

UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF COLUMBIA

SECURITIES AND EXCHANGE COMMISSION  
100 F Street, N.E.  
Washington, D.C. 20549

Plaintiff,

v.

CAROLE ARGO,  
209 East Highfield Road  
Baltimore, MD 21218

Defendant.

Case: 1:07-cv-01397  
Assigned To : Robertson, James  
Assign. Date : 8/1/2007  
Description: General Civil

**COMPLAINT**

Plaintiff, Securities and Exchange Commission (“Commission”), alleges for its  
Complaint, as follows:

**SUMMARY OF ALLEGATIONS**

1. From at least the fourth quarter 2000 through the fourth quarter of 2005, defendant Carole D. Argo (“Argo”) formerly the president, chief operating officer (“COO”) and chief financial officer (“CFO”) of SafeNet, Inc. (“SafeNet” or the “Company”), participated in a fraudulent scheme to backdate option grants to take advantage of low points in the Company’s stock price, without causing SafeNet to record a compensation expense for those option grants, as required by Generally Accepted Accounting Principles (“GAAP”). As a direct result of this backdating scheme Argo caused SafeNet to report materially misstated financial results for at least the period from the fourth quarter of 2000 through the second quarter of 2006.

2. In furtherance of the scheme, Argo routinely looked back and selected historical dates when SafeNet's stock price had closed at or near the low for a given period to use as grant dates for SafeNet option grants. By selecting these highly favorable dates and causing options to be granted on dates when she knew they would be "in-the-money"-- that is, the exercise price of the options was lower than the market price of the stock on the date the options were granted -- Argo created an opportunity for herself and others at SafeNet to reap substantial profits. Argo then backdated documents to conceal from SafeNet's investors and outside auditors that SafeNet was issuing in-the-money option grants. Argo as well as other employees, officers and directors reaped substantial profits and other financial benefits from this scheme.

3. In connection with this scheme, from at least the fourth quarter of 2000 through the second quarter of 2006, Argo prepared and/or reviewed proxy statements, periodic reports, and Securities Act registration statements that she knew, or was reckless in not knowing, contained materially false and misleading statements and omissions concerning SafeNet's financial condition and options granting practices. These statements created the false impression that SafeNet did not grant in-the-money options to its employees and was properly accounting for its options grants. Also, because SafeNet was not properly accounting for the in-the-money options it granted, from the fourth quarter of 2000 through the second quarter of 2006, SafeNet's proxy statements, periodic reports, and Securities Act registration statements misled investors because they materially understated the Company's compensation expenses and materially misstated its net income or loss, and earnings per share.

4. By engaging in the conduct described above, defendant Argo, among other things, violated the antifraud provisions of the federal securities laws, falsified SafeNet's books and records, and caused SafeNet to issue false and misleading financial reports. Argo also aided and

abetted SafeNet's reporting and proxy violations. Specifically, defendant Argo violated Section 17(a) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. § 77q(a)], Sections 10(b), 13(b)(5), 14(a) and 16(a) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. §§ 78j(b), 78m(b)(5), 78n(a) and 78p(a)] and Exchange Act Rules 10b-5, 13a-14, 13b2-1, 13b2-2, 14a-9 and 16a-3 [17 C.F.R. §§ 240.10b-5, 240.13a-14, 240.13b2-1, 240.13b2-2, 240.14a-9 and 240.16a-3], and aided and abetted SafeNet's violations of Exchange Act Sections 10(b), 13(a), 13(b)(2)(A), 13(b)(2)(B) and 14(a) [15 U.S.C. §§ 78j(b), 78m(a), 78m(b)(2)(A) and 78m(b)(2)(B)] and Exchange Act Rules 10b-5, 12b-20, 13a-1, 13a-13, and 14a-9 thereunder [17 C.F.R. §§ 240.10b-5, 240.12b-20, 240.13a-1, 240.13a-13 and 240.14a-9]. Unless enjoined, defendant Argo will likely commit such violations in the future. Argo should be enjoined from violating the aforesaid provisions and rules, ordered to disgorge any ill-gotten gains or benefits derived as a result of her violations, as well as prejudgment interest thereon, and ordered to pay appropriate civil money penalties. In addition, defendant Argo should be prohibited from acting as an officer or director of any issuer that has a class of securities registered pursuant to Exchange Act Section 12 [15 U.S.C. § 78l] or that is required to file reports pursuant to Exchange Act Section 15(d) [15 U.S.C. § 78o(d)].

### **JURISDICTION AND VENUE**

5. The Court has jurisdiction over this action pursuant to Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)] and Sections 21(d), 21(e) and 27 of the Exchange Act [15 U.S.C. §§ 78u(d), 78u(e) and 78aa]. The defendant, directly or indirectly, used the means and instrumentalities of interstate commerce, or of the mails, or the facilities of a national securities exchange in connection with the acts, transactions, practices and courses of business alleged herein.