



January 25, 2008

***Important Communication
for all SAFE Investors***

Dear Investor,

It has been quite a volatile ride since our last communication. There is no doubt that I believe everyone is concerned about the market and more specifically, their individual investments. *I share your concern which is why I felt it necessary to write this communication to you before our January close.*

SAFE closed the period ending August 31st up 18.16% for the year and up 32.58% since inception! So, what affected the SAFE Funds performance beginning with September 2007?

Three factors:

1. A "short" position we could not sustain
2. A "dynamic" shift in our asset allocation
3. Our "special situation" holdings of TRES (The Retirement Solution) and CYTR (CytRx Corporation)

Short Position

As you know, SAFE saw the overall negative market condition as a result of the data the software was giving us. We took a substantial "short" position against the overall market as the downward pressure was significant. In spite of the negative facts, the US Government and foreign banks provided interest rate reductions and loans in the billions to temporarily boost market sentiment and avoid a massive sell off. In effect, this created a "whiplash" reaction where the markets moved down on poor financial data but would swing dramatically in the opposite direction as these announcements were made. *This extreme volatility was beyond the tolerance of the SAFE trading methodology.* Due to these large percentage swings and a commitment to our methodology, we had to substantially reduce our "short" position although we knew the market would eventually move down.

"Dynamic" Shift in our Asset Allocation

As the market news worsened during the last quarter and the volatility became more extreme, investor sentiment declined rapidly. Investors moved away from the market, fearful of a repeat of the bear market of 2000. Subsequently, for the first time, SAFE had investors who required access to their capital to meet financial commitments in other areas. Since we feel strongly about our "30 day liquidity" rule for clients who wish to withdraw their funds, we of course, allowed withdrawals that decreased the capital we manage. This shifted the percentages of holdings in the overall fund and "dynamically" modified our asset allocation. The word "dynamic" here indicates the allocation changed due to our fund guidelines and not as a result of our trading methodology. The alternative would have been to modify the 30 day liquidity for our investors.



“Special” Situation Companies moved down with the Market

In past communications I have shared with you some of the details of the companies that represent investments outside of the “cash-flow” methodology - TRES (The Retirement Solution) and CYTR (CytRx Corporation.) TRES is the provider of the powerful “StockDiagnostics” cash flow analysis software that we use to invest and manage our fund. CytRx Corporation owns three clinical-stage compounds which will treat ALS in addition to stroke recovery and complications from Type-2 diabetes. Major announcements were made by both of these companies during the last quarter yet the overall market conditions prevented the buying we expected when these announcements were made.

The Announcements

TRES (The Retirement Solution) announced two acquisitions: Investment Tools and Training, LLC and Razor Data, Inc. These acquisitions bring **income** as well as **product technologies** that are key to the plan TRES has to establish itself as **“the premier all-inclusive investor education platform.”** Both the technology, clients and cash flow derived from these acquisitions create additional value for the holders of TRES which should have been reflected in its trading price. Instead, the stock moved down with the market. However, we believe, after extensive due diligence, a financing will be announced shortly. This should act as the catalyst for the true short term value of TRES to be reflected in its price.

CYTR (CytRx Corporation) announced the spin-off of RXi Pharmaceuticals its RNAi based research and development wholly owned subsidiary located in Worcester, Massachusetts. RXi has applied for the listing of its common stock on the NASDAQ exchange under the symbol “RXIP.” All holders of CYTR as of the date of record (which is ten days after the SEC declares the statement effective) ***will receive shares of RXi Pharmaceuticals in addition to their shares of CytRx Corporation.*** Two companies for the price of one! Once again, a major announcement that should have afforded the CytRx stock upward movement but was lost in the negative news regarding overall market conditions.

In light of our current asset allocation, these companies represent approximately 30% of our portfolio. Keep in mind, we believe these positions provide us the opportunity to outperform both the market and the “cash-flow” based folios. **As, such we will be providing full reports on TRES, CYTR, and RXIP including their plans, announcements and products. Look for these detailed reports in the upcoming weeks. In the interim, please feel free to call me directly to discuss the opportunities these companies hold for our fund.**

So that’s what happened to us during the last four months of 2007.

Exactly where does that leave us going into 2008?

1. We increased our cash position to preserve capital through the volatile market swings
2. We are addressing our asset allocation issue through slight monthly changes as to not impact our current holdings
3. We monitor the announcements, management performance, and plans of each of our “special” situation holdings



Our Performance

We have stressed that the SAFE fund is designed for performance *“over time.”* We have asked that you review us in annual increments. SAFE’s inception date for performance reporting is June 1st, 2006. ***Our annual performance for the period June 1st, 2006 through May 31st, 2007 was 16.21% return to our investors after expenses.*** Our second year of performance will reflect the period of June 1, 2007 through May 31, 2008. While we are clearly disappointed with our results through the last quarter of 2007, we ask that you consider our overall *annual* performance. ***May 31st will reflect our methodology’s performance over a two year period.***

In the meantime, our objectives remain

- 1) preservation of capital and***
- 2) to outperform the major indices over a 12 month period***

The Overall Market

There is no question that this is a global market that has us dealing with circumstances we have never experienced in the past, primarily due to the speed of capital and information worldwide. ***On January 23rd the Dow was down 326 points mid-day to finish up 298 points! A swing of 624 points in one day!*** The Federal Reserve chairman, Ben Bernanke, normally opposed to market reaction, instituted the largest interest drop in more than twenty years!

Monday, January 21st (even though the US market was closed for Martin Luther King Day) we saw **“WORLD CLASS DROP IN MARKETS AROUND THE GLOBE!”**

India	Germany	Brazil	Hong Kong	Britain	Shanghai	Canada	Japan
DOWN	DOWN	DOWN	DOWN	DOWN	DOWN	DOWN	DOWN
-7.4%	-7.2%	-6.6%	-5.5%	-5.5%	-5.1%	-4.8%	-3.9%

What about the conservative “bond” holder? With the interest rate drop we find the benchmark 10-Year Treasury note with a 3.5% yield. That is a ***considerably low yield for the next ten years*** which may actually be a loss after taxes and inflation are factored in.

So why continue to invest in the stock market?

Stocks remain a very good buy because their recent losses create a “bargain” for investors. As we continue to deploy our methodology and keep a steady course - we will be able to buy more and decrease our average cost for the companies we hold.

In addition, TRES publicly announced on January 22nd, that its three portfolios outperformed the major indices for 2007. ***“The large cap portfolio generated a return of +16.8% versus the S&P 500’s return of +3.6%. The 52 week return for the mid cap portfolio was +11.8% versus a decline of -2.7% for the Russell 2000. The small cap portfolio generated a gain of +10.2% versus a loss of -1.2% for the S&P 600 over the full year.”***

You may ask yourself - why not just invest in the folios?

I must remind everyone that the SAFE methodology through the period of 8/31/07 outperformed the folios consistently over 18 months.



However, we do recognize that SAFE's performance can test your tolerance to volatility. *As such, we will be announcing a second investment fund for those investors who have a need for less volatility.* This second fund will **ONLY** invest in the "cash-flow" based folios and there will be no "special" situation, or alternative investment holdings. We will be sharing more information about this fund in the upcoming weeks and will be providing current SAFE investors the opportunity to pick the fund of their choice. Along with this announcement, we will be moving to quarterly statements. *We will still maintain 30 day accounting and investor liquidity but, will be reporting on a quarterly basis to our investors.* This change will reduce expenses and help our investors focus on longer term results.

In spite of the last few months, this remains an exciting time for the SAFE investment fund! We are seeing the elements of our trading methodology come to fruition and believe that fundamental truths will win over time. We will never promise you performance but, we commit to providing you the information you need on where your hard earned money is invested and why. Our methodology and management is designed for the long term, not just a couple of months. *We look forward to our second year's performance ending May 31st and our intent to grow into a "family" of SAFE investment funds that address the needs of all our investors.*

Sincerely,

Annette Raynor
General Partner
Secure Acquisition Financial Entity, LP (SAFE Fund)