

**Form ADV Part 2A – March 6, 2019**

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Hallador Investment Advisors, Inc. (HIA) published its last ADV on March 30, 2018. Since that date there has been one material change in the organization.

Effective September 4, 2018, HIA launched a new fund, The Moka Fund LP. HIA is the General Partner of the Fund. Moka is expected to open to non-family clients in 2019.

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](mailto: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](http://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 also provides advisory services to approximately thirty individual investment accounts.

HIA is owned 100% by David Hardie, an individual. HMGT is owned 100% by HIA.

HMGT is the Managing Member of Hallador Alternative Assets Fund (“HAAF”), LLC, Hallador Balanced Fund LLC (“HBF”), and General Partner of Hallador Cash Fund, LP (“HCF”).

HIA is the General Partner of The Moka Fund LP (MOKA).

HBF, HAAF, HCF and MOKA 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, and alternative investments including hedge funds and private equity. HIA was formed in 2004, and Hallador Balanced Fund, which has its roots as a family investment partnership, dates 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.

Assets under management (AUM) – The combined assets under management in the Hallador Family of Funds was approximately \$245 million at December 31, 2018. HBF, historically the only Hallador Fund open to non-family clients, represents approximately 40% of that total.

## 2. Fees and Compensation

### a. Fee Schedules and Method of Profit Allocation 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.

HBF and HAAF - Performance Fee/Incentive Allocation to HMGT and Rifle Peak Partners LLC based on returns earned by the Funds. The fees/allocations are represented in the table below. The Manager, HMGT bears most of the Funds' expenses, including audit, tax, legal, accounting, and related items.

The capital accounts of Hallador Management LLC and Rifle Peak Partners LLC in the Funds are allocated their non-pro rata share of returns at various levels of absolute annual return. Below is a summary of profit allocations from the Funds:

	<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%	40%	0%		50%	0%
2% - 3%	40%	0%		50%	0%
3% - 4%	30%	0%		40%	0%
>4%	1%	10%		1%	10%

Method of profit allocation – at the end of each calendar year, the Funds' administrator SS&C 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 SS&C.

In HBF, 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.

Moka – Management Fee/Incentive Allocation are payable to HIA and Sugar Pine Partners LP (SPP). Partnership Interests fall into Class A and Class B interests. The fees/allocations vary dependent upon the interest class and are represented in the table below. The General Partner bears most of the Fund's expenses, including audit, tax, legal, accounting, and related items.

	Class A	Class B
HMGT-Management Fees	1%	0.75%
SPP-Incentive Allocation	10%	13%

The Management Fee, calculated at the annual rates shown, is paid monthly and is based on the value of each limited partners' capital account balance on the first day of each calendar month. The Incentive Allocation is payable annually and is calculated at the rates shown. It is based on the Net Income allocated to each limited partners' interest. It is subject to a high water mark, such that it is payable only to the extent Net Income allocated to a limited partners' capital account exceeds any Net Losses previously allocated that have not been recovered.

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

### 3. Types of Clients

HIA provides advisory services to the Managing Member of two investment funds organized as Limited Liability Companies and two General Partners of two Funds organized as Limited Partnerships. Those investment funds are: (1) HBF; (2) HAAF; (3) MOKA and, (4) HCF. The following is a description of the investors in each of these funds:

- Hallador Balanced Fund LLC: Approximately 91% of the capital has been invested by a family partnership, Hallador Partners LLC, 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 LLC, Hallador Management LLC, and Rifle Peak Partners LLC are the only investors.
- The Moka Fund LP: Hallador Partners LLC, Hallador Investment Advisors Inc and Sugar Pine Partners LP are the initial investors.
- Hallador Cash Fund LP: A family partnership, Hallador Partners LLC, 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 below that threshold. HIA also provides advisory services to certain individual accounts.

Minimum account investment in all the Hallador Funds is \$500,000, subject to exceptions at the discretion of the funds' Managing Members or General Partner. 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.

In addition to advisory services provided to HBF, HAAF, MOKA and HCF, HIA provides advisory services to approximately (30) individual accounts. These accounts are custodied at Fidelity Family Office Services, a division of National Financial Services LLC, and discretionary trading authority rests with HIA's Investment Committee. Each of these clients is a family member or personal friend of HIA's CEO, David Hardie.

#### **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 and individual security selection. 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.
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 universe.
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.
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 and very low liquidity. 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 and preferred shares of publicly-traded securities as well as equity and debt investments in privately held firms.
6. Individual Accounts – For the small number of individual investor accounts managed by HIA, the investment objectives of each client are discussed personally between the client and HIA’s CEO, David Hardie. These accounts typically include a very small number of individual securities (two to six at any given time, on average), in addition to index or mutual fund holdings.

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. 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 Memorandums (PPM) of HBF and Moka, 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. Parasol Community Foundation – David Hardie is Chairman of the Board of Directors of Parasol Community Foundation, an Incline Village, NV-based non-profit organization 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.
- b. Hallador Energy Co. (NASDAQ-HRNG) – David Hardie is on the Board of Directors of this NASDAQ-listed energy company. Hallador Energy is a direct portfolio investment of HIA client HAAF.
- c. Macias, Gini & O’Connell – This is a Sacramento-based firm that assists in the estate planning and tax services provided by HIA to 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. Fidelity Family Office Services – Since 2016, Fidelity’s San Francisco-based Family Office subsidiary has served HIA and the Hallador Funds as custodian. It also provides cash management services.
- e. S, S & C Technologies Holdings Inc – Since 2016, S,S & C’s San Francisco-based office has served as administrator and tax preparer for HBF and HAAF. It also now serves MOKA in those same roles.
- f. CBIZ|Tofias, Plc – Providence, RI-based accounting firm that provides auditing services to HBF, HAAF and MOKA.

## **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 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 also 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.

- 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.

## **9. Review of Accounts**

- a. Investment Committee meetings – HIA has regularly scheduled investment committee meetings, approximately every two weeks. During these meetings,

the client funds are reviewed for performance and suitability given the current investment climate and fundamental asset valuations.

- b. Sub-advisor performance is constantly analyzed versus HIA's investment thesis, and 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 versus HIA's investment thesis or 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 and Moka, receive statements of account value from SS&C at least quarterly.

## **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 to date have had previous relationships with the Hardie family, David Hardie, and other executives of the Firm. At this time, the Hallador Funds 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.

## **11. Custody**

- a. Fidelity – All funds and individual accounts advised by HIA have contracted with Fidelity Family Office Services to provide custody services for all applicable assets among the Hallador Funds.
- 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 SS&C, 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 requests 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**

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, who often hire proxy advisors such as Institutional Shareholder Services (ISS) to develop voting recommendations. In respect of Impact or ESG proxy proposals, HIA has directed its sub-advisors to approve them.

HIA clients HAAF and Moka do have direct proxy voting rights with respect to certain directly held public 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 request from sub-advisors their proxy voting procedures and records to ensure they are consistent with Hallador Funds' duty to have proxies voted in investors' 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