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Insider Trading at Diebold?

Mass Sell-Off by Company Officers Occurs Simultaneously Just Days Prior to Stock Price Plunge, Announcement of Jettisoning of Election Division

'There's Smoke There,' Financial Analyst Tells BRAD BLOG About Transactions at Controversial Company Now Under SEC Investigation...

Posted By [Brad Friedman](#) On 21st August 2007 @ 10:09 In [Diebold/Premier](#) | [25 Comments](#)

By Brad Friedman from St. Louis, MO...



On a recent Tuesday in August, several days after California Secretary of State Debra Bowen's pronouncement of decertification and then new, restrictive recertification of Diebold, Inc., voting systems, ten officers of the company [simultaneously sold off](#) ^[1] some 10,379 shares of stock at a near 52-week high for the troubled company.

The ten Diebold insiders sold at \$53.05 per share, netting more than half a million dollars in the transactions. The stock would begin to plummet nearly 15% a week later, just before it was disclosed that Diebold would [spin off its elections division](#) ^[2] into a new company called "Premier Elections Solutions," after which the stock began a modest recovery.

Two days after the mass August 7th sale, two more Diebold officers would sell another 2,166 shares at the same \$53.05 price.

All told, [The BRAD BLOG](#) ^[3] has found the insider sales totaled \$665,512 in the week before the value of the company's stock price would plunge in a [massive sell-off](#) ^[4] triggered by a top financial analyst who had lowered the company's rating from "buy" to "hold."

Notably, the sales by the company officers did not occur immediately before or after the release of Bowen's findings of severe vulnerabilities in the company's voting machines, or immediately before or after her decertification/recertification announcement.

Instead, the sales came on a weekday when nothing else publicly --- other than the report we filed concerning security issues noted during [our visit to Diebold headquarters](#) ^[5] in Allen, TX --- would seem to have prompted the sale.

A financial analyst that we spoke to, who asked not to be named, said he saw the spike in sales by the company officers as "a point of interest," noting "some smoke there," and adding that he found it notable that there had been no similar pattern of sell-offs by company officials in Diebold's recent history.

While the public did not yet know, on August 7th, of the impending plan to jettison Diebold's election division into a new, "independent" outfit with a new name, officers of the parent company likely had known long ago about the planned move...

The Internet domain for the new spinoff company, PremierElections.com, was purchased in September of 2006, [according to Internet records](#) ^[6]. As well, the corporate parent, Diebold, Inc., had stopped using the corporate logo on voting systems many months earlier while it was attempting, unsuccessfully, to find a buyer for its troubled election division, Diebold Election Systems, Inc.

"It's certainly of note that so many company officers would sell off on the same day, just before bad news was released to the public," the analyst explained when we asked about the apparent anomaly. "It seems like a large number of transactions. There's certainly some smoke there," he said, while taking a look at the company's records.

Though he noted that the size of the sales in question didn't appear to be huge, nonetheless, the question of what went on there "begs to be asked," he told [The BRAD BLOG](#) ^[3].

Did company insiders have advance word of the trouble to come? Why did they simultaneously sell more than half a million dollars of stock on the same day in August, unload another \$100,000 plus worth of shares two days later, and yet made no other sales or acquisitions since?

This wouldn't be the first time the company may have stepped afoul of legal and financial issues.

In August of 2006 it was revealed that the company was [under "formal" investigation by the SEC](#) ^[8], reportedly due to allegations of misstatements to investors concerning projected revenue from voting machine sales and long-term service contracts.

On July 25th of this year, [MarketWatch reported](#) ^[9] that Diebold was delaying its second-quarter earnings report and would be "seeking guidance on the reporting of some of its revenue with the Securities and Exchange Commission." At the time, the company "cited 'questions that have arisen during the ongoing formal investigation' by the SEC," MarketWatch explained.

As well, the company is also currently busy defending itself in a [Securities Fraud Class Action lawsuit](#) ^[10] filed in December of 2005. That lawsuit alleges improprieties by company board members including fraud, insider trading, manipulation of stock prices, and concealment of known flaws in the company's voting machines.

CORRECTION: Our original report had stated in one paragraph that more than 100,000 shares of stock was sold by two company officers in the days following the original simultaneous Aug 7th sale by the original ten officers. It was, instead more 100,000 dollars worth of shares. We regret the error and have corrected it in the above article.

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[1] simultaneously sold off: <http://finance.yahoo.com/q/it?s=DBD>

[2] spin off its elections division: <http://www.bradblogger.com/?p=4962>

[3] The BRAD BLOG: <http://www.BradBlog.com>

[4] massive sell-off: <http://www.bradblogger.com/?p=4951>

[5] our visit to Diebold headquarters: <http://www.bradblogger.com/?p=4926>

[6] according to Internet records: <http://samspade.org/whois/premierelections.com>

[7] The BRAD BLOG: <http://www.BradBlog.com>

[8] under "formal" investigation by the SEC: <http://www.bradblogger.com/?p=3229>

[9] MarketWatch reported:

<http://www.marketwatch.com/news/story/diebold-delay-q2-earnings-report/story.aspx?guid=%7BD1933567%2DC431%2D4093%2DB309%2D84D03D5D1997%7D&dateid=39288.3580958218-901760856>

[10] Securities Fraud Class Action lawsuit: <http://www.bradblogger.com/?p=2154>

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