

Hallador Investment Advisors, Inc.

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This brochure provides information about the qualifications and business practices of Hallador Investment Advisors, Inc. (HIA). If you have any questions about the contents of this brochure, please contact Aileen Hourigan, Chief Compliance Officer at (775) 298-5887 or ahourigan@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 HIA is also available on the SEC's website at www.adviserinfo.sec.gov.

Registration with the SEC or references to HIA as a registered investment adviser do not imply a certain level of skill or training. This document is not an advertisement for the advisory services of HIA, nor an offer to sell or the solicitation of an offer to purchase interests in any fund managed by HIA.

Item 2 - Material Changes

This brochure, dated March 27, 2020, provides you with a summary of Hallador Investment Advisors, Inc. (HIA) advisory services and fees, professionals, certain business practices and policies, as well as actual or potential conflicts of interest, among other things. HIA has updated its brochure as part of the annual amendment process. The following material changes were made to this brochure since our last annual amendment on March 6, 2019:

- **Item 5 Fees and Expenses** to enhance disclosures of management and other fees applicable to HIA's' individually managed account clients and of other fees and expenses associated with investments in the Hallador Funds.
- **Item 6 Performance Fees and Side by Side Management** to describe the various performance fee arrangements associated with the Hallador Funds, related conflicts of interest and a description of HIA's approach to managing these conflicts.
- **Item 7 Types of Clients** to describe that HIA provides its investment services to the Hallador Funds and a limited number of individually managed accounts clients that are primarily high net worth individuals.
- **Item 8 Methods of Analysis, Investment Strategies and Risk of Loss** to outline HIA's due diligence process with respect to its engagement of sub-managers, hedge funds and private equity funds for the Hallador Funds, and to provide additional risk disclosures for the types of investments applicable to HIA clients.
- **Item 10 Other Financial Industry Activities and Affiliations** to describe two affiliated entities that receive performance fees from certain Hallador Funds, as also described in Item 6.
- **Item 11 Code of Ethics, Participation or Interest in Client Transaction and Personal Trading** to provide additional information about HIA's code of ethics and describe HIA's policy to generally not engage in principal or agency cross trading for client accounts.
- **Item 12 Brokerage Practices** to describe HIA's practice to generally recommend their clients use the custody, brokerage and clearing services of Fidelity Family Office Services ("FFOS") and certain software and support that HIA utilizes as a result of this relationship. Item 12 has also been enhanced to describe the factors that are important to HIA when it evaluates the quality of FFOS' execution.
- **Item 15 Custody** to describe the circumstances in which HIA has custody of client assets and to describe HIA's approach to maintaining compliance with related regulatory requirements.
- **Item 17 Voting Client Securities** to provide an updated description of HIA's practices with respect to proxy voting activities for the Hallador Funds and HIA individually managed account clients.

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Item 4 - Advisory Business

Description of Business

Hallador Investment Advisors, Inc. (“HIA” or the “Firm”) primarily provide investment advisory, administrative and support services to Hallador Management, LLC (“HMG”) an affiliated firm that is the managing member or general partner of certain privately placed pooled investment vehicles. HIA also provides investment advisory services and serves as the general partner and investment adviser to one or more privately placed pooled investment vehicle. Together, these pooled investment vehicles comprise the Hallador Funds. Finally, HIA provides investment advisory services to individually managed accounts primarily for high net worth individuals. HIA is 100% owned by David Hardie, its Chairman and CEO. HMG is 100% owned by HIA.

HIA’s senior managers are experienced 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.

Services offered

HIA’s core service is discretionary investment management, including but not limited to: asset allocation; due diligence on sub-managers and direct investments; monitoring of portfolio investments against the Firm’s thesis, and investor 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. In pursuit of this objective, HIA allocates capital to external money managers (“sub-managers”) and makes direct investments in public and private securities. In providing its services HIA’s sub-managers, to whom the majority of Firm assets are allocated, generally have full discretion for individual investment transactions.

Regulatory assets under management (RAUM)

As of December 31, 2019, HIA managed \$267,619,888 in discretionary regulatory assets under management and \$0 in non-discretionary regulatory assets under management.

Item 5 - Fees and Compensation

Fees for HIA Funds

HIA receives a management fee at an annual rate of up to 1.0% from the Hallador Funds. Certain Hallador Funds also compensate HIA or an affiliate with a performance allocation as further defined in Item 6 below. Management fees are paid quarterly or monthly in advance in accordance with the terms outlined in each Hallador Fund private offering memorandum. The private offering memorandums also provide a description of the fees and expenses applicable to each Hallador Fund. Hallador Fund management fees are typically calculated by a third-party administrator, approved by HIA and deducted from each investor’s capital account. One exception is the Hallador Cash Fund (HCF), for which HIA serves as administrator and therefore calculates the management fee internally.

HIA has discretion to waive or reduce the management fee with respect to the accounts of one or more investors/shareholders, including principals, employees or affiliates of HIA.

Other Fees - The private offering memorandums provide a detailed description of the fees and expenses applicable to each Hallador Fund. These include, but are not limited to, trading and transaction expenses, borrowing costs, regulatory fees, and related items.

Side Letters - Hallador Funds may enter into arrangements or agreements with certain investors ("side letters") which establish different rights or privileges with respect to various items, including but not limited to liquidity, management fees, performance allocation fees, custodial fee reimbursements, portfolio transparency, reporting, capacity, and withdrawal notifications. If HIA enters into such side letters, it will do so without approval from, or notice to, any investor.

Fees for Individually Managed Accounts

Management Fees - Management fees for individually managed accounts are based upon the value of the assets in the account and are typically payable quarterly in arrears according to the following schedule: 0.60% per annum for the first \$25 million in assets under management and 0.50% thereafter. In any partial calendar quarter, the management fee will be pro-rated for the number of days that the account was open during the period. HIA reserves the right to negotiate fees when appropriate. At HIA's discretion, related client accounts may be consolidated to aggregate account values for fee calculations.

Direct Fee Debit - Clients generally provide HIA with the authority to directly debit their accounts for payment of the management fees. The financial institutions that act as the qualified custodian for client accounts, from which the Firm retains the authority to directly deduct fees, have agreed to send statements to clients not less than quarterly detailing all account transactions, including any amounts paid to HIA. HIA encourages clients to review these statements and contact us with any questions.

Other Fees - Clients should understand that the management fees discussed above are specific to what HIA charges and do not include certain charges imposed by third parties such as sub-manager fees, private fund and mutual fund fees and expenses. Client assets may be subject to transaction fees, brokerage fees and commissions, mutual fund deferred sales charges and 12b-1 fees, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. For investments we make for clients in mutual funds and exchange traded funds ("ETFs"), clients are charged internal management fees, distribution fees and other expenses, which are described in each fund's prospectus.

Clients should understand that brokerage fees, commissions and any other charges, incurred in connection with transactions for a client's account are generally paid out of the assets in the account and are in addition to the management fees charged by us. Please refer to **Item 12** of this Brochure for additional important information about HIA's brokerage and transactional practices, including considerations for selecting broker-dealers for client transactions. Clients should review the fees charged to their account(s) to fully understand the total amount of all fees charged. Clients should understand that lower management fees for comparable services may be available from other investment advisory firms.

Item 6 – Performance-Based Fees and Side-by-Side Management

Individually Managed Accounts

HIA does not typically enter into performance-based fee arrangements with individually managed account clients. Any such proposed arrangement would be carefully considered by HIA and may only be accepted in accordance with applicable regulatory requirements.

Hallador Balanced Fund (HBF) and Hallador Alternative Asset Fund (HAAF)

At the end of each calendar year, HIA affiliates, HMGT (General Partner) and Rifle Peak Partners LLC (RPP) are eligible to receive a performance fee (incentive allocation) that is based on the absolute returns earned by each fund, subject to the table below and described in greater detail in each fund's private offering memorandum. The funds' independent administrator calculates whether any incentive allocation is due to HMGT or Rifle Peak Partners. If an incentive allocation is due, then the allocation will be deducted pro-rata from investor's capital accounts and reflected on the investor statements prepared by the administrator.

<u>Return</u>	<u>HBF</u>			<u>HAAF</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%

Moka Fund LP (Moka)

At the end of each calendar year, an affiliate of HIA, Sugar Pine Partners LP (SPP), is eligible to receive a performance fee (incentive allocation) that is based on the Net Income allocated to each limited partners' interest, subject to a high water mark, subject to the table below and described in greater detail in the fund's private offering memorandum. The table below indicates the rates of the incentive allocation due to HIA and SPP, based on the share class of the fund owned by the investor.

	Class A	Class B
SPP-Incentive Allocation	10%	13%

HIA and its affiliates have discretion to waive or reduce the incentive allocation with respect to the one or more investors/shareholders, including principals, employees and affiliates, without notifying the other investors/shareholders or without reducing the fee with respect to the capital accounts of the other investors/shareholders. HIA and its affiliates, may agree to a different incentive compensation arrangement with respect to any of its clients or underlying investors, including rebating incentive fees, deferring or spreading incentive fee calculations over multiple years, or providing a hurdle for which incentive fees are only earned above a certain amount.

Conflicts Surrounding Performance-Based Fees

HIA recognizes that performance-based fee arrangements create an incentive to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. HIA recognizes that such arrangements create an incentive to favor higher fee-paying accounts over other accounts in the allocation of investment opportunities. In addition, there is an incentive to favor accounts for which the principals have a

personal capital investment. In order to address these potential conflicts, HIA has investment and trade allocation policies and procedures, a comprehensive Code of Ethics and investment management oversight processes in place. HIA has implemented policies and procedures that govern the allocation of portfolio transactions and investment opportunities across the Hallador Funds. Supporting documentation for trade allocation is reviewed periodically by the Chief Compliance Officer to determine compliance with established policies and procedures.

Item 7 - Types of Clients

As described in Item 4, HIA provides advisory services to the Hallador Funds. Additionally, HIA provides advisory services to a limited number of individually managed client accounts, primarily for high net worth individuals that are a family member or personal friend of HIA's CEO, David Hardie.

Minimum Account Value

With respect to individually managed accounts, HIA typically does not establish a minimum account value. The investment minimums associated with the Hallador Funds are stated in each fund's private offering memorandum.

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

Sub-manager and Fund Manager Selection for Hallador Funds

HIA evaluates a variety of information about sub-managers and hedge and private equity fund managers, which may include the manager's public disclosure documents and materials supplied by the managers themselves. To the extent possible, the Firm seeks to assess their investment strategies, past performance and risk results. HIA also takes into consideration each manager's management style, returns, reputation, financial strength, reporting, pricing and research capabilities, among other factors.

Equities – HIA advises certain Hallador Funds in identifying and hiring sub-managers and individual security selection. Further, HIA advises with respect to allocations of capital to equity managers, seeking the best mix of strategies and market exposures at any given time.

Fixed Income – HIA advises certain Hallador Funds 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.

Hedge Funds – HIA advises certain Hallador Funds on investing in hedge fund strategies seeking primarily to source hedge fund managers who pursue attractive returns with downside protection during periods of market weakness.

Private Equity Funds – HIA advises certain Hallador Funds on investing 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.

Direct Investments

Generally, HIA advises its clients on investing in direct equity and fixed income investments without the services of a sub-manager. These include investments in common and preferred shares of publicly-traded securities as well as equity and debt investments in privately held firms.

Individual Accounts – For the small number of individual investor accounts managed by HIA, the investment objectives of each individually managed account client are discussed personally between the client and HIA. These accounts typically include a small number of individual securities and may also include index fund or mutual fund holdings.

Risk of Loss

General - Past performance is no guarantee of future performance. This is an advisory posted throughout the financial/investment panoramic and it cannot be emphasized enough.

Hallador Funds, Hedge Funds, and Private Equity Funds - Investments in the Hallador Funds and other Hedge Funds or Private Equity 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. Complete risk disclosures for each fund are contained in the corresponding private offering memorandum.

Market Risks - Investing involves risk, including the potential loss of principal, and all investors should be guided accordingly. The profitability of a significant portion of HIA’s recommendations and/or investment decisions may depend to a great extent upon correctly assessing the future course of price movements of stocks, bonds and other asset classes. There can be no assurance that HIA will be able to predict those price movements accurately or capitalize on any such assumptions.

ETFs - An investment in an ETF involves risk, including the loss of principal. ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund’s underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss. Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed based ETFs and potentially more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee

that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 20,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

Equity Securities - The value of the equity securities held may increase or decrease due to earnings of the company, general market and economic conditions, perceptions regarding the industries in which the issuers of securities held participate or factors relating to specific companies in which HIA invests. The value of a company's share price may decline as a result of poor decisions made by management, lower demand for the company's services or products or if the company's revenues fall short of expectations.

Large-Capitalization Company Securities - Larger, more established companies may be unable to attain the high growth rates of successful, smaller companies during periods of economic expansion.

Small-Cap and Mid-Cap Company Risk - The securities of small-capitalization and mid-capitalization companies may be subject to more abrupt or erratic market movements and may have lower trading volumes or more erratic trading than securities of larger, more established companies or market averages in general. In addition, such companies typically are more likely to be adversely affected than large capitalization companies by changes in earning results, business prospects, investor expectations or poor economic or market conditions.

Fixed Income Securities - The prices of fixed income securities respond to economic developments, particularly interest rate changes, as well as to changes in an issuer's credit rating or market perceptions about the creditworthiness of an issuer. Generally fixed income securities decrease in value if interest rates rise and increase in value if interest rates fall, and a bond with a longer maturity will entail greater interest rate risk but have a higher yield. Conversely, a bond with a shorter maturity will entail less interest rate risk but have a lower yield. A bond's value may also be affected by changes in its credit quality rating or the issuer's financial condition.

Allocation Risks - Investment performance will depend largely on the Adviser's decisions as to strategic asset allocation and tactical adjustments made to the asset allocation. At times, the Adviser's judgments as to the asset classes in which Clients should invest may prove to be wrong, as some asset classes may perform worse than others or the equity markets generally from time to time or for extended periods of time.

Use of Sub-Managers - As stated above, HIA selects or recommends certain sub-managers to manage a portion of its clients' assets. In these situations, HIA continues to conduct ongoing due diligence of such sub-managers, but such selections or recommendations rely to a great extent on the sub-managers' ability to successfully implement their investment strategies. In addition, HIA generally may not have the ability to supervise the sub-managers on a day-to-day basis. As a result, there can be no assurance that every sub-manager will invest on the basis expected by the firm. Furthermore, because HIA will have no control over any sub-manager's day-to-day operations, clients may experience losses due to the fraud, poor risk management, or recklessness of the sub-managers.

Cybersecurity Risk - Cybersecurity incidents may allow an unauthorized party to gain access to customer data, or proprietary information, or cause an advisor, and/or other service providers (including custodians and financial intermediaries) to suffer data breaches, data corruption or loss of operational functionality.

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 us, or the integrity of our management. HIA does not have any legal, regulatory or disciplinary events to report.

Item 10 - Other Financial Industry Activities and Affiliations

HIA is not registered, nor does it have an application to register, as a broker-dealer. Neither HIA nor any of its employees are registered, or have an application to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities. HIA is not registered with any foreign financial regulatory authority.

HIA serves as an advisor to the HIA Funds, and as general partner to Moka Fund, LP. Hallador Management LLC is the General Partner of Hallador Alternative Assets Fund, LLC, Hallador Balanced Fund, LLC, and Hallador Cash Fund, LP. Hallador Management LLC is 100% owned by HIA. Rifle Peak Partners LLC and Sugar Pine LLC are affiliated entities of HIA and are majority owned by current HIA employees. These affiliated entities are entitled to receive certain performance allocations from specified Hallador Funds as described in greater detail in Item 6 of this Form ADV and in the relevant Hallador Fund private offering memorandum. HIA recognizes the potential conflict of interest that this affiliation presents. In order to address any potential conflicts, HIA has developed and implemented various policies and procedures with respect to employee personal trading and fund trading and brokerage practices, as well as a comprehensive compliance program administered by HIA's Chief Compliance Officer, to ensure that all HIA Funds are treated fairly and equally.

Hallador Energy Co. (NASDAQ-HRNG) – David Hardie, CEO and Chairman of HIA, is a Director and member of the Board of Directors of this NASDAQ-listed energy company. HNRG is a direct portfolio investment in an HIA Fund, which is solely comprised of internal and Hardie family member investors.

Item 11 - Code of Ethics, Participation or Interest in Client Transaction and Personal Trading

Code of Ethics & Participation or Interest in Client Transaction and Personal Trading – HIA has adopted a code of ethics in compliance with applicable securities laws ("Advisory Code") that sets forth the standards of conduct expected of its employees. HIA's Advisory Code contains written policies reasonably designed to prevent certain unlawful practices such as the use of material non-public information by the Firm or any of its employees and the trading by employees in the same securities ahead of clients in order to take advantage of pending orders. The Advisory Code requires employees to promptly report any violations of the Advisory Code to HIA's CCO. All supervised persons of HIA must acknowledge the terms of the Code annually, or as amended. A copy of HIA's Advisory Code is available to prospective and current clients upon request by contacting HIA's compliance department at (775) 298-5887.

The Advisory Code requires all HIA employees to adhere to the principle that all employees owe a fiduciary duty to HIA clients. The Advisory Code also requires certain employees to report their personal securities holdings and transactions in Reportable Securities and to obtain pre-clearance by the Chief Compliance Officer ("CCO") or their designee before purchasing or selling any

Reportable Securities. Personal securities transactions are monitored periodically monitored in order to reasonably prevent conflicts of interest between HIA and its clients.

Principal and Cross Transactions - It is HIA's policy that it will not affect any principal or agency cross securities transactions for client accounts.

Item 12 - Brokerage Practices

HIA advises the HIA Funds in setting overall investment policy, asset allocations and on the selection of sub-managers. When a sub-manager is engaged by an HIA Fund to manage all or a portion of the fund, the sub-manager is granted investment discretion to trade their assigned portion of the fund's portfolio. As a result, the brokerage practices of the sub-manager apply to those mandates. HIA monitors the sub-advisors' trading activities and performance and receives regular reports as part of its ongoing due diligence. HIA also advises Hallador Fund and individually managed account Clients on a discretionary basis with respect to investment decisions in individual securities. Where HIA provides this type of investment management services, HIA has the authority to decide which broker-dealer to be used and the amount of commissions to be paid when directing security transactions. As part of its fiduciary responsibilities, HIA seeks best execution given the circumstances of each transaction.

HIA generally recommends that Clients utilize the custody, brokerage and clearing services of Fidelity Family Office Services ("FFOS"), which HIA believes provides efficient and cost-effective execution. Factors which HIA considers in recommending FOS or any other broker-dealer to clients include their financial strength, reputation, execution, pricing, research and service. FOS may enable the Firm to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by FOS may be higher or lower than those charged by other financial institutions.

The commissions paid by HIA's clients to FFOS comply with the Firm's duty to obtain "best execution." Clients may pay commissions that are higher than another qualified financial institution might charge to effect the same transaction where HIA determines that the commissions are 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 a financial institution's services, including among others, the value of research provided, execution capability, commission rates and responsiveness. HIA seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

However, consistent with obtaining best execution, brokerage transactions may be directed to certain broker/dealers in return for investment research products and/or services which assist HIA in its investment decision-making process. Such research generally will be used to service all of the Firm's clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client's portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because HIA does not have to produce or pay for the products or services. HIA does not currently participate in any third-party soft dollar or directed brokerage arrangements and does not select brokers based upon client referrals.

HIA periodically and systematically reviews its policies and procedures regarding its recommendation of financial institutions in light of its duty to obtain best execution.

Software and Support Provided by FFOS - We receive certain back-office support sponsored by Fidelity Family Office Services. This program and the services provided, including trading platforms, are essential to our service arrangements and capabilities. As part of our participation in these programs, we receive benefits that we would not receive if we did not offer investment advice.

Trade Aggregation - Transactions for each Client generally are typically effected independently unless HIA decides to purchase or sell the same securities for multiple Clients at approximately the same time. HIA may (but is not obligated to) combine or “batch” such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among Clients differences in prices and commissions or other transaction costs that might not have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among Clients pro rata to the purchase and sale orders placed for each Client on any given day. To the extent that HIA determines to aggregate Client orders for the purchase or sale of securities, including securities in which HIA’s employees may invest, the Firm does so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission.

Item 13 - Review of Accounts

Investment Committee meetings

HIA has regularly scheduled investment committee meetings, approximately every two weeks.

Review of Direct Managed Accounts - During these meetings, client accounts are reviewed for performance and suitability given the current investment climate and fundamental asset valuations.

Review of Sub-Managers - Where applicable, Sub-manager performance is analyzed ongoing versus HIA’s investment thesis, and on a comparative basis with peers and indices. Prospective managers are brought to the Investment Committees’ attention and discussed. Significant attention is paid to sub-managers 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. Sub-managers 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.

Client and Investor Reports

Investors in the Hallador Funds typically receive statements of account value from SS&C at least quarterly. Investors in the Hallador Cash Fund receive periodic reports from HIA, the fund’s administrator. On an annual basis, investors receive a copy of the Fund’s audited financial statements prepared by the independent auditors and tax reporting information. HIA may also provide reports/information to investors upon request.

Item 14 - Client Referrals and Other Compensation

Neither HIA nor any of its employees are compensated by an independent third party in any way for providing investment advice or other advisory services to HIA clients. HIA and its employees are not party to any sales awards or other prize programs. HIA's only compensation for providing advisory services to its clients are the management fee and incentive allocations described in Item 5 Fees and Compensation and Item 6 Performance Fees and Side by Side Management above.

HIA does not presently compensate any third-party referral source, but may do so in compliance with Rule 206(4)-3, which among other things requires certain client disclosures.

Item 15 - Custody

HIA does not typically maintain physical possession of individually managed account clients' cash and/or securities. However, pursuant to Rule 206(4)-2 of the Advisers Act, HIA (or its affiliates) is deemed to have custody of client funds where it has the authority and ability to debit its fees from certain clients' accounts. To mitigate any potential conflict of interest due to this arrangement, all client account assets are maintained with an independent non-affiliated qualified custodian. Clients should receive at least quarterly statements from the qualified custodian that holds and maintains investment assets. We urge clients to carefully compare the account statements received from custodians with the reports we provide.

HIA (or an affiliate) is also deemed to have custody of the Hallador Fund assets for which it (or an affiliate) serves as general partner or managing member because HIA has access to cash and securities in the Hallador Funds as well as the authority to perform various acts that result in custody as defined under Rule 206(4)-2 of the Advisers Act.

Consistent with applicable requirements under the Advisers Act, client assets are held in accounts maintained with custodians that qualify as "Qualified Custodians". The Hallador Funds are audited annually in accordance with GAAP by an independent public accounting firm that is registered with, and subject to regular inspection by the Public Company Accounting Oversight Board (the PCAOB). Copies of the audited financial statements are independently distributed to each Hallador Fund investor within 120 days of the fund's fiscal year end. Copies of the audited financial statements for Hallador Funds that are considered to be "funds of funds" are independently distributed to each investor within 180 days of each such fund's fiscal year end.

Assets not Held – Assets in certain Hallador Funds (specifically, the Hallador Alternative Assets Fund LLC and hedge fund positions in Hallador Balanced Fund are classified as Assets Not Held (ANH) by Fidelity Family Office Services, and Fidelity does not serve as the Qualified Custodian of such assets. Hedge funds and private equity funds that represent investments by the Hallador Funds are held in custody by other qualified banks and financial institutions. HIA receives annual audited financial statements for each ANH along with opinions from their Certified Public Accounting firms. Additionally, HIA requests annually that ANH assets provide a current summary of their custody arrangements and also that HIA is notified any time there is a change.

Item 16 - Investment Discretion

HIA has discretionary authority over the Hallador Funds and is generally granted discretionary authority over individually managed client accounts. HIA's mandates with the Hallador Funds

include external and internal investment management. For external investment management, HIA has total discretion to choose, monitor and dismiss sub-managers, but does not participate in the investment decisions made by them. For internal investment management, HIA undertakes a rigorous due diligence process to select, trade and monitor individual investments in public and private securities. See Item 8 for additional details regarding the investment process employed by HIA on behalf of its clients. Discretion is exercised in a manner consistent with the investment objectives and strategies described in the Hallador Funds' respective private offering memorandums and, with respect to individually managed client accounts, pursuant to the investment management agreement with each client.

Item 17 - Voting Client Securities

Proxy Voting – Where HIA has engaged a sub-manager to manage a portion of a Hallador Fund, HIA typically delegates proxy voting responsibility to the assigned sub-manager. In respect of Impact or ESG proxy proposals, HIA has directed its sub-managers to approve them. HIA, as part of its ongoing due diligence of sub-managers, will periodically request and review sub-manager proxy voting procedures and records to ensure they are consistent with the fund's requirements, regulatory requirements and sub-managers proxy voting policies and procedures. Upon request, HIA will provide investors with information on proxy voting by one or more sub-manager.

Where HIA provides the Hallador Funds with direct investment management services, HIA does have proxy voting authority, and in such cases HIA votes proxies in the best economic interest of the Fund in accordance with its policies and procedures and the fund's private offering memorandum.

With respect to individually managed accounts, and when granted the authority to do so, HIA will vote proxies in the best economic interest of clients in accordance with its policies and procedures and the terms of each client's investment management agreement with HIA. For those clients who have opted to retain the right to vote their own proxies, the clients receive their proxies directly from their custodian or transfer agent and not from HIA. Clients may request guidance from HIA concerning proxies, particularly with respect to corporate restructurings or changes of control.

HIA is not responsible for voting proxies not received in a timely manner or in circumstances where there is a lack of information provided in the proxy statement by the issuer or other resolution sponsor. In addition, should we feel that the costs of voting a particular proxy exceed the expected benefits to our clients, we may choose not to vote in that particular circumstance. However, it is generally our intent to vote all proxies where we have the authority to do so. A copy of HIA's proxy policies, procedures, and voting records is available upon request.

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.

Item 18 - Financial Information

HIA does not have any financial condition that would impair its ability to meet its contractual commitments to clients. HIA has never been the subject of a bankruptcy petition. HIA does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.