step will not be necessary. To make this reporting requirement a little easier for you, Chubb allows a "grace period" of an additional 60 days after expiry to report of claim that actually occurred during the policy period.
  - You have \$3M in policy limits with a \$10k deductible per occurrence (\$50k max deductible in the aggregate) for a total of \$15,300 in premium.
  - This policy assumes exposure for 100 test subjects. If that number changes substantially, we should notify the insurance company of the change.
  - Again, standard to this kind of insurance, it's worth noting that all claims made against SBP arising out of the same "batch" of product with the same known or suspected issue are deemed to have been made on the date the first claim is made or when the first notice of an occurrence (i.e., potential claim) is provided to Chubb, and all claims arising from a single batch will be collectively subject to the overall policy limit and to a single deductible.

At the time of the writing of this memo, the Primary Management Liability policy has not yet been issued. We will continue to follow up with the insurance broker to get this policy issued and then to review it for completeness and accuracy.

Attached is a summary of the insurance policies we helped to amend and coordinate on your behalf. After you've had a chance to review this memo, we would like to discuss the parameters of our engagement going forward. With your help, we'd like to create a working plan which addresses the ongoing insurance and risk management needs of Sustainable Bioproducts as it continues to grow.

Sincerely,



Laurie Solomon

Durrett & David Risk Management, Inc.

## Sustainable Bioproducts Summary of Insurance

Coverage	Limit	Deductible	Term	Annual Premium	Insurer	Policy Number
<b>Small Business Liability</b>			4/14/18-19	\$400	Continental Casualty	B 6011395053
- <b>Property Limits</b>	12 Months Actual Loss Sustained					
- Business Income with Extra Expense	\$10,000	\$500				
- Business Income with Extra Expense - Dependent Properties	\$25,000					
- Business Personal Property	\$50,000					
- EDP	\$25,000					
- Equipment Breakdown	\$25,000					
- Ordinance or Law	\$25,000					
- Valuable Papers and Records	\$25,000					
- <b>General Liability Limits</b>	\$1,000,000					
- Each Occurrence	\$2,000,000					
- Aggregate	\$1,000,000					
- Personal & Advertising Injury	\$300,000					
- Damage to Rented Premises	Excluded					
- Products/Completed Operations	\$10,000					
- Medical Payments	\$10,000					
- Employment Practices/Fiduciary Liability	\$25,000					
- <b>Crime</b>	\$25,000					
- Employee Dishonesty	\$25,000					
- Forgery or Alteration						
<b>Product Liability</b>	\$3,000,000		10/3/18-19	\$15,300	Chubb	CLC G71188991 001
- <b>Deductible</b>		\$10,000				
- Each Occurrence		\$50,000				
- Aggregate						
<b>Management Liability</b>	\$2,000,000			\$15,107	Scottsdale	EKS3270264
- Aggregate	\$3,000,000					
- Maximum Aggregate						
- Retention		\$0				
- Clause 1		\$25,000				
- Clause 2		\$25,000				
- Clause 3						
<b>Excess Management Liability</b>	\$1,000,000		9/21/18-19	\$9,500	Markel / Evanston	KKLV5MXM000023
<b>Employment Practices Liability (Coverage placed by Insuperity)</b>			4/30/18-19		Chubb	DON G25593200 007
- Each PEO Client Company Per Claim	\$1,000,000					
- Each PEO Client Company Aggregate	\$1,000,000					
- Policy Aggregate	\$50,000,000					
- Deductible		\$25,000				
- All states except CA, NY, NJ		\$30,000				
- NY, NJ		\$50,000				
- CA						
<b>Workers Compensation (Coverage placed by Insuperity)</b>			10/1/17-18		Chubb	C6 46 30 78 7
- Workers Compensation	Statutory					
- Employers Liability	\$1,000,000					
<b>Total</b>				<b>\$40,307</b>		