

Form 5500 Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Annual Return/Report of Employee Benefit Plan This form is required to be filed for employee benefit plans under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and sections 6047(e), and 6058(a) of the Internal Revenue Code (the Code). <p style="text-align: center;">▶ Complete all entries in accordance with the instructions to the Form 5500.</p>	OMB Nos. 1210-0110 1210-0089 2010 This Form is Open to Public Inspection
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Part I	Annual Report Identification Information
For calendar plan year 2010 or fiscal plan year beginning <u>01/01/2010</u> and ending <u>12/31/2010</u>	
A This return/report is for:	☐ a multiemployer plan; ☐ a multiple-employer plan; or ☒ a single-employer plan; ☐ a DFE (specify) ____
B This return/report is:	☐ the first return/report; ☐ the final return/report; ☐ an amended return/report; ☐ a short plan year return/report (less than 12 months).
C If the plan is a collectively-bargained plan, check here.	☐
D Check box if filing under:	☒ Form 5558; ☐ automatic extension; ☐ the DFVC program; ☐ special extension (enter description)

Part II	Basic Plan Information —enter all requested information				
1a Name of plan <u>SAFENET, INC. 401(K) PLAN</u>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">1b Three-digit plan number (PN) ▶</td> <td style="width: 20%; text-align: center;"><u>001</u></td> </tr> <tr> <td colspan="2">1c Effective date of plan <u>01/01/1991</u></td> </tr> </table>	1b Three-digit plan number (PN) ▶	<u>001</u>	1c Effective date of plan <u>01/01/1991</u>	
1b Three-digit plan number (PN) ▶	<u>001</u>				
1c Effective date of plan <u>01/01/1991</u>					
2a Plan sponsor's name and address (employer, if for a single-employer plan) (Address should include room or suite no.) <u>SAFENET, INC.</u> <u>4690 MILLENNIUM DRIVE</u> <u>BELCAMP, MD 21017</u>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td>2b Employer Identification Number (EIN) <u>52-1287752</u></td> </tr> <tr> <td>2c Sponsor's telephone number <u>410-931-7500</u></td> </tr> <tr> <td>2d Business code (see instructions) <u>334110</u></td> </tr> </table>	2b Employer Identification Number (EIN) <u>52-1287752</u>	2c Sponsor's telephone number <u>410-931-7500</u>	2d Business code (see instructions) <u>334110</u>	
2b Employer Identification Number (EIN) <u>52-1287752</u>					
2c Sponsor's telephone number <u>410-931-7500</u>					
2d Business code (see instructions) <u>334110</u>					

Caution: A penalty for the late or incomplete filing of this return/report will be assessed unless reasonable cause is established.

Under penalties of perjury and other penalties set forth in the instructions, I declare that I have examined this return/report, including accompanying schedules, statements and attachments, as well as the electronic version of this return/report, and to the best of my knowledge and belief, it is true, correct, and complete.

SIGN HERE	Filed with authorized/valid electronic signature.	07/29/2011	DIANE L. SMITH
	Signature of plan administrator	Date	Enter name of individual signing as plan administrator
SIGN HERE	Filed with authorized/valid electronic signature.	07/29/2011	DIANE L. SMITH
	Signature of employer/plan sponsor	Date	Enter name of individual signing as employer or plan sponsor
SIGN HERE			
	Signature of DFE	Date	Enter name of individual signing as DFE

For Paperwork Reduction Act Notice and OMB Control Numbers, see the instructions for Form 5500.

Form 5500 (2010)
v.092307.1

3a Plan administrator's name and address (if same as plan sponsor, enter "Same") SAFENET, INC. 4690 MILLENNIUM DRIVE BELCAMP, MD 21017	3b Administrator's EIN 52-1287752 3c Administrator's telephone number 410-931-7500
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4 If the name and/or EIN of the plan sponsor has changed since the last return/report filed for this plan, enter the name, EIN and the plan number from the last return/report: a Sponsor's name	4b EIN 4c PN
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5 Total number of participants at the beginning of the plan year	5	1031
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6 Number of participants as of the end of the plan year (welfare plans complete only lines 6a , 6b , 6c , and 6d).		
a Active participants.....	6a	726
b Retired or separated participants receiving benefits.....	6b	3
c Other retired or separated participants entitled to future benefits.....	6c	283
d Subtotal. Add lines 6a , 6b , and 6c	6d	1012
e Deceased participants whose beneficiaries are receiving or are entitled to receive benefits.....	6e	0
f Total. Add lines 6d and 6e	6f	1012
g Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item).....	6g	920
h Number of participants that terminated employment during the plan year with accrued benefits that were less than 100% vested.....	6h	41

7 Enter the total number of employers obligated to contribute to the plan (only multiemployer plans complete this item)	7	
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8a If the plan provides pension benefits, enter the applicable pension feature codes from the List of Plan Characteristic Codes in the instructions:
 2E 2F 2G 2J 2K 2S 2T 3D 3H

b If the plan provides welfare benefits, enter the applicable welfare feature codes from the List of Plan Characteristic Codes in the instructions:

9a Plan funding arrangement (check all that apply) (1) ☐ Insurance (2) ☐ Code section 412(e)(3) insurance contracts (3) ☒ Trust (4) ☐ General assets of the sponsor	9b Plan benefit arrangement (check all that apply) (1) ☐ Insurance (2) ☐ Code section 412(e)(3) insurance contracts (3) ☒ Trust (4) ☐ General assets of the sponsor
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10 Check all applicable boxes in 10a and 10b to indicate which schedules are attached, and, where indicated, enter the number attached. (See instructions)

a Pension Schedules

- (1) ☒ **R** (Retirement Plan Information)
 (2) ☐ **MB** (Multiemployer Defined Benefit Plan and Certain Money Purchase Plan Actuarial Information) - signed by the plan actuary
 (3) ☐ **SB** (Single-Employer Defined Benefit Plan Actuarial Information) - signed by the plan actuary

b General Schedules

- (1) ☒ **H** (Financial Information)
 (2) ☐ **I** (Financial Information – Small Plan)
 (3) ☐ **A** (Insurance Information)
 (4) ☒ **C** (Service Provider Information)
 (5) ☒ **D** (DFE/Participating Plan Information)
 (6) ☐ **G** (Financial Transaction Schedules)

SCHEDULE C (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Service Provider Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA). ► File as an attachment to Form 5500.		OMB No. 1210-0110
			2010
			This Form is Open to Public Inspection.

For calendar plan year 2010 or fiscal plan year beginning **01/01/2010** and ending **12/31/2010**

A Name of plan SAFENET, INC. 401(K) PLAN	B Three-digit plan number (PN) ►	001
C Plan sponsor's name as shown on line 2a of Form 5500 SAFENET, INC.	D Employer Identification Number (EIN) 52-1287752	

Part I	Service Provider Information (see instructions)
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You must complete this Part, in accordance with the instructions, to report the information required for **each person** who received, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of monetary value) in connection with services rendered to the plan or the person's position with the plan during the plan year. If a person received **only** eligible indirect compensation for which the plan received the required disclosures, you are required to answer line 1 but are not required to include that person when completing the remainder of this Part.

1 Information on Persons Receiving Only Eligible Indirect Compensation

- a** Check "Yes" or "No" to indicate whether you are excluding a person from the remainder of this Part because they received only eligible indirect compensation for which the plan received the required disclosures (see instructions for definitions and conditions)..... ☒ Yes ☐ No
- b** If you answered line 1a "Yes," enter the name and EIN or address of each person providing the required disclosures for the service providers who received only eligible indirect compensation. Complete as many entries as needed (see instructions).

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation
BANK OF AMERICA, N.A.
94-1687665

(b) Enter name and EIN or address of person who provided you disclosure on eligible indirect compensation
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2. Information on Other Service Providers Receiving Direct or Indirect Compensation. Except for those persons for whom you answered "yes" to line 1a above, complete as many entries as needed to list each person receiving, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of value) in connection with services rendered to the plan or their position with the plan during the plan year. (See instructions).

(a) Enter name and EIN or address (see instructions)

MERRILL LYNCH, PIERCE, FENNER AND S

13-5674085

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
15 52 56 59 60 62 63 72	RECORDKEEPER	7320	Yes ☒ No ☐	Yes ☒ No ☐	0	Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

Part I Service Provider Information (continued)

3 If you reported on line 2 receipt of indirect compensation, other than eligible indirect compensation, by a service provider, and the service provider is a fiduciary or provides contract administrator, consulting, custodial, investment advisory, investment management, broker, or recordkeeping services, answer the following questions for (a) each source from whom the service provider received \$1,000 or more in indirect compensation and (b) each source for whom the service provider gave you a formula used to determine the indirect compensation instead of an amount or estimated amount of the indirect compensation. Complete as many entries as needed to report the required information for each source.

(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	
(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	
(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	

Part II Service Providers Who Fail or Refuse to Provide Information

4 Provide, to the extent possible, the following information for each service provider who failed or refused to provide the information necessary to complete this Schedule.

(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide

Part III	Termination Information on Accountants and Enrolled Actuaries (see instructions) (complete as many entries as needed)
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a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN;
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN;
c Position:	
d Address:	e Telephone:

Explanation:

a Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
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103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
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103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)

Part II Information on Participating Plans (to be completed by DFEs)

(Complete as many entries as needed to report all participating plans)

a Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
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plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN

SCHEDULE H (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Financial Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA), and section 6058(a) of the Internal Revenue Code (the Code). ► File as an attachment to Form 5500.	OMB No. 1210-0110
		2010
		This Form is Open to Public Inspection

For calendar plan year 2010 or fiscal plan year beginning 01/01/2010 and ending 12/31/2010		
A Name of plan SAFENET, INC. 401(K) PLAN	B Three-digit plan number (PN) ►	001
C Plan sponsor's name as shown on line 2a of Form 5500 SAFENET, INC.	D Employer Identification Number (EIN) 52-1287752	

Part I	Asset and Liability Statement
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1 Current value of plan assets and liabilities at the beginning and end of the plan year. Combine the value of plan assets held in more than one trust. Report the value of the plan's interest in a commingled fund containing the assets of more than one plan on a line-by-line basis unless the value is reportable on lines 1c(9) through 1c(14). Do not enter the value of that portion of an insurance contract which guarantees, during this plan year, to pay a specific dollar benefit at a future date. **Round off amounts to the nearest dollar.** MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 1b(1), 1b(2), 1c(8), 1g, 1h, and 1i. CCTs, PSAs, and 103-12 IEs also do not complete lines 1d and 1e. See instructions.

Assets		(a) Beginning of Year	(b) End of Year
a Total noninterest-bearing cash	1a		425
b Receivables (less allowance for doubtful accounts):			
(1) Employer contributions	1b(1)		
(2) Participant contributions	1b(2)		
(3) Other	1b(3)		
c General investments:			
(1) Interest-bearing cash (include money market accounts & certificates of deposit)	1c(1)	13416	140
(2) U.S. Government securities	1c(2)		
(3) Corporate debt instruments (other than employer securities):			
(A) Preferred	1c(3)(A)		
(B) All other	1c(3)(B)		
(4) Corporate stocks (other than employer securities):			
(A) Preferred	1c(4)(A)		
(B) Common	1c(4)(B)		
(5) Partnership/joint venture interests	1c(5)		
(6) Real estate (other than employer real property)	1c(6)		
(7) Loans (other than to participants)	1c(7)		
(8) Participant loans	1c(8)	482948	511822
(9) Value of interest in common/collective trusts	1c(9)	4910460	6825442
(10) Value of interest in pooled separate accounts	1c(10)		
(11) Value of interest in master trust investment accounts	1c(11)		
(12) Value of interest in 103-12 investment entities	1c(12)		
(13) Value of interest in registered investment companies (e.g., mutual funds)	1c(13)	40760660	48212889
(14) Value of funds held in insurance company general account (unallocated contracts)	1c(14)		
(15) Other	1c(15)		

1d Employer-related investments:

		(a) Beginning of Year	(b) End of Year
(1) Employer securities	1d(1)		
(2) Employer real property	1d(2)		
e Buildings and other property used in plan operation	1e		
f Total assets (add all amounts in lines 1a through 1e)	1f	46167484	55550718

Liabilities

g Benefit claims payable	1g		
h Operating payables	1h		
i Acquisition indebtedness	1i		
j Other liabilities	1j		
k Total liabilities (add all amounts in lines 1g through 1j)	1k	0	0

Net Assets

l Net assets (subtract line 1k from line 1f)	1l	46167484	55550718
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Part II Income and Expense Statement

2 Plan income, expenses, and changes in net assets for the year. Include all income and expenses of the plan, including any trust(s) or separately maintained fund(s) and any payments/receipts to/from insurance carriers. Round off amounts to the nearest dollar. MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 2a, 2b(1)(E), 2e, 2f, and 2g.

Income

		(a) Amount	(b) Total
a Contributions:			
(1) Received or receivable in cash from: (A) Employers	2a(1)(A)	1631719	
(B) Participants	2a(1)(B)	5287288	
(C) Others (including rollovers)	2a(1)(C)	552055	
(2) Noncash contributions	2a(2)		
(3) Total contributions. Add lines 2a(1)(A) , (B) , (C) , and line 2a(2)	2a(3)		7471062
b Earnings on investments:			
(1) Interest:			
(A) Interest-bearing cash (including money market accounts and certificates of deposit)	2b(1)(A)	1	
(B) U.S. Government securities	2b(1)(B)		
(C) Corporate debt instruments	2b(1)(C)		
(D) Loans (other than to participants)	2b(1)(D)		
(E) Participant loans	2b(1)(E)	22840	
(F) Other	2b(1)(F)		
(G) Total interest. Add lines 2b(1)(A) through (F)	2b(1)(G)		22841
(2) Dividends: (A) Preferred stock	2b(2)(A)		
(B) Common stock	2b(2)(B)		
(C) Registered investment company shares (e.g. mutual funds)	2b(2)(C)	730604	
(D) Total dividends. Add lines 2b(2)(A) , (B) , and (C)	2b(2)(D)		730604
(3) Rents	2b(3)		
(4) Net gain (loss) on sale of assets: (A) Aggregate proceeds	2b(4)(A)		
(B) Aggregate carrying amount (see instructions)	2b(4)(B)		
(C) Subtract line 2b(4)(B) from line 2b(4)(A) and enter result	2b(4)(C)		0

		(a) Amount	(b) Total
2b (5) Unrealized appreciation (depreciation) of assets: (A) Real estate.....	2b(5)(A)		
(B) Other	2b(5)(B)		
(C) Total unrealized appreciation of assets. Add lines 2b(5)(A) and (B)	2b(5)(C)		0
(6) Net investment gain (loss) from common/collective trusts	2b(6)		456618
(7) Net investment gain (loss) from pooled separate accounts	2b(7)		
(8) Net investment gain (loss) from master trust investment accounts	2b(8)		
(9) Net investment gain (loss) from 103-12 investment entities	2b(9)		
(10) Net investment gain (loss) from registered investment companies (e.g., mutual funds).....	2b(10)		5488372
c Other income.....	2c		32053
d Total income. Add all income amounts in column (b) and enter total.....	2d		14201550

Expenses

e Benefit payment and payments to provide benefits:			
(1) Directly to participants or beneficiaries, including direct rollovers	2e(1)	4745697	
(2) To insurance carriers for the provision of benefits	2e(2)		
(3) Other	2e(3)		
(4) Total benefit payments. Add lines 2e(1) through (3)	2e(4)		4745697
f Corrective distributions (see instructions)	2f		11531
g Certain deemed distributions of participant loans (see instructions).....	2g		40543
h Interest expense.....	2h		
i Administrative expenses: (1) Professional fees	2i(1)		
(2) Contract administrator fees	2i(2)		
(3) Investment advisory and management fees	2i(3)		
(4) Other	2i(4)	20545	
(5) Total administrative expenses. Add lines 2i(1) through (4)	2i(5)		20545
j Total expenses. Add all expense amounts in column (b) and enter total.....	2j		4818316

Net Income and Reconciliation

k Net income (loss). Subtract line 2j from line 2d	2k		9383234
l Transfers of assets:			
(1) To this plan.....	2l(1)		
(2) From this plan	2l(2)		

Part III Accountant's Opinion

3 Complete lines 3a through 3c if the opinion of an independent qualified public accountant is attached to this Form 5500. Complete line 3d if an opinion is not attached.

a The attached opinion of an independent qualified public accountant for this plan is (see instructions):

(1) ☐ Unqualified (2) ☐ Qualified (3) ☒ Disclaimer (4) ☐ Adverse

b Did the accountant perform a limited scope audit pursuant to 29 CFR 2520.103-8 and/or 103-12(d)? ☒ Yes ☐ No

c Enter the name and EIN of the accountant (or accounting firm) below:

(1) Name: CLIFTON GUNDERSON

(2) EIN: 37-0802863

d The opinion of an independent qualified public accountant is **not attached** because:

(1) ☐ This form is filed for a CCT, PSA, or MTIA. (2) ☐ It will be attached to the next Form 5500 pursuant to 29 CFR 2520.104-50.

Part IV Compliance Questions

- 4** CCTs and PSAs do not complete Part IV. MTIAs, 103-12 IEs, and GIAs do not complete 4a, 4e, 4f, 4g, 4h, 4k, 4m, 4n, or 5. 103-12 IEs also do not complete 4j and 4l. MTIAs also do not complete 4l.

During the plan year:

	Yes	No	Amount
a Was there a failure to transmit to the plan any participant contributions within the time period described in 29 CFR 2510.3-102? Continue to answer "Yes" for any prior year failures until fully corrected. (See instructions and DOL's Voluntary Fiduciary Correction Program.).....		X	
b Were any loans by the plan or fixed income obligations due the plan in default as of the close of the plan year or classified during the year as uncollectible? Disregard participant loans secured by participant's account balance. (Attach Schedule G (Form 5500) Part I if "Yes" is checked.).....		X	
c Were any leases to which the plan was a party in default or classified during the year as uncollectible? (Attach Schedule G (Form 5500) Part II if "Yes" is checked.)		X	
d Were there any nonexempt transactions with any party-in-interest? (Do not include transactions reported on line 4a. Attach Schedule G (Form 5500) Part III if "Yes" is checked.).....		X	
e Was this plan covered by a fidelity bond?.....	X		3000000
f Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty?		X	
g Did the plan hold any assets whose current value was neither readily determinable on an established market nor set by an independent third party appraiser?		X	
h Did the plan receive any noncash contributions whose value was neither readily determinable on an established market nor set by an independent third party appraiser?		X	
i Did the plan have assets held for investment? (Attach schedule(s) of assets if "Yes" is checked, and see instructions for format requirements.).....	X		
j Were any plan transactions or series of transactions in excess of 5% of the current value of plan assets? (Attach schedule of transactions if "Yes" is checked, and see instructions for format requirements.).....		X	
k Were all the plan assets either distributed to participants or beneficiaries, transferred to another plan, or brought under the control of the PBGC?.....		X	
l Has the plan failed to provide any benefit when due under the plan?		X	
m If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.).....		X	
n If 4m was answered "Yes," check the "Yes" box if you either provided the required notice or one of the exceptions to providing the notice applied under 29 CFR 2520.101-3.			

- 5a** Has a resolution to terminate the plan been adopted during the plan year or any prior plan year?
If yes, enter the amount of any plan assets that reverted to the employer this year ☐ Yes ☒ No Amount:

- 5b** If, during this plan year, any assets or liabilities were transferred from this plan to another plan(s), identify the plan(s) to which assets or liabilities were transferred. (See instructions.)

5b(1) Name of plan(s)

5b(2) EIN(s)	5b(3) PN(s)

SCHEDULE R (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Retirement Plan Information This schedule is required to be filed under section 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6058(a) of the Internal Revenue Code (the Code). ▶ File as an attachment to Form 5500.	OMB No. 1210-0110 2010 This Form is Open to Public Inspection.
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For calendar plan year 2010 or fiscal plan year beginning 01/01/2010 and ending 12/31/2010

A Name of plan <u>SAFENET, INC. 401(K) PLAN</u>	B Three-digit plan number (PN) ▶ <u>001</u>
C Plan sponsor's name as shown on line 2a of Form 5500 <u>SAFENET, INC.</u>	D Employer Identification Number (EIN) <u>52-1287752</u>

Part I	Distributions
---------------	----------------------

All references to distributions relate only to payments of benefits during the plan year.

1 Total value of distributions paid in property other than in cash or the forms of property specified in the instructions.....	1	<u>0</u>
2 Enter the EIN(s) of payor(s) who paid benefits on behalf of the plan to participants or beneficiaries during the year (if more than two, enter EINs of the two payors who paid the greatest dollar amounts of benefits): EIN(s): <u>94-1687665</u>		
Profit-sharing plans, ESOPs, and stock bonus plans, skip line 3.		
3 Number of participants (living or deceased) whose benefits were distributed in a single sum, during the plan year.....	3	

Part II	Funding Information (If the plan is not subject to the minimum funding requirements of section 412 of the Internal Revenue Code or ERISA section 302, skip this Part)
----------------	--

4 Is the plan administrator making an election under Code section 412(d)(2) or ERISA section 302(d)(2)?.....	☐ Yes	☐ No	☐ N/A
If the plan is a defined benefit plan, go to line 8.			
5 If a waiver of the minimum funding standard for a prior year is being amortized in this plan year, see instructions and enter the date of the ruling letter granting the waiver. Date: Month _____ Day _____ Year _____	If you completed line 5, complete lines 3, 9, and 10 of Schedule MB and do not complete the remainder of this schedule.		
6 a Enter the minimum required contribution for this plan year	6a		
b Enter the amount contributed by the employer to the plan for this plan year	6b		
c Subtract the amount in line 6b from the amount in line 6a. Enter the result (enter a minus sign to the left of a negative amount).....	6c		
If you completed line 6c, skip lines 8 and 9.			
7 Will the minimum funding amount reported on line 6c be met by the funding deadline?	☐ Yes	☐ No	☐ N/A
8 If a change in actuarial cost method was made for this plan year pursuant to a revenue procedure providing automatic approval for the change or a class ruling letter, does the plan sponsor or plan administrator agree with the change?.....	☐ Yes	☐ No	☐ N/A

Part III	Amendments
-----------------	-------------------

9 If this is a defined benefit pension plan, were any amendments adopted during this plan year that increased or decreased the value of benefits? If yes, check the appropriate box(es). If no, check the "No" box.....	☐ Increase	☐ Decrease	☐ Both	☐ No
--	-----------------------------------	-----------------------------------	-------------------------------	-----------------------------

Part IV	ESOPs (see instructions). If this is not a plan described under Section 409(a) or 4975(e)(7) of the Internal Revenue Code, skip this Part.
----------------	---

10 Were unallocated employer securities or proceeds from the sale of unallocated securities used to repay any exempt loan?.....	☐ Yes	☐ No
11 a Does the ESOP hold any preferred stock?	☐ Yes	☐ No
b If the ESOP has an outstanding exempt loan with the employer as lender, is such loan part of a "back-to-back" loan? (See instructions for definition of "back-to-back" loan.)	☐ Yes	☐ No
12 Does the ESOP hold any stock that is not readily tradable on an established securities market?	☐ Yes	☐ No

For Paperwork Reduction Act Notice and OMB Control Numbers, see the instructions for Form 5500.

Schedule R (Form 5500) 2010
v.092308.1

Part V Additional Information for Multiemployer Defined Benefit Pension Plans

13 Enter the following information for each employer that contributed more than 5% of total contributions to the plan during the plan year (measured in dollars). See instructions. *Complete as many entries as needed to report all applicable employers.*

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month Day Year

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents)

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month Day Year

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents)

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month Day Year

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents)

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month Day Year

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents)

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month Day Year

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents)

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month Day Year

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents)

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

- 14** Enter the number of participants on whose behalf no contributions were made by an employer as an employer of the participant for:

a The current year	14a	
b The plan year immediately preceding the current plan year	14b	
c The second preceding plan year	14c	

- 15** Enter the ratio of the number of participants under the plan on whose behalf no employer had an obligation to make an employer contribution during the current plan year to:

a The corresponding number for the plan year immediately preceding the current plan year	15a	
b The corresponding number for the second preceding plan year	15b	

- 16** Information with respect to any employers who withdrew from the plan during the preceding plan year:

a Enter the number of employers who withdrew during the preceding plan year	16a	
b If item 16a is greater than 0, enter the aggregate amount of withdrawal liability assessed or estimated to be assessed against such withdrawn employers	16b	

- 17** If assets and liabilities from another plan have been transferred to or merged with this plan during the plan year, check box and see instructions regarding supplemental information to be included as an attachment. ☐

Part VI Additional Information for Single-Employer and Multiemployer Defined Benefit Pension Plans

- 18** If any liabilities to participants or their beneficiaries under the plan as of the end of the plan year consist (in whole or in part) of liabilities to such participants and beneficiaries under two or more pension plans as of immediately before such plan year, check box and see instructions regarding supplemental information to be included as an attachment ☐

- 19** If the total number of participants is 1,000 or more, complete items (a) through (c)

- a** Enter the percentage of plan assets held as:
 Stock: _____% Investment-Grade Debt: _____% High-Yield Debt: _____% Real Estate: _____% Other: _____%
- b** Provide the average duration of the combined investment-grade and high-yield debt:
☐ 0-3 years ☐ 3-6 years ☐ 6-9 years ☐ 9-12 years ☐ 12-15 years ☐ 15-18 years ☐ 18-21 years ☐ 21 years or more
- c** What duration measure was used to calculate item 19(b)?
☐ Effective duration ☐ Macaulay duration ☐ Modified duration ☐ Other (specify): _____

SAFENET, INC. 401(k) PLAN
Belcamp, Maryland

FINANCIAL STATEMENTS
December 31, 2010 and 2009

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Independent Auditor's Report

Plan Participants and Trustees
SafeNet, Inc. 401(k) Plan
Belcamp, Maryland

We were engaged to audit the statements of net assets available for benefits of SafeNet, Inc. 401(k) Plan (the Plan) as of December 31, 2010 and 2009, and the related statements of changes in net assets available for benefits for the years then ended, and the supplemental Schedule H, Line 4i – Schedule of Assets (Held at End of Year) as of December 31, 2010. These financial statements and supplemental schedule are the responsibility of the Plan's management.

As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 (ERISA), the plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in Note 3, which was certified by Bank of America, the trustee of the Plan, except for comparing the information with the related information included in the financial statements and supplemental schedule. We have been informed by the plan administrator that the Trustee holds the Plan's investment assets and participant notes receivable and executes related transactions. The plan administrator has obtained a certification from the trustee as of and for the years ended December 31, 2010 and 2009, that the information provided to the plan administrator by the trustee is complete and accurate.

Because of the significance of the information that we did not audit, we are unable to, and do not, express an opinion on the accompanying financial statements and supplemental schedules taken as a whole. The form and content of the information included in the financial statements and supplemental schedules, other than that derived from the information certified by the trustee, have been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, are presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

Clifton Gunderson LLP

Baltimore, Maryland
July 28, 2011

*Timonium Corporate Center
9515 Deereco Road, Suite 500
Timonium, Maryland 21093
tel: 410-453-0900
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FINANCIAL STATEMENTS

SAFENET, INC. 401(k) PLAN
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash	\$ -	\$ 13,076
Participant-directed investments, at fair value	<u>55,038,331</u>	<u>45,671,121</u>
Receivables		
Employer contributions	1,813,989	1,569,189
Accrued income	565	340
Notes receivable from participants	<u>511,822</u>	<u>482,948</u>
Total receivables	<u>2,326,376</u>	<u>2,052,477</u>
Net assets available for benefits, at fair value	57,364,707	47,736,674
Adjustments from fair value to contract value for interest in Common/Collective Trust relating to fully benefit-responsive investment contracts	<u>-</u>	<u>358,274</u>
TOTAL NET ASSETS AVAILABLE FOR BENEFITS	<u><u>\$ 57,364,707</u></u>	<u><u>\$ 48,094,948</u></u>

The accompanying notes are an integral part of the financial statements.

SAFENET, INC. 401(k) PLAN
STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Additions to net assets attributed to:		
Investment income:		
Interest and dividends	\$ 834,197	\$ 544,124
Net appreciation of investments	5,439,349	6,202,625
Other	<u>27,063</u>	<u>7,297</u>
Total investment income	<u>6,300,609</u>	<u>6,754,046</u>
Interest income from notes receivable from participants	<u>22,840</u>	<u>13,700</u>
Contributions:		
Participants	5,287,288	3,957,780
Employer	1,863,295	1,648,762
Rollover	<u>552,055</u>	<u>91,066</u>
Total contributions	<u>7,702,638</u>	<u>5,697,608</u>
Total additions	<u>14,026,087</u>	<u>12,465,354</u>
Deductions from net assets attributed to:		
Benefits paid to participants	4,749,007	2,420,855
Administrative expenses	<u>7,321</u>	<u>4,744</u>
Total deductions	<u>4,756,328</u>	<u>2,425,599</u>
Transfer of net assets from merged plans into the Safenet, Inc. 401(k) Plan	<u>-</u>	<u>19,360,998</u>
NET INCREASE	9,269,759	29,400,753
NET ASSETS AVAILABLE FOR BENEFITS, BEGINNING OF YEAR	<u>48,094,948</u>	<u>18,694,195</u>
NET ASSETS AVAILABLE FOR BENEFITS, END OF YEAR	<u>\$ 57,364,707</u>	<u>\$ 48,094,948</u>

The accompanying notes are an integral part of the financial statements.

SAFENET, INC. 401(k) PLAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 1 – DESCRIPTION OF PLAN

The following description of the SafeNet, Inc. 401(k) Plan (the Plan) is provided for general information purposes only. Participants should refer to the Plan document for more complete information.

General

The Plan is a defined contribution plan covering substantially all full-time employees of SafeNet, Inc. (the Company) who have at least three months of service. The Company has designated the first day of each month as the entry dates for the Plan. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). Employees of the Company include former employees of Ingrian Networks, Inc. and Rainbow Technologies, Inc.

In early 2009, the Board of Directors of Vector Capital, the controlling party of the Company, approved the merger of AKSI 401(k) Plan and Mykotronx, Inc. 401(k) Profit Sharing Plan into the Plan, effective June 1, 2009. At this time all eligible employees of Mykotronx, Inc. (Myko) and AKSI (Aladdin) were allowed to participate in the Plan. Investments in mutual funds and participant loans totaling \$19,360,998 were transferred from the merging plans into the Plan on September 30, 2009.

In December 2009, the Company acquired Assured Decisions, LLC (Assured Decisions). Effective January 1, 2010, the Plan was amended to allow employees of Assured Decisions to participate in the Plan.

Contributions

Each year, participants may contribute an amount up to 100% of pre-tax annual compensation, as defined by the Plan subject to the maximum allowable contributions under the Internal Revenue Code (IRC). Participants who have attained age 50 before the end of the Plan year are eligible to make catch-up contributions. Participants may also contribute amounts representing distributions from other qualified defined benefit or defined contribution plans. Participants direct the investment of their contributions into various investment options offered by the Plan. Effective June 1, 2009, employees who are hired after that date will automatically be enrolled at an amount equal to 2% of their compensation.

The plan sponsor may make a matching contribution to the Plan equal to a percentage of the participant's contribution which the Company will determine each year. The matching contributions received by each participant varied by employer and are detailed below:

- *SafeNet, Inc. and Assured Decisions* – The match is discretionarily determined each year. For 2010 and 2009, the employer match was equal to 100% of compensation contributed by a participant, up to a maximum of 3% of the participant's compensation.
- *Aladdin* – The match is equal to 50% of participant deferrals on the first 6% of eligible compensation from June 1, 2009 through March 24, 2010. After March 24, 2010, Aladdin employees received the same match as SafeNet, Inc. employees.
- *Myko* – An amount equal to 50% of participant deferrals up to \$6,000.

The Company may also make safe harbor matches and discretionary profit sharing contributions as determined annually at the discretion of the Board of Directors. During 2010 and 2009, employer matching contributions totaled \$1,863,295 and \$1,648,762, respectively.

SAFENET, INC. 401(k) PLAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 1 – DESCRIPTION OF PLAN (CONTINUED)

No profit sharing contributions were made to the Plan in 2010 and 2009.

Participant Accounts

Each participant's account is credited with the participant's contribution, the Company's contribution, Plan earnings (losses), and charged with an allocation of administrative expenses. Allocations are made pursuant to the Plan provisions. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

Notes receivable from participants

Participants may borrow from their fund accounts a minimum of \$1,000 up to a maximum equal to the lesser of \$50,000 or 50% of their account balance. The loans are secured by the balance in the participant's account and bear interest at a rate commensurate with local prevailing rates as determined by the plan administrator. Loans are to be repaid within a period of five years, unless used for the purchase of a principal residence, in which repayment is up to ten years. Principal and interest are paid ratably through payroll deductions. Interest rates ranged from 4.25% - 9.25% during 2010 and 2009.

Vesting

Participants are vested immediately in their contributions plus actual net earnings thereon. Prior to June 1, 2009, the portion of their account representing the employer matching and discretionary contributions and earning thereon will vest as follows:

<u>Years of Service</u>	<u>Percentage Vested</u>
Less than 1	0 %
1	20 %
2	40 %
3	60 %
4	80 %
5 or more	100 %

Effective June 1, 2009, the vesting schedule was updated to the following:

<u>Years of Service</u>	<u>Percentage Vested</u>
Less than 1	0 %
1	25 %
2	50 %
3	75 %
4 or more	100 %

SAFENET, INC. 401(k) PLAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 1 – DESCRIPTION OF PLAN (CONTINUED)

Aladdin employees and Myko employees are 100% vested in amounts credited to their company contributions and earnings thereon. Any active participant in the Ingrian Networks Incorporated Salary Deferral Plan as of May 1, 2008 also became 100% vested in amounts credited to their company contributions and earnings thereon. Any active participant in the Rainbow Technologies, Inc. 401(k) Plan as of April 30, 2006 are 100% vested in amounts credited to their company contributions and earnings thereon.

Payment of Benefits

On termination of service due to death, disability or retirement, a participant with a vested balance of less than \$5,000 will receive a lump sum distribution. Participants who have balances greater than \$5,000 may elect to receive either a lump-sum amount equal to the value of the participant's vested interest in his or her account, or annual installments over a term to be determined based on life expectancy. For termination of service for other reasons, a participant may receive the value of the vested interest in his or her account as a lump-sum distribution. The Plan also allows for in-service withdrawals for hardships and participants who have reached the normal retirement age of 59 ½ year old.

Forfeited Accounts

At December 31, 2010 and 2009, forfeited non-vested accounts totaled \$127,046 and \$87,360, respectively. These accounts may be used first to pay administrative expenses and second to be used towards employer contributions. Any amounts remaining may be allocated to participants. Forfeitures used to reduce employer contributions were \$32,201 in 2010. There were no forfeitures used in 2009.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Financial Presentation

The financial statements of the Plan are prepared on the accrual basis of accounting.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosures of contingent assets and liabilities. Actual results could differ from those estimates.

Investment Valuation and Income Recognition

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 4 for discussion of fair value measurements.

SAFENET, INC. 401(k) PLAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation includes the Plan's gains and losses on investments bought and sold as well as held during the year.

The accounting codification guidance requires investment contracts held by a defined-contribution plan to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of net assets available for benefits of a defined-contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. The statement of net assets available for benefits presents the fair value of the investment in the collective trust as well as the adjustment of the investment in the collective trust from fair value to contract value relating to the investment contract as of December 31, 2009. During 2010, the investment contract held by the Plan was approved for termination and commenced liquidation of assets. The termination of the investment contract required a change in method from contract value to fair value accounting. The financial statements present the investment contract at fair value as of December 31, 2010.

Administrative Expenses

During the years ended December 31, 2010 and 2009, certain administrative expenses of the Plan were voluntarily paid by the Employer.

Benefit Payments

Benefit payments are recorded as reductions in Plan assets when they have been paid.

Change in Accounting Principles

The Plan adopted a new accounting standard, *Reporting Loans to Participants by Defined Contribution Pension Plans*, which provides clarification of how loans to participants should be classified and measured by defined contribution pension benefit plans. This guidance requires that loans to participants be reported as notes receivable from participants in the Statements of Net Assets Available for Benefits and be measured at their unpaid principal balance plus any accrued but unpaid interest. The Plan adopted this standard in its December 31, 2010 financial statements and has reclassified loans from participants of \$482,948 from participant-directed investments to notes receivable from participants as of December 31, 2009. The Plan has also reclassified interest income from participant loans of \$13,700 from investment income to interest income from notes receivable from participants for the year ended December 31, 2009. Net assets of the Plan were not affected by the adoption of this standard.

New Accounting Pronouncements

In January 2010, the FASB issued Accounting Standards Update 2010-06, *Fair Value Measurements and Disclosures (topic 820) – Improving Disclosures about Fair Value Measurements*. The guidance requires: (i) separate disclosures of significant transfers between Level 1 and Level 2, and reasons for the transfers; (ii) disclosures, on a gross basis, of purchases, sales, issuances, and net settlements within Level 3; (iii) disclosures by class of

**SAFENET, INC. 401(k) PLAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements (Continued)

assets and liabilities, and (iv) a description of the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements. This guidance is effective for interim and annual reporting periods beginning after December 31, 2009, except for the Level 3 disclosure requirements, which will be effective for fiscal years beginning after December 15, 2010, and interim periods within those fiscal years with early adoption permitted. Management of the Plan does not believe the adoption of this guidance will impact the financial statements; however, additional disclosures may be required.

NOTE 3 – CERTIFIED INFORMATION PROVIDED BY THE PLAN TRUSTEE

The plan administrator has elected the method of annual reporting compliance permitted by 29 CFR 2520.103-8 of the Department of Labor Rules and Regulations for Reporting and Disclosure under ERISA. Accordingly, the custodian Bank of America has certified that the following data included in the accompanying financial statements and supplemental schedule is complete and accurate:

- a. Total investments as shown in the accompanying Statements of Net Assets Available for Benefits of \$55,038,331 and \$45,167,121 as of December 31, 2010 and 2009, respectively.
- b. Note receivables from participants as shown in the accompanying Statements of Net Assets Available for Benefits was \$511,822 and \$482,948 as of December 31, 2010 and 2009, respectively.
- c. Total investment income as shown in the accompanying Statements of Changes in Net Assets Available for Benefits was \$6,300,609 and \$6,754,046 for the years ended December 31, 2010 and 2009, respectively.
- d. Interest income from notes receivable from participants as shown in the accompanying Statements of Changes in Net Assets available for benefits was \$22,840 and \$13,700 for the years ended December 31, 2010 and 2009, respectively.

The fair value of participant investments that represent five percent or more of the Plan's net assets at December 31, are:

	<u>2010</u>	<u>2009</u>
* Merrill Lynch Retirement Preservation Trust	\$6,825,442	\$4,910,460
Putnam Equity Income FD CL A	4,237,607	4,147,887
The Oakmark EQ & INC FD CL II	4,089,327	3,945,989
PIMCO Funds Total Return Fund CL A	4,015,666	3,522,606
Hartford Capital Appreciation Fund CL R4	3,672,466	3,661,459
American Growth Fund of America R3	3,478,540	3,123,942
Oppenheimer Developing Markets Fund CL A	3,394,130	2,474,350
Blackrock S&P 500 Index Fund	3,057,592	2,662,255
Thornburg International Value Fund A	2,998,951	3,060,299

* Party-in-interest

SAFENET, INC. 401(k) PLAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 3 – CERTIFIED INFORMATION PROVIDED BY THE PLAN TRUSTEE (CONTINUED)

Investment income for the years ended December 31, are as follows:

	2010		2009	
	Net Appreciation	Interest and Dividend	Net Appreciation	Interest and Dividend
Mutual funds	\$ 5,439,349	\$ 834,197	\$ 6,202,625	\$ 544,124
Common collective trust	27,063	-	7,297	-
	\$ 5,466,412	\$ 834,197	\$ 6,209,922	\$ 544,124

The Plan's independent auditors did not perform auditing procedures with respect to this information, except for comparing such information to the related information included in the financial statements and supplemental schedule.

NOTE 4 – FAIR VALUE MEASUREMENTS

The accounting codification guidance establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2

Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the asset or liabilities.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3

Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2010 and 2009.

Mutual Funds: Valued at the net asset value (NAV) of shares held by the Plan at year-end as quoted in active markets.

SAFENET, INC. 401(k) PLAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 4 – FAIR VALUE MEASUREMENTS (CONTINUED)

Common/Collective Trusts: Valued at the net asset value of units of the fund held by the Plan based on the fair value of the underlying investments of the fund.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table sets forth by the level, within the fair value hierarchy, the Plan's assets at fair value as of December 31:

2010				
	Level 1	Level 2	Level 3	Total
Mutual funds by type:				
Growth	\$ 17,695,337	\$ -	\$ -	\$ 17,695,337
Value	7,335,098	-	-	7,335,098
Fixed income	4,474,664	-	-	4,474,664
Mid-cap	5,757,533	-	-	5,757,533
Global	8,813,502	-	-	8,813,502
Technology	821,325	-	-	821,325
Small cap	798,610	-	-	798,610
Lifestyle	2,516,820	-	-	2,516,820
Total mutual funds	48,212,889	-	-	48,212,889
Common/collective trust	-	6,825,442	-	6,825,442
Total investments at fair value	\$ 48,212,889	\$ 6,825,442	\$ -	\$ 55,038,331

2009				
	Level 1	Level 2	Level 3	Total
Mutual funds by type:				
Growth	\$ 14,786,602	\$ -	\$ -	\$ 14,786,602
Value	6,542,377	-	-	6,542,377
Fixed income	3,751,841	-	-	3,751,841
Mid-cap	4,385,772	-	-	4,385,772
Global	8,590,787	-	-	8,590,787
Technology	653,825	-	-	653,825
Index	105,234	-	-	105,234
Small cap	658,556	-	-	658,556
Lifestyle	1,285,667	-	-	1,285,667
Total mutual funds	40,760,661	-	-	40,760,661
Common/collective trust	-	4,910,460	-	4,910,460
Total investments at fair value	\$ 40,760,661	\$ 4,910,460	\$ -	\$ 45,671,121

SAFENET, INC. 401(k) PLAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 5 – RELATED PARTY TRANSACTION

Certain Plan investments are shares of mutual funds and common/collective trusts, and are managed by Bank of America. Bank of America is the trustee as defined by the Plan, and therefore, these transactions qualify as party-in-interest transactions. The Plan paid \$7,320 and \$4,744 in administrative fees to Bank of America for the Plan years ended December 31, 2010 and 2009, respectively. Certain executives of the Company are participants in the Plan and therefore are related parties.

NOTE 6 – PLAN TERMINATION

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of Plan termination, participants would become 100% vested in their entire account including employer contributions and earnings thereon. Any unallocated assets of the Plan shall be allocated to participant accounts and distributed in such a manner as the Company may determine.

NOTE 7 – TAX STATUS

The Internal Revenue Service (IRS) has determined and informed the Company by a letter dated March 25, 2004, that the Plan and related trust are designed in accordance with applicable sections of the IRC. The Plan has been amended since receiving the letter. The Plan's administrator has filed the appropriate documents with the IRS for an updated letter but has yet to receive a response. However, the Plan's administrator believes that the Plan is designed and is currently being operated in compliance with the applicable requirements of the IRC. Therefore, no provision for income taxes has been included in the Plan's financial statements.

NOTE 8 – RECONCILIATION OF FINANCIAL STATEMENTS TO FORM 5500

The following is a reconciliation of net assets available for benefits per the financial statements at December 31, 2010 and 2009 to Form 5500:

	<u>2010</u>	<u>2009</u>
Net Assets Available for Benefits per the financial statements	\$ 57,364,707	\$ 48,094,948
Less current year Employer Contribution Receivable	(1,813,989)	(1,569,189)
Less prior year adjustment from contract value to fair value for interest in common/collective trust relating to fully benefit-responsive investment contracts	-	(358,274)
Rounding	-	(1)
Total	<u>\$ 55,550,718</u>	<u>\$ 46,167,484</u>

**SAFENET, INC. 401(k) PLAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009**

NOTE 8 – RECONCILIATION OF FINANCIAL STATEMENTS TO FORM 5500 (CONTINUED)

The following is a reconciliation of changes in net assets per the financial statements for the years ended December 31, 2010 and 2009 to Form 5500:

	<u>2010</u>	<u>2009</u>
Change in Net Assets per the financial statements	\$ 9,269,759	\$ 29,400,753
Less current year Contributions Receivable	(1,813,989)	(1,569,189)
Less current year adjustment from contract value to fair value for interest in common/collective trust relating to fully benefit-responsive investment contracts	-	(358,274)
Add prior year adjustment from contract value to fair value for interest in common/collective trust relating to fully benefit-responsive investment contracts	358,274	344,227
Add prior year contributions receivable	1,569,189	585,777
Rounding	<u>1</u>	<u>(1)</u>
Total	<u><u>\$ 9,383,234</u></u>	<u><u>\$ 28,403,293</u></u>

NOTE 9 – RISK AND UNCERTAINTIES

The Plan invests in various investment securities, which are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, and that such changes could materially affect participants' account balances and the amounts reported in the Statement of Net Assets Available for Benefits.

NOTE 10 – SUBSEQUENT EVENT

Management evaluated subsequent events through July 28, 2011, the date the financial statements were available to be issued. Events or transactions occurring after December 31, 2010, but prior to July 28, 2011 that provided additional evidence about conditions that existed at December 31, 2010, have been recognized in the financial statements for the year ended December 31, 2010. Events or transactions that provided evidence about conditions that did not exist at December 31, 2010, but arose before the financial statements were available to be issued, have not been recognized in the financial statements for the year ended December 31, 2010.

SUPPLEMENTAL SCHEDULE

SAFENET, INC. 401(k) PLAN
FORM 5500 – SCHEDULE H – LINE 4i
SCHEDULE OF ASSETS (HELD AT END OF YEAR)
EIN 52-1287752, PLAN # 001
December 31, 2010

(a)	(b)	(c)	(d)	(e)
Identity of Issuer, Borrower, Lessor, or Similar Party	Including Maturity Date, Rate of Interest, Collateral, Par or Maturity Value	Cost **	Current Value	
* Merrill Lynch Retirement Preservation Trust			\$	6,825,442
Putnam Equity Income FD CL A				4,237,607
The Oakmark EQ & INC FD CL II				4,089,327
PIMCO Funds Total Return Fund CL A				4,015,666
Hartford Capital Appreciation Fund CL R4				3,672,466
American Growth Fund of America R3				3,478,540
Oppenheimer Developing Markets Fund CL A				3,394,130
Blackrock S&P 500 Index Fund				3,057,592
Thornburg International Value Fund A				2,998,951
IVY Mid Cap Growth Fund CL Y				2,414,373
IVY Asset Strategy Fund CL Y				2,261,450
Invesco Asia Pacific Growth A				1,981,007
Goldman Sachs Mid Cap Value Fund A				1,911,916
Van ECK Global Hard Assets				1,727,385
Allianz NFJ Sm-Cap Value CL A				1,143,190
Fidelity ADV Small Cap FD CL T				793,869
Fidelity Advisors Freedom 2040 FD T				729,453
Oppenheimer International Bond Fund CL A				670,487
ING Global Real Estate Fund CL A				668,649
Janus Overseas FD CL A				486,580
Prudential Jennison Health Science Fund				459,795
Fidelity Advisors Freedom 2030 Fund CL T				458,901
Fidelity Advisors Freedom 2015 Fund CL T				404,834
Fidelity Advisors Freedom 2035 Fund CL T				397,817
American Cap World GR & INC R3				370,053
Seligman Communications & Information Fund CL A				361,531
The Oakmark INTL FD CL II				350,667
Invesco Mid Cap Core Equity Fund A				285,567
Fidelity Advisors Freedom 2020 Fund CL T				282,577
Lord Abbett Total Return Fund CL P				251,395
Putnam Government Income Trust				232,650
Mainstay High Yield Corp BD FD				207,603
Fidelity Advisors Freedom 2025 Fund CL T				191,583
Davis Series Financial Fd CI A				126,496
Fidelity Advisors Freedom 2010 Fund CL T				51,656
MFS Utilities Fund CL A				42,381
Invesco Van Kampen Small Cap A				4,741
Invesco Van Kampen Equity Fund				3
Blackrock Large Cap Value Fund A				1
Total investments				<u>55,038,331</u>
* Participant loans	Interest rates of 4.25% - 9.25% with maturity dates ranging from 2010 to 2025.			<u>511,822</u>
Total assets			\$	<u>55,550,153</u>

* Indicates a party-in-interest.

** Cost is not required for participant directed investments.

STATEMENT OF ASSETS

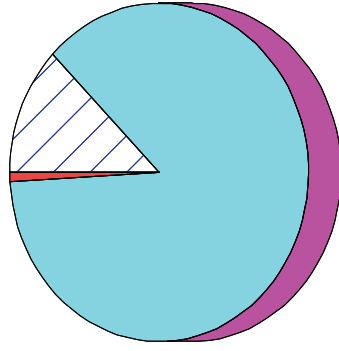
FOR THE PERIOD 01/01/2010 - 12/31/2010

SAFENET, INC. 401(K) PLAN

CONSOLIDATION

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ALLOCATION OF PLAN ASSETS



Investment Category	Shares/Units	Price/NAV	Cost/Book Value	Market Value	% Total Value
<u>COMMON / COLLECTIVE TRUSTS</u>					
ML RET PRESERVATION TRUST	6,825,441.8200	1.000	6,825,441.82	6,825,441.82	12.29%
<u>MUTUAL FUNDS</u>					
THE OAKMARK EQ & INC FD CL II	148,056.7327	27.620	3,669,686.97	4,089,326.96	7.36%
THE OAKMARK INTL FD CL II	17,955.3138	19.530	322,623.92	350,667.28	0.63%
BLACKROCK LG CAP VALUE A	0.0711	14.610	0.93	1.04	0.00%
MUNDER MIDCAP CORE GROWTH	0.0177	27.890	0.41	0.49	0.00%
JANUS OVERSEAS FD CL A	9,620.0164	50.580	370,471.90	486,580.43	0.88%
AMERICAN CAP WORLD GR & INC R3	10,412.2869	35.540	360,327.71	370,052.68	0.67%
AMERICAN GROWTH FD OF AMER R3	116,028.6847	29.980	3,151,676.16	3,478,539.97	6.26%
LORD ABBETT TOTAL RETURN CL P	23,407.3815	10.740	253,601.48	251,395.28	0.45%

Balances include the effect of pending trades

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STATEMENT OF ASSETS

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SAFENET, INC. 401 (K) PLAN
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Investment Category	Shares/ Units	Price/ NAV	Cost/Book Value	Market Value	% Total Value
IVY MID CAP GROWTH FUND CL Y	138,043.0400	17.490	1,828,640.09	2,414,372.77	4.35%
PRUDENTIAL JENNISON HEALTH SCI	19,750.6257	23.280	392,059.24	459,794.57	0.83%
FIDELITY ADV FRDM 2010 FD CL T	4,487.8939	11.510	46,451.12	51,655.66	0.09%
FIDELITY ADV FRDM 2020 FD CL T	23,548.0969	12.000	253,095.47	282,577.16	0.51%
FIDELITY ADV FRDM 2030 FD CL T	37,738.5835	12.160	395,542.11	458,901.18	0.83%
FIDELITY ADV FRDM 2040 FD T	59,112.8535	12.340	660,813.99	729,452.61	1.31%
IVY ASSET STRATEGY FD CL Y	92,492.8495	24.450	2,076,560.74	2,261,450.17	4.07%
ING GLOBAL REAL ESTATE FD CL A	41,071.7756	16.280	631,511.26	668,648.51	1.20%
FIDELITY ADV FRDM 2015 FD CL T	35,264.2796	11.480	375,892.21	404,833.93	0.73%
FIDELITY ADV FRDM 2025 FD CL T	16,473.1622	11.630	165,620.26	191,582.88	0.34%
FIDELITY ADV FRDM 2035 FD CL T	34,532.7432	11.520	338,293.49	397,817.20	0.72%
INVESCO VAN KAMPEN EQUITY FD A	0.3198	8.590	2.48	2.75	0.00%
INVESCO VAN KAMPEN SMALL CAP A	427.4850	11.090	4,540.56	4,740.81	0.01%
HARTFORD CAPITAL CL R4	99,121.8902	37.050	3,113,391.96	3,672,466.03	6.61%
DAVIS SERIES FINANCIAL FD CL A	3,982.8859	31.760	117,101.72	126,496.46	0.23%
VAN ECK GLOBAL HARD ASSETS	33,009.4556	52.330	1,280,933.85	1,727,384.81	3.11%
OPPENHEIMER INTL BD FD CL A	102,208.3636	6.560	635,858.85	670,486.87	1.21%
OPPENHEIMER DEV MKTS FD CL A	93,066.3690	36.470	2,564,660.70	3,394,130.48	6.11%
PIMCO TOTAL RETURN FUND CL A	370,107.4812	10.850	3,963,079.98	4,015,666.17	7.23%
BLACKROCK S&P500 INDEX I	198,803.1346	15.380	2,727,390.06	3,057,592.21	5.50%
ALLIANZ NFJ SM-CAP VALUE CL A	40,055.7151	28.540	885,859.28	1,143,190.11	2.06%

Balances include the effect of pending trades

STATEMENT OF ASSETS

FOR THE PERIOD 01/01/2010 - 12/31/2010

SAFENET, INC. 401(K) PLAN
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Investment Category	Shares/ Units	Price/ NAV	Cost/Book Value	Market Value	% Total Value
GOLDMAN SACHS MID CAP VAL A	53,256.7139	35.900	1,557,279.46	1,911,916.03	3.44%
INVESCO ASIA PACIFIC GROWTH A	65,770.4873	30.120	1,564,614.83	1,981,007.08	3.57%
MAINSTAY HIGH YLD CORP BD FD	35,246.6296	5.890	196,746.49	207,602.65	0.37%
THORNBURG INTER VALUE FD A	106,990.7750	28.030	2,590,583.45	2,998,951.42	5.40%
FIDELITY ADV SMALL CAP FD CL T	32,575.6736	24.370	607,773.42	793,869.17	1.43%
PUTNAM US GOV'T INCOME TRUST A	16,430.0894	14.160	247,187.78	232,650.07	0.42%
COLUMBIA SELIGMAN COMM FD A	8,086.1240	44.710	279,353.26	361,530.60	0.65%
INVESCO MID CAP CORE EQTY FD A	12,324.8656	23.170	237,421.41	285,567.14	0.51%
MFS UTILITIES FUND CL A	2,581.0535	16.420	38,003.00	42,380.90	0.08%
PUTNAM EQUITY INCOME FD CL A	281,568.5603	15.050	3,671,605.82	4,237,606.83	7.63%
TOTAL MUTUAL FUNDS			41,576,257.82	48,212,889.36	86.79%
<u>LOANS</u>					
LOAN FUND	511,821.5800	1.000	511,821.58	511,821.58	0.92%
CONVERSION LOAN FUND	0.1300	1.000	0.13	0.13	0.00%
TOTAL LOANS			511,821.71	511,821.71	0.92%
<u>PENDING SETTLEMENT FUNDS</u>					
PENDING SETTLEMENT FUND	425.0000	1.000	425.00	425.00	0.00%
INVESTMENT TOTAL			48,913,946.35	55,550,577.89	100.00%
UNINVESTED CASH			0.00	0.00	0.00%

Balances include the effect of pending trades

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STATEMENT OF ASSETS

FOR THE PERIOD 01/01/2010 - 12/31/2010

SAFENET, INC. 401(K) PLAN

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Investment Category	Shares/ Units	Price/ NAV	Cost/Book Value	Market Value	% Total Value
ACCRUED INCOME			140.32	140.32	0.00%
CASH			0.00	0.00	0.00%
TOTAL ASSETS			48,914,086.67	55,550,718.21	100.00%

The balance in the cash fund may be temporarily invested in the BIF Money Fund. Additional amounts not reported as cash may also be invested in the BIF Money Fund pending settlement of trades.

Balances include the effect of pending trades