

Form ADV Part 2A – March 28, 2017

**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 August 16, 2016. Since that date there have been two material changes in the organization.

Effective January 1, 2017, Hallador Balanced Fund LLC and Hallador Alternative Assets Fund LLC ceased the practice of charging fixed management fees based on a percentage of assets under management, and initiated a profit sharing economic model. See Section 2 “Fees and Compensation” for additional discussion.

On or before April 30, 2017, David Hardie, Hallador’s CEO, will discontinue his broker-dealer affiliation with Western International Securities. Historically, Mr. Hardie’s activities as a Western-affiliated broker have been an approved outside business activity, where he manages approximately 27 brokerage accounts for family and friends. It is expected that some of Mr. Hardie’s legacy clients will become investment advisory clients of Hallador Investment Advisors, Inc.

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 David Hardie at (775) 548-1733 or David@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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1. Advisory Business

- a. Description of Business – Hallador Investment Advisors, Inc. (“HIA”) and Rifle Peak Partners LLC (“RPP”) provide investment advisory, administrative and support services to Hallador Management, LLC (“HMGT”) an affiliated firm that is the manager of certain entities comprising the Hallador Family of Funds. All HIA expenses are reimbursed by Hallador Management, LLC.

HIA is owned 100% by David Hardie, Inc. Hallador Management is owned 100% by David Hardie, Inc. David Hardie wholly owns David Hardie, Inc.

Hallador Management is the Managing Member of Hallador Alternative Assets Fund (“HAAF”), LLC, Hallador Balanced Fund LLC (“HCF”), and General Partner of Hallador Cash Fund, LP (“HCF”). Hallador Management is an affiliate of Hallador Investment Advisors, Inc.

HBF, HAAF, and HCF are collectively referred to herein as “Hallador Funds.”

HIA’s senior managers have over 60 years of collective investment experience in an array of investment products/services including equities, fixed income, plus alternative investments including hedge funds and private equity. 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 dating to 1974.

- b. Services offered – HIA’s core service is investment management, including but not limited to: asset allocation; due diligence on new sub-advisors (managers) and direct investments; monitoring of existing investments against the Firm’s thesis, and member communications. HIA also observes macro-economic activity which may inform investment strategy, asset allocation, and investment selection.

HIA’s primary objective is to maximize absolute long-term risk-adjusted returns by investing in a diversified mix of asset classes. To achieve this objective, HIA allocates capital to external money managers and makes direct investments in public and private securities.

HIA’s sub-advisors, to whom the majority of Firm assets are allocated, generally have full discretion for individual investment transactions. HIA exercises capital allocation and oversight by periodically hiring and firing of managers across asset classes.

Assets under management (AUM) – The combined assets under management in the Hallador Family of Funds was approximately \$240 million at March 1, 2017. HBF represents approximately 42% of that total. HBF is the only Hallador Fund that is open to investors who are not members of the David Hardie family.

2. Fees and Compensation

a. Fee schedules per Fund

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.

Effective January 1, 2017 HBF and HAAF eliminated fixed management fees as a percentage of assets under management. These fees were replaced with a profit-sharing arrangement, whereby underperformance results in lower economic cost to the Funds' limited partners, and stronger performance results in higher cost. The primary goal in making this change is to align the interests of HIA's management team with limited partners, further instilling a performance based culture. By HIA's estimates, performance of less than 4.0% in a given year will result in lower economic cost to the Funds' limited partners than the historical management fee model. Economic cost includes management fees previously paid to Hallador Management, and also Fund expenses such as sub-adviser management fees, among other expenses.

In a year where a Fund earns 8.0%, HIA estimates the cost to limited partners will increase by approximately 25 basis points relative to the prior fee structure. While economic cost increases with returns, so do partners' net economic returns.

Also effective January 1, 2017, most fund expenses previously borne by HBF and HAAF will instead be borne by HIA. Such expenses include administration, audit, custody, tax, legal, and identifiable sub-advisor management fee expenses. This change is part of the profit sharing philosophy discussed above: whether or not the Funds perform as expected, management is responsible for the cost of operating the business and the Funds.

Under the profit sharing model, the capital accounts of Hallador Management LLC and Rifle Peak Partners LLC are allocated a non-pro rata share of returns at various levels of absolute return. Below is a summary of profit allocations from the Funds to advisors:

	<u>HBF</u>			<u>HAAF</u>	
<u>Return</u>	<u>HMGT</u>	<u>RPP</u>		<u>HMGT</u>	<u>RPP</u>
0% - 1%	50%	0%		50%	0%
1% - 2%	50%	0%		50%	0%
2% - 3%	40%	0%		50%	0%
3% - 4%	30%	0%		40%	0%
>4%	1%	10%		1%	10%

As an example for HBF limited partners, in a year where HBF returns 2.5%, 50% of the first two percent in returns is allocated to Hallador Management, and 40% of the profits above 2.0% and below 2.5% are allocated to Hallador Management, pro-rata from limited partners' capital accounts.

Other fees: some minor expenses will continue to be borne by HBF and HAAF. These expenses include, but are not limited to, trading and transaction expenses, borrowing costs, regulatory fees, and related items.

- b. Method of profit allocation – at the end of each calendar year, the Funds' administrator will calculate whether any profit incentive allocation is due to HMGT or RPP. If this allocation is due, the allocation will be deducted pro-rata from clients' capital accounts and reflected on partner statements prepared by Conifer Securities.

For HBF (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 or incentive allocations.

3. 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) HBF; (2) HAAF; and, (3) HCF. The following is a description of the investors in each of these funds:

- Hallador Balanced Fund LLC: Approximately 90% 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 Alternative Assets Fund LLC: Hallador Partners LP, Hallador Management LLC, and Rifle Peak Partners LLC are the only investors.
- 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.

4. 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 capital to equity managers to achieve the best mix of strategies and market exposures at any given time. Given the deep investment history of the investment team and the extensive relationships Hallador has developed, prospective managers surface regularly in the 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 achieve attractive returns with downside protection during periods of market weakness. Managers are sourced through other industry contacts and HIA’s outside investment advisory consultant, Canterbury Consulting.
4. Private Equity Funds – Only one of HIA’s client funds, HAAF, invests in private equity funds. 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. Funds are sourced through HIA’s network outside investment advisory consultant, Canterbury Consulting.

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 and preferred shares of publicly-traded securities as well as equity and debt investments in privately held firms. At present, the only HIA client holding direct investments is HAAF.

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 a potential 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 Placement Memorandum (PPM) of HBF and the LLC and Limited Partnership Agreements of the other Hallador Funds.

5. 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.

6. Other Financial Industry Activities and Affiliations

- a. Broker-dealer representative – In addition to his position as Chief Executive 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 27 outside accounts, serving clients from approximately 10 families. As noted on the cover page, Mr. Hardie intends to cease this activity by April 30, 2017.

- b. Parasol Community Foundation – David Hardie is Chairman of the board of directors of 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 on 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 assists in the accounting, estate planning and tax services provided by Hallador Services, LLC., the family office that serves most Hardie family members. 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. Mr. Laven is Canterbury’s CEO.
- e. Fidelity Family Office Services – Since 2016, Fidelity’s San Francisco-based Family Office subsidiary has served HIA and the Hallador Funds as custodian and administrator. It also provides cash management services.
- f. Conifer Securities – Since 2016, Conifer’s San Francisco-based headquarters has served as administrator and tax preparer for HBF and HAAF.
- g. CBIZ|Tofias, plc – Providence, RI-based accounting firm that provides auditing services to the Hallador Funds.

7. 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.

8. 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. 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 occasionally advises its clients with respect to investment decisions in individual securities.

Trades within HIA client accounts are generally transacted through the Funds' custodian and broker, Fidelity Family Office Services, which HIA believes provides efficient and cost effective execution. For separately managed accounts that cannot or will not trade through Fidelity, HIA heightens its best execution monitoring of trades executed via third party brokers.

Trades for client accounts may also 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 Executive Officer of HIA, is also a commission-based securities representative contracted with Western International Securities, Inc. Mr. Hardie spends only part of his time in this activity and has a limited roster of clients, mostly serving relationships he has had for many years. His activities as a commissioned broker are unrelated to HIA other than his receipt of a portion of directed brokerage commissions (see above.) David Hardie intends to discontinue his brokerage activities in 2017.

9. Review of Accounts

- a. Investment Committee meetings – HIA’s clients have regularly scheduled investment committee meetings approximately six times annually. During these meetings, the client funds are reviewed for performance and suitability given the current investment climate and fundamental asset valuations. Canterbury Consulting personnel participate in some of these meetings.
- b. Sub-advisor performance is constantly analyzed on a comparative basis with peers and indices. 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, or who are not proceeding in line with stated investment objectives and criteria, are placed on a watch list. Extra attention and monitoring are allocated to sub-advisors on this list.
- d. Investor Reports – Investors in HBF, advised by HIA, receive statements of account value from Conifer at least quarterly. In addition, HIA assists the managers of HBF in drafting a quarterly update and commentary on the Fund’s performance.

10. Client Referrals and Other Compensation

- a. Brokerage commissions – HIA and the Hallador Funds do not receive brokerage commissions paid by clients.
- 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, David Hardie, and other executives of the Firm. 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. No client referral fees are paid to any party for new investors in HBF.

11. Custody

- a. Fidelity – All funds advised by HIA have contracted with Fidelity Family Office Services to provide custody services for all applicable assets among the Hallador Funds. These include equity and fixed income positions.
- 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 Fidelity and Conifer, meaning Fidelity 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.

12. Investment Discretion

- a. The Hallador Funds advised by HIA have discretionary authority to invest within the frameworks established by their agreements with their respective investors. HIA's mandate includes both external and internal investment management. For external investment management, HIA has total discretion to choose, monitor and dismiss sub-advisors, but does not participate in the investment decisions made by them. For internal investment management, HIA undertakes a rigorous due diligence process to underwrite individual investments in public and private securities.

13. Voting Client Securities

- a. Proxy voting – In most cases, HIA does not exercise direct proxy voting rights. Proxy voting is typically performed by sub-advisors. HIA's client Hallador Alternative Assets Fund LLC does have direct proxy voting rights with respect to certain of its directly held investments, in which case proxies are voted in the best economic interest of the Fund, and voting records will be available to investors

upon request. HIA and Hallador Funds have and will continue to request from sub-advisors their proxy voting procedures to ensure they are consistent 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.

14. Financial Information

- a. Not applicable – fees are not prepaid six months/more in advance.
- b. Not applicable – same reason.
- c. No bankruptcy.

15. State Registration – Not Applicable

Part 2A Appendix – Wrap Fee Brochure – Not Applicable

END