



iSELECT

Diligence & Selection Process

ISELECT FUND – ST. LOUIS, LLC AND ISELECT FUND B – ST. LOUIS, LLC
4240 Duncan Ave., Suite 200 St. Louis, MO 63110

Securities are being offered on a best-efforts basis on behalf of iSelect Fund – St. Louis, LLC and iSelect Fund B – St. Louis, LLC (collectively referred to as “iSelect Fund” or the “Issuer”), by Landolt Securities, Inc., Member FINRA/ SIPC, managing broker dealer for the Issuer. The Issuer and Landolt Securities, Inc. are not affiliated entities. Issuer prepared material. Copyright 2016. iSelect Fund – St. Louis, LLC All Rights. FINRA Reviewed.

Introduction

Angel investing is risky – more than half the time startups fail. As any seasoned Angel investor will tell you, the surest way to lose everything investing in startups is by putting all your money behind one investment. And yet, study after study finds investing in a diversified portfolio of Angel investments has the potential to yield upwards of 20% IRR⁽¹⁾⁽²⁾. But when the median Angel investment tops \$50,000⁽¹⁾ and takes more than 20 hours⁽¹⁾ to vet, most accredited investors simply cannot afford to diversify. No wonder fewer than 3% of them make Angel investments^{(3) (4)}.

iSelect Fund – St. Louis, LLC and iSelect Fund B – St. Louis, LLC (collectively referred to as “iSelect” or the “Fund”) affords accredited investors the ability to invest in a diversified portfolio of early stage companies (or “startups”) at an approachable minimum through their trusted financial advisor. iSelect reviews 100s of startups annually – conducting up to 120 hours of diligence on each company added to the platform – offering only the select few that meet the Fund’s diligence and suitability standards to its financial advisor network.

Informed by leading research and industry best practices, iSelect’s diligence standards aim to identify endogenous risks in investment opportunities. No deal is perfect, but iSelect’s vetting process seeks to weed out companies with insurmountable business risks, providing accredited investors with the option to diversify across upwards of 20 professionally vetted startups.

Overseen and managed by the Fund’s Investment Committee, diligence proceeds in four distinct phases, each requiring Investment Committee approval to progress. They are:

- (1) Initial Review;
- (2) Selection Committee Review;
- (3) Broker-Dealer Review;
- (4) Investment Committee Approval.

iSelect’s diligence process is designed to serve accredited investors seeking to invest no more than 3%-5% of their liquid net worth in 20 or more startups.

Initial Review

iSelect only considers companies that are referred by a trusted source – be they a Selection Committee or Investment Committee member, an investor in the Fund, or a fellow venture capitalist. While iSelect’s investment criteria are constantly evolving, portfolio companies must always:

- (1) have **previously raised more than \$250,000** from Angel investors;
- (2) be **raising at least \$1,000,000** in their current round **led by a credible venture investor**;
- (3) demonstrate meaningful **early traction**;
- (4) have proper **industry, geography, and valuation** fit;

- (5) set clear milestones and have a path of follow-on capital;**
- (6) articulate a cogent exit strategy.**

iSelect exclusively co-invests with venture capital firms, leading Angel investors, and Family Offices. Previously, iSelect has invested alongside the likes of Bold Capital Partners, Cultivation Capital, Hyde Park Venture Partners, Mercury Fund, and the North Coast Venture Fund – to name a few. Any referred company must submit a description of its business and a summary of offering terms before meeting with the Fund’s venture team. Based on this information and subsequent meetings with management, iSelect’s venture team, leveraging proprietary heuristics, makes a quantitative assessment of the business, specifically evaluating:

- (1) the quality and depth of the company’s management team;**
- (2) the scope and viability of the business opportunity;**
- (3) the terms of the proposed offering;**
- (4) precedent transactions and pathway to liquidity.**

Figure 1 | Venture team report



During its diligence process, iSelect’s venture team often uncovers material issues not obvious to the untrained. Commonly identified issues include, but are not limited to:

- | | |
|-----------------------------|---|
| Management Team | <ul style="list-style-type: none"> ○ Misrepresentation of management background(s) ○ Disgruntled former employees with ownership claims |
| Technology | <ul style="list-style-type: none"> ○ Product technical specifications misrepresented ○ Weak intellectual property ownership filings |
| Market | <ul style="list-style-type: none"> ○ Undifferentiated product/service offering ○ Immature market dynamics |
| Business Model | <ul style="list-style-type: none"> ○ Unsustainable business model at scale ○ Eroding margins |
| Financials | <ul style="list-style-type: none"> ○ Financial information misrepresented ○ Unrealistic financial projections |
| Corporate Governance | <ul style="list-style-type: none"> ○ Misaligned incentives ○ Compromised Board of Directors |
| Exit Strategy | <ul style="list-style-type: none"> ○ Insufficient exit strategy planning ○ Lack of market comps to support valuation |
| Deal Terms | <ul style="list-style-type: none"> ○ Unreasonable valuation expectation ○ Not offering a preferred ownership interest |

If the business merits investment, iSelect's venture team prepares a comprehensive investment opportunity summary for Investment Committee review, at which time the Investment Committee evaluates the summary and other relevant information to determine whether to advance the opportunity to the iSelect Selection Committee for qualitative review. Should a referred company warrant Selection Committee review, iSelect's venture team works simultaneously with the company's management to compile a complete due diligence file for investors, including:

- (1) a confidential **Private Placement Memorandum** ("PPM") that complies with the requirements of the iSelect Fund Due Diligence Guide and PPM Requirements (*available upon request*);
- (2) copies of material contracts, agreements, intellectual property filings, tax returns, financial statements, business plans, designs, concepts, and other **information relevant to the business**.

Selection Committee Review

iSelect has established a Selection Committee composed of industry experts with experience founding, operating, advising, and investing in startup and emerging growth businesses. Selection Committee members include the founder of Shell Technology Ventures, the director of the USDA's National Institute of Food and Agriculture, and the founder of CARFAX – among others. The Selection Committee is organized around principal industry segments in which iSelect focuses its investing: namely Agriculture, Biotech/Medical Devices, CleanTech/Energy, and Technology/IT Services.

Members of the Selection Committee meet with management of companies submitted by the Investment Committee, evaluate the venture team's report, and determine:

- (1) whether **company management** can successfully implement its **business plan**;
- (2) if there are any **necessary preconditions or milestones** that should be met before investing;
- (3) whether any **material risks present** in the business preclude iSelect investment.

Less a selection process than a rejection process, Selection Committee review is designed to be an in-depth, qualitative assessment by industry experts. If the Selection Committee does not reject the company or place conditions that prevent it from moving forward, the Investment Committee again evaluates the candidate. If the Investment Committee determines that the Fund's criteria for investment have been met, it will submit the company's diligence file for audit by a registered broker-dealer.

Broker-Dealer Review

Before a company is added to the iSelect portfolio, a licensed broker-dealer reviews the prospective company's diligence folder (or "VDR"). VDRs include detailed financial projections (including any and all payments to affiliates of the company), financial statements (unaudited) for the prior three years or such shorter period in which the company has had material operations, all material contracts of the business, all corporate organizational documents, complete biographies for each company officer and director, all

intellectual property filings, designs, business plans and any other information relevant to making an investment in the company. In reviewing each folder, the licensed broker-dealer certifies that the diligence is complete, that the prepared PPM accurately represents the company's business.

Investment Committee Approval

If the potential portfolio company and its diligence file are approved by the licensed broker-dealer, the Investment Committee meets one final time to review the company for investment. In its final review, the Investment Committee verifies whether:

- (1) iSelect's **diligence process** has been appropriately **adhered to** and **documented**;
- (2) the diligence process has uncovered any **items prohibiting investment**;
- (3) investing in the company is **suitable** as part of a **diversified startup portfolio**.

Investment Process

As part of its fiduciary duty to investors, iSelect makes each company's comprehensive VDR available to financial advisors and investors for independent review. iSelect believes investors are best served when reserving no more than 3%-5% of their liquid net worth for investment across 20 or more startups. If successful startups emerge, iSelect affords investors the right of first refusal on investing in subsequent financing rounds of these more successful businesses.

Upon approving a company for investment, iSelect's venture team adds the newly minted portfolio company to its pool of continuously monitored startups. Like any venture capital fund, iSelect maintains observer rights on its companies' Boards of Directors, engages in monthly dialogue with portfolio companies, and makes value-added introductions to potential customers, employees, investors, and acquirers when warranted. A part of its fiduciary duty to investors, iSelect believes such active investing accelerates value.

Summary

iSelect affords accredited investors the ability to invest in a diversified startup portfolio at an approachable minimum through their trusted financial advisor. Informed by leading research and industry best practices, iSelect's diligence standards aim to identify endogenous risks in investment opportunities. While most Angel investors perform 20 hours or less of diligence per company, iSelect conducts up to 120 hours – making each startup available to financial advisors and their clients for investment consideration. No deal is perfect, but iSelect's vetting process seeks to weed out the 98% of companies with insurmountable business risks, providing accredited investors with the option to diversify across upwards of 20 startups.

Risk Factors

NO AMOUNT OF DILIGENCE OR DIVERSIFICATION CAN ELIMINATE THE RISK THAT INVESTORS IN EARLY STAGE PRIVATE DEALS MAY LOSE THEIR ENTIRE INVESTMENT. BEFORE INVESTING ANY AMOUNT, IT IS IMPERATIVE TO REVIEW THE PRIVATE PLACEMENT MEMORANDA OF EACH OF ISELECT FUND – ST. LOUIS, LLC, ISELECT FUND B – ST. LOUIS, LLC AND EACH PORTFOLIO COMPANY TO UNDERSTAND THE UNIQUE RISKS FOR EACH COMPANY. RISK FACTORS TO CONSIDER, INCLUDE BUT ARE NOT LIMITED TO THE FOLLOWING:

1. By subscribing to an investment in the Fund, an investor will not directly own portfolio company securities. Instead, portfolio company securities will remain under the ownership and control of the Fund.
2. There is no public market for the securities of portfolio companies of the Fund. Investments in portfolio company securities are illiquid and will not be transferable for the foreseeable future.
3. The offering price for portfolio company securities is determined by each portfolio company. There is no third party valuation of the offering price for such securities.
4. Members of the Fund's Investment Committee and Selection Committee may be actively involved in businesses within the same industries as some of the Portfolio Companies. There can be no assurance that the Selection Committee's view of a Portfolio Company (or other companies not selected to become Portfolio Companies) will not be influenced by one or more member's personal biases for or against a particular company.
5. The sale of securities by the Fund and each portfolio company will not be registered under federal or state securities laws. Such offerings will not be reviewed by the SEC, any state securities commission, FINRA or any other regulatory agency.
6. An investment in the Fund is highly speculative. There is no guaranty that any portfolio company will succeed or return any amount to investors. Investors should be prepared to lose their entire investment. The portfolio companies involve a high degree of risk. In general, financial and operating risks confronting the portfolio companies can be significant. Additional considerations include the absence of public markets for portfolio company securities and less available information than is generally the case in publicly traded securities, as well as little or no government supervision of the portfolio companies' dealings, and the lack of audited financial statements. Early stage and development stage companies often experience unexpected problems in the areas of product development, manufacturing, marketing, financing and general management, which, in some cases, cannot be adequately solved. Such companies often do not generate revenue or sufficient revenue to cover their expenses. Therefore, such companies may require substantial amounts of financing which may not be available through institutional private placements or the public markets. Moreover, additional financing could have a significant dilutive impact on a Sub-Fund's ownership interest in a portfolio company. No assurances can be given that any of the portfolio companies' products will be successfully marketed and/or sold in sufficient volume to generate a profitable operation. The percentage of companies that survive and prosper is small.
7. Fees payable to the Fund and/or broker dealers whose clients purchase interests in the Fund will reduce the return to investors. By investing directly in portfolio companies, investors will avoid paying a management fee and carried interest to the Fund as well as any applicable brokerage commissions or fees.

End Notes & Additional Research

iSelect's diligence is informed by ever-evolving industry best practices and leading research, including:

Venture Diligence/Return

(1) "Returns to Angel Investors in Groups," The Ewing Marion Kauffman Foundation (2007) | URL: <http://bit.ly/1mHgMLQ>

"Startup Genome Report: A new framework for understanding why startups succeed," Startup Genome (2012) | URL: <http://bit.ly/1cXTqkH>

"4 Years of Moneyball & 950+ Startups Later: What Have We Learned?" 500 Startups (2015) | URL: <http://bit.ly/1mGnZUu>

"Best Practice Guidance for Angel Groups – Due Diligence," Angel Capital Association (2007) | URL: <http://bit.ly/1LoSxpi>

(2) "U.S. Venture Capital Index® and Selected Benchmark Statistics," Cambridge Associates (2014) | URL: <http://bit.ly/1TNF0qi>

"Angel Investing Worst Practices – 10 Ways to Ensure You Lose Money," Forbes (2015) | URL: <http://onforb.es/252Cioj>

Diversification

"Simulating Angel Investment: Kevin's Remix," Right Side Capital Management (2010) | URL: <http://bit.ly/1pJrbjY>

"Will the numbers behind volume investing change your thoughts on crowdfunding?" Alex LaPrade (2013) | URL: <http://bit.ly/1NgW7ko>

Diligence Obligations

"FINRA Actions & the Due Diligence Obligation of Broker-Dealers in Private Placements," Morrison & Foerster (2013) | URL: <http://bit.ly/1Xt9pfd>

Other

"Crowdfunding: The Real and the Illusory Exemption," Harvard Business Law Review (2014) | URL: <http://bit.ly/1FnAZ8J>

(3) "FAQs About Angel Investors," Angel Capital Association | URL: <http://bit.ly/1OStMmr>

(4) "Accredited Investor Pool," SEC Advisory Committee on Small and Emerging Companies (2014) | URL: <http://bit.ly/1LoWMBd>

Appendix A

iSelect requires the following documents be present in company diligence folders:

Corporate	Certificate/Articles of Incorporation/Organization for state of formation.
	All Board, Manager and Shareholder Resolutions.
	If Company is a corporation, provide fully executed by-laws.
	If Company is an LLC, provide fully executed Operating Agreement.
Offering Docs	Certificate of Good Standing dated within 30 days of the Offering.
	Copies of any Subscription or Purchase Agreement, Investors Rights Agreement or other agreements setting out the terms of this Offering.
	Offering term sheet, if available.
	Any Purchaser Qualification Questionnaire or other materials used to determine financial status of any prior purchasers of the Offering.
	Private Placement or Offering Memorandum, if one has already been prepared.
Prior Securities Offerings	If stock offering, provide form of stock certificate or other evidence of ownership.
	If promissory note offering, provide form of Note.
	A list of the Company's stockholders or unit holders and option holders showing issue dates and prices.
	Copies of executed Subscription Agreements or other agreements and documents used for the purchase or issuance of the Company's securities.
	Shareholder Ledger that accurately reflects the shareholder information provided in the cap table.
	Copies of any certificates for issued securities (front and back).
Financial	Copies of agreements relating to outstanding options, warrants, conversion rights.
	A summary of the vesting schedule for any outstanding options.
	Any promissory notes or evidence of other indebtedness of the Company.
	Financial Statements for the last three fiscal years (or all years if Company is less than three years old).
	Financial Statements for the current year stub period. Balance Sheet must be dated no more than 60 days prior to commencement of Offering.
Business and Industry	Pro forma Financial Statements for at least two calendar years after the year of the Offering with references supporting the numbers represented.
	Appraisals of any assets composing 10% or more of the proposed value of the Company.
	Federal and state income tax returns for the last three years (or all years if Company is less than three-years old) and details of any tax audits.
	Provide current Business Plan or other description of the business.
	Any SWOT Analysis – Strengths, Weaknesses, Opportunities and Threats for Company.
Human Resources	Provide industry overview that lists main competitors and describes any competitive advantages of the Company, if that information is not in the Company Business Plan or SWOT Analysis. Identify any recent IPOs within the industry space, companies recently funded and/or comparable financial/business models.
	Provide Product Descriptions for all products being sold or in development. Also provide marketing or other materials used to promote products to customers, vendors or any other parties.
	Provide website addresses to which the Company provides content.
	Resumes/CVs for each executive officer and/or Board Member or Manager showing education and employment history for last 5 years.
	Signed Background Check authorization for each Executive Officer and Director (see attached form).
Intellectual Property	Organizational Chart.
	List of all management, director or manager (LLCs) personnel and the salary, benefits and bonus paid to any management employees in the past two years and anticipated to be paid in the current year.
Material Agreements	For any employee that receives more than \$60,000 annually (salary, bonus, benefits), provide evidence to support amount (can be market rate).
	Any employee benefits plans.
	List all intellectual property used in the business and copies of all trademarks (registered or unregistered), patents or copyrights issued to the Company and any applications and related USPTO office actions.
	Any licenses or agreements of any kind with respect to intellectual property that the Company uses in its business.
	Any proxies or other agreements relating to voting shares of the Company's stock.
	Any agreements between the stockholders of the Company or between any stockholder(s) and the Company (other than those previously provided under Prior Securities Offerings).
	Any agreements with any officers, directors or significant shareholders of the Company not previously provided, e.g., employment, IP assignment, NDAs.
	Any notes or other agreements with respect to loans made by the Company to any person if not already provided.
	Any agreement, understanding or other commitment that will cause the Company to spend more than \$10,000.
	Any joint venture or partnership agreements.
Litigation	Any personal property leases.
	Any agreements concerning the purchase, lease or sublease of any real property.
	Any other agreement the Company considers to be material to its business.
	Any standard forms of agreements the Company uses for its business.
	Any insurance policies owned by the Company.
Litigation	Any judgments, writs or decrees to which the Company is subject.
	Any claims, arbitrations, investigations, suits or proceedings actually made, threatened, pending or contemplated by or against the Company.
	Any citations, violations or claimed violations received by the Company involving any laws, regulations or orders.