

AN ORIGIN STORY

SCARECROW COMPANIES



FROM THE DESK OF 10-YEAR-OLD BEN FOX

Once there was a scarecrow standing in a cornfield. He wasn't flashy - just a regular guy doing his job. And like most scarecrows, he didn't look impressive. If truth be told, the crows, rather than being scared away, flocked closer in order to taunt and tease him. They assumed from his humble appearance that he didn't have a whole lot going on in his straw-stuffed head. But they were wrong.

This particular scarecrow was full of curiosity. He may have looked like he was standing in the field doing nothing, but his brain was buzzing with "what ifs" and "maybes" and other wonderings. He looked beyond the cornstalks and saw a world full of possibility. He started quietly asking questions, finding answers and experimenting with his hatful of ideas.

In the end, that scarecrow became rich! Of course he did. In fact, he made a million dollars by learning how to invest in the stock market in a way that had never been tried before. He never had to work out in the field again.

Those same crows looked on dumbly, shaking their feathery heads and whispering, "We didn't see that coming. Who knew he had it in him?"

**"WE
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FROM XEROX TO SUCCESS

This re-telling is based on a story authored by Ben Fox at the age of 10. Ben grew up to be the Vice President and CCO of Scarecrow Trading. The company, founded by Ben's father Len Fox, has consistently exceeded market expectations across multiple indexes since its genesis in 2003. Its flagship program reports an annual average return of 24%.* Take that, crows.

Ben wrote that story for a school project, inspired by his father's journey of exceeding expectations. Len Fox is that scarecrow full of curiosity, and he is still a humble guy just doing his job. Unlike the scarecrow in the story, he is definitely still out working in the field, and he's growing many more accounts than just his own - with hundreds of millions of dollars under management or influence - which is why he wants you to know who he is, and why he's keen to reveal the nuts and bolts with which the company and its programs have been built.

"The market sees guys like me come and go all the time," says Len. "It's someone with an idea and they work it until it fails and then they disappear. I want people to know that I've been here working this process and tweaking these tools for eighteen years and that I'm not asking anyone to trust me blindly."

**"I'VE BEEN HERE
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Those were eighteen years of many failed experiments, but with each miss moving Len incrementally closer to the bullseye on a target that he didn't really know he was aiming for. He didn't set out to work in finance. He didn't have degrees in economics or software engineering. And like many of the self-made influencers and financial wizards vying for everyone's attention, Len too has a rags-to-riches story. He started his career in the Xerox room at AT&T.

He was the copy boy, who quickly got promoted to "gopher" for a group of product engineers, while simultaneously taking evening classes in business and programming at the local community college, and reading voraciously in every spare moment. And he kept his eyes and ears open for opportunities. One came knocking when Len overheard a conversation in the cubicle next door. An engineer was insisting to one of the managers on the team that there was "no way" to automate a cumbersome process. As soon as the engineer left, Len ducked into the manager's cubicle to tell him, "You *can* automate it and I know how!"

Len wrote a flow chart showing the entire process and the manager took it down to the IBM programmers to ask if it would work. The programmer felt confident that it would, and immediately the manager turned around and offered Len a place on his team. As an afterthought he asked if Len had his degree, which Len fortunately had been awarded just the week before. Timing is everything - in the stock market and in life. The automation was successful and ran productively for many years.

"What I learned," says Len, "was what you can do with a good program, and a programmer who is committed to your success. I didn't create the tool. I learned how to use the tool that somebody else created. A good software program is like a pair of pliers. I didn't create the pliers. I just became adept at using a pair of pliers and doing something with them that no one else was doing."

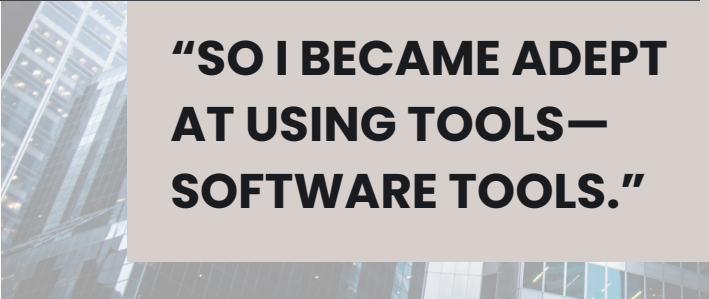
**"TIMING IS
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One of the software uses that Len and a colleague wondered about around this time was the ability of computers to use history and past patterns to predict future events and performance. They experimented with some complex software to see if they could pick the winners at the dog races, and while they didn't get rich, they came close. Close enough to get Len thinking about the stock market.

"I didn't know enough. I couldn't manipulate the software enough to make it work, and it may never have worked for all I know. It was like I had that same set of pliers, but I needed to pull out an engine, and that's my only tool. But I thought about it and I realized that given enough time a person could pull out an engine with a pair of pliers. But with a better tool, and more tools, I could do it a lot faster. So I became adept at using tools—software tools." He used those tools to start investing.



**"SO I BECAME ADEPT
AT USING TOOLS—
SOFTWARE TOOLS."**

Len's first forays into investing brought him big gains with big losses right on their heels, but his curiosity kept him going: reading, learning, experimenting, and tweaking. When Len built his first algorithm he named it—what else—Crowchaser. And Crowchaser started beating the odds. He knew he'd found something special, and took his first steps into the financial services industry by launching a subscription-based trading site. The problem was that Crowchaser chased stocks with high returns which brought with them high volatility. Subscribers without the stomach for the ride dropped off as fast as others signed on. It wasn't feeling like success from where Len sat, and yet, people were noticing.

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A 2004 research article shined a bright spotlight on Crowchaser. “All of a sudden my phone starts ringing off the hook,” remembers Len. “There were investors with millions of dollars wanting to talk to me and find out what I could do for them and how they could get access to this system.”

Following the article, several things happened in rapid succession. First, Len realized the income potential of his programs. Second, Len knew that within the heavily regulated environment of the financial services industry, he needed to work with a registered advisor, or become registered himself. And third, a lot of people suddenly wanted a piece of him and his work, and some of them were a little slippery. He was concerned about losing his intellectual property and needing a trustworthy partner in order to move forward.

“..YOU CALL IT CROWCHASER.”

“At that point, I'm off on my own kind of stumbling around trying to find a contract here, a contract there, trying to work with different advisors. And not being very successful.” Len had lost confidence in Crowchaser due to the loss of subscribers, but was working hard to gain traction with his second program, Symphonic. When a previous acquaintance named Marv reached out to him, Len presented him with the Symphonic fact sheet.

“I stopped at his house, sat at his table and I did this whole presentation with this guy telling him how great Symphonic is and how good it did during the market crash, and he says to me, ‘That’s not the product I want to see. I want to see that other one you have. You call it Crowchaser.’”

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***“..IT WAS PERFECT
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Len tried to persuade him that Crowchaser was only a fit for an individual investor. “He says, ‘Well, I’m going to manage millions of dollars with it. That’s the one that I want.’ He had me pull it up on the computer and put it right next to what I was pitching to him and by the time we were done he had me sold.” Marv sold Len on his own product, and they shook hands on it.

“I said, ‘you know what? I’ll give you a free account. I won’t charge you anything. I’ll trade it for you with this signal and let’s talk in 6 months.’ He came in at the perfect time. I had a run-up that was out of this world and blew his socks off in 6 months. It was just perfect timing. Couldn’t have been better.” Once again, timing was everything.

“The two did something that was unheard of in the financial industry and decided to continue collaborating on that handshake alone, which they both considered stronger than a contract.

After several years and hefty contracts Len and Marv were still collaborating and Len was still handling multi-million dollar accounts from a single laptop at his kitchen table. With his wife Cheryl, working as a clinical social worker, Len was the primary kid wrangler of the household, so clients came to do their research and due diligence for high-dollar contracts surrounded by the inevitable chaos and clutter of family life.

“People would actually find me on the internet and see a Google picture of a minivan sitting in a driveway. I think that it scared them to be honest, but my performance was compelling enough to overcome that.”

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The compelling performance included Scarecrow Trading eventually branching to add Scarecrow Advisors—a response to the growing demand for Scarecrow’s programs by other firms and advisors. Len won the NAAIM shark tank competition *twice* and Scarecrow tools continue to outperform market benchmarks over time.

Ben, and several other family members, have joined Len in the business, and they did eventually acquire a nice, roomy office with a fancy sign hanging out front. But Len is still a humble guy just doing his job. Why didn’t he kick his feet up after the first million, like the scarecrow in the origin story?

“THAT’S WHY WE GET UP EVERY MORNING.”

“You know, I never even considered it. There were, and are, a lot of people counting on me. People who believed in me and trusted me, and I wanted to help other people. That’s why we get up in the morning.”

It’s why Len gets up every morning and starts chasing crows. And he’s still seeing a world of possibility beyond the cornstalks.

*THE AVERAGE STOCK MARKET RETURN IS ABOUT 10% PER YEAR FOR NEARLY THE LAST CENTURY, AS MEASURED BY THE S&P 500 INDEX

