

DISCLOSURE BROCHURE AND SUPPLEMENT

(FORM ADV, PARTS 2A and 2B)

STEP CHANGE ADVISORS, LLC

SEC File No: 801-71243

FINRA CRD No: 153299

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This brochure provides information about the qualifications and business practices of Step Change Advisors, LLC. If you have any questions about the contents of this brochure please contact us at ewh@stepchangeadvisors.com. 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.

Additional information about Step Change Advisors, LLC, also is available on the SEC's website at www.adviserinfo.sec.gov.

MATERIAL CHANGES FROM 2011: Mr. Harris is no longer a director of Fulcrum Holdings.

Last Update: January 2012

Please retain a copy of this brochure for your records!

Step Change Advisors, LLC

Last Update - January 2012

Table of Contents

1. Advisory Business.....	3
2. Fees and Compensation.....	3
3. Performance-Based fees and Side-by-Side Management	4
4. Types of Clients	4
5. Methods of Analysis, Investment Strategies and Risk of Loss	4
6. Disciplinary Information.....	5
7. Other Financial Industry Activities or Affiliations	6
8. Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading	7
9. Brokerage Practices	8
10. Review of Accounts.....	8
11. Client Referrals and Other Compensation	9
12. Custody	9
13. Investment Discretion.....	9
14. Voting Client Securities	9
15. Financial Information	10
16. Education Background and Business Experience.....	10
17. Other Business Activities.....	11
18. Additional Compensation	11
19. Supervision.....	11

This Brochure provides prospective clients with information about Step Change Advisors, LLC, that should be considered before or at the time of obtaining advisory services from Step Change Advisors, LLC. This information has not been approved or verified by any governmental agency.

Please review this information carefully.

Please print a copy of this brochure and retain it for your future reference.

1. Advisory Business

- A. Step Change Advisors, LLC, was founded in 2009, by Eugene W. Harris, CFA. Mr. Harris owns 100% of the company.
- B. Step Change Advisors, LLC, provides investment supervisory services to its clients. While each portfolio is specifically designed to meet the goals of its owner, the firm does utilize specific investment strategies described in detail in Section 5, Methods of Analysis, Investment Strategies and Risk of Loss.
- C. Each client portfolio is separately managed to properly meet the goals and objectives of its owner. Clients may impose restrictions on investing in certain securities or types of securities.
- D. Step Change Advisors, LLC, does not participate in wrap fee programs.
- E. Assets under management at the end of 2011 total \$41,000,000 of which \$11,900,000 are managed on a discretionary basis and \$29,100,000 are managed on a non-discretionary basis.

2. Fees and Compensation

- A. Step Change Advisors, LLC, charges an annual fee based on a percentage of assets under management according to the following table:

1.00% on the first \$3 million
0.75% on the next \$2 million
0.50% on the remaining balance

For purposes of calculating our management fee, family accounts are aggregated. Under certain circumstances, fees are negotiable. In some instances, a fixed management fee may be available.

- B. Clients may choose whether to have their advisory fees deducted from their account or be billed as they are incurred. In either case, an invoice is mailed promptly to the client. Currently, all clients have their fees deducted and paid electronically to Step Change Advisors, LLC.

Advisory fees are paid on a quarterly basis at a rate of $\frac{1}{4}$ of the annual rate applied to the portfolio valuation as of the last day of each calendar quarter. Fees are typically deducted within two weeks of the end of a quarter.

- C. Depending on the choice of custodian, clients may pay custodian or other fees. Clients do pay brokerage commissions on trades, and some assets may include additional expenses. Please refer to Section 9, Brokerage Practices, for more information.

- D. Clients are not required to pay our advisory fees in advance. There is no penalty for terminating the advisory relationship. In such instances, fees for the last quarter are pro-rated.
- E. Step Change Advisors, LLC, does not receive any additional compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

3. Performance-Based fees and Side-by-Side Management

Step Change Advisors, LLC, does not accept fees based upon a share of capital gains on or capital appreciation of a client.

4. Types of Clients

Step Change Advisors, LLC, manages investment portfolios for individuals and institutions. We manage a variety of portfolios, including trusts, retirement accounts, and not-for-profits.

Step Change Advisors, LLC, typically requires a minimum relationship size of \$1,000,000. Exceptions may be made under certain circumstances.

5. Methods of Analysis, Investment Strategies and Risk of Loss

- A. Step Change Advisors, LLC, primarily uses fundamental analysis to evaluate securities. We have proprietary equity models that help us screen the universe of possible investments to a more manageable number.

Additionally, we frequently utilize other sources of information to help us with our asset selection. These sources include periodicals, research reports, annual filings with the Securities and Exchange Commission, interviews with company executives, and others.

Clients must understand that investing in securities involves risk of loss. Past performance does not guarantee future results.

- B. While each client portfolio is personally tailored, we primarily utilize three investment styles:

Aggressive Growth Equity Portfolio

For this style, we utilize a momentum-based investment strategy. Individual stocks are used. This portfolio typically has 40-60 individual equity positions. Many of these positions are small-cap and mid-cap stocks (under \$10 billion in market capitalization). Emphasis is placed upon companies with accelerating earnings results and earnings expectations and strong relative price performance. These types of securities tend to be more volatile than the overall market. As a result, turnover is relatively high and can exceed 100% annually. Therefore, tax rates are a factor when employing this strategy. This can lead to relatively higher overall commission expenses.

High-Quality Growth at a Reasonable Price (GARP) Equity Portfolio

For this style, we utilize a combination of growth and value in determining the make-up of the portfolio. This portfolio typically has 30-50 individual equity positions. The majority of these positions are large-cap

stocks (greater than \$10 billion in market capitalization). Only companies with strong balance sheets are selected. From this group, companies which we feel are reasonably priced are chosen. For some income oriented clients, additional emphasis is placed upon dividend yield. Turnover is low and tax efficient.

Passively Managed ETF Asset Allocation Portfolio

For this style, the portfolio is built with a group of Exchange Trade Funds. The majority of ETF's are used to track the performance of an underlying asset class. The structure of the ETF portfolio will vary from all equity ETF's for very aggressive clients to all fixed income ETF's for very conservative clients. In building the portfolio, each ETF is assigned a target percentage weighting for the client portfolio. As asset classes fluctuate over time, the portfolio is rebalanced. As a result, this portfolio has extremely low turnover and is highly tax efficient.

- C. Unless specifically requested by a client, Step Change Advisors, LLC, utilizes two types of investments when managing our client portfolios:

Exchange listed equity securities

We only invest in assets traded on a United States stock exchange who have publically available, audited, financial statements.

Risks Associated with investing in Exchange listed equity securities. Equity security valuations fluctuate and an investor's holdings may be worth more or less than their original cost.

Exchange traded funds "ETF" (both equity and fixed income)

ETF's are investment companies that are registered under the Investment Company Act of 1940 and have the flexibility of trading intraday. ETF's are typically designed to track indices for selected categories of investments such as stock indices or bond yields.

Risks Associated with investing in ETF's. Equity-based ETF's are subject to risks similar to those of stocks, and fixed income-based ETF's are subject to risks similar to those of bonds. Investment returns will fluctuate and are subject to market volatility.

Other assets as requested by a client

In some cases, clients have specific requests regarding securities transactions including asset selection, holding periods or utilizing margin. Step Change Advisors, LLC, advises its clients as to the benefits and risks associated with any unusual investment strategies.

6. Disciplinary Information

- A. Neither Step Change Advisors, LLC, nor any of its employees has a criminal or civil action in a domestic, foreign or military court of competent jurisdiction in which Step Change Advisors, LLC, or an employee
1. Was convicted of, or pled guilty or nolo contendere ("no contest") to (a) any felony; (b) a misdemeanor that involved investments or an investment-related business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, or extortion; or (c) a conspiracy to commit any of these offenses;

2. Is the named subject of a pending criminal proceeding that involves an investment-related business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, or extortion or a conspiracy to commit any of these offenses;
 3. Was found to have been involved in a violation of an investment-related statute or regulation; or
 4. Was the subject of any order, judgment, or decree permanently or temporarily enjoining, or otherwise limiting, Step Change Advisors, LLC, from engaging in any investment-related activity, or from violating any investment-related statute, rule or order.
- B. Neither Step Change Advisors, LLC, nor any of its employees has an administrative proceeding before the SEC, any other federal regulatory agency, any state regulatory agency, or any foreign financial regulatory authority in which Step Change Advisors, LLC, or an employee
1. Was found to have caused an investment-related business to lose its authorization to do business; or
 2. Was found to have been involved in a violation of an investment-related statute or regulation and was the subject of an order by the agency or authority
 - a. Denying, suspending, or revoking the authorization of Step Change Advisors, LLC, or a management person to act in an investment-related business;
 - b. Barring or suspending Step Change Advisors, LLC, or a management person's association with an investment-related business;
 - c. Otherwise significantly limited Step Change Advisors, LLC, or a management person's investment related activities; or
 - d. Imposing a civil money penalty of more than \$2,500 on your firm or a management person.
- C. Neither Step Change Advisors, LLC, nor any of its employees has a self-regulatory organization (SRO) proceeding in which Step Change Advisors, LLC, or an employee
1. Was found to have caused an investment-related business to lose its authorization to do business; or
 2. Was found to have been involved in a violation of the SRO's rules and was (a) barred or suspended from membership or from association with other members, or was expelled from membership; (b) otherwise significantly limited from investment-related activities; or (c) fined more than \$25,000.

7. Other Financial Industry Activities or Affiliations

- A. No employee of Step Change Advisors, LLC, is registered, or has an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. No employee of Step Change Advisors, LLC, is registered, or has an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.
- C. Neither Step Change Advisors, LLC, nor any of its employees has any relationship or arrangement with an individual or entity that creates a material conflict of interest with clients.

- D. Step Change Advisors, LLC, does not select other investment advisors for its clients.

8. Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading

- A. Step Change Advisors understands the importance of the laws, rules and regulations and has adopted the CFA Institute Code of Ethics and Standards of Professional Conduct which also includes sections related to personal trading. All employees will:

- Act with integrity, competence, diligence, respect, and in an ethical manner with the public, clients, prospective clients, employers, employees, colleagues in the investment profession, and other participants in the global capital markets.
- Place the integrity of the investment profession and the interests of clients above their own personal interests.
- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in professional activities.
- Practice and encourage others to practice in a professional and ethical manner that will reflect credit on themselves and the profession.
- Promote the integrity of, and uphold the rule governing capital markets.
- Maintain and improve their professional competence.

A copy of our code of ethics is available to any client or prospective client upon request.

- B. In the unlikely situation that Step Change Advisors, LLC, one of its employees, or a related person should recommend to clients, or buy or sell securities for a client account, a security where there is a direct material financial interest for the firm, the employee or the related person, approval must be obtained in writing from the client in advance. The specific nature of the relationship must be fully disclosed to the client.
- C. Personal trading and investment activities of employees are subject to various securities laws, rules and regulations including Advisors Act Section 206 (anti-fraud), ADV and Advisors Act Rule 204-3 (disclosure of interests in client transactions), and Exchange Act Section 10(b) and Rule 10b-5 (prohibiting use of manipulative and deceptive devices in connection with the purchase and sale of securities).

The Chief Compliance Officer has access to the brokerage reports of all employees and reviews them periodically to look for any violations which may include insider trading, front running, manipulative trading practices, and other violations. New employees must report their securities holdings within 10 days of becoming an employee.

- D. Employees of Step Change Advisors and their relatives may and typically do invest in the securities also owned by clients. To minimize conflicts of interest, our employees may only execute trades for their own accounts after the clients' transaction has been completed.

9. Brokerage Practices

- A. Step Change Advisors, LLC, does not receive research or other products or services other than execution from broker-dealers in connection with client securities transactions.
- B. Step Change Advisors, LLC, does not select or recommend a broker-dealer based upon client referrals received from the broker-dealer or any other third party.
- C. Step Change Advisors clients may choose with whom they custody their portfolios. Our firm does not offer custodial services. We prefer that clients either custody with:
 - Charles Schwab, or
 - Commerce Trust Company

The Principals of Step Change Advisors have had long standing relationships (over 15 years each), with these custodians. Each of them provides exceptional service to their clients and to our firm.

Charles Schwab Trading Procedures:

Trading is usually done electronically, by individual account. Occasionally, block trades are implemented. With the exception of a small account owned by Eugene Harris, all client accounts at Charles Schwab are independent of Step Change Advisors, LLC, and fully discretionary.

Commerce Trust Company Trading Procedures:

Trading is usually done verbally or by e-mail with a large, institutional trading firm. Block trades are frequently implemented. All accounts at Commerce Trust Company are either owned by Eugene W. Harris or a member of his extended family.

Best Execution

Best execution can be defined many ways, but we use the definition give by the CFA Institute – a trading process that seeks to maximize the value of a client’s portfolio given that client’s stated investment objectives and constraints.

We value our clients’ assets and always strive to seek best execution per our fiduciary obligation to do so.

10. Review of Accounts

- A. At least annually, the advisor discusses overall strategy with each client and reaffirms or alters specific investment strategy. Each portfolio is analyzed regarding suitability to its owners needs. This may include the composition of individual investments, cash balances, performance goals, change in client circumstances, tax planning, and other relevant factors.
- B. At least monthly the investment advisor reviews each client account to ensure that the overall portfolio reflects these investment objectives.
- C. A quarterly report is sent to each client showing the holdings of the portfolio, the acquisition date, quantity, cost, current price, percentage of the portfolio, and unrealized gain/loss for each asset. This report also shows the historical performance for the portfolio. At the end of the year, if applicable, the client receives a summary of the year’s activity to assist in tax preparation.

11. Client Referrals and Other Compensation

- A. No employee or related person of Step Change Advisors, LLC, has any arrangement, oral or in writing, where said person is paid cash or receives any other economic benefit from a non-client in connection with giving investment advice to clients.
- B. Step Change Advisors, LLC, does not directly nor indirectly compensate any person for client referrals.

12. Custody

Charles Schwab, Commerce Trust Company, and most other custodians prepare monthly statements that are sent directly to their client. This can be done either hard copy through the mail or electronically via the internet. Clients should review their account statements from the broker-dealer, bank, or other qualified custodian regularly.

We urge you to compare the statement you receive from Step Change Advisors, LLC, and the one you receive from the qualified custodian for any discrepancies.

13. Investment Discretion

Step Change Advisors, LLC, manages investment portfolios on both a discretionary and non-discretionary basis.

Clients who desire discretionary management of their portfolios must sign a limited power of attorney granting Step Change Advisors, LLC, authority to make securities transactions on their behalf. This form is filed with the custodian. Clients may also choose to allow Step Change Advisors, LLC, to directly deduct the firm's management fee from their account. This option is typically available on the limited power of attorney document. Non-discretionary accounts may also elect the direct pay option.

14. Voting Client Securities

- A. A client may elect to give voting authority for the individual securities in that client's account to Step Change Advisors. It is the company's policy to vote all such proxies in the best interest of the client.

Voting Procedures

Proxies are voted to maximize shareholder value unless a client specifies an issue where that client wishes to override this policy (e.g. socially responsible voting). Any such request for alternative voting procedures must be received in writing and placed in the client's file.

Because we typically invest in companies whom we believe have good management, we typically vote proxies in line with management's recommendations.

Reasonable skill and diligence are used to acquire sufficient information to make an informed and timely vote. Voting decisions are made by the portfolio manager most familiar with the given security.

In many instances, Step Change Advisors will vote proxies in bundles. Custodians frequently send one proxy statement for all shares held at that custodian. Unless a client has given specific voting instructions, Step Change Advisors will not ask to de-bundle such proxies.

Conflicts of Interest

Should a material conflict arise between our interests and those of our clients with respect to proxy voting, we will disclose this to the affected clients, provide them with sufficient information regarding the shareholder vote, and obtain their written consent before voting. Our fiduciary responsibility and our clients' best interests are key factors in our proxy votes.

- B. If a client chooses to retain proxy voting authority, the client will receive their proxies and other solicitations directly from their custodian or a transfer agent. Clients who have any questions or would like to know the firm's opinion regarding specific proxy votes may contact Step Change Advisors, LLC.

15. Financial Information

- A. Step Change Advisors, LLC, has not attached a balance sheet for its most recent fiscal year because it does not require or solicit prepayment of more than \$500 in fees per client, six months or more in advance.
- B. Step Change Advisors, LLC, has not attached a balance sheet for its most recent fiscal year because it does not foresee any financial condition that is reasonably likely to impair its ability to meet contractual commitments to its clients.
- C. Step Change Advisors, LLC has never been the subject of a bankruptcy petition.

16. Education Background and Business Experience

Step Change Advisors, LLC, requires that those involved in determining or providing investment advice to clients meet certain standards of education and/or business experience. Step Change Advisors, LLC, requires all such individuals to have a college degree, or a high school degree and equivalent industry experience. In addition, Step Change Advisors, LLC, requires successful completion of all applicable examinations. Employees are also encouraged to obtain applicable professional designations.

Eugene W. Harris, CFA, b. 1964, founded Step Change Advisors, LLC, in 2009 and is the firm's Managing Member. Prior to forming Step Change Advisors, LLC, Mr. Harris was Chief Operating Officer of Fulcrum Securities and President of Fulcrum Advisory Services. Mr. Harris joined Fulcrum in 2007 after spending 4 years at Flagstone Securities as Senior Managing Director responsible for their private equity practice. Mr. Harris joined Flagstone after 10 years as the majority shareholder of Eidelman, Finger, Harris & Co., a registered investment advisor. Prior to joining Eidelman, Finger, Harris & Co., Mr. Harris held positions in general management and new business development for the Monsanto Company from 1990 to 1994. He also was an Associate Consultant with Bain and Co. from 1986 to 1988.

Mr. Harris received a Bachelor's of Science in Industrial Engineering from Stanford University in 1986 and a Master's of Science in Management from the Sloan School of Management at the Massachusetts Institute of Technology in 1990. He is a Chartered Financial Analyst ("CFA"), holds Series 24, 63, 65 and 7 securities licenses and is a member of the Financial Analysts Federation.

Mr. Harris is a director for Multiband Inc. (MBND), Business Bancshares Inc and its subsidiary, the Business Bank of St. Louis, and eTab Inc.

17. Other Business Activities

The principals of Step Change Advisors, LLC, may provide capital markets services which include:

- A. Developing financing plans and raising capital for clients which may include arranging bank debt, corporate debt, and/or equity components.
- B. Assisting in securing or, in some cases, directly providing bridge financing or permanent financing.

The principals of Step Change Advisors, LLC, may provide consulting services which include:

- A. Operations guidance
- B. Merger and acquisition advice

The principals of Step Change Advisors, LLC, may serve on both for-profit and not-for-profit boards, and may be compensated for such activity.

All other business activities must be approved in advance by the management of Step Change Advisors, LLC, and must not conflict with the advisory functions.

18. Additional Compensation

Employees of Step Change Advisors, LLC, are prohibited from receiving any direct economic benefit for providing advisory services from anyone who is not a client.

Employees of Step Change Advisors, LLC, may from time-to-time accept gifts or invitations from related parties. Any receipt of such items must be recorded in the company's entertainment logbook. The firm performs periodic reviews of the receipt of gifts and entertainment noted in the log and looks for suspicious activities in trading patterns with those broker-dealers (unusual commission flows, poor executions, etc.).

19. Supervision

Currently all investment advice is provided by Eugene W. Harris, Managing Member. He can be reached at (314) 517-6845. He has never been:

- A. Involved in an award or otherwise found liable in an arbitration claim alleging damages in excess of \$2,500, involving any of the following:
 - 1. An investment or an investment-related business or activity;
 - 2. Fraud, false statement(s), or omissions;
 - 3. Theft, embezzlement, or other wrongful taking of property;
 - 4. Bribery, forgery, counterfeiting, or extortion; or
 - 5. Dishonest, unfair, or unethical practices.
- B. Involved in an award or otherwise found liable in a civil, self-regulatory organization, or administrative proceeding involving any of the following:
 - 1. An investment or an investment-related business or activity;
 - 2. Fraud, false statement(s), or omissions;
 - 3. Theft, embezzlement, or other wrongful taking of property;

4. Bribery, forgery, counterfeiting, or extortion; or
 5. Dishonest, unfair, or unethical practices.
- C. The subject of a bankruptcy petition.