
SCS Systems

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This Brochure provides information about the qualifications and business practices of **SCS Systems**. If you have any questions about the contents of this Brochure, please contact us at 1-360-376-2763. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

SCS Systems is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about **SCS Systems** also is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

On July 28, 2010, the United State Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. This Brochure dated 03-30-2011 is a new document prepared according to the SEC’s new requirements and rules. As such, this Document is materially different in structure and requires certain new information that our previous brochure did not require.

In the future, this Item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes. We will also reference the date of our last annual update of our brochure.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting Robert W. Schwarz at 1-360-376-2763.

Additional information about SCS Systems is also available via the SEC’s web site www.adviserinfo.sec.gov. The SEC’s web site also provides information about any persons affiliated with SCS Systems who are registered, or are required to be registered, as investment adviser representatives of SCS Systems.

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Item 4 – Advisory Business

SCS Systems is wholly owned by Robert W. Schwarz and has been in operation since 1991. SCS Systems's primary business is managing money for clients using various methods of buy and hold, market timing and trend following. SCS Systems primarily invests in mutual funds, fixed and variable annuities with limited trading in stocks.

SCS Systems also manages 401(K) accounts for individuals at Boeing by trading on their own log in page.

SCS Systems does provide retirement planning services limited to the clients retirement plans, social security and pension. We do not provide advice on medical or health insurance.

For each individual client, we will write a proposal of suggested investments. The client may then make changes to the investments or the allocation of funds to growth versus income.

If a client chooses to invest in stocks, we make the disclaimer that we will not specifically be tracking that individual equity for buying or selling opportunities.

SCS Systems manages money solely on a non-discretionary basis.

As of February 2011, SCS Systems has \$43,500,000 under management. Approximately \$10 million of that amount is held at CitiStreet in individual clients' 401(k) plans.

Item 5 – Fees and Compensation

All fees are subject to negotiation.

SCS Systems charges a maximum of 1.25% on the total amount of assets under management that have been labeled as growth oriented as outlined in the written proposal. It charge 0% on funds labeled as income oriented as outlined in the written proposal.

SCS Systems does not charge the 1/25% fee on fixed annuities or annuities with a guarantee. The fund companies pay Robert W. Schwarz a commission for the sale of those products. This practice presents a conflict of interest and gives SCS Systems an incentive to recommend investment products based on the compensation received, rather than on a client's needs. SCS Systems addresses this conflict by disclosure and not charging a management fee on those funds.

Item 5 – Fees and Compensation continued

SCS Systems primarily recommends no load mutual funds.

Clients have the option to purchase investment products that SCS Systems recommends through other brokers or agents that are not affiliated with SCS Systems.

The billing is based on the lower of the end of quarter value or the start of year value and resets each December 31st.

A bill is mailed to the client the middle of the quarter for the fees that are due that quarter. The client has the option of signing an authorization for SCS Systems to take money directly from the individual's investment account or by remitting a check. All clients who have not paid or returned the authorization form by the end of the quarter in question will have their management fees taken from their account electronically.

The specific manner in which fees are charged by SCS Systems is established in a client's written agreement with SCS Systems. SCS Systems will generally bill fees on a quarterly basis. Clients may elect to be billed in advance of each calendar quarter. Clients may also elect to be billed directly for fees or to authorize SCS Systems to directly debit fees from client accounts. Management fees shall be prorated for each capital contribution and withdrawal made during the applicable calendar quarter (with the exception of de minimis contributions and withdrawals). Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination of any account any earned, unpaid fees will be due and payable.

SCS System's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition SCS System's fees, and SCS Systems shall not receive any portion of these commissions, fees, and costs.

Item 6 – Performance-Based Fees and Side-By-Side Management

SCS Systems does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

Item 7 – Types of Clients

SCS Systems provides portfolio management services to individuals, high net worth individuals, and trust programs. It does not have a minimum account size.

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss

Investing in securities involves risk of loss that clients should be prepared to bear.

SCS Systems uses several methods of analysis and investment strategies in formulating investment advice and managing assets.

#1 Super Charts. SCS Systems uses software that downloads the prices of mutual funds daily. These closing prices are then put into a charting software system that generates buy and sell signals based on the movement of the prices. The primary risk is a whip saw action in a sideways market (false buy and sell signals).

#2 Newsletters. SCS Systems subscribes to various professional investment newsletters. These include Jack Bowers, Donald Dion, and the Aden Forecast. These newsletters provide information used in the mutual fund selection process. The primary risk is the risk of stock ownership, markets may fall and assets may decrease in value.

#3 Tracking daily economic news as it pertains to equity and commodity ownership. The primary risk is that there may not be a direct correlation between the news and market performance.

#4 Fidelity stock screener web site tool. The risk is that past performance does not guarantee future performance.

Item 9 – Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of **SCS Systems** or the integrity of SCS System’s management. **SCS Systems** has no disciplinary action record.

Item 10 – Other Financial Industry Activities and Affiliations

SCS Systems has a relationship with the broker-dealer, fsic.

Shannon T. Loughery works as an Investment Advisor Representative under SCS Systems registration of Robert W. Schwarz as a Registered Investment Advisor. Shannon is doing business under the name Shannon T. Loughery.

SCS Systems sells annuities through Great American Life and Prudential.

Item 11 – Code of Ethics

SCS Systems has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at **SCS Systems** must acknowledge the terms of the Code of Ethics annually, or as amended.

SCS Systems anticipates that, in appropriate circumstances, consistent with clients’ investment objectives, it will cause accounts over which **SCS Systems** has management authority to effect trades, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which **SCS Systems**, its affiliates and/or clients, directly or indirectly, have a position of interest. **SCS System’s** employees and persons associated with **SCS Systems** are required to follow **SCS System’s** Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and

Item 11 – Code of Ethics continued

employees of SCS Systems and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased SCS System's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of SCS Systems will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of SCS System's clients. In addition, the Code requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between SCS Systems and its clients.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with SCS System's obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. SCS Systems will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the Order.

SCS System's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Robert W. Schwarz.

It is SCS System's policy that the firm will not affect any principal or agency cross securities transactions for client accounts. SCS Systems will also not cross trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

Item 12 – Brokerage Practices

SCS Systems uses only one broker-dealer, fsic.

SCS Systems does not receive research or other products or services other than execution from a broker-dealer or a third party in connection with client securities transactions (“soft dollar benefits”).

SCS Systems does not receive client referrals from fsic for using their broker-dealer services.

SCS Systems does not aggregate the purchase or sale of securities for various client accounts. SCS Systems primarily purchases individual no load mutual funds in individual client accounts.

Item 13 – Review of Accounts

SCS Systems reviews all client accounts quarterly. All client positions and closing prices are reviewed as well as any funds added or withdrawn during the quarter. Cumulative and quarterly performance are also reviewed. Robert W. Schwarz, Registered Investment Advisor and Shannon T. Loughery, Investment Advisor Representative review the accounts.

A written report detailing the above information is sent to each client once per quarter.

Item 14 – Client Referrals and Other Compensation

SCS Systems does not compensate individuals for referrals.

Item 15 – Custody

Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client’s investment assets. **SCS Systems** urges you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Item 16 – Investment Discretion

SCS Systems usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amounts, SCS Systems observes the investment policies, limitations and restrictions of the clients for which it advises. For registered investment companies, SCS System's authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

Investment guidelines and restrictions must be provided to SCS Systems in writing.

Item 17 – Voting Client Securities

As a matter of firm policy and practice, SCS Systems does not have any authority to and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. SCS Systems may provide advice to clients regarding the clients' voting of proxies.

Item 18 – Financial Information

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about SCS System's financial condition. SCS Systems has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

Item 19 – Requirements for State-Registered Advisers

As of March 30, 2011 SCS Systems is registered with the SEC.