
McQueen, Ball & Associates, Inc.

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ADV Part 2A Brochure

January 2012

This Brochure provides information about the qualifications and business practices of McQueen, Ball & Associates, Inc. If you have any questions about the contents of this Brochure, please contact us at (610) 954-0400. 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.

McQueen, Ball & Associates, 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 McQueen, Ball & Associates, Inc. is also available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 - Material Changes

No material changes have taken place involving our firm since our last ADV Brochure update.

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.

Our Brochure may be requested free of charge by contacting William Schultz, Chief Compliance Officer by telephone at (610) 954-0400 or in writing at 561 Main Street Suite 100 Bethlehem, PA 18018. Additional information about our firm is also available via the SEC's website www.adviserinfo.sec.gov. The SEC's website also provides information about any persons affiliated with our firm who are registered, or are required to be registered, as investment adviser representatives of our firm.

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Item 4 - Advisory Business

About McQueen, Ball & Associates

McQueen, Ball & Associates, Inc. is an SEC-registered, independent, fee-only investment advisory firm based in Bethlehem, Pennsylvania. Our firm has been in business since 1981. Jerry McQueen is the principal owner of the firm.

We provide our clients (individuals, business entities, trusts, estates and charitable organizations, etc.) with discretionary investment advisory services. We may, upon specific client request, provide consultation services to our investment management clients on investment and non-investment related matters, including financial planning, estate planning, and/or insurance planning services.

Based on a clients' investment objective, we tailor each client portfolio to meet the individual needs of each client. We will obtain client investment objectives and risk tolerance (among other criteria) so as to be able to determine client suitability for our investment advisory services.

Clients may impose reasonable restrictions on investing in certain securities or types of securities by notifying us in writing.

We do not participate in any wrap fee programs.

As of December 31, 2011, our discretionary assets under management totaled \$1,047,024,365.

Item 5 - Fees and Compensation

We provide discretionary investment advisory services on a fee-only basis. Clients will be required to enter into a formal Investment Advisory Agreement with our firm setting forth the terms and conditions under which we will manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Financial Planning and Consulting (Stand-Alone): To the extent specifically requested by a client, we may provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone fee basis, the amount of which fee shall be dependent upon the level and scope of the service(s) required and the professional(s) rendering the service(s). Prior to engaging our firm to provide planning or consulting services, clients are generally required to enter into a Financial Planning and Consulting Agreement with us setting forth the terms

and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee that is due from the client prior to us commencing services.

The specific manner in which our investment management fees are charged is established in a client's written agreement with us. We generally require a minimum annual fee of \$7,500 for investment management services. At our sole discretion, we may negotiate our fee minimum and/or charge a lesser investment management fee based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

Our annual investment management fee shall be based upon a percentage (%) of the market value of the assets placed under our management, as follows:

<u>Assets under management</u>	<u>Annual Fee</u>
First \$1,000,000	1.00% of assets
Next \$1,000,000 to \$2,000,000	0.75% of assets
More than \$2,000,000	0.50% of assets over \$2,000,000

At any specific point in time, depending upon perceived or anticipated market conditions/events (there being no guarantee that such anticipated market conditions/events will occur), we may maintain cash positions for defensive purposes. Unless previously agreed upon, all cash positions (money markets, etc.) shall be included as part of assets under management for purposes of calculating our investment management fee. William Schultz, Chief Compliance Officer, remains available to address any questions that a client or prospective client may have regarding the above fee billing practice.

Our firm also receives client referrals from Charles Schwab & Co., Inc. ("Schwab") through our participation in the Schwab Advisor Network® ("the Service"). We pay Schwab fees to receive client referrals through the Service. The Participation Fee paid by our firm is a percentage of the fees owed by the client to us or a percentage of the value of the assets in the client's account, subject to a minimum Participation Fee. We charge clients referred through the Service fees or costs greater than the fees or costs we charge clients with similar portfolios (pursuant to our standard fee schedule as in effect from time to time) who were not referred through the Service.

Fee Schedule for Schwab Advisor Network Clients

<u>Assets under Management</u>	<u>Referred Client Annual Fee</u>
First \$2,000,000	1.00%
Next \$2,000,000 - \$5,000,000	0.70%
Next \$5,000,000 - \$10,000,000	0.65%
Over \$10,000,000	0.60%

Item 14, Client Referrals and Other Compensation further describes our participation in the Schwab Advisor Network.

Our annual investment management fee shall be pro-rated and paid quarterly, in arrears, based upon the market value of the assets on the last business day of the previous quarter. Fees are pro-rated for deposits and withdrawals made in the quarter. Both our Investment Advisory Agreement and the custodial/clearing agreement may authorize the custodian to debit the client's account for the amount of our investment management fee and to directly remit that management fee to us in compliance with regulatory procedures. In the limited event that we bill the client directly, payment is due upon receipt of our invoice.

Our 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, and other third parties such as custodial fees, deferred sales charges, 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.

We do not receive any portion of these commissions, fees and costs. Such charges, fees and commissions are exclusive of and in addition to our fee. No principal or supervised employee of our firm accepts compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

Item 12 further describes the factors that we consider in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).

We do not require pre-payment of investment management fees. The Investment Advisory Agreement between us and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the Investment Advisory Agreement. Upon termination, we will debit the client account for the pro-rated portion of the advisory fee based upon the number of days that services were provided during the billing quarter (unless we bill the client directly, in which case the fee shall be due and payable upon receipt of our billing invoice).

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

No principal or supervised employee of our firm accepts, nor do we charge 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

We provide discretionary investment advisory services to individuals, high net worth individuals, corporate pension and profit-sharing plans, charitable organizations, trusts and estates.

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

Our investment strategy is designed to provide our clients with a competitive long-term rate of return, giving consideration to risk and portfolio volatility. The goal of our investment strategy is to generate current income and long-term growth of principal while preserving capital utilizing a diversified portfolio of equities and fixed-income investments. In constructing a portfolio, attention is given to sector and style diversification, dividend payments, earnings growth, quality of management, maturities and coupon payments.

A client's portfolio may include investments in common and preferred stocks, mutual funds and individually held fixed-income investments. All securities will be held in safekeeping in the name of an independent third-party custodian not affiliated with our firm.

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

Different types of investments involve varying degrees of risk. Factors that could affect the value and performance of clients' investments include but are not limited to market volatility, changes in interest rates, changes in tax laws, and credit quality risk. It should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by our firm) will be profitable or equal any specific performance level(s).

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 our firm or the integrity of our management. There have been no legal or disciplinary actions against our firm or any principal or supervised employees of our firm.

Item 10 - Other Financial Industry Activities and Affiliations

Neither our firm, nor any of its principal or supervised employees are involved in any other financial industry activities nor do we have any business relationships with any related persons.

A related person is described as: a broker-dealer, municipal securities dealer, or government securities dealer or broker, an investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or “hedge fund,” and offshore fund), another investment adviser or financial planner, a futures commission merchant, commodity pool operator, or commodity trading advisor, a banking or thrift institution, an accountant or accounting firm, a lawyer or law firm, an insurance company or agency, a pension consultant, a real estate broker or dealer, a sponsor or syndicator of limited partnerships.

Item 11 - Code of Ethics

Our firm has adopted a Code of Ethics for all principal and supervised persons of the firm describing our high standard of business conduct, and fiduciary duty to our clients. The Code of Ethics covers the following areas: compliance with federal securities laws, confidentiality of client information, personal securities trading, insider trading, prohibited purchases and sales, exempt transactions, prohibited activities, ethical business practices, conflicts of interest, gifts and entertainment and privacy.

Our clients and prospective clients may request a copy of the firm's Code of Ethics by contacting William Schultz, Chief Compliance Officer.

It is our policy that we will not effect any principal or agency cross securities transactions for client accounts. We 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. 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.

At times our firm and/ or our employees may invest in the same securities which are recommended to and/ or purchased for our clients. Our employees are required to follow the Code of Ethics regarding personal securities trading procedures. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the

employees of our firm 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 our clients. In addition, the Code of Ethics maintains a pre-approval and restricted list of securities, requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity.

Our firm and our employees will generally be "last in" and "last out" for the trading day when trading occurs in close proximity to client trades. Scalping (trading shortly ahead of clients) is prohibited. Should a conflict occur because of materiality (i.e., a thinly traded stock), disclosure will be made to the client(s) at the time of trading. Incidental trading not deemed to be a conflict (i.e., a purchase or sale which is minimal in relation to the total outstanding value, and as such would have negligible effect on the market price), would not be disclosed at the time of trading. 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 to reasonably prevent conflicts of interest between our firm and our clients.

At times, certain employee accounts may trade in the same securities with client accounts on an aggregated basis when consistent with our obligation of best execution. In such circumstances, the employee and client accounts will receive securities at a total average price. We 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.

Item 12 - Brokerage Practices

In the event that a client requests that we recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct us to use a specific broker-dealer/custodian), we generally recommend that investment management accounts be maintained at Charles Schwab & Co., Inc. ("Schwab"), TD Ameritrade ("Ameritrade"), or The Bank of New York Mellon ("The Bank of New York"). Unless the client directs otherwise, we will generally recommend that one of the broker-dealers/custodians referred to in the preceding paragraph serve as the broker-dealer/custodian for client investment management accounts. Broker-dealers charge

brokerage commissions and/or transaction fees for executing certain securities transactions (i.e. transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and fixed-income securities transactions).

When beneficial to the client, individual debt transactions may be executed through broker-dealers with whom we or the client have entered into arrangements for prime brokerage clearing services. Over-the-Counter (OTC) securities transactions for our clients are generally effected on an agency basis, which involve the services of two (2) separate broker-dealers: (1) a “dealer” or “principal” acting as market-maker; and (2) the executing broker-dealer that acts in an agency capacity for the client's account. Dealers executing principal transactions typically include a mark-up/down, which is included in the offer or bid price of the securities purchased or sold. In addition to the dealer mark-up/down, the client may also incur a transaction fee imposed by the executing broker-dealer. We do not receive any portion of the dealer mark-up/down or the executing broker-dealer transaction fee.

In addition to our investment management fee, brokerage commissions and/or transaction fees, the client will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses).

Factors that we consider in recommending any broker-dealer/custodian to clients include historical relationship with our firm, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by our clients shall comply with our duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to execute the same transaction where we determine, in good faith, that the commission/transaction fee is reasonable in relation to the value of the brokerage and research services received.

In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of broker-dealer services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although we will seek competitive rates, we may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, our investment management fee. Our best execution responsibility is qualified if securities that we purchase for client accounts are no-load mutual funds that trade at net asset value as determined at the daily market close.

We may (but are not obligated to) combine or “batch” client orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among our clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among our clients in proportion to the purchase and sale orders placed for each client account on any given day.

The client may direct us to use a particular broker-dealer (subject to our right to decline and/or terminate the engagement) to execute some or all transactions for their account. In such event, the client will negotiate terms and arrangements for the account with that broker-dealer, and we will not seek better execution services or prices from other broker-dealers or be able to “batch” the client's transactions for execution through other broker-dealers with orders for other accounts managed by us. As a result, the client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices on transactions for the account than would otherwise be the case.

In the event that the client directs us to effect securities transactions for their accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through us.

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, we may receive from custodians, without cost (and/or at a discount) support services and/or products, certain of which assist us to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by us may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, and discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events in furtherance of our investment advisory business operations.

As indicated above, the support services and/or products that may be received may assist us in managing and administering client accounts. Others do not directly provide such assistance, but rather assist us to manage and further develop our business enterprise.

Our clients do not pay more for investment transactions effected and/or assets maintained at a particular custodian as result of this arrangement. There is no corresponding commitment made by us to any custodian to invest any specific amount or percentage of

client assets in any specific mutual funds, securities or other investment products as result of the above arrangement.

Our Chief Compliance Officer, William Schultz, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest any such arrangement may create.

Item 13 - Review of Accounts

For those clients to whom we provide discretionary investment supervisory services, account reviews are conducted on a periodic basis by our firm's principal and/or supervised employees. Jerry McQueen, President, William Schultz, Chief Investment Officer, and/ or Bruce Levis, Managing Director will usually conduct these reviews. Client accounts are monitored regularly for material deposits or withdrawals. Client portfolios are reviewed to determine if investments should be purchased or sold to bring the portfolio inline to its investment objective, or when an investment is purchased or sold across many client accounts.

Clients should receive account statements from their account custodian at least quarterly. In addition to these statements, we send or make available online written quarterly account reports to our clients. For each account under our discretionary management, the report includes a portfolio appraisal, which includes the market value and cost basis of the account, a summary of deposits and withdrawals for the time period, a purchase and sale report which includes reinvested dividends, a quarterly performance report, and a year to date performance history report. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Clients are reminded to contact us in writing if there are any changes to their personal/ financial situation or investment objective, or to impose any restrictions on our advisory services. An offer of our written disclosure discussing our advisory services and fees is also included in the quarterly report.

Item 14 - Client Referrals and Other Compensation

Our firm receives client referrals from Charles Schwab & Co., Inc. ("Schwab") through our participation in Schwab Advisor Network® ("the Service"). The Service is designed to help investors find an independent investment adviser. Schwab is a broker-dealer independent of and unaffiliated with our firm. Schwab does not supervise our firm and has no responsibility for the management of clients' portfolios or our other advice or services. Our

firm pays fees to Schwab to receive client referrals through the Service. Our firm's participation in the Service may raise potential conflicts of interest described below.

We pay Schwab a Participation Fee on all referred clients' accounts that are maintained in custody at Schwab and a Non-Schwab Custody Fee on all accounts that are maintained at, or transferred to, another custodian. The Participation Fee paid by our firm is a percentage of the fees owed by the client to our firm or a percentage of the value of the assets in the client's account, subject to a minimum Participation Fee. We pay Schwab the Participation Fee for so long as the referred client's account remains in custody at Schwab. The Participation Fee is billed to our firm quarterly and may be increased, decreased or waived by Schwab from time to time. The Participation Fee is paid by our firm and not by the client. Our firm generally pays Schwab a Non-Schwab Custody Fee if custody of a referred client's account is not maintained by, or assets in the account are transferred from Schwab, unless the client was solely responsible for the decision not to maintain custody at Schwab. The Non-Schwab Custody Fee is a one-time payment equal to a percentage of the assets placed in custody other than at Schwab. The Non-Schwab Custody Fee is higher than the Participation Fees our firm generally would pay in a single year. Thus, we will have an incentive to recommend that client accounts be held in custody at Schwab.

The Participation and Non-Schwab Custody Fees will be based on assets in accounts of our clients who were referred by Schwab and those referred clients' family members living in the same household. Thus, we will have incentives to encourage household members of clients referred through the Service to maintain custody of their accounts and execute transactions at Schwab and to instruct Schwab to debit our firm's fees directly from the client's accounts.

For accounts of our clients maintained in custody at Schwab, Schwab will not charge the client separately for custody but will receive compensation from clients in the form of commissions or other transaction-related compensation on securities trades executed through Schwab. Schwab also will receive a fee (generally lower than the applicable commission on trades it executes) for clearance and settlement of trades to be executed through Schwab rather than another broker-dealer. We nevertheless acknowledge our duty to seek best execution of trades for client accounts. Trades for client accounts held in custody at Schwab may be executed through a different broker-dealer than trades for our other clients. Thus, trades for accounts custodied at Schwab may be executed at different times and different prices than trades for other accounts that are executed at other broker-dealers.

Item 15 - Custody

According to the Securities and Exchange Commission, our firm has custody of client funds for those accounts which we are authorized to deduct investment management fees. Our firm also has custody of client funds in certain accounts which a principal or supervised employee of our firm serves as trustee, co-trustee or executor of the account. For those accounts which a principal or supervised employee serves as trustee, co-trustee or executor, a surprise annual audit of the account is performed by an independent accountant registered with the PCAOB (Public Company Accounting Oversight Board).

Clients should receive at least quarterly statements from the qualified custodian that holds and maintains their investment assets. Clients should carefully review such statements and compare such official custodial records to the quarterly account statements that are provided by our firm. For those accounts which a principal or supervised employee serves as trustee, co-trustee or executor, a statement urging the client to compare the statements received from our firm to those received from the account custodian is included in their quarterly report.

Item 16 - Investment Discretion

Our firm has discretionary investment authority over the accounts it manages. Prior to gaining discretionary authority, clients are provided with a current ADV Part 2A and Part 2B, and are required to enter into a formal Investment Advisory Agreement. By signing this agreement, clients grant our firm discretionary authority over their account to buy, sell, or otherwise effect investment transactions for the account. 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, we observe the investment policies, limitations and restrictions placed on the account by the client or in certain cases, the clients' employer. In some cases, our investment selection may be limited to certain securities or types of securities. Limitations and restrictions must be provided to us in writing.

Item 17 - Voting Client Securities

In the limited event where our firm votes proxies, we will do so in a manner which we reasonably believe will maximize shareholder value, which is defined as long-term value accretion through dividend and price appreciation. Our policy is to vote in favor of specific or non-recurring management proposals where the proposals are reasonable and appear to be in the best interest of shareholders. Conversely, where management has submitted proposals that restrict shareholder rights or diminish shareholder value, we would oppose such proposals. To retain effective top management, a company must provide protection against the fear of peremptory dismissal if a hostile takeover attempt is successful.

Therefore, while we generally oppose structural anti-takeover provisions including “poison pills,” we will support a Board of Directors that enters into employment agreements for limited, rolling time periods (such as three years) and provides reasonable “parachutes” or termination compensation for an effective top management team. Our firm realizes that compensation that relies heavily on stock options can be dilutive over time and, therefore, favors the adoption or continuation of reasonable non-super dilutive stock option plans.

Because of the nature of our business, it is unlikely that we will ever have a material conflict when voting proxies. If a conflict would arise, we would obtain the client's informed consent to vote a proxy in a specific manner.

We will maintain records pertaining to proxy voting as required pursuant to Rule 204-2 (c) (2) under the Advisers Act. Copies of Rules 206(4)-6 and 204-2(c) (2) are available upon written request. In addition, information pertaining to how we voted on any specific proxy issue is also available upon written request. Requests should be made by contacting our firm's Chief Compliance Officer, William Schultz.

Item 18 - Financial Information

Our firm has no financial commitment that impairs our ability to meet contractual and fiduciary commitments to clients, nor has it been the subject of a bankruptcy proceeding.