

**Hallador Investment Advisors, Inc.
940 Southwood Blvd. Suite 201
Incline Village, NV 89451
775-548-1730**

Hallador Investment Advisors, Inc. (“HIA”) published its last ADV on March 30, 2011. Since that date there have been no material changes in the organization and the Hallador Funds that comprise the total sum of assets under advisory.

Chris Branscum continues as HIA’s President, and Chief Compliance Officer. Ryan Ritchie and Jason Green remain Vice President of Investments and Vice President of Finance, respectively. David Hardie is Chief Executive Officer and, Chairman of the Board while Steven Hardie remains Vice Chairman of the Board.

Whenever an HIA “client” is referenced herein HIA’s advisory agreement is with the client fund’s Managing Member in the case of a client organized as a Limited Liability Company or the client fund’s General Partner in the case of a client organized as a Limited Partnership.

This brochure provides information about the qualifications and business practices of Hallador Investment Advisors, Inc. If you have any questions about the contents of this brochure, please contact Ann Denzer at (916) 642-7043 or adenzer@hallador.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 Hallador Investment Advisors, Inc. also is available on the SEC’s website at www.adviserinfo.sec.gov.

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I. Advisory Business

- a. Description of Business – Hallador Investment Advisors, Inc. (“HIA”) provides investment advisory, administrative and support services to Dale Management LLC and Silvertip Management, LLC, two affiliated firms that are managers of certain entities comprising the Hallador Family of Funds. All HIA expenses are reimbursed by Dale Management LLC and Silvertip Management, LLC.

HIA is owned 50% each by Dale Management LLC (“Dale”) and Silvertip Management LLC (“Silvertip”). Dale and Silvertip are each owned 50% each by David Hardie, Inc. and Steven Hardie, Inc. David Hardie wholly owns David Hardie, Inc. and Steven Hardie wholly owns Steven Hardie, Inc. David and Steven Hardie are brothers.

Dale is the Managing Member of Hallador Balanced Fund LLC, Hallador Equity Fund LLC, and General Partner of Hallador Cash Fund, LP. Dale is an affiliate of Hallador Investment Advisors, Inc.

Silvertip is the Managing Member of Hallador Alternative Assets Fund LLC. Silvertip is an affiliate of Hallador Investment Advisors, Inc.

Hallador Balanced Fund LLC, Hallador Alternative Assets Fund LLC, Hallador Equity Fund LLC, and Hallador Cash Fund LP are collectively referred to herein as “Hallador Funds.”

HIA’s three most senior managers bring more than 90 years of collective investment experience in a broad array of investment products/services including equities, fixed income products and surrogates, plus alternative investments including hedge funds and private equity. David Hardie (Chairman and CEO), Chris Branscum (President and COO) and Steven Hardie (Vice-Chairman) have worked together for most of the past 30 years. HIA was formed in 2004 as were all the Hallador Funds other than the Hallador Balanced Fund which has its roots as a family investment partnership going back to 1974.

- b. Services offered – HIA’s core value proposition and services are centered on investment management, including but not necessarily limited to: asset allocation; due diligence on new sub-advisors (managers) and strategies; close monitoring of existing investments through continued due diligence on managers and strategies; and, member communications. HIA maintains a high level of vigilance with respect to macro-level events and correlates these in real time with investment strategy, asset allocation, manager selection and performance within the various asset classes.

HIA’s primary objective is to invest in a prudently diversified mix of asset classes and with managers in those asset classes that offer the greatest prospect for gains over the longer term within an acceptable risk profile.

HIA does not transact individual trades for its clients. HIA's sub-advisors have full discretion for that. HIA exercises oversight through its authority to hire and fire sub-advisors.

Assets under management (AUM) – The combined assets under management in the Hallador Family of Funds was approximately \$359 million at December 31, 2011. Hallador Balanced Fund LLC represents approximately 33% of that total. It is the only Hallador Fund that is open to investors who are not members of the David and Steven Hardie families.

II Fees and Compensation

a. Fee schedules per Fund

Hallador Equity Fund LLC - annually 45 basis points, payable quarterly in advance, based on Net Asset Value ("NAV") of the Fund on the last day of each month within the fiscal quarter prior to the period for which the management fee is payable. The total fee is comprised of the sum of the three individual monthly fees calculated in the prior quarter. The fee is non-negotiable.

Hallador Cash Fund, LP - annually 30 basis points, payable quarterly in advance, based on NAV of the Fund on the last day of each month within the fiscal quarter prior to the period for which the management fee is payable. The total fee is comprised of the sum of the three individual monthly fees calculated in the prior quarter. The fee is non-negotiable.

Hallador Balanced Fund LLC - annually 50 basis points, payable quarterly in advance, based on NAV of the Fund on the last day of each month within the fiscal quarter prior to the period for which the management fee is payable. The total fee is comprised of the sum of the three individual monthly fees calculated in the prior quarter. The fee is non-negotiable.

Hallador Alternative Assets Fund LLC - annually 125 basis points, payable quarterly in advance. Fee is computed in two parts. 1) For the sub-advisors within the Fund who report Net Asset Value each month, this portion of the Fund fee is calculated the same as the aforementioned Hallador Funds. That is, the NAV at month-end for these sub-advisors is summed to give a total NAV for the monthly group. The three individual monthly-calculated fees are added together to determine the cumulative Quarterly fee from these positions. 2) For sub-advisors who report quarterly, their component of the overall Fund fee is calculated based on the latest reported NAV from those sub-advisors adjusted for capital calls/return of capital activity since the last valuation. The total fee is the sum of the component fees determined from the monthly reporters and the quarterly reporters.

Other fees: All fees paid by the Funds to Dale or Silvertip are exclusive of fees or expenses charged by the underlying managers of portfolios, mutual fund investments, the underlying private investment funds, or Bank of New York-Mellon, the custodian and Funds' administrators. Certain mutual fund transactions and private investment funds may be subject to certain additional costs such as short-term redemption fees for early redemptions. Transaction fees are absorbed in the NAV of each underlying sub-advisor account. Hallador Funds attempt to avoid such costs. Hallador Funds may, at their discretion, determine whether any applicable redemption fees and/or penalties are appropriate. There are no performance based fees charged by HIA and/or its client funds.

- b. Method of fee payment – Fees are deducted from the clients' assets and therefore are reflected in the monthly NAV statements delivered to clients by Bank of New York-Mellon, the Funds' primary custodian and administrator. Fees are deducted in the month incurred.

For Hallador Balanced Fund LLC (the only fund with investors who are not members of the Hardie family), clients can redeem their interests without penalty at the end of each quarter upon 30 days written notification. In addition, regardless of the terms of any contract, all clients may terminate their investment contracts at any time during the first five days without owing any fees.

III Types of Clients

HIA provides advisory services to the Managing Members of three investment funds, organized as Limited Liability Companies and the General Partner of a Fund organized as a Limited Partnership. Those investment funds are: (1) Hallador Balanced Fund LLC; (2) Hallador Equity Fund LLC; (3) Hallador Alternative Assets Fund LLC; and, (4) Hallador Cash Fund LP. The following is a description of the investors in each of these funds:

- Hallador Balanced Fund LLC: More than 98% of the capital has been invested by a family partnership, Hallador Partners LP, or by members of the family represented by the family partnership or entities controlled by members of that same family.
- Hallador Equity Fund LLC: A family partnership, Hallador Partners LP, is the only investor.
- Hallador Alternative Assets Fund LLC: A family partnership, Hallador Partners LP, is the only investor.
- Hallador Cash Fund LP: A family partnership, Hallador Partners, is the largest investor. All of the other investors are members of the family represented by that same family partnership.

Pension or retirement plan investments are discouraged, although allowed up to 20% of a fund's asset totals. It is the intention to keep such assets well below that threshold.

Minimum account investment in all the Hallador Funds is \$500,000, subject to exceptions at the discretion of the funds' Managing Members. Only "accredited investors" under

Regulation D of the Securities Act of 1933, as amended, may invest in any of the funds. Regulation D requires that the investor must have a net worth that exceeds \$1 million at the time of purchase or an individual who has income exceeding \$200,000 (or joint income of \$300,000 with a spouse) in each of the two most recent years and a reasonable expectation of the same income in the current year.

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

a. Manager Selection

1. **Equities** – HIA advises the Managing Members of its client funds in identifying and hiring sub-managers. Further, HIA advises with respect to allocations of funds to equity managers to achieve the best mix of strategies and market exposures at any given time. Given the deep investment history of the principals and the extensive relationships they have developed through the years, prospective managers surface regularly in the ordinary course of business. Other leads come by reference to investment related media and periodicals, industry conferences, networking with other family offices and the internet. HIA has also engaged an outside investment advisory consultant, Canterbury Consulting of Newport Beach, Ca., to provide regular manager sourcing information and assist in sub-manager screening and due diligence.
2. **Fixed Income** –HIA advises its clients on investing in a variety of fixed income oriented bond fund and hedge fund managers that employ various fixed income-like strategies with both long-term and short-term horizons. Fixed income and fixed-income surrogate investments provide stable ballast to other more volatile investment strategies within the investment arena.
3. **Hedge Funds** – HIA and certain of its client funds engage in hedge fund strategies. Successful hedge fund managers tend to mirror positive performance in rising markets and temper negative returns, or make money, in declining markets. Some hedge funds are equities oriented while others employ credit and debt-related investment strategies. HIA endeavors to source hedge fund managers who collectively help the Hallador Funds’ portfolios to diversify investments and reduce risk overall. Managers are sourced through other industry contacts and HIA’s outside investment advisory consultant, Canterbury Consulting.
4. **Private Equity** – Only one of HIA’s client funds, Hallador Alternative Assets LLC, invests in private equity. These are investments in unlisted securities that carry both an ongoing management fee in addition to incentive fees related to performance. These are long-term commitments, often up to 10 years and more, and are also illiquid in nature and thus not suitable to funds other than those geared to sophisticated, long-term investors who can absorb a total loss. In addition to “primary” private

equity, there are available “secondary” private equity investments. Since primary private equity investments are very long term in nature, sometimes investors want to sell positions due to a shift in allocation strategy, a need for current liquidity, etc. In this instance, “secondary” buyers come in and often acquire such interests at a deep discount and hold them through the duration of the partnership.

5. Direct Investments – These are investments that go through no intermediary and a client fund itself holds the securities directly. These include investments in common shares of publicly-traded securities as well as co-investments in selected privately held firms. The only HIA client that makes and holds direct investments is Hallador Alternative Assets Fund, LLC.

b. Material Risks/Considerations

1. Investments in HIA advised Funds have considerable risk and are not suitable for unsophisticated investors and/or those who cannot bear potentially a total loss of their investment. In addition, investors should be aware that they may be required to bear the financial risks of their investment for an indefinite period of time. Investment in the limited liability company interests will involve significant risks due to, among other things, the nature of investments in the Hallador Funds and the fact that there will be no public market for the limited liability company interests. Investors should have the financial ability and willingness to accept the risks and lack of liquidity which are characteristic of the investments likely to be subscribed to in the Hallador Funds. As always, investors are advised to consult legal, financial and tax advisors to determine the merits and risks of such an investment.
2. Past performance is no guarantee of future performance. This is an advisory posted throughout the financial/investment panoramic and it cannot be emphasized enough.
3. For a full discussion of risk involving investments in the Hallador Funds, consult the Private Place Memorandum (PPM) of the Hallador Balanced Fund LLC and the Limited Partnership Agreements of the other Hallador Funds.

V. Disciplinary Information

No senior investment executive or official currently employed by Hallador Investment Advisors, Inc. or the affiliated Hallador companies has ever been disciplined in any way for financial malfeasance, etc.

VI Other Financial Industry Activities and Affiliations

- a. Broker-dealer representative – In addition to his position as Chief Investment Officer of HIA, David Hardie is a commissioned stockbroker through Western International Securities, Inc. (“Western”). HIA and Western are separate and unaffiliated entities. In this role, Mr. Hardie oversees approximately 45 outside accounts.
- b. Parasol Community Foundation – David Hardie is a member of the board of directors and Chairman of the Investment Committee for Parasol Community Foundation, an Incline Village, NV-based non-profit organization that is dedicated to furthering the interests of the greater Lake Tahoe region. It partners with donors to help support programs provided by Lake Tahoe area non-profit organizations.
- c. Hallador Energy Co. (NASDAQ-HRNG) – David Hardie is Chairman of the Board and Steven Hardie is a member of the Board of Directors of this NASDAQ-listed energy company. Hallador Energy is a substantial direct portfolio investment of HIA client Hallador Alternative Assets Fund LLC.
- c. Macias, Gini & O’Connell – This is a Sacramento-based firm that oversees the accounting, estate planning and tax services provided by Hallador, Inc., the family office that serves most Hardie family members. Certain employees of Hallador, Inc. work in leased space from MGO in Sacramento. Also, Jan Rosati, a tax partner in MGO, has provided administrative, tax, estate planning and accounting services and oversight to Hardie family members.
- d. Canterbury Consulting – This is a Newport Beach, CA-based investment advisory firm that has contracted with Hardie family interests for nearly two decades. It has been outside investment advisor to Hallador Balanced Fund LLC (and its predecessor Harco Investors) since 1997 and has helped guide investment research and decision making for all the Hallador Funds since 2004. Michael Laven is the principal relationship manager at Canterbury for the Hallador interests.
- e. BNY-Mellon Trust of New England – Since 2006, BNY-Mellon’s Boston-based wealth management subsidiary has served HIA and the Hallador Funds as custodian and administrator. It also provides investment research, accounting, tax-related and cash management services.
- f. Tofias, plc – This is a Providence, RI-based accounting firm that provides tax and auditing services to the Hallador Funds.

VII Code of Ethics, Participation or Interest in Client Transaction and Personal Trading

- a. Code of Ethics – HIA has adopted a Code of Ethics under the Investment Advisers Act of 1940 (the “Advisory Code”). The Advisory Code underscores

HIA's commitment to maintaining high ethical standards. It requires all "Access Persons" of HIA, as defined, to adhere to the principle that Access Persons owe a fiduciary duty to HIA's clients. The Advisory Code requires all Access Persons to report all activity and holdings in Covered Securities in any brokerage accounts in which they may be deemed to have a beneficial interest, and requires Access Persons to obtain prior approval in order to acquire or sell listed securities held by the Funds if, as noted above, the volume of the transaction is such that it could materially impact the share price of the securities. It also addresses, among other things, HIA's policy on, and enforcement of the protection of material non-public information, short-term trading, initial public offerings, private placement transactions, outside investment advisory services, gifts and gratuities. Additionally, it requires Access Persons to promptly report any violations of the Advisory Code to HIA's Chief Compliance Officer. Copies of the Advisory Code are available to prospective and current clients upon request.

- b. Related person potential conflicts of interest – "Access Person" means (i) any officer, director or employee of HIA; (ii) any employee of any company in a control relationship with HIA who, in connection with his or her regular functions or duties, makes, participates in or obtains information regarding the purchase or sale of securities by HIA's sub-advisors, or whose functions or duties relate to the making of any recommendations with respect to such purchases or sales; and (iii) any natural person in a control relationship with HIA who obtains information concerning recommendations made for the purchase or sale of securities by HIA's sub-advisors.

VIII Brokerage Practices

- a. Directed Brokerage – HIA's clients have discretionary authority to invest within the framework of the investment objectives and restrictions set between the HIA client and their investors. Neither HIA itself nor any of its client funds trade individual securities or have a trading desk. HIA advises its clients in setting overall investment policy, asset allocations and selection of sub-advisors who do the actual trading. HIA monitors the sub-advisors' trading activities and performance and receives regular reports and feedback.

HIA may request that a portion of orders to buy or sell securities traded for its clients' accounts be directed to Western International Securities, Inc. for execution. In some cases, the commission rates charged by Western International Securities, Inc. for executing these trades may be higher than the rates HIA might obtain for those trades from unrelated broker-dealers. These trades may also result in compensation to David Hardie, an independent registered representative with Western International Securities, Inc. that is above and beyond the advisory fees clients pay HIA. HIA and Western are separate and unaffiliated entities.

- b. Soft Dollar arrangements – HIA has no “soft dollar” arrangements whereby fee dollars generated by underlying managers are rebated to a vendor of HIA in partial payment of fees.
- c. Broker representative commissions – David Hardie, Chief Investment Officer of HIA, is also a commission-based securities representative contracted with Western International Securities, Inc. Mr. Hardie spends only part time in this activity and has a limited roster of clients, mostly serving relationships he has had for many years. His activities as a commission broker is unrelated to HIA other than his receipt of a portion of directed brokerage commissions (see above.)

IX Review of Accounts

- a. Investment Committee meetings – HIA’s clients have regularly scheduled investment committee meetings approximately 4/5 times annually. During these meetings, the client funds are reviewed for performance and suitability given the current investment climate. Canterbury Consulting personnel participate in most of these all-day meetings.
- b. Sub-advisor performance is constantly analyzed on a comparative basis with peers. Also, prospective new managers are brought to the client investment committees’ attention and discussed. Significant attention is paid to sub-advisors who are underperforming their benchmarks over an extended period. Key issues are focused on and further diligence is assigned with the resultant decision to maintain, cull, fully redeem or even add to a position depending on the analysis.
- c. Watch List – Sub-advisors who are performing below expectations and benchmarks are placed on a watch list. This highlights extra attention and monitoring for any sub-advisor on this list. Sometimes more diligence results in uncovering reasons for underperformance that may or may not lead to redemption, depending on individual circumstances.
- d. Investor Reports – Investors in funds advised by HIA receive statements of account value from BNY-Mellon at least quarterly. In addition, HIA assists the managers of Hallador Balanced Fund LLC in drafting a monthly update and commentary on the fund’s performance.

X Client Referrals and Other Compensation

- a. Brokerage commissions – HIA and the Hallador Funds do not transact stock trades and therefore there are no brokerage commissions paid directly by clients. All fees and commissions are paid at the sub-advisor level and included in the NAV of the account at any given point in time.

- b. Potential referrals – New clients to the Hallador Funds (only HBF is open to non-family investors) to date have had previous relationships with the Hardie family and David Hardie. At this time, the Hallador Funds and HBF in particular have no formal marketing initiatives in place other than word of mouth and informal introduction. Canterbury Consulting is a possible referral partner, but has to date not referred any clients to the Hallador Funds.

XI Custody

- a. BNY Mellon – All funds advised by HIA have contracted with BNY-Mellon Trust of New England to provide custody services for all applicable assets among the Hallador Funds. These include equity and fixed income positions in the Hallador Balanced Fund LLC and Hallador Equity Fund LLC.
- b. Assets not held – Assets in the Hallador Alternative Assets Fund LLC (and hedge fund positions in HBF) are classified as Assets Not Held (ANH) by BNY-Mellon, meaning BNY-Mellon does not take custody of those assets. The assets and positions held by hedge funds and private equity funds are held in custody by other qualified banks and financial institutions. All of the managers who manage ANH provide Hallador Funds with annual audited financial statements along with opinions from their Certified Public Accounting firms. Additionally, HIA plans to request annually that managers holding ANH assets provide a current summary of their custody arrangements and also that HIA is notified any time there is a change.

XII Investment Discretion

The Hallador Funds advised by HIA have discretionary authority to invest within the frameworks established by their agreements with their respective investors. HIA does not trade individual securities and has no trading desk. It instead advises with respect to overall investment policy, asset allocations and selects sub-advisors who do the actual trading. HIA monitors the sub-advisors' trading activities and performance and receives regular reports and feedback. HIA has total discretion to choose, monitor and dismiss sub-advisors, but does not in any way participate in the investment decisions made by them.

XIII Voting Client Securities

- a. Proxy voting – HIA does not exercise direct proxy voting rights. However, HIA client funds do have indirect proxy voting rights through their ability to select and terminate sub-advisors to the funds. HIA's client Hallador Alternative Assets Fund LLC does have direct proxy voting rights with respect to certain of its directly held investments. HIA and Hallador Funds have and will continue to request from sub-advisors their proxy voting procedures to ensure they are in sync with Hallador Funds' duty to have their proxies voted in their best interests. Periodically, HIA's Chief Compliance

Officer will audit sub-advisors' proxy voting to ensure they are following appropriate policies as they relate to HIA's clients. Upon request, HIA's client funds provide their investors with information on proxy voting by their sub-advisors.

- b. Communication with clients – HIA's client funds intend to provide their investors their Proxy Voting Policies and voting in the current year at least annually and upon request at any time.

XIV Financial Information

- a. Not applicable – fees are not prepaid six months/more in advance
- b. Not applicable – same reason
- c. Not bankruptcy

Part 2A Appendix – Wrap Fee Brochure – Not Applicable

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