
Item 1 – Cover Page

SCS Systems, Inc.

1116 Sunderland Road Eastsound, WA 98245

1-360-376-2763

Revised June 28, 2012

This Brochure provides information about the qualifications and business practices of SCS Systems, Inc. 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, Inc. 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, Inc. also is available on the SEC's website at www.adviserinfo.sec.gov. Our CRD number is 111839.

Item 2 – Material Changes

Since the last revision of this document on March 23, 2012, we will be registering as an investment advisor with the state of Washington.. This change does not change the management, control or how we conduct business or provide investment advice to our clients. We will provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

You may request a copy of our Brochure by contacting Robert W. Schwarz at 1-360-376-2763.

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Item 4 – Advisory Business

SCS Systems, Inc. is wholly owned by Robert W. Schwarz. Mr. Schwarz has been providing financial services since 1993, initially as a sole proprietor and then as a corporation registered as an investment advisor. SCS Systems, Inc. is referred to in this document as “SCS Systems”, “the Company”, “us”, “we”, or “our”. In this document we refer to current and prospective clients of SCS Systems, as “you”, “client”, or “your”. SCS Systems’ 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 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 discretionary basis.

As of June 2012, SCS Systems has approximately \$31,348,000 under discretionary management..

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. It charges 0% on funds labeled as income oriented.

SCS Systems does not charge on fixed annuities or annuities with a guarantee. The insurance companies that issue the annuities 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.

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 automatically deducted 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. Accounts initiated or terminated during a calendar quarter will be charged a prorated fee.

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. We do 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.

Methods of Analysis

Fundamental

We analyze an investment by examining its publically available financial statements or reports, its management, competitive advantages, competitors, and markets. We attempt to identify investments that are selling for less than their intrinsic worth. Our fundamental analysis method is based upon the assumption that markets may misprice an investment in the short run but that the "correct" price will eventually be reached.

Technical

As part of our analysis of investments, we use a method called Technical Analysis. Technical Analysis is a security analysis method with the goal of forecasting the direction of prices of securities or market indexes, through the study of past market data, primarily price and volume. We use market indicators to help assess whether an asset's price is trending in a particular direction, and if it is, the probability of its direction and of continuation. We also use research materials prepared by others.

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. The company's founder, Robert Schwarz voluntarily settled a dispute with a former client. Please refer to Item 19 of this document for a description.

Item 10 – Other Financial Industry Activities and Affiliations

Robert Schwarz the owner and investment advisor representative of SCS Systems is a registered representative of Financial Services International Corp. a broker-dealer.

Shannon T. Loughery an Investment Advisor Representative SCS Systems is also a registered representative of Financial Services International Corp. Shannon is doing business under the name Shannon T. Loughery.

Mr. Schwarz and Ms. Loughery are licensed insurance agents and sell annuities through Great American Life and Prudential to our clients. As registered representatives of a broker-dealer, or insurance agents, Mr. Schwarz and Ms. Loughery will receive commission-based compensation if you purchase or sell an insurance product through them or place a commissioned trade through them as a registered representative. The receipt of commission based compensation creates a financial incentive for them to recommend such a transaction. The financial incentive creates a conflict of interest where their interests might not be aligned with yours.

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 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 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 Financial Services International Corp. 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 is also reviewed. Robert W. Schwarz, Investment Advisor Representative 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 nor does it receive compensation for making 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

Robert W. Schwarz

This Brochure Supplement provides information about Robert W. Schwarz that supplements the SCS Systems Brochure. You should have received a copy of that Brochure. Please contact Shannon T. Loughery, if you did not receive SCS Systems brochure or if you have any questions about the contents of this supplement.

Additional information about Robert W. Schwarz is available on the SEC's website at www.adviserinfo.sec.gov. His CRD number is 416558.

Item 2 Education Background and Business Experience

Robert W. Schwarz was born in 1937. Mr. Schwarz graduated from the Case Institute of Technology in 1960 with a Bachelor of Science degree in Mechanical Engineering, and then went on to get a Master of Science in Mechanical Engineering from San Diego State University and graduated in 1965. Mr. Schwarz has been an investment advisor representative and a registered representative of Financial Services International Corp. since May of 2002. Mr. Schwarz has also been offering insurance products through SCS Systems since August of 1992.

Item 3 Disciplinary Information

While an employee and registered representative of Metropolitan Securities, Inc, a broker-dealer, Robert Schwarz recommended a client purchase a diversified portfolio of securities. One of these investments that the client chose to invest in lost significant value over a period of time. The client felt that she did not understand the risks associated with the particular investment at the time she purchased it. While Mr. Schwarz disagreed with her, in order to avoid the cost and nuisance of defending the claim, he settled the complaint with the client.

Item 4 Other Business Activities

Registered Representative of the Financial Services International Corp. Mr. Schwarz is a registered representative of Financial Services International Corp., an SEC Registered and FINRA member broker-dealer. Clients may choose to engage Mr. Schwarz, in his individual capacity as a registered representative of Financial Services International Corp., to implement investment recommendations on a commission basis. Mr. Schwarz dedicates approximately 25% of his time to this activity.

1. **Conflict of Interest.** The recommendation by Mr. Schwarz that a client purchase a securities commission product presents a ***conflict of interest***, as the receipt of commissions may provide an incentive to recommend investment products based on commissions to be received, rather than on a particular client's need. No client is under any obligation to purchase any commission products from Mr. Schwarz. Clients are reminded that they may purchase investment products recommended by Mr. Schwarz through other, non-affiliated broker

dealers. Our Chief Compliance Officer, Shannon T. Loughery, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.

2. **Commissions.** In the event the client chooses to purchase investment products through Financial Services International Corp., brokerage commissions will be charged by Financial Services International Corp. to effect securities transactions, a portion of which commissions shall be paid by Financial Services International Corp. to Mr. Schwarz. The brokerage commissions charged by the Financial Services International Corp. may be higher or lower than those charged by other broker-dealers. In addition, the Financial Services International Corp., as well as Mr. Schwarz, relative to commission mutual fund purchases, may also receive additional ongoing 12b-1 trailing commission compensation directly from the mutual fund company during the period that the client maintains the mutual fund investment. The securities commission business conducted by Mr. Schwarz is separate and apart from Financial Services International Corp.'s investment management services discussed in the Financial Services International Corp.'s *Brochure*.
- A. **Licensed Insurance Agent.** Mr. Schwarz, in his individual capacity, is a licensed insurance agent, and may recommend the purchase of certain insurance-related products on a commission basis. Clients can engage Mr. Schwarz to purchase insurance products on a commission basis. **Conflict of Interest:** The recommendation by Mr. Schwarz that a client purchase an insurance commission product presents a ***conflict of interest***, as the receipt of commissions may provide an incentive to recommend insurance products based on commissions to be received, rather than on a particular client's need. No client is under any obligation to purchase any insurance commission products from Mr. Schwarz. Clients are reminded that they may purchase insurance products recommended by Mr. Schwarz through other, non-affiliated insurance agents. Shannon T. Loughery remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.

Item 5 Additional Compensation

None.

Item 6 Supervision

We provide investment advisory and supervisory services in accordance with our policies and procedures manual. The primary purpose of the policies and procedures is to comply with securities industry rules. Our Chief Compliance Officer, Robert Schwarz, is primarily responsible for the implementation of our policies and procedures and overseeing the activities of our supervised persons. Should an employee, independent contractor, investment adviser representative, or solicitor of ours have any questions regarding the applicability/relevance of the *Act*, the Rules thereunder, any section thereof, or any section of the policies and procedures, he/she should address those questions with the Chief Compliance Officer. Should a client have any questions regarding our supervision or compliance practices, please contact Mr. Schwarz or *Ms. Loughery* at (425) 765-1322.

Shannon T. Loughery

This Brochure Supplement provides information about Shannon T. Loughery that supplements the SCS Systems Brochure. You should have received a copy of that Brochure. Please contact Shannon T. Loughery, Chief Compliance Officer, if you did not receive SCS Systems brochure or if you have any questions about the contents of this supplement. Additional information about Shannon T. Loughery is available on the SEC's website at www.adviserinfo.sec.gov. Her CRD number is 2731436.

Item 2 Education Background and Business Experience

Shannon T. Loughery was born in 1970. Mrs. Loughery graduated from Bachelor of Business Administration from Whitworth May 1995, and then went on to get a Masters Degree in Personal Financial Planning from the College for Financial Planning in Denver Colorado in 2006. Mrs. Loughery has been an investment advisor representative and a registered representative of Financial Services International Corp. since May of 2002. Mrs. Loughery has also been offering insurance products through SCS Systems since April of 1997.

Item 3 Disciplinary Information

None.

Item 4 Other Business Activities

B. **Registered Representative of Financial Services International Corp.** Mrs. Loughery is a registered representative of Financial Services International Corp., an SEC Registered and FINRA member broker-dealer. Clients may choose to engage Mrs. Loughery, in his individual capacity as a registered representative of Financial Services International Corp., to implement investment recommendations on a commission basis. Mrs. Loughery dedicates approximately 25% of her time to this activity.

3. **Conflict of Interest.** The recommendation by Mrs. Loughery that a client purchase a securities commission product presents a ***conflict of interest***, as the receipt of commissions may provide an incentive to recommend investment products based on commissions to be received, rather than on a particular client's need. No client is under any

obligation to purchase any commission products from Mrs. Loughery. Clients are reminded that they may purchase investment products recommended by Mrs. Loughery through other, non-affiliated broker dealers. Our President, Robert Schwarz remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.

4. **Commissions.** In the event the client chooses to purchase investment products through the Financial Services International Corp., brokerage commissions will be charged by Financial Services International Corp. to effect securities transactions, a portion of which commissions shall be paid by Financial Services International Corp. to Mrs. Loughery. The brokerage commissions charged by Financial Services International Corp. may be higher or lower than those charged by other broker-dealers. In addition, Financial Services International Corp., as well as Mrs. Loughery, relative to commission mutual fund purchases, may also receive additional ongoing 12b-1 trailing commission compensation directly from the mutual fund company during the period that the client maintains the mutual fund investment. The securities commission business conducted by Mrs. Loughery is separate and apart from Financial Services International Corp.'s investment management services discussed in Financial Services International Corp.'s *Brochure*.
- C. **Licensed Insurance Agent.** Mrs. Loughery, in his individual capacity, is a licensed insurance agent, and may recommend the purchase of certain insurance-related products on a commission basis. Clients can engage Mrs. Loughery to purchase insurance products on a commission basis. **Conflict of Interest:** The recommendation by Mrs. Loughery that a client purchase an insurance commission product presents a ***conflict of interest***, as the receipt of commissions may provide an incentive to recommend insurance products based on commissions to be received, rather than on a particular client's need. No client is under any obligation to purchase any insurance commission products from Mrs. Loughery. Clients are reminded that they may purchase insurance products recommended by Mrs. Loughery through other, non-affiliated insurance agents. **Our President, Robert Schwarz remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**

Item 5 Additional Compensation

None.

Item 6 Supervision

We provide investment advisory and supervisory services in accordance with our policies and procedures manual. The primary purpose of the policies and procedures is to comply with securities industry rules. Our Chief Compliance Officer, Shannon T. Loughery, is primarily responsible for the implementation of our policies and procedures and overseeing the activities of our supervised persons. Should an employee, independent contractor, investment adviser representative, or solicitor of ours have any questions regarding the applicability/relevance of the *Act*, the Rules thereunder, any section thereof, or any section of the policies and procedures, he/she should address those questions with our President Robert Schwarz. Should a client have any questions regarding our supervision or compliance practices, please contact *Mr. Schwarz* at 1-360-376-2763.