

DIEBOLD INC
Form 11-K
June 29, 2011

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 11-K**

**FOR ANNUAL REPORTS OF EMPLOYEE STOCK PURCHASE, SAVINGS
AND SIMILAR PLANS PURSUANT TO SECTION 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

þ **ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934**

**For the fiscal year ended December 31, 2010
OR**

o **TRANSITION REPORT PURSUANT TO 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934**

For the transition period from _____ to _____

Commission file number 1-4879

DIEBOLD, INCORPORATED 401(k) SAVINGS PLAN

(Full title of the plan)

**Diebold, Incorporated 5995 Mayfair Road PO Box 3077 North Canton, Ohio 44720-8077
(Name of issuer of the securities held by the plan and the address of its principal executive office)**

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DIEBOLD, INCORPORATED
401(k) SAVINGS PLAN
ANNUAL REPORT INDEX
December 31, 2010 and 2009

The following financial statements and other information of Diebold, Incorporated 401(k) Savings Plan are included herewith:

Statements of Net Assets Available for Benefits December 31, 2010 and 2009;

Statements of Changes in Net Assets Available for Benefits for the Years Ended December 31, 2010 and 2009;

Notes to Financial Statements December 31, 2010 and 2009.

The following supplemental schedule of Diebold, Incorporated 401(k) Savings Plan included in the Annual Report of the Plan on Form 5500 filed with the Department of Labor for the year ended December 31, 2010 is included herewith:

Schedule H, Line 4i Schedule of Assets (Held at End of Year) December 31, 2010

All other supplemental schedules and notes for which provision is made in the applicable rules and regulations of the Department of Labor Regulations are not required under the related instructions or are inapplicable and, therefore, have been omitted.

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401(k) SAVINGS PLAN
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Plan Administrator and Participants
Diebold, Incorporated 401(k) Savings Plan
North Canton, Ohio

We have audited the accompanying statements of net assets available for benefits of the Diebold, Incorporated 401(k) Savings 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. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2010 and 2009 and the changes in net assets available for benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole.

The supplemental Schedule H, Line 4i Schedule of Assets (Held at End of Year) as of December 31, 2010 is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BOBER, MARKEY, FEDOROVICH & COMPANY

Akron, Ohio
June 29, 2011

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DIEBOLD, INCORPORATED 401(k) SAVINGS PLAN
 STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
 DECEMBER 31, 2010 AND 2009

	2010	2009
Investments, at fair value:		
Participant-directed	\$ 448,567,418	\$ 414,965,900
Participant loans	11,941,327	11,588,046
Contribution receivable employer	55,228	14,361
Net assets available for benefits, at fair value	460,563,973	426,568,307
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	(2,502,708)	(1,350,664)
Net assets available for benefits	\$ 458,061,265	\$ 425,217,643
See accompanying notes to financial statements		

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DIEBOLD, INCORPORATED 401(k) SAVINGS PLAN
 STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
 FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
Additions:		
Contributions		
Participant	\$ 25,885,586	\$ 28,838,099
Employer	2,014,576	4,080,568
Total contributions	27,900,162	32,918,667
Investment income:		
Interest and dividends	11,051,666	10,478,887
Net appreciation in the fair value of investments	38,068,200	57,534,622
Interest income, participant loans	597,612	690,810
Other additions	44,235	76,465
Total additions	77,661,875	101,699,451
Deductions:		
Benefits paid to participants	44,428,069	22,543,856
Administrative expenses	390,184	382,855
Assets transferred out (Note 1(a))		3,747,037
Total deductions	44,818,253	26,673,748
Net increase during the year	32,843,622	75,025,703
Net assets available for benefits:		
Beginning of year	425,217,643	350,191,940
End of year	\$ 458,061,265	\$ 425,217,643

See accompanying notes to financial statements

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DIEBOLD, INCORPORATED 401(k) SAVINGS PLAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 and 2009

(1) Description of the Plan

The following brief description of the Diebold, Incorporated 401(k) Savings Plan (the Plan), as amended, provides only general information. Participants should refer to the Plan document for a more complete description of the Plan's provisions.

(a) General

The Plan was established as a defined contribution plan effective as of April 1, 1990 by Diebold, Incorporated (the Employer). The Plan consists of two distinct components. The first component is the profit sharing portion, including cash or deferred arrangement, intended to be qualified under Section 401(k) of the Internal Revenue Code (IRC), which consists of all plan assets and funds, except for plan assets and funds invested in Diebold, Incorporated common stock. The second component of the Plan is the Employee Stock Ownership Plan (ESOP), which consists solely of all plan assets and funds invested in Diebold, Incorporated common stock. By establishing an ESOP within the Plan, the participants can receive their cash dividends from Diebold, Incorporated common stock directly, if desired, and the Employer can take a corresponding tax deduction. The Plan is subject to certain provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

The Plan covers substantially all U.S. employees of the Employer and its domestic subsidiaries who have completed ninety days of employment. The Plan does not cover certain categories of part-time, temporary and intern employees or employees covered by a collective bargaining agreement outside of the Newark, Ohio and Canton, Ohio facilities. The terms of the Plan described below are applicable to the majority of participants. Due to the merger of legacy 401(k) plans into the Plan, the terms of a small number of participants may vary slightly from the terms described below. However, these participants have substantially the same benefits and requirements of the other Plan participants.

During the third quarter of 2009, the Employer sold its U.S. election systems business, primarily consisting of its subsidiary Premier Elections Solutions, Inc. (PESI). In connection with this sale, assets related to the PESI employees were transferred out of the Plan.

(b) Contributions

For the years ended December 31, 2010 and 2009, the Plan allowed each participant to voluntarily contribute from one to fifty percent (in one percent increments) of pre-tax compensation, but not in excess of the maximum amount permitted by the IRC. The Plan also allowed employees aged 50 and older to elect to make additional catch-up contributions subject to certain limitations under the IRC.

Effective April 1, 2009

For employees hired before July 1, 2003 there was no Employer Basic Matching Contribution. For employees hired on or after July 1, 2003, the Employer Basic Matching Contribution was 30 percent of a participant's pre-tax contributions during each payroll period up to six percent of the participant's compensation in such payroll period.

Prior to April 1, 2009

For employees hired before July 1, 2003, the Employer Basic Matching Contribution was 60 percent of a participant's pre-tax contributions during each payroll period up to three percent of the participant's

compensation in such payroll period and 40 percent of a participant's pre-tax contributions on the next three percent of the participant's compensation in such payroll period.

For employees hired on or after July 1, 2003, the Employer Basic Matching Contribution was 100 percent of a participant's pre-tax contributions during each payroll period up to three percent of the participant's compensation in such payroll period and 60 percent of a participant's pre-tax contributions on the next three percent of the participant's compensation in such payroll period. Participation in the Retirement Plan for Salaried Employees was frozen for newly hired employees effective July 1, 2003. This higher Employer Basic Matching Contribution was in lieu of participation in the Retirement Plan for Salaried Employees.

The Employer match is determined by the Board of Directors and is evaluated at least annually. As of the last day of each Plan year, the Employer calculates the amount of the Basic Matching Contribution that would be contributed on behalf of

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DIEBOLD, INCORPORATED 401(k) SAVINGS PLAN
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2010 and 2009

each participant for that Plan year if the Basic Matching Contribution were calculated and contributed on an annual basis rather than during each payroll period. The Employer contributes to the Trust Fund, as of the last day of the Plan year, any additional amount necessary to increase the Basic Matching Contribution for each participant to the amount of the Basic Matching Contribution as calculated on an annual basis. The additional Basic Matching Contribution receivable calculated on an annual basis was \$55,228 and \$14,361 as of December 31, 2010 and 2009, respectively.

At the end of any Plan Year, the Employer, at its discretion, may determine that an Additional Matching Contribution be made for the next succeeding Plan year. The amount of any Additional Matching Contribution shall be determined solely by action of the Board of Directors. There were no Additional Matching Contributions made on behalf of any plan participants in either 2010 or 2009.

(c) Participants Accounts

Each participant directs his or her contributions, as well as any employer matching contributions, into any of several investment funds within the Plan with a minimum investment in any fund of one percent. Participants accounts are valued on a daily basis.

Prior to June 1, 2006, the Employer's Basic Matching Contribution was divided between the Regular Account and the Retiree Medical Funding Account based on a predefined formula and was invested in the Diebold Company Stock Fund. Effective June 1, 2006, all Employer contributions were deposited in the Regular Account. Therefore, no further Employer contributions will be deposited into the Retiree Medical Funding Account; however, this account will be maintained for historical recordkeeping purposes.

(d) Vesting

For employees hired before July 1, 2003, a participant's pre-tax contributions and earnings, and the Employer's contributions and earnings are immediately vested and non-forfeitable. For employees hired on or after July 1, 2003, a participant's pre-tax contributions and earnings are immediately vested and non-forfeitable; however, Employer contributions and earnings are vested in accordance with the following schedule: less than three years service, zero percent; three or more years of service, 100 percent.

(e) Distribution of Benefits

Upon termination of service with the Employer or an affiliate, a participant may elect to receive his or her total vested account balance in a lump sum payment, defer receipt until his/her retirement date, or make a direct rollover to a qualified plan if such total account balance exceeds \$5,000. If the vested account balance does not exceed \$5,000, the participant may elect to receive his or her total account balance in a lump sum payment or make a direct rollover to a qualified plan. If the participant does not elect one of the noted options, the plan administrator (the Administrator) will pay the distribution in a direct rollover to the individual retirement annuity plan designated by the Administrator. The Administrator or its designee shall make such determination on a periodic basis, not less frequently than annually. For any funds invested in the Diebold Company Stock Fund, the participant may make an election to receive cash or the Employer's common stock.

(f) Participant Loans

Loan transactions are treated as transfers between the various funds and the Loan Fund. Under the terms of the Plan, active participants of the Plan may borrow against their total account balance except for their balance in the Retiree Medical Funding Account. The minimum amount of any loan is \$1,000 and the maximum is \$50,000 or 50 percent of a participant's current vested balance (in \$100 increments), whichever is less. Loan payments are made through equal payroll deductions over the loan period of one to five years. If a loan is not repaid when due, the loan balance is treated as a taxable distribution from the Plan. Interest charged, which is based on the prime interest rate plus one percent as of the loan effective date, is determined by the Employer and ranged from 4.25 percent to 9.25 percent at December 31, 2010 and 2009.

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DIEBOLD, INCORPORATED 401(k) SAVINGS PLAN
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2010 and 2009

(g) Withdrawals

A financial hardship provision is available, enabling a participant to withdraw an amount to cover an immediate financial need.

(h) Expenses

All costs and expenses incident to the administration of the Plan are paid by the Administrator, or at the discretion of the Administrator, paid from the assets of the Plan, except for loan processing and administration fees associated with the Loan Fund and fees associated with the managed account program, which are both borne by the individual participants.

(i) Forfeited Accounts

At December 31, 2010 and 2009, forfeited unvested accounts totaled \$791,284 and \$326,470, respectively. These accounts are used to reduce future employer contributions or administrative fees.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying financial statements have been prepared on an accrual basis in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

The presentation of certain prior-year information has been reclassified to conform to the current presentation.

(b) Investment Valuation

The Plan's investments are stated at fair value as of the last business day of the Plan year. Shares of registered investment companies are valued at quoted market prices, which represent the net asset value of shares held by the Plan at year-end. The Employer common stock is valued at its quoted market price. All purchase and sale transactions are recorded on a trade date basis.

Investment contracts held by a defined-contribution plan are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the 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 Statements of Net Assets Available for Benefits presents the fair value of the investment contracts as well as the adjustment of the fully benefit-responsive investment contract from fair value to contract value. The Statements of Changes in Net Assets Available for Benefits is prepared on a contract value basis.

(c) Participant Loans

Participant loans are classified as notes receivable from participants and are measured at their unpaid principal balance plus any accrued interest.

(d) Benefit Payments

Benefits are recorded when paid.

(e) Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets available for benefits and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of changes in assets available for benefits during the reporting period. Actual results could differ from those estimates.

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DIEBOLD, INCORPORATED 401(k) SAVINGS PLAN
 NOTES TO FINANCIAL STATEMENTS (continued)
 DECEMBER 31, 2010 and 2009

(f) Risks and Uncertainties

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risk. 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 Statements of Net Assets Available for Benefits.

(g) Recently Adopted Accounting Guidance

In January 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2010-06, *Fair Value Measurements and Disclosure* (ASU 2010-06). ASU 2010-06 updated FASB Accounting Standards Codification (ASC) 820, Fair Value Measurements (ASC 820). ASU 2010-06 requires additional disclosures about fair value measurements including transfers in and out of levels 1 and 2 and a higher level of disaggregation for the different types of financial instruments. For the reconciliation of level 3 fair value measurements, information about purchases, sales, issuances and settlements should be presented separately. The adoption of ASU 2010-06 did not have an impact on the financial statements of the Plan.

In September 2010, the FASB issued ASU 2010-25, *Reporting Loans to Participants by Defined Contribution Pension Plans* (ASU 2010-25). ASU 2010-25 changed the reporting of loans to participants. Prior to ASU 2010-25, loans to participants were reported as investments at fair value. ASU 2010-25 requires that loans to participants be reported as notes receivable from participants at the unpaid principal balance plus any accrued, but unpaid interest. The Plan adopted ASU 2010-25 in the 2010 financial statements, applied retrospectively for all periods presented. The adoption of ASU 2010-25 was not significant as the unpaid principal balance plus accrued interest of loans to participants approximated fair value.

(h) Recently Issued Accounting Guidance

In May 2011, the FASB issued ASU 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs* (ASU 2011-04). ASU 2011-04 amended ASC 820, to converge the fair value measurement guidance in U.S. GAAP and International Financial Reporting Standards (IFRSs). Some of the amendments clarify the application of existing fair value measurement requirements, while other amendments change a particular principle in ASC 820. In addition, ASU 2011-04 requires additional fair value disclosures. The amendments are to be applied prospectively and are effective for annual periods beginning after December 15, 2011. Plan management is currently evaluating the effect that the provisions of ASU 2011-04 will have on the Plans' financial statements.

(3) Investments

The following presents investments that represent five percent or more of the Plan's assets available for benefits as of December 31:

	2010		2009	
	Number of Shares/Units	Fair Value	Number of Shares/Units	Fair Value
Vanguard Retirement Savings Trust	63,555,827	\$ 63,555,827	62,478,174	\$ 62,478,174

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Diebold Company Stock Fund	5,104,813	56,255,037	5,700,894	55,811,754
Vanguard 500 Index Fund	468,478	54,259,124	481,806	49,466,971
Vanguard Total Bond Market Index Fund	4,236,403	44,905,869	4,109,903	42,537,496
Vanguard PRIMECAP Fund	467,890	30,787,143	512,929	30,483,363
Vanguard Windsor II Fund	949,569	24,375,432	1,040,502	24,639,094
Loomis Sayles Bond Fund	1,832,173	26,145,109	1,798,020	23,985,593
Vanguard U.S. Growth Fund (1)	1,217,402	22,217,586	1,355,295	22,308,148

(1) Shown for comparative purposes only. Investment does not exceed five percent of the Plan's assets at December 31, 2010.

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DIEBOLD, INCORPORATED 401(k) SAVINGS PLAN
 NOTES TO FINANCIAL STATEMENTS (continued)
 DECEMBER 31, 2010 and 2009

All investments as of December 31, 2010 and 2009 are participant-directed.

The Plan has an interest in a fully benefit-responsive group annuity contract as part of the Vanguard Retirement Savings Trust (the Trust) option issued by the Vanguard Fiduciary Trust Company (the Trustee). The group trust contract is to be reported at contract value and disclosure of adjustment from fair value is required, as stated on the Statements of Net Assets Available for Benefits.

The crediting rate of the contract resets every quarter based on the performance of the underlying investment portfolio. To the extent that the Trust has unrealized gains and losses (that are accounted for, under contract value accounting, through the value of the synthetic contract), the interest crediting rate may differ from then-current market rates. An investor currently redeeming Trust units may forgo a benefit, or avoid a loss, related to a future crediting rate different from then-current market rates. Investments in Vanguard mutual funds and bond trusts are valued at the net asset value of each fund or trust determined as of the close of the New York Stock Exchange (generally 4 p.m., Eastern time) on the valuation date.

The average yield earned by the Trust for fully benefit-responsive investment contracts was 3.36 percent and 3.15 percent for the years ended December 31, 2010 and 2009, respectively. The average yield earned and paid to plan participants by the Trust was 3.01 percent and 2.86 percent for the years ended December 31, 2010 and 2009, respectively.

Certain events limit the ability of the Plan to transact with the issuer at contract value. These events include, but are not limited to, partial or complete legal termination of the Trust or a unit holder, tax disqualification of the Trust or unit holder, and certain Trust amendments if issuers' consent is not obtained. As of December 31, 2010, the occurrence of an event outside the normal operation of the Trust that would cause a withdrawal from an investment contract is not considered to be probable.

In general, issuers may terminate the contract and settle at other than contract value if there is a change in the qualification status of participant, employer, or plan; a breach of material obligations under the contract and misrepresentation by the contract holder; or failure of the underlying portfolio to conform to the preestablished investment guidelines.

The Plan's investments, including gains and losses on investments bought and sold, as well as held during the year, appreciated in value as follows:

	2010	2009
Balanced Funds	\$ 3,151,594	\$ 4,137,752
Bond Funds	2,705,160	5,752,367
Diebold Company Stock Fund	6,847,830	1,023,389
Domestic Stock Funds	22,366,047	38,341,946
International Stock Funds	2,997,569	8,279,168
	\$ 38,068,200	\$ 57,534,622

(4) Fair Value Measurements

The fair value framework requires the categorization of assets and liabilities into three levels based upon the assumptions (inputs) used to value the assets or liabilities. Level 1 provides the most reliable measure of fair value,

whereas level 3 generally requires significant management judgment. The three levels are defined as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2: Unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active or inputs, other than quoted prices in active markets, that are observable either directly or indirectly.

Level 3: Unobservable inputs for which there is little or no market data.

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DIEBOLD, INCORPORATED 401(k) SAVINGS PLAN
 NOTES TO FINANCIAL STATEMENTS (continued)
 DECEMBER 31, 2010 and 2009

Investments measured at fair value on a recurring basis are as follows:

	Fair Value at December 31, 2010	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Balanced Funds	\$ 43,897,496	\$ 43,897,496	\$	\$
Bond Funds	71,050,978	71,050,978		
Diebold Company Stock Fund	56,255,037	56,255,037		
Domestic Stock Funds	177,787,524	177,787,524		
International Stock Funds	35,151,614	35,151,614		
Vanguard Retirement Savings Trust	63,555,827		63,555,827	
Money Market Funds	868,942		868,942	
Total	\$ 448,567,418	\$ 384,142,649	\$ 64,424,769	\$

	Fair Value at December 31, 2009	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Balanced Funds	\$ 33,372,104	\$ 33,372,104	\$	\$
Bond Funds	66,523,089	66,523,089		
Diebold Company Stock Fund	55,811,754	55,811,754		
Domestic Stock Funds	163,675,921	163,675,921		
International Stock Funds	32,723,927	32,723,927		
Vanguard Retirement Savings Trust	62,478,174		62,478,174	
Money Market Funds	380,931		380,931	
Total	\$ 414,965,900	\$ 352,106,795	\$ 62,859,105	\$

Assets valued using level 1 inputs in the table above represent assets from the Plan and are valued based on the number of shares in the funds using a closing price per share traded in an active market.

Assets valued using level 2 inputs in the table above represent the Plan's investment in fully benefit-responsive investment contracts and money market funds. Investments in fully benefit-responsive investment contracts are valued at fair value by discounting the related cash flows based on current yields of similar investments with comparable durations. Investments in money market funds are valued at the NAV of shares held by the Plan.

(5) Tax Status

The Internal Revenue Service (IRS) has determined and informed the Employer by a letter dated December 20, 2002, that the Plan and related trust are designed in accordance with applicable sections of the IRC. The Plan has been amended since receiving the determination letter. In accordance with Revenue Procedure 2007-44, the Plan is assigned a cycle E status and as such, is required to restate the Plan document and submit such documents for IRS determination of tax qualification status no later than January 31, 2011. On January 24, 2011, the Plan was amended and restated and filed for a determination of its tax qualification status with the IRS. As of December 31, 2010, the Administrator believes that the Plan is designed and 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.

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DIEBOLD, INCORPORATED 401(k) SAVINGS PLAN
 NOTES TO FINANCIAL STATEMENTS (continued)
 DECEMBER 31, 2010 and 2009

(6) Plan Termination

Although it has not expressed any intent to do so, the Employer reserves the right at any time, by action of its Board of Directors, to terminate the Plan or discontinue contributions thereto.

(7) Party In Interest Transactions

The Trustee serves as the fund manager of the Vanguard 500 Index Fund, Vanguard Explorer Fund, Vanguard International Growth Fund, Vanguard International Value Fund, Vanguard Mid-Cap Index Fund, Vanguard Prime Money Market, Vanguard PRIMECAP Fund, Vanguard Selected Value Fund, Vanguard STAR Fund, Vanguard Target Retirement 2005 Fund, Vanguard Target Retirement 2010 Fund, Vanguard Target Retirement 2015 Fund, Vanguard Target Retirement 2020 Fund, Vanguard Target Retirement 2025 Fund, Vanguard Target Retirement 2030 Fund, Vanguard Target Retirement 2035 Fund, Vanguard Target Retirement 2040 Fund, Vanguard Target Retirement 2045 Fund, Vanguard Target Retirement 2050 Fund, Vanguard Target Retirement Income Fund, Vanguard Total Bond Market Index Fund, Vanguard U.S. Growth Fund, Vanguard Windsor II Fund, and the Vanguard Retirement Savings Trust.

The Diebold Company Stock Fund is designed primarily for investment in common stock of Diebold, Incorporated.

(8) Reconciliation of Financial Statements to Form 5500

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

	2010	2009
Net assets available for benefits per the financial statements	\$ 458,061,265	\$ 425,217,643
Adjustment from contract value to fair value for fully-responsive investment contracts	2,502,708	1,350,664
Net assets available for benefits per the Form 5500	\$ 460,563,973	\$ 426,568,307

The following is a reconciliation of net appreciation of Plan investments per the financial statements for the year ended December 31, 2010 and 2009 to the Form 5500:

	2010	2009
Net appreciation of plan investments per financial statements	\$ 38,068,200	\$ 57,534,622
Less: Impact of reflecting fully benefit-responsive contracts at fair value on Form 5500	1,152,044	2,110,813
Net appreciation of plan investments per Form 5500	\$ 39,220,244	\$ 59,645,435

(9) Contingency

The Employer has been served with various lawsuits by participants in the Employer's 401(k) savings plan, which were subsequently consolidated into a single proceeding, alleging breaches of fiduciary duties with respect to the Plan. These lawsuits were filed against the Employer and certain current and former officers and directors of the

Employer; however, neither the trustee nor the Plan itself have been directly named in the lawsuits. In May 2009, the Employer agreed to settle the 401(k) class action litigation for \$4,500,000, to be paid out of the Employer's insurance policies. On February 11, 2011, the court entered an order approving the settlement.

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DIEBOLD, INCORPORATED 401(k) SAVINGS PLAN
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2010 and 2009

(10) Subsequent Events

Effective January 1, 2011 the Company increased the Employer Basic Matching Contribution as follows:

For employees hired before July 1, 2003, the Employer Basic Matching Contribution was increased to 25 percent of a participant's pre-tax contributions during each payroll period up to six percent of the participant's compensation in such payroll period.

For employees hired on or after July 1, 2003, the Employer Basic Matching Contribution was increased to 55 percent of a participant's pre-tax contributions during each payroll period up to six percent of the participant's compensation in such payroll period.

The Administrator has evaluated subsequent events through the date the Plan financial statements are issued. With the exception of the matching contributions noted above, there were no subsequent events that have occurred which would require adjustments to or disclosure in the Plan financial statements.

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DIEBOLD, INCORPORATED 401(K) SAVINGS PLAN
SCHEDULE H, LINE 4i SCHEDULE OF ASSETS (HELD AT END OF YEAR)
DECEMBER 31, 2010
EIN: 34-0183970
PLAN NUMBER: 012

(a)	(b)	(c)	(d)	(e)	
Identity of Issue, Borrower,	Lessor, or Similar Party	Description of Investment including Maturity Date, Rate of Interest, Collateral, Par, or Maturity Value	Shares	Cost	Current Value
	Loomis Sayles Bond Fund	Registered Investment Company	1,832,173	**	\$ 26,145,109
	Loomis Sayles Small Cap Value Fund	Registered Investment Company	596,091	**	15,856,034
*	Vanguard 500 Index Fund	Registered Investment Company	468,478	**	54,259,124
*	Vanguard Explorer Fund	Registered Investment Company	71,932	**	5,243,875
*	Vanguard International Growth Fund	Registered Investment Company	1,023,567	**	19,795,790
*	Vanguard International Value Fund	Registered Investment Company	477,482	**	15,355,824
*	Vanguard Mid-Cap Index Fund	Registered Investment Company	869,418	**	17,657,876
*	Vanguard Prime Money Market	Registered Investment Company	868,942	**	868,942
*	Vanguard PRIMECAP Fund	Registered Investment Company	467,890	**	30,787,143
*	Vanguard Select Value Fund	Registered Investment Company	393,947	**	7,390,454
*	Vanguard STAR Fund	Registered Investment Company	484,715	**	9,248,367
*	Vanguard Target Retirement 2005 Fund	Registered Investment Company	55,646	**	652,726
*	Vanguard Target Retirement 2010 Fund	Registered Investment Company	79,503	**	1,773,711
*	Vanguard Target Retirement 2015 Fund	Registered Investment Company	454,159	**	5,640,654
*	Vanguard Target Retirement 2020 Fund	Registered Investment Company	147,139	**	3,251,781
*	Vanguard Target Retirement 2025 Fund	Registered Investment Company	558,496	**	7,048,223
*	Vanguard Target Retirement 2030 Fund	Registered Investment Company	184,019	**	3,989,528
*	Vanguard Target Retirement 2035 Fund	Registered Investment Company	331,528	**	&nb