



**SPIN-OFF
Advisors, L.L.C.**

SPIN-OFF FUND, L.L.C.

Third Quarter

October 23, 2000

Dear Investor:

The Spin-Off Fund, LLC was up 2.44% in the third quarter net of all fees and expenses. This compares to a negative 1.24% for the S&P 500 and a negative 7.39% for the NASDAQ Composite Index. Since inception on December 1, 1999, the Spin-Off Fund was up 10.87% net (14.15% on a gross basis), versus 4.42% for the S&P 500 Index. Year-to-date the fund is up 9.08% gross and 6.10% net of all fees and expenses, versus a negative return of 1.38% for the S&P 500 Index and a negative 9.63% for the Nasdaq.

Despite all the worries accompanying U.S. stock market gyrations (around a hard landing) for the economy and profits, we feel a soft landing scenario is increasingly likely. Fundamentally, the preconditions for a hard landing – falling productivity and profit margins with rising core inflation – do not appear to be in place. While a cautious stance is warranted at the present time, we feel that much of the negative news has been discounted and conditions favor a rally going into the end of the year.

We continue to hold the Williams “Stub” position (long WMB and short the Williams Communications spin-off), which we initially created for \$3.00 per share. At current prices, the stub is now valued at nearly \$26. We believe that the Communications business will be fully separated next year. The large number of carveouts this year has provided many attractive stub situations. One such trade is the Sea Containers stub.

In August, Orient-Express Hotels Ltd. (NYSE:OEH) completed an IPO of 10 million Class A common shares at \$19 per share. Orient-Express and its parent, Sea Containers (NASDAQ: SCR.A, SCR.B), each sold 5 million shares. Sea Containers plans to distribute the remaining Orient-Express shares to its stockholders sometime next year. Like its parent, Orient-Express has two classes of stock. Sea Containers retained 18.4 million class A (1/10th vote) and 2.45 million class B (1 vote), (67% economic, 81% voting). The outstanding capital stock of Orient-Express consists of 28.4 million Class A shares and 2.5 million class B shares (all of which Sea Containers holds). Each share of Sea Containers has 1.13 shares of Orient-Express embedded. During the quarter, we created the Sea Containers stub at roughly zero. Currently the stub value is about \$1.31 per share.

Orient-Express Hotels, the Bermuda based unit of Sea Containers, is a hotel and leisure company focused on the luxury end of the leisure market. The company currently owns and/or operates 26 highly individual deluxe hotels worldwide reported as 22 business units, six tourist trains, a river cruiseship and two restaurants. Hotels and restaurants represent the largest segment of the company’s business, contributing 84% (\$203 million) of revenue in 1999. Tourist trains and cruises accounted for the remaining 16% (\$38 million). **Sea Containers** is engaged in three main businesses: passenger transport operations (which provides service-oriented ferry and rail transportation services primarily in and around the United Kingdom and Scandinavia), marine container leasing operations (which offers a wide variety of standard and specialized cargo containers) and Orient Express. Sea Containers transport division (66% of sales) runs ferry lines (including hovercraft service) in the English Channel, the Irish and Baltic seas, and New York Harbor and operates high-speed train service between London and Scotland.

The activity in the spin-off universe was strong in the third quarter. There were 21 additional spin-offs announced during the quarter. This compares to 48 spin-offs announced in the first quarter of 2000 and 27 in the second quarter of 2000. This brings the year year-to-date total to 96. A total of 21 companies were spun-off in the quarter (10 IPO carveouts and 11 pure spins), bringing the year-to-date total to 51.

Third Quarter Spin-Offs

American Online (AOL) / American Online Latin (AOLA)	Carve-Out
Actuant (Formerly Applied Power) (ATU) / APW (APW)	Spin-off
Apollo Group (APOL) / Phoenix Online (UOPX)	Carve-Out / Tracker
BRE Properties (BRE) / VelocityHSI (VHSI)	Spin-off
Cabot (CBT) / Cabot Microelectronics (CCMP)	Spin-off
Daisytek (DZTK) / PFSWeb (PFSW)	Spin-off
Dun & Bradstreet (DNB) / Moody's (MCO)	Spin-off
Eaton (ETN) / Axcelis Technologies (ACLS)	Carve-Out
EMC (EMC) / McDATA (MCDT)	Carve-Out
Great Lakes Chemical (GLK) / OSCA (OSCA)	Carve-Out
GTE (GTE) / Genuity (GENU)	Carve-Out
IMS Health (RX) / Synavant (SNVT)	Spin-off
Intelligroup (ITIG) / SeraNova (SERA)	Spin-off
Kansas City Southern (KSU) / Stilwell Financial (SV)	Spin-off
Lucent (LU) / Avaya (AV)	Spin-off
MCSi (MCSI) / Zengine (ZNGN)	Carve-Out
Sea Container (SCR.A,B) / Orient Express Hotels (OEH)	Carve-Out
SPX (SPW) / Inrange Technologies (INRG)	Carve-Out
Tyco (TYC) / TyCom (TCM)	Carve-Out
Ziff Davis (ZD) / Key3media (KME)	Spin-off

Recently Announced Spin-Offs:

BEI Tech (BEIQ) / OpticNet
Cadence Design (CDN) / Tality
Ceridian (CEN) / Arbitron
Computer Associates (CA) / Software and Service Business
Conexant (CNXT) / Network Access
Diageo PLC (DEO) / Burger King
ECI Telecom (ECIL) / Break-up into 5 companies
Enron (ENE) / TNPC (NPW)
ESS Technology (ESST) / Vialta
Infocure (INCX) / Practice Works
Marshall & Ilsley (MI) / Metavante
MRV Communications (MRVC) / Luminent
Nextel (NXTL) / Nextel International
Nortel (NT) / Fiber Optics Unit
Qualcomm (QCOM) / Chip Business
Pharmacia (PHA) / Monsanto
Reliant (REI) / Energy Business
Saks (SKS) / Saks Fifth Ave Enterprises
Titan (TTN) / Surebeam
Ultramar Diamond Shamrock (UDS) / Shamrock Logistics
US Industries (USI) / Lighting and Industrial Tools

As always, feel free to contact me any time at (312) 939-8900.

Sincerely,
Joe Cornell

Joe Cornell, CFA
Managing Member
Spin-Off Advisors, LLC

SPIN-OFF FUND L.L.C

PERFORMANCE STATISTICS

Spin-Off Fund, L.L.C.	Dec-99	Through	Sep-00	Assets Under Mgmt. (Millions)	\$	3.1
S & P 500	Dec-99	Through	Sep-00			
	Fund		Index		Net Returns	
Ann. Geometric Return	13.16%		4.13%	Year	1999	2000
Avg. 12 Month Rolling	0.00%		0.00%	YTD Return	4.50%	6.08%
Geometric Monthly Return	1.04%		0.34%	Index YTD Return	5.78%	-2.22%
Standard Deviation	17.25%		18.00%	Maximum Loss		-12.25
Semi. Deviation	11.44%		10.15%	January		1.96
Average Positive	4.21%		5.98%	February		9.21
Average Negative	-3.45%		-3.22%	March		0.33
Months Positive	6		4	April		-7.12
Months Negative	4		6	May		-5.52
% of Positive Months	60.00%		40.00%	June		5.63
Largest Drawdown	-12.25		-7.00%	July		-0.08
Maximum Loss (months)	2		2	August		3.65
Sharpe Ratio	0.42		-0.10	September		-1.09
MAR-Ratio	1.07		0.59	October		
Value of \$1,000	\$ 1,108		\$ 1,034	November		
Correlation to Index	0.31			December		4.50

Spin-Off Fund, L.L.C.
Assets Under Management
(As of 10/01/00)

