



Schooner Investment Group, LLC

150 N. Radnor Chester Rd F-200
Radnor, PA 19087

(610) 977-2090
www.SchoonerFunds.com
3.1.2011

This Brochure provides information about the qualifications and business practices of Schooner Investment Group. If you have any questions about the contents of this Brochure, please contact us at 610-977-2090 or info@schoonerfunds.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.

Schooner Investment Group is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about Schooner Investment Group is also available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

On July 28, 2010, the United State Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. This Brochure dated 3.1.11 is a new document prepared according to the SEC’s new requirements and rules. As such, this Document is materially different in structure and requires certain new information that our previous brochure did not require.

In the future, this Item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes. We will also reference the date of our last annual update of our brochure.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting Jeremy McCann the Chief Operating Officer at 610-977-2090 or jm@schoonerfunds.com. Our Brochure is also available on our web site www.schoonerfunds.com, also free of charge.

Additional information about Schooner Investment Group is also available via the SEC’s web site www.adviserinfo.sec.gov. The SEC’s web site also provides information about any persons affiliated with Schooner Investment Group who are registered, or are required to be registered, as investment adviser representatives of Schooner Investment Group.

Item 3 -Table of Contents

Item 3 -Table of Contents..... iii

Item 4 – Advisory Business 1

Item 5 – Fees and Compensation 1

Item 6 – Performance-Based Fees and Side-By-Side Management..... 2

Item 7 – Types of Clients 2

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss 3

Item 9 – Disciplinary Information 6

Item 10 – Other Financial Industry Activities and Affiliations..... 6

Item 14 – Client Referrals and Other Compensation 9

Item 15 – Custody 9

Item 16 – Investment Discretion 9

Item 17 – Voting Client Securities 10

Item 18 – Financial Information..... 10

Item 4 – Advisory Business

Schooner Investment Group LLC (“Schooner”), a Pennsylvania LLC, was formed in January, 2008 and exists as a registered investment advisor under the Investment Advisor Act of 1940. It is principally owned and controlled by Gregory R. Levinson. Greg also serves as the President and CIO of Schooner.

Schooner provides investment management services to institutions and financial intermediaries seeking to preserve and build capital with a focus on sustainable, risk reducing investment strategies. The firm currently manages mutual funds, separately managed accounts, and private investment funds. Currently Schooner manages (investment advice and security trading execution); i.) the Schooner Fund (the “Fund”), a registered investment company, ii.) a privately managed unregistered limited partnership (the “LP”), iii.) a separately managed account specializing in convertible arbitrage (the “SMA”), managed on behalf of a private hedge fund. Collectively these accounts are referred to as “the clients”.

Funds managed through a Registered Investment Company (specifically the Fund) are subject to the investment mandate presented in the Fund prospectus. Funds managed through the LP and SMA (including any future privately managed accounts) are subject to the will of the client and may have restrictions imposed on them by that client.

As of 2/28/2011 SCHOONER managed \$70,000,000 on behalf of its clients, the whole of which is managed on a discretionary basis.

Item 5 – Fees and Compensation

The specific manner in which fees are charged by Schooner is established in a client’s written agreement. The fees are charged differently to the different client types.

Regarding the Fund, a management fee, as outlined within the prospectus, is charged. The total expense ratio is capped at 2% of which 1.25% is a management fee received by Schooner. These fees are accrued on a daily basis by USBank Fund Services (the “administrator”), with the management fee being paid to Schooner on a monthly basis in arrears.

The SMA receives a flat fee based on AUM, as outlined in the applicable SMA Trading Services Agreement. These fees are billed to the SMA on a monthly basis in advance.

Schooner currently has waived the fee for the LP of which it is the general partner. Should the fee cease to be waived Schooner would receive a fee as described within the private LP's Confidential Offering Memorandum.

Clients may terminate an investment advisory decision at any time based upon the procedures listed in their applicable Investment Advisory Agreement. Subject to applicable investment guidelines Schooner may invest in illiquid securities. Investments in relatively illiquid securities may restrict the clients' ability to dispose of the investment in a timely fashion and for a fair price. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

Fees are generally not negotiable, though they may vary from the otherwise applicable fee schedule due to particular circumstances of the client. Holdings in a client's account may include investment companies for which a separate management fee is charged. In the event that client assets are invested in an investment company advised by Schooner, those assets may be excluded from the separate account fee schedule.

Schooner Investment Group's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to Schooner Investment Group's fee, and Schooner Investment Group shall not receive any portion of these commissions, fees, and costs.

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

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

Schooner Investment Group does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

Item 7 – Types of Clients

Schooner Investment Group provides portfolio management services to registered mutual funds, and unregistered private investment funds. Schooner provides sub-advisory and managed account services to institutions at the \$25 million minimum account level. The

Fund is available to retail investors at a \$5000 minimum initial investment, and a \$500 subsequent investment minimum.

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

Schooner Investment Group is an independent asset manager specializing in equity, equity-linked, and convertible securities. Since 1995, the services of our investment team have been reserved exclusively for global banks, and large institutions. Schooner's focus is on sustainable, risk reducing investment strategies.

In addition to our continued institutional work, Schooner launched a mutual fund in 2008 specifically designed for the general investing public. The Fund seeks to achieve its investment objective by investing in equity securities of U.S. companies with large market capitalizations ("large cap companies"), including: common and preferred stocks; convertible securities; warrants; rights; and single issuer equity call option securities. The Fund considers large cap companies to be those companies with market capitalizations of \$5 billion or more. The Fund may invest up to 50% of its net assets in various types of fixed income securities, including convertible debt securities and bonds, including zero coupon bonds and bonds that are rated below investment grade, commonly known as "junk bonds." The Fund's investments in fixed income securities will generally include bonds with an average term to maturity ranging from 2 to 10 years. To the extent deemed necessary or appropriate by the Adviser for the efficient management of the Fund's investment portfolio and/or for the protection of investment principal from risks of market volatility, the Fund may also invest a portion of its assets in derivative instruments as a substitute for taking positions in equity securities or to reduce exposure to other risks. The Fund will write call options with strike prices and expiration dates designed to maximize the investment objective for each underlying equity security. The writing of call options is intended to reduce the volatility of the Fund's investment portfolio and to earn premium income. The Fund may also occasionally purchase in both index call and put options.

The Fund attempts to keep a consistent balance between risk and reward over the course of different market cycles and volatility regimes through various combinations of stocks, convertible securities, and writing (selling) single issuer equity call options to achieve what the Advisor believes to be an appropriate blend for the current market. As the market environment changes, the Fund's portfolio securities may change in an attempt to achieve a relatively consistent risk level over time.

The Advisor uses an intensive qualitative and quantitative research process to identify companies that, in the view of Advisor, have the potential to generate a consistent and sustainable high return on capital and have strong growth prospects. This process is sensitive to changes in a company's fundamentals (earnings, earnings valuation, earnings quality, investor sentiment, management signaling and stock prices) as well as underlying technical factors (relative strength index, implied volatility and volume trends).

Additionally, the Advisor will generally consider only securities that it believes to be liquid, aiming to ensure that liquidity risks remain at a relatively low level.

The Fund's investment strategy suggests the sale of a security if: the aggregate weight of the security is in excess of 5% of the Fund's assets; the security is deemed to be overvalued by the Advisor, using the investment process described above; the security has deteriorating fundamentals; or a more attractive investment opportunity exists.

Investing in securities involves risk of loss that clients should be prepared to bear. Specific risks relating to the Fund are outlined in the current prospectus available at www.schoonermutualfunds.com.

Before investing in the Fund, you should carefully consider your own investment goals, the amount of time you are willing to leave your money invested, and the amount of risk you are willing to take. Remember that in addition to possibly not achieving your investment goals, you could lose money by investing in the Fund. The principal risks of investing in the Fund are:

- **Management Risk.** The risk that strategies employed by the Advisor in selecting investments for the Fund may not result in an increase in the value of your investment or in overall performance equal to other investments.
- **General Market Risk.** The risk that the value of the Fund's shares will fluctuate based on the performance of the Fund's investments and other factors affecting the securities markets generally. The U.S. and international markets have experienced extreme price volatility, reduced liquidity and valuation difficulties in recent years, particularly in securities related to finance and real estate. Continuing market problems may have adverse effects on the Fund.
- **Equity Market Risk.** Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. Preferred stocks are subject to the risk that the dividend on the stock may be changed or omitted by the issuer, and that participation in the growth of an issuer may be limited.
- **Large-Cap Company Risk.** The risk that larger, more established companies may be unable to respond quickly to new competitive challenges, such as changes in consumer tastes or innovative smaller competitors. Also, large-cap companies are sometimes unable to attain the high growth rates of successful smaller companies, especially during extended periods of economic expansion.
- **Convertible Securities Risk.** The market value of a convertible security performs like that of a regular debt security, that is, if market interest rates rise, the value of the convertible security falls.

- **Options and Futures Risk.** Options and futures may be more volatile than investments directly in the underlying securities, involve additional costs and may involve a small initial investment relative to the risk assumed. In addition, the value of an option or future may not correlate perfectly to the underlying securities index or overall securities markets.
- **Tax Risk.** Call option premiums received by the Fund will be recognized upon exercise, lapse or other disposition of the option and generally will be treated by the Fund as short term capital gain or loss. The Fund's transactions in options are subject to special tax rules, the effect of which may have adverse tax consequences for the Fund, and which may result in adverse tax consequences for the Fund's shareholders. An investor in the Fund should consult their tax adviser to determine the suitability of the Fund as an investment and the tax treatment of Fund distributions.
- **Debt Securities Risk.** Interest rates may go up resulting in a decrease in the value of the debt securities held by the Fund. Investments in debt securities include credit risk, which is the risk that an issuer will not make timely payments of principal and interest. There is also the risk that a bond issuer may "call," or repay, its high yielding bonds before their maturity dates. Debt securities subject to prepayment can offer less potential for gains during a declining interest rate environment and similar or greater potential for loss in a rising interest rate environment. Rising interest rates could cause prepayments of the obligation to decrease, extending the life of debt securities with lower payment rates. This is known as extension risk. Limited trading opportunities for certain debt securities may make it more difficult to sell or buy a security at a favorable price or time.
- **Below-Investment Grade Debt Securities ("junk bonds") Risk.** Although junk bonds generally pay higher rates of interest than higher-rated securities, they are subject to a greater risk of loss of income and principal. Junk bonds are subject to greater credit risk than higher-grade securities and have a higher risk of default. Companies issuing high-yield junk bonds are more likely to experience financial difficulties that may lead to a weakened capacity to make principal and interest payments than issuers of higher grade securities. Issuers of junk bonds are often highly leveraged and are more vulnerable to changes in the economy, such as a recession or rising interest rates, which may affect their ability to meet their interest or principal payment obligations.
- **High Portfolio Turnover Rate Risk.** The risk that a high portfolio turnover rate (100% or more) may result in increased brokerage transaction costs and the realization by the Fund, and hence the distribution to shareholders, of a greater amount of short-term capital gains taxed at ordinary income rates than if the Fund had a lower portfolio turnover rate. A high turnover rate may mean that you would have a higher tax liability.

Schooner employs a convertible arbitrage strategy for the SMA. Convertible Arbitrage is an investing strategy that involves a long position on a convertible security and a short position in its converting common stock. This strategy attempts to exploit profits in the different factors of the convertible security. In addition to many of the risks listed above other risks include execution risk, counterparty risk, liquidity risk, and left tail risk.

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 a client's evaluation of Schooner Investment Group or the integrity of Schooner management. Schooner has no information applicable to this Item.

Item 10 – Other Financial Industry Activities and Affiliations

The SMA that Schooner is the investment advisor for is managed on behalf of an unregistered offshore hedge fund. The investment advisor for that hedge fund is Bay Hill Capital LP, an unregistered investment advisor. Schooner is authorized thru Bay Hill to make (and execute) investment decisions on behalf of the hedge fund. A material relationship exists between Schooner and Bay Hill as a minority owner of Schooner is also in a management position at Bay Hill Capital LP. Currently the individual plays no day to day role in the management of Schooner, though the potential strongly exists as Schooner expands. The Advisor has adopted policies and procedures that it believes address the conflicts associated with managing multiple accounts for multiple clients, although there is no assurance that such policies and procedures will adequately address such conflicts.

Schooner is the sole general partner of Brandeis Investment Partners, LP. Schooner and Brandeis have entered into an investment advisory agreement that delegates certain contractual investment advisory responsibilities to Schooner, much like any other Schooner client. Additional clients may invest in Brandeis but are not actively solicited. Brandeis may use investment strategies that are similar to those of other Schooner clients. Accordingly, Schooner expects that conflicts of interest in allocating investment opportunities may occasionally arise, and has adopted trade aggregation procedures to ensure that in allocating investments the distribution of investment opportunities is made in a manner that is fair and equitable to all clients, including the Fund.

Item 11 – Code of Ethics

Schooner Investment Group has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at Schooner must acknowledge the terms of the Code of Ethics annually, or as

amended.

Schooner employees that qualify as access persons (generally meaning they are officers of the company or have access to portfolio trading) are not allowed to buy or sell securities that are owned by the Fund. A full disclosure of this regulation is available in the Code of Ethics.

Certain affiliated client accounts may trade in the same securities with client accounts on an aggregated basis when consistent with Schooner's obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. Schooner Investment Group will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the Order.

Schooner Investment Group's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Jeremy McCann at jm@schoonerfunds.com.

It is Schooner Investment Group's policy that the firm will not affect any principal or agency cross securities transactions for client accounts. Schooner will also not cross trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer. Schooner is neither of these.

Item 12 – Brokerage Practices

Where Schooner has discretionary brokerage authority, Schooner is authorized to determine, without specific client consent, the broker or dealer for securities transactions in the clients account. Schooner's objective in selecting brokers and dealers and in

effecting portfolio transactions is to seek to obtain the best combination of price and execution with respect to its accounts portfolio transactions. The best net price, giving effect to brokerage commissions, spreads and other costs, is morally an important factor in this decision, but a number of other judgmental factors are considered as they are deemed relevant. The factors include but are not limited to: Schooner's knowledge of negotiated commission rates and spreads currently available; nature of the security being traded; size and type of transactions; nature and character of the markets for the security to be purchase or sold; desired timing of the trade; activity existing and expected in the market for the particular security; confidentiality; execution, clearance and settlement capabilities as well as the reputation and perceived soundness of the broker dealer and others which are considered; Schooner's knowledge of actual or apparent operation problems of any broker dealer; the broker dealer's execution services rendered on a continuing basis and in other transactions; and the reasonableness of spread or commissions. Schooner may also consider the quality of research provided by executing brokers or dealer and its usefulness in the management of client accounts, though this generally plays a less significant role than any other factor.

It is not the practice of Schooner to negotiate commission rates with broker dealers. Schooner will use its best efforts however, to obtain the best brokerage commission rate possible under the circumstances.

Schooner has a soft dollar agreement in place with Jefferies & Company Inc. Equity trades executed on Jefferies' electronic trading system (JETS) have .005 cents (half of a penny) added to each share. Equity commissions are priced on a sliding scale with the highest commission payable at any time including soft dollar being \$.02 (2 cents) per share. When client brokerage commissions are used to obtain research or other products or services, Schooner receives a benefit because it does not have to produce or pay for the research, products or services. All services fall within the 28(e) Safe Harbor list of acceptable soft dollar expenses. All services and research purchased with soft dollars aid in investment decision-making or trade execution. Soft dollar benefits are generally limited to those clients who may have generated a particular benefit, and soft dollar allocations are generally connected to particular clients or groups of clients. The Fund is the only client that currently uses soft dollars, therefore all qualifying soft dollar payments are allocated based exclusively on the proportion that the Fund is deemed to have used of that particular expense (in other words, the Fund does not subsidize other Schooner client accounts with soft dollar payments).

Item 13 – Review of Accounts

Schooner's CIO (Greg Levinson) and/or its head execution trader (Tony Fusco) are responsible for reviewing client accounts. Portfolios are monitored continuously and formally reviewed weekly at a minimum, and more frequently based upon changes in the buy, sell and hold lists, and other factors (volatility regimes, etc).

Depending on the client, unaudited performance reports are furnished to clients upon request. Regarding the Fund, Schooner meets all the appropriate reporting requirements of a registered 40Act mutual fund. USbank Fund Services provides clients with quarterly statements, and Semi Annual & Annual reports which include, among other items, an appraisal and summary of the client's portfolio and a review of the portfolio's performance.

Item 14 – Client Referrals and Other Compensation

Schooner receives no economic benefit from a non-client for providing investment advice or other advisory services to current clients. Schooner does not directly or indirectly compensates any person who is not a supervised person for client referrals.

Item 15 – Custody

Schooner does not have custody of Clients funds or securities. Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets.

Item 16 – Investment Discretion

Schooner Investment Group usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amounts, Schooner observes the investment policies, limitations and restrictions of the clients for which it advises. For registered investment companies (The Fund), Schooner's authority to trade securities are also limited by certain federal securities and tax laws that require diversification of investments. These restrictions are outlined in the Fund prospectus and is available at www.schoonermutualfunds.com

Investment guidelines and restrictions must be provided to Schooner Investment Group in writing by its clients.

Item 17 – Voting Client Securities

Schooner accepts authority to vote client securities. The Securities and Exchange Commission (the "SEC") has adopted Rule 206(4)-6 under the Investment Advisers Act. Under this rule, registered investment advisers that exercise voting authority over securities held in client portfolios are required to implement proxy voting policies and describe those policies to their clients. Schooner has formed a Proxy Committee which is responsible for making all proxy voting decisions in accordance with these proxy voting policy and procedures. The CIO is responsible for the actual voting of all proxies in a timely manner, while the COO is responsible for monitoring the effectiveness of the Policies. The Policies attempt to generalize a complex subject. Schooner may, from time to time, determine that it is in the best interests of its clients to depart from specific policies. The rationale for any such departure will be memorialized in writing by the Compliance Officer. In order to facilitate the filing of the Fund's Proxy Voting Record on Form N-PX, the Firm utilizes a spreadsheet to maintain record of all proxy votes.

Clients may obtain a copy of Schooner's complete proxy voting policies and procedures upon request. Clients may also obtain information from Schooner about how Schooner voted any proxies on behalf of their account(s).

Item 18 – Financial Information

Schooner Investment Group has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding. Schooner does not require or solicit prepayment of any fees in a registered client account. Unregistered client accounts may be subject to prepayment of fees on either a quarterly or monthly basis. A more in-depth description of fees can be found in Item 5 and 6.

Please contact Schooner Investment Group at 610-977-2090 or info@schoonerfunds.com with any questions.

Thank You.