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'DIEBOLD ELECTION SYSTEMS, INC.' IS NO MORE! (At Least in Name) Election Unit Spins off from Corporate Parent, Becomes 'Premier Election Solutions' After Failure to Find Buyer for Failing Unit!

Is Full Bankruptcy Far Behind?

Posted By [Brad Friedman](#) On 16th August 2007 @ 10:32 In [Diebold/Premier](#) | [46 Comments](#)

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



Diebold Elections Systems, Inc., is no more. At least in name.

After a year and a half of conversely [trying to dump their failed voting unit](#) ^[1] and/or lying to customers about the reliability and security of their voting systems, corporate parent Diebold is giving up the ghost of its election business which, according to an analyst in a [Reuters report](#) ^[2], was "responsible for less than 10 percent of Diebold's revenue, and 100 percent of its bad publicity."

According to a company [statement \[PDF\]](#) ^[3] just released, Diebold Elections Systems, Inc., will become Premier Election Solutions as of today. The company president, David Byrd, who has overseen the disastrous election unit for some time, will stay on as president to go down with the ship, apparently.

Applying full lipstick to the pig, the company statement declares, "The change to Premier signals a new beginning for the company." And President Byrd picks up where he left off, furiously polishing his turd with the claim that "This is both a fresh identity for our company and a unique opportunity for us to concentrate our focus solely on providing best-in-class elections solutions for current and potential customers."

No word on when they'd begin that "focus" after years of claiming same, but doing anything but. They have, however, radically lowered their expected revenue statement for the year by \$120 million.



After a string of disastrous reports on the quality and security of their voting systems, along with [plummeting stock prices since last week](#) ^[4], it seems clear that Diebold, the once-great, more-than-100-year old company, is doing whatever it can at this point to save the corporate parent. While its stock price ([DBD](#) ^[5]) plummeted at today's opening bell and is currently down some 5.6% from yesterday, the price has begun to rise again in the last hour or so on news of the spin-off.

More than anything, however, the move may well be a harbinger of a coming declaration of bankruptcy for Diebold/Premier, as we see it. With the unit now spun off from the blue chip Diebold parent, declaring bankruptcy or dissolving the company altogether might be less trouble for investors and the main company as a whole, as their extraordinary legal and financial liabilities continue to mount...

[The BRAD BLOG](#) ^[6] has speculated in the past that voting machine companies such as Diebold and Sequoia Voting Systems, whose corporate parent [Smartmatic has also been unsuccessfully seeking a buyer](#) ^[7] for some time, will likely have trouble unloading their units given the extraordinary liabilities all of these companies now likely face after years of producing shoddy equipment and attempting to [defraud](#) ^[8] both the public and election officials about the quality, security, service, and price of their hastily built voting systems.

A devastating exposé by "Dan Rather Reports" aired ^[9] on Tuesday night ([complete video here](#) ^[9]) will

likely make Sequoia even more difficult to unload. The investigative report detailed seven Sequoia plant workers who testified on camera about a mysterious order to use inferior paper on the company's punch card ballots to be used in Florida during the 2000 election. As well, they were told --- despite the objections of the plant's quality control manager --- to change the alignment on the punch card chads being sent to Palm Beach County. Rather's report tested the inferior, misaligned ballots that were sent to the county anyway, in 2000, and found that "hanging chads" resulted on ballots that had punched through cleanly for years before the bad paper and re-alignment was forced by still-unnamed company officials.

In the wake of Rather's report, the election watchdog group Voter Action has [called for a Congressional investigation](#) ^[10] into allegations of "commercial fraud" by all of the voting machine vendors.



In [Diebold's statement](#) ^[11] announcing the restructuring this morning, they admitted that "efforts to sell this company...have proven unsuccessful." Instead of blaming the failure on their hackable, inaccurate, inaccessible voting systems, they claim the move was "due in part to the rapidly evolving political uncertainties and controversies surrounding state and jurisdiction purchases of electronic voting systems."

Diebold's voting systems have been found in study after study to have severe problems. But the final blow may well prove to have been the recent findings by California Secretary of State Debra Bowen's independent "Top-to-Bottom Review" of all voting systems certified in the state. The devastating reports, by computer scientists at the University of California, found that Diebold's voting systems were easily hacked in just minutes and even failed to meet disabled voter accessibility standards as mandated by federal law.

Bowen decertified Diebold's touch-screen systems beyond the use of one unit per polling place in order to marginally meet those federal disabilities standards. All of the systems' unreliable "voter verified paper audit trails" will have to be counted, 100%, by hand. Since the latest findings in the Golden State, other states and counties have begun to reexamine their own use of the flawed systems.

Angling, perhaps, for the "Understatement of the Year Award," Diebold spokesman Michael Jacobson downplayed the importance of California's actions, suggesting to [PCWorld today](#) ^[12] that Bowen's moves "played a small part in the decision to restructure the business unit and lower revenue expectations."

The company announced today that they were "lowering [their] full-year revenue expectations for the election business by approximately \$120 million" from their previous estimates for the year of "\$185 million to \$215 million."

While we're no financial analysts, the adjustment would seem to lower expected revenues from more than \$200 million to a paltry \$65 to \$95 million, by our rudimentary math.

"This is a cumulative effect. There's a lot of activity in a lot of states," Jacobson understated to PCWorld.

Last year, Diebold admitted that it was [under "formal" investigation by the SEC](#) ^[13], reportedly due to allegations of misstatements to investors concerning projected revenue from voting machine sales and long-term service contracts.

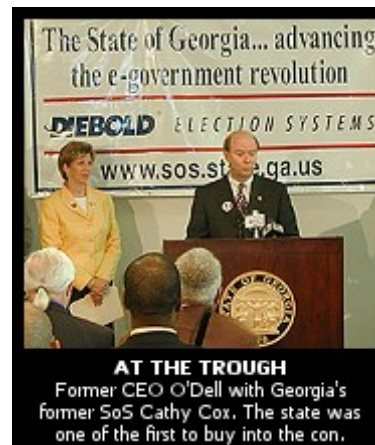
As well, the company is currently defending itself in a [Securities Fraud Class Action lawsuit](#) ^[14] filed in December of 2005 charging fraud, insider trading, manipulation of stock prices, and concealment of known flaws in their voting machines.

Those of us in the Reality Based World, however, paying close attention to Diebold's various attempts to re-arrange the deck chairs on its Titanic, have been noting all of these glaciers in the water for some time. Diebold CEO Tom Swidarski might have been wise to take up [our offer for advice](#) ^[15] on what was wrong with his company back when we offered it in March of 2006, just after former CEO Walden O'Dell had finally been [pushed overboard](#) ^[16].

O'Dell, a George W. Bush "pioneer," having raised more than \$100,000 for the Bush/Cheney '04 campaign while he led the North Canton, Ohio, company, had infamously --- and disastrously --- brought Diebold to the center of attention for e-voting critics when he wrote that he was "committed to helping Ohio deliver its electoral votes to the president next year" in an [ill-advised Republican fund raising letter](#) ^[17] back in 2003.

The company has been forced to defend itself against charges of corruption and vote rigging ever since. But while it hasn't been shown that Diebold has actually thrown any elections, myriad findings, including California's reports and a study last year at Princeton University, have shown that both the physical and software "security" on its systems are easily violated and could allow a single user with access to just one of its voting machines to implant an undetectable computer virus that could flip an election without detection. The University of California also found an undocumented user account that could allow company employees to access and take over the entire voting system remotely without use of even a password.

The newly named company, Premier (while it's still in business), will remain headquartered in Allen, TX, where we visited it a week or so ago. Our recent late-night visit to the building, the day after Bowen's decertification/recertification of their voting systems is documented, with photos, [right here](#) ^[18].



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[1] trying to dump their failed voting unit: <http://www.bradblog.com/?p=2536>

[2] Reuters report:

<http://money.cnn.com/2007/08/16/news/companies/bc.diebold.elections.reut/?postversion=2007081611>

[3] statement [PDF]: <http://www.diebold.com/whatsnews/pdf/premierelections.pdf>

[4] plummeting stock prices since last week: <http://www.bradblog.com/?p=4951>

[5] DBD: <http://finance.yahoo.com/q/bc?s=DBD&t=5d&l=on&z=m&q=l&c>

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

[7] Smartmatic has also been unsuccessfully seeking a buyer: <http://www.bradblog.com/?p=3941>

[8] defraud: <http://www.bradblog.com/?p=4951>

[9] complete video here: <http://www.bradblog.com/?p=4960>

[10] called for a Congressional investigation: <http://www.bradblog.com/?p=4959>

[11] Diebold's statement:

<http://phx.corporate-ir.net/phoenix.zhtml?c=106584&p=irol-newsArticle&ID=1041296&highlight=>

[12] PCWorld today: <http://www.pcworld.com/article/id,136044-c,companynews/article.html>

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

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

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[17] ill-advised Republican fund raising letter:

<http://www.commondreams.org/headlines03/0828-08.htm>

[18] right here: <http://www.bradblog.com/?p=4926>

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