



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

SPIN-OFF FUND, L. L.C.

Year End 2001

January 23, 2002

Short Take:

Managing Member:
Spin-Off Advisors, LLC

Clearing Firm:
ABN-Amro

Auditor:
Altschuler, Melvoin &
Glasser (AMEX)

Certified Public Acct.:
Michael J. Liccar & Co.

Legal Advisor:
Katten Muchin & Zavis

Banker:
Lakeside Bank

Launch Date:
December 1st, 1999

Minimum Investment:
\$250,000

Return Since Inception:
- 3.0 % (Net Fees)

Fourth Quarter 2001:
10.56 % (Net Fees)

Number of Members:
10

Assets under Management:
12/31/01
\$1,562,176

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Chicago, IL 60606

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Dear Investor:

Coming into the New Year

The three major stock market averages have now fallen for two consecutive years for the first time since 1973 and 1974. The averages fell to three-year lows in September, due to weak corporate earnings, a recession (which officially began in March 2001), and terrorist attacks that targeted Wall Street. We are comforted that it has been 60 years since the major stock indexes fell for three consecutive years (1939 to 1941). The S&P 500 declined 13.04% in 2001 following a 10.14% decline in 2000, and the Nasdaq Composite declined 21.05% after a 39.3% decline in 2000. The Spin-Off Fund declined 4.47% (net of all fees and expenses) in 2001 following a 2.83% decrease (net) in 2000.

During the fourth quarter, the Spin-Off Fund posted a 10.56% quarterly gain. The S&P 500 gained 10.29% during the quarter, and the Nasdaq returned 30.13%. The Federal Reserve Board lowered rates 125 basis points during the fourth quarter, bringing the cumulative 2001 easing to 475 basis points. The half-point easing on October 2 took the real Fed Funds rate below zero for the first time since the early 1990s.

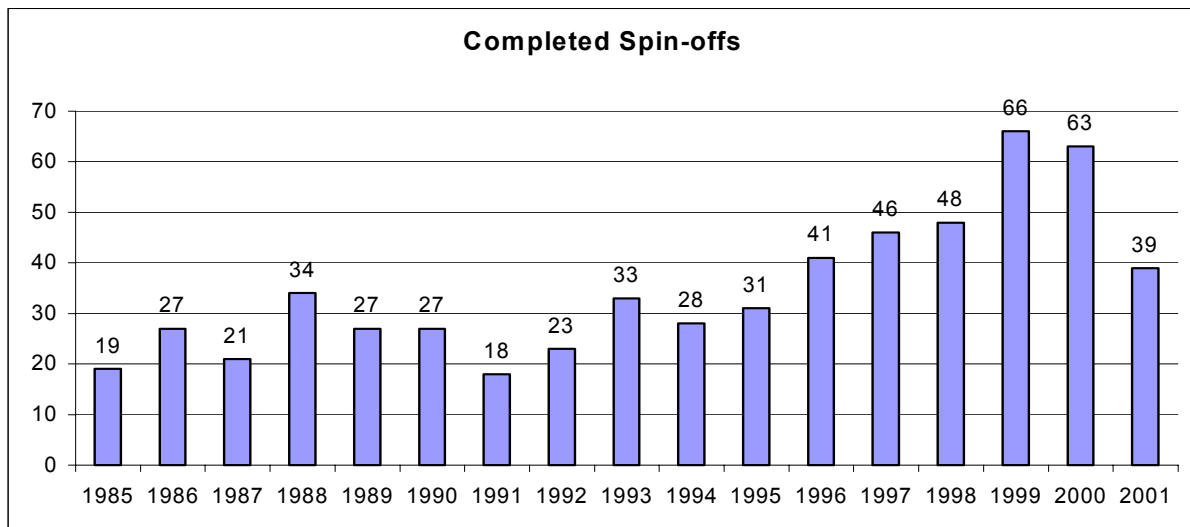
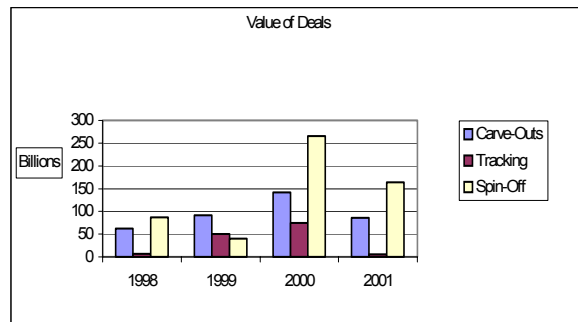
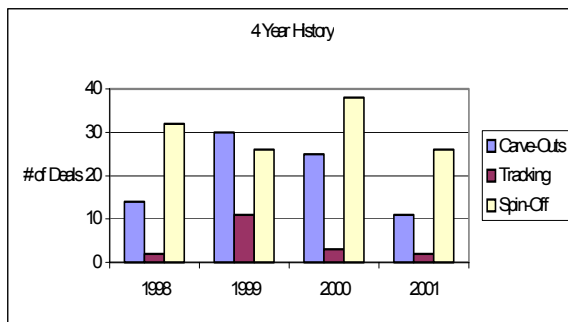
We expect positive equity returns in 2002 due to the robust policy response to the recession. The Federal Reserve cut interest rates for an unprecedented 11 times, bringing rates to their lowest level since 1961. In the wake of the terrorist attacks, Congress pumped an additional \$40 billion into government programs, and moved to reduce taxes (which take effect later in the year). The evidence is mounting that the worst of the EPS news will soon be behind us. So, the stock market should be able to move higher with the EPS turn, lower inflation and successful prosecution of the war on terrorism. It is possible that the Federal Reserve will reduce the Fed Funds rate by another quarter point to 1.5%, at the January 30 FOMC meeting. On current core inflation of 2.8%, that would take the real Fed Funds rate to -1.3%. A real Fed Funds rate of zero or lower has been successful in turning around past recessions, as negative real cash returns are redirected into longer-duration financial and real assets. Following the October 2 easing, the Fed further lowered rates by 50 basis points on November 6 and 25 basis points on December 11. Many economists ended the year forecasting that the recession would end by March 2002.

2001 Spin-Off Summary

The year 2001 ushered in 39 total spin-offs (including IPO carveouts and tracking stocks) worth about \$255 billion in market value, well off the record spin-off volume of 2000 and 1999. There were 26 pure spins, 11 carveouts, and 2 new tracking stocks. This compares to 66 spin-offs in 2000 worth \$482 billion. In the past four years, there have been 220 total spin-offs (122 pure spins, 80 carveouts and 18 tracking stocks) worth \$1,074 billion in market value. We are guessing that 2002 will be more accommodative for companies contemplating corporate spin-offs, and expect about 50 new spins this year.

#	1998	1999	2000	2001
Carve-Outs	14	30	25	11
Tracking	2	11	3	2
Spin-Off	32	26	38	26
Totals	48	67	66	39

\$ Billions	1998	1999	2000	2001
Carve-Outs	61.9	91.6	142	85.92
Tracking	7.07	50.7	74.4	5.51
Spin-Off	86.8	39.9	265.5	164.12
Totals	\$ 155.77	\$ 182.20	\$ 481.90	\$ 255.56



Tyco to Separate into Four Companies

On January 23 Tyco International (NYSE: TYC) announced its intention to separate into four independent, publicly traded companies. Tyco plans to take its Healthcare, Fire Protection and Flow Control, and Financial Services businesses public through initial public offerings, and it will combine its security and electronics businesses into a fourth independent, publicly traded company (the Stub). Each company will remain based in Bermuda. Tyco plans to sell Tyco Plastics (worth about \$3 to 4 billion, according to management). Tyco expects to complete the first offering (Tyco Capital) in the second quarter, and to complete the separation by the end of 2002. The distributions are expected to be treated as a return of capital, and thus a potentially taxable event to shareholders.

Tyco expects to use proceeds from the planned IPO's and planned sale of its plastics business to pay down \$11 billion in debt, out of roughly \$25 billion as of December 31, 2001. Upon completion of these transactions, remaining debt would be allocated as follows: Security & Electronics \$6-7 billion, Fire & Flow \$2-3 billion, and Healthcare \$3-4 billion. Tyco Capital (CIT) would receive no incremental debt allocation. Tyco plans to repurchase all of its straight debt, with the zero coupon debt remaining on the books of Security & Electronics. The hope is all four companies will have a single-A rating.

Allergan to Spin-Off Optical-Device Maker

On January 22, Allergan (NYSE: AGN) announced plans to spin-off the ophthalmic surgical and contact lens care businesses through a tax-free dividend to its shareholders. The new company will be an optical medical device business, entitled Advanced Medical Optics (AMO). After the spin-off, which is expected to occur by the end of the second quarter, Allergan will be a "pure-play" specialty pharmaceutical company with ophthalmology, dermatology, and neurology interests. The carved-out AMO business had sales last year of \$543 million and profit of about \$53 million. Allergan's total revenue in 2001 was \$1.685 billion and net income was about \$262 million.

Sincerely,

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



ABN AMRO Securities LLC
Prime Brokerage Services

Spin-Off Fund, L.L.C.

Long/Short US Equity: Event Driven

Portfolio Managers

Joe Cornell

Mark C. Minichiello

Summary

The Fund's investment objective is long-term capital appreciation. The Fund seeks to attain its investment objective by investing primarily in equity and debt securities issued by U.S. and non-U.S. companies that are involved in "spin-off situations." The Fund invests in pure spin-offs, partial spin-offs (IPO carveouts) and "stub" situations. Spin-off situations are at times misvalued by the marketplace, providing opportunistic situations with attractive risk/return qualities, and the fund will seek to exploit the gaps that exist between a company's trading value and its intrinsic value. The Fund focuses on making investments in companies whose stock prices are at significant discounts to their underlying business values. The Fund attempts to identify investments and create a portfolio that as a whole, will outperform the S&P 500 Index over an entire market cycle, but not necessarily in any given year.

Information

Fund Assets	\$1.6 Million	Management Fee	1.00%	Prime Broker	ABN AMRO Securities LLC
Firm Assets	\$1.6 Million	Incentive Allocation	20%	Auditor	Altschuler, Melvoin and Glasser LLP
Minimum Account	\$250,000	Hurdle Rate	None	Offshore Vehicle	None
Subscription	Monthly	High Water Mark	Yes	Reporting Style	Net of all fees
Redemption	Quarterly	Lockup	None	Reporting Frequency	Monthly
Redemption Notice	60 Days	Investor Type	US Investors	Currency	US Dollars

Monthly Performance

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year to Date
2001	6.75%	-5.40%	-2.76%	4.37%	1.02%	-0.80%	-2.86%	-3.85%	-9.92%	4.22%	2.19%	3.81%	-4.46%
2000	1.96%	9.21%	0.33%	-7.12%	-5.50%	5.63%	-0.08%	3.65%	-1.09%	-1.78%	-8.27%	1.65%	-2.83%
1999												4.50%	4.50%

Calendar Year Performance

	1999	2000	YTD
Fund	4.50%	-2.83%	-4.46%
Barra S&P 500	5.89%	-9.11%	-11.88%
Nasdaq Composite Index	21.98%	-39.29%	-21.05%
Russell 2000 Index (DRI)	11.32%	-3.02%	2.49%

Spin-Off Fund, L.L.C. Performance Analysis vs Benchmarks:

As of: Dec-01

Name	Inception Date	Total Percent Return	Annualized Compounded Return	Annualized Standard Deviation	Annualized Downside Deviation	Maximum Drawdown	Annualized Ratios		
							Sharpe	Sortino	Calmar
Fund	Dec-99	-2.99%	-1.45%	16.91%	12.25%	-24.84%	-0.11	-0.12	-0.06
Barra S&P 500	Dec-99	-15.19%	-7.60%	18.36%	13.31%	-30.49%	-0.44	-0.59	-0.25
Nasdaq Composite Index	Dec-99	-41.54%	-22.71%	46.54%	33.67%	-68.09%	-0.36	-0.76	-0.33
Russell 2000 Index (DRI)	Dec-99	10.64%	4.97%	26.31%	16.22%	-28.40%	0.24	0.30	0.18

Spin-Off Fund, L.L.C. Statistical Analysis in Relation to Market Indices

Correlation with			ALPHA when		
Correlation with Barra S&P 500	Nasdaq Composite Index	Correlation with Russell 2000 Index (DRI)	ALPHA when Barra S&P 500 = 0	Nasdaq Composite Index = 0	ALPHA when Russell 2000 Index (DRI) = 0
0.66	0.90	0.90	0.31%	0.40%	-0.40%

Long Positions	Long Percent	Short Positions	Short Percent	Net Exposure
30	59%	8	-19%	40%

Down Market Analysis Since Inception

	Barra S&P 500	Nasdaq Composite Index	Russell 2000 Index (DRI)
Number of down months	14	15	13
Number of months Fund outperforms during down markets	8	15	11
Percent outperformance	57.14%	100.00%	84.62%

Profitability Analysis Since Inception

	Fund	Barra S&P 500	Nasdaq Composite Index	Russell 2000 Index (DRI)
Number of months	25	25	25	25
Number of positive months	13	11	10	12
Percent profitable	52.00%	44.00%	40.00%	48.00%

This report is comprised of information obtained from the manager described herein. The performance numbers shown are unaudited estimated figures that include brokerage and the reinvestment of dividends, interest and other earnings and are net of management and net of performance fees, but may not reflect certain individual expenses for each fund. All such performance data and representations are not independently verified or approved by ABN AMRO Prime Brokerage Services, a division of ABN AMRO Securities LLC, and it makes no representations as to their accuracy or completeness. All performance data is subject to change based on each General Partner's internal auditing procedures including individual expenses for each fund. Past performance is not indicative of future returns. The information provided is intended for informational purposes only, and does not constitute advice or offer solicitation or endorsement with respect to any investment strategy or vehicle. All contents of this publication either in whole or in part may not be reproduced without written permission of ABN AMRO Prime Brokerage Services.

The NASDAQ, S&P and Russell 2000 are broad-based indices which are used for comparative purposes only and have been selected as they are well known and are easily recognizable by investors. However, the investment activities and performance of the funds discussed herein are considerably more volatile than the performance of any of the referenced indices. The NASDAQ is a computerized system for storing and displaying current price quotations on a large number of the more active securities traded in the over the counter market. The Standard & Poor's 500 Stock Index is an inclusive index made up of 500 stock prices using market weights to provide a broad indicator of stock price movements. The Russell 2000 Index consists of the 2000 smallest companies in the Russell 3000 Index, about ten-percent (10%) of its total market capitalization. Unlike the NASDAQ, S&P or Russell 2000, the portfolios of each of the funds portrayed herein are actively managed. Furthermore, each fund invests in substantially fewer securities than the number of securities comprising each of the NASDAQ, S&P and Russell 2000. There is no guarantee that any of the securities invested in by any of the funds comprise either the NASDAQ, S&P or Russell 2000.