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Founder of Findables Now Searching for Interested Investors

FINANCE: Owner Seeks Non-Traditional Funds For Tracking Technology

By SARAH DE CRESCENZO

Serial entrepreneur Arie Trouw has sold more than 100,000 wireless trackers through his latest company, which makes small, faceted colorful tabs called Finders that use Bluetooth technology to track easily lost items, such as keys.

The San Diego startup, formally known as XY | The Findables Co. but often referred to as XY Findables, also makes the XY Find It mobile app, which allows users to see where their tracked items are.

The company became more broadly known after completing a successful Kickstarter campaign in 2014. Having set a public goal of raising \$45,000, the campaign pulled in more than quadruple that after more than 4,000 people kicked in over \$200,000 toward the first version of the company's XY Finders.

Now Trouw, who previously founded companies including Carlsbad-based tech firm Sambree Holdings LLC, is offering backers the opportunity to trade cash for more than a tracker: he's offering a small part of the company.

Selling Equity Interests

Recently, as required by the Jobs Act of 2012, the U.S. Securities and Exchange Commission has begun allowing private companies looking to raise up to \$50 million to sell equity or debt securities to less wealthy, non-accredited investors, as well as those who would typically qualify to invest.

That means your average Joe, with less



Stephen Whalen

Arie Trouw is offering a small part of his company to non-traditional investors.

money in the bank than investors who are considered accredited – more than \$1 million in the bank or at least \$200,000 yearly income in recent years – has the potential to get in on the ground floor of the next Facebook.

"Not only do we want to help people find everything, but we also want to help people have this experience in the entrepreneurial world," said Trouw, who is also an angel investor. "I think they want to have that say and it's interesting and also rewarding, because they feel the emotional success of the company as part of theirs because they helped it get where it is."

Amit Singh, a partner in the San Diego office of Stradling Yocca Carlson & Rauth, acts as XY's general counsel. Singh, who has extensive experience advising emerging growth companies, guided the firm through the required documentation.

Although a significant amount of paperwork is required – Trouw estimates getting XY Findables OK'd by the SEC cost as much as \$200,000 – companies

don't have to register with the SEC like a typical company going public.

Pooling Small Investors

Still, it's complicated, especially because the regulations are so new, Singh said.

Lee Barken, a certified public accountant, is the energy and cleantech practice leader at the San Diego office of Irvine-based public accounting firm Haskell & White LLP. He's also been a cheerleader for crowdfunding since well before the advent of today's well-known, rewards-based platforms.

"Crowdfunding in general, as a capital formation tool, is a great funding mechanism for cities like San Diego," he said. "There's enormous opportunity for emerging growth companies to access capital without having to hop on a plane and go to the Bay Area to raise money."

Well, that's the idea at least. Some venture capitalists believe the new regulations, which have been dubbed Regulation A+ because they amended an existing law called Regulation A, won't really put those kinds of opportunities on the table. Experienced investors will be lining up with much more money than a pool of individual investors could offer.

Still, experts say Reg A+ is likely to be used by early-stage companies, especially those with appealing consumer products.

Third Version of Product

XY's products include the small electronic devices, which are manufactured in China, and the associated smartphone apps, which provide the user with a digital map that displays their Findable devices.

At XY, which is on the third version of its first product, other items are in the works, including a larger beacon powered by GPS for items likely to move if lost track of, such as a stolen purse or bike. Also being developed are flat, card-shaped finders for wallets and lug-

XY | THE FINDABLES CO.

CEO: Arie Trouw

Founded: 2012

Headquarters: San Diego

Active users: 50,000

Local employees: 12 full time, 3 part time

Revenue: \$1.5 million in 2015

gage and multi-purpose tracking stickers that would use quick response codes and near-field communication technology.

Such small-investor raises using Reg A+ must go through online portals that have been OK'd by the SEC for equity crowdfunding.

Each round of fundraising is capped at \$50 million, although multiple rounds are permitted. The company that has been the most successful at fundraising through this method, Arizona-based Elio Motors, sold shares in exchange for nearly \$17 million after getting the SEC's approval to raise up to \$25 million. Elio has said it plans to produce affordable, fuel-efficient three-wheeled cars, although the company has been criticized for failing to produce the cars yet.

Elio went through a Los Angeles-based crowdfunding portal called StartEngine, which is also the platform being used by XY.

\$350 Minimum Entry

XY has set the minimum for an investment in the business at \$350. It's offering 10 million shares at \$1 per share.

But Trouw said while the investments themselves will provide the company with funds to grow, the marketing may be just as important.

Essentially, any small investors are likely to become brand ambassadors.

For a crowdfunder, "it's one thing to say I own the product and another thing to say I own part of the company," Trouw said.

Barken believes the people who are attracted to invest in companies using Reg A+ aren't likely to overlap with those who give funds on crowdfunding platforms in exchange for rewards such as items or recognition for their support – or with the big dogs in the investment world, such as venture capitalists.

"It's not just a way to raise capital – it's also a way to generate and engage a community," Barken said. "These are the (companies) who aren't interested in just money, but in the super-users and cheerleaders in the marketplace."