

ECHELON CORP  
Form 10-Q  
May 10, 2012  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 20549

**FORM 10-Q**

(Mark one)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended March 31, 2012**

**OR**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from            to**

**000-29748**

**(Commission file number)**

**ECHELON CORPORATION**

**(Exact name of registrant as specified in its charter)**

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**77-0203595**  
(IRS Employer  
Identification Number)

**550 Meridian Avenue**

**San Jose, CA 95126**

(Address of principal executive office and zip code)

**(408) 938-5200**

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer

Non-accelerated filer  (do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of April 30, 2012, 42,620,489 shares of the registrant's common stock were outstanding.

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**FORWARD-LOOKING INFORMATION**

*This report contains forward-looking statements within the meaning of the U.S. federal securities laws that involve risks and uncertainties. Certain statements contained in this report are not purely historical including, without limitation, statements regarding our expectations, beliefs, intentions, anticipations, commitments or strategies regarding the future that are forward-looking. These statements include those discussed in Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations, including Critical Accounting Estimates, Results of Operations, Off-Balance-Sheet Arrangements and Other Critical Contractual Obligations, Liquidity and Capital Resources, and Recently Issued Accounting Standards, and elsewhere in this report.*

*In this report, the words may, could, would, might, will, should, plan, forecast, anticipate, believe, expect, intend, estimate, predict, potential, continue, future, moving toward or the negative of these terms or other similar expressions also identify forward-looking statements. Our actual results could differ materially from those forward-looking statements contained in this report as a result of a number of risk factors including, but not limited to, those set forth in the section entitled Factors That May Affect Future Results of Operations and elsewhere in this report. You should carefully consider these risks, in addition to the other information in this report and in our other filings with the SEC. All forward-looking statements and reasons why results may differ included in this report are made as of the date of this report, and we assume no obligation to update any such forward-looking statement or reason why such results might differ.*

**Table of Contents****PART I. FINANCIAL INFORMATION****ITEM 1. UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
ECHELON CORPORATION****CONDENSED CONSOLIDATED BALANCE SHEETS****(In thousands)****(Unaudited)**

|  | <b>March 31,<br/>2012</b> | <b>December 31,<br/>2011</b> |
|--|---------------------------|------------------------------|
| <b>ASSETS</b>  |                           |                              |
| <b>CURRENT ASSETS:</b>                                 |                           |                              |
| Cash and cash equivalents                              | \$ 20,446                 | \$ 17,658                    |
| Short-term investments                                 | 37,990                    | 40,998                       |
| Accounts receivable, net                               | 25,673                    | 35,215                       |
| Inventories  | 18,372                    | 11,125                       |
| Deferred cost of goods sold                            | 1,100                     | 6,536                        |
| Other current assets                                   | 2,568                     | 4,044                        |
| <b>Total current assets</b>                            | <b>106,149</b>            | <b>115,576</b>               |
| Property and equipment, net                            | 26,249                    | 27,201                       |
| Goodwill   | 8,305                     | 8,235                        |
| Other long-term assets                                 | 709                       | 693                          |
| <b>Total assets</b>                                    | <b>\$ 141,412</b>         | <b>\$ 151,705</b>            |
| <b>LIABILITIES AND STOCKHOLDERS EQUITY</b>             |                           |                              |
| <b>CURRENT LIABILITIES:</b>                            |                           |                              |
| Accounts payable                                       | \$ 16,298                 | \$ 18,313                    |
| Accrued liabilities                                    | 5,260                     | 7,755                        |
| Current portion of lease financing obligations         | 2,042                     | 1,870                        |
| Deferred revenues                                      | 7,106                     | 12,716                       |
| <b>Total current liabilities</b>                       | <b>30,706</b>             | <b>40,654</b>                |
| <b>LONG-TERM LIABILITIES:</b>                          |                           |                              |
| Lease financing obligations, excluding current portion | 19,701                    | 20,193                       |
| Other long-term liabilities                            | 1,706                     | 1,750                        |
| <b>Total long-term liabilities</b>                     | <b>21,407</b>             | <b>21,943</b>                |
| <b>STOCKHOLDERS EQUITY:</b>                            |                           |                              |
| Common stock   | 458                       | 457                          |
| Additional paid-in capital                             | 349,500                   | 346,952                      |
| Treasury stock   | (28,130)                  | (28,130)                     |
| Accumulated other comprehensive income                 | 454                       | 244                          |
| Accumulated deficit                                    | (232,983)                 | (230,415)                    |

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|  |            |            |
|--|------------|------------|
| Total stockholders' equity                 | 89,299     | 89,108     |
| Total liabilities and stockholders' equity | \$ 141,412 | \$ 151,705 |

*See accompanying notes to condensed consolidated financial statements.*

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**ECHELON CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(In thousands, except per share amounts)

(Unaudited)

|   | Three Months Ended<br>March 31, |            |
|---|---------------------------------|------------|
|   | 2012                            | 2011       |
| <b>REVENUES:</b>                                |                                 |            |
| Product   | \$ 39,486                       | \$ 27,679  |
| Service   | 847                             | 703        |
| Total revenues <sup>(2)</sup>                   | 40,333                          | 28,382     |
| <b>COST OF REVENUES:</b>                        |                                 |            |
| Cost of product <sup>(1)</sup>                  | 22,450                          | 14,652     |
| Cost of service <sup>(1)</sup>                  | 585                             | 587        |
| Total cost of revenues                          | 23,035                          | 15,239     |
| Gross profit                                    | 17,298                          | 13,143     |
| <b>OPERATING EXPENSES:</b>                      |                                 |            |
| Product development <sup>(1)</sup>              | 8,801                           | 9,598      |
| Sales and marketing <sup>(1)</sup>              | 6,157                           | 7,242      |
| General and administrative <sup>(1)</sup>       | 4,346                           | 4,890      |
| Total operating expenses                        | 19,304                          | 21,730     |
| Loss from operations                            | (2,006)                         | (8,587)    |
| Interest and other income (expense), net        | (264)                           | (360)      |
| Interest expense on lease financing obligations | (351)                           | (377)      |
| Loss before provision for income taxes          | (2,621)                         | (9,324)    |
| Income tax benefit                              | (53)                            | (5)        |
| NET LOSS  | \$ (2,568)                      | \$ (9,319) |
| Net loss per share:                             |                                 |            |
| Basic   | \$ (0.06)                       | \$ (0.22)  |
| Diluted   | \$ (0.06)                       | \$ (0.22)  |
| Shares used in computing net loss per share:    |                                 |            |
| Basic   | 42,323                          | 41,783     |
| Diluted   | 42,323                          | 41,783     |

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- (1) See Note 4 for summary of amounts included representing equity compensation expense.
- (2) Includes related party amounts of \$227 and \$1,169 for the three months ended March 31, 2012 and 2011, respectively. See Note 11 for additional information on related party transactions.  
*See accompanying notes to condensed consolidated financial statements.*

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**ECHELON CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**

(In thousands)

(Unaudited)

|  | <b>Three Months Ended</b> |             |
|--|---------------------------|-------------|
|  | <b>March 31,</b>          |             |
|  | <b>2012</b>               | <b>2011</b> |
| Net loss   | \$ (2,568)                | \$ (9,319)  |
| Other comprehensive income (loss), net of tax:                     |                           |             |
| Foreign currency translation adjustments                           | 210                       | 476         |
| Unrealized holding gains (losses) on available-for-sale securities | 0                         | (5)         |
| Comprehensive loss   | \$ (2,358)                | \$ (8,848)  |

*See accompanying notes to condensed consolidated financial statements.*



**Table of Contents****ECHELON CORPORATION****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(In thousands)****(Unaudited)**

|  | <b>Three Months Ended<br/>March 31,</b> |              |
|--|---|--------------|
|  | <b>2012</b>                             | <b>2011</b>  |
| <b>CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>  |   |              |
| Net loss   | \$ (2,568)                              | \$ (9,319)   |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities:  |   |              |
| Depreciation and amortization  | 1,352                                   | 1,529        |
| Reduction of allowance for doubtful accounts   | (60)                                    | (36)         |
| Loss on disposal of fixed assets   | 0                                       | 8            |
| Reduction of accrued investment income   | 13                                      | 17           |
| Stock-based compensation   | 2,817                                   | 3,185        |
| Change in operating assets and liabilities:  |   |              |
| Accounts receivable  | 9,570                                   | 2,665        |
| Inventories  | (7,267)                                 | (1,240)      |
| Deferred cost of goods sold  | 5,433                                   | (1,401)      |
| Other current assets   | 1,486                                   | 850          |
| Accounts payable   | (1,915)                                 | (1,018)      |
| Accrued liabilities  | (2,567)                                 | (926)        |
| Deferred revenues  | (5,573)                                 | 3,056        |
| Deferred rent  | (12)                                    | 14           |
| Net cash provided by (used in) operating activities  | 709                                     | (2,616)      |
| <b>CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES:</b>  |   |              |
| Purchases of available-for-sale short-term investments   | (24,986)                                | (14,979)     |
| Proceeds from maturities and sales of available-for-sale short-term investments  | 27,982                                  | 19,948       |
| Change in other long-term assets   | (8)                                     | 0            |
| Capital expenditures   | (360)                                   | (594)        |
| Net cash provided by investing activities  | 2,628                                   | 4,375        |
| <b>CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES:</b>  |   |              |
| Principal payments of lease financing obligations  | (469)                                   | (417)        |
| Proceeds from exercise of stock options  | 0                                       | 118          |
| Repurchase of common stock from employees for payment of taxes on vesting of restricted stock units and upon exercise of stock options | (246)                                   | (508)        |
| Net cash used in financing activities  | (715)                                   | (807)        |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH  |   | \$64,684,114 |

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|                                       |           |              |           |              |
|---------------------------------------|-----------|--------------|-----------|--------------|
| Vanguard PRIMECAP Fund                | 330,514   | \$35,216,263 | 353,717   | \$33,861,352 |
| Diebold Company Stock Fund            | 2,966,349 | \$35,140,255 | 3,384,867 | \$38,272,687 |
| Vanguard Total Bond Market Index Fund | 2,753,516 | \$29,930,724 | 3,604,007 | \$38,058,315 |
| T Rowe Price Blue Chip Growth Fund    | 407,843   | \$27,435,589 | 451,333   | \$29,156,123 |
| Invesco Diversified Fund              | 1,463,293 | \$26,778,265 | 1,747,345 | \$29,582,551 |

All investments as of December 31, 2014 and 2013 are participant-directed.

At December 31, 2014 and 2013, the Plan has an interest in a fully benefit-responsive group annuity contract as part of the Invesco Stable Value Retirement Trust (the Invesco Trust) option established and maintained by Invesco National Trust Company (the Invesco Trustee), a national trust bank organized and existing under the laws of the United States.

The crediting rate of the contract resets every quarter based on the performance of the underlying investment portfolio. To the extent that the Invesco 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 Invesco units may forgo a benefit, or avoid a loss, related to a future crediting rate different from then-current market rates. Investments in 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 Invesco Trust for fully benefit-responsive investment contracts was 1.53 percent and 1.28 percent for the years ended December 31, 2014 and 2013, respectively. The average yield earned and paid to plan participants by the Invesco Trust was 1.59 percent and 1.27 percent for the years ended December 31, 2014 and 2013, 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,

## DIEBOLD, INCORPORATED 401(k) SAVINGS PLAN

Notes to Financial Statements

December 31, 2014 and 2013

and certain Trust amendments if the issuer's consent is not obtained. As of December 31, 2014, 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 pre-established investment guidelines.

The Plan's investments, including gains and losses on investments bought and sold, as well as held during the year, appreciated (depreciated) in value for the year ended December 31, 2014 as follows:

|                            |              |   |
|----------------------------|--------------|---|
| Balanced Funds             | \$3,854,050  |   |
| Bond Funds                 | 531,061      |   |
| Diebold Company Stock Fund | 1,989,984    |   |
| Domestic Stock Funds       | 13,009,947   |   |
| International Stock Funds  | (4,229,524   | ) |
| Common Collective Trusts   | 1,654,997    |   |
|                            | \$16,810,515 |   |

## (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.

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

|                            | Fair Value at<br>December 31, 2014 | Fair Value Measurements Using |              |
|----------------------------|------------------------------------|-------------------------------|--------------|
|                            |                                    | Level 1                       | Level 2      |
| Cash and Cash Equivalents  | \$227,320                          | \$227,320                     | \$—          |
| Balanced Funds             | 96,762,696                         | 96,762,696                    | —            |
| Bond Funds                 | 51,956,670                         | 51,956,670                    | —            |
| Diebold Company Stock Fund | 35,140,255                         | 35,140,255                    | —            |
| Domestic Stock Funds       | 184,153,376                        | 184,153,376                   | —            |
| International Stock Funds  | 31,858,960                         | 31,858,960                    | —            |
| Common Collective Trusts   | 71,710,647                         | —                             | 71,710,647   |
| Total                      | \$471,809,924                      | \$400,099,277                 | \$71,710,647 |



## DIEBOLD, INCORPORATED 401(k) SAVINGS PLAN

Notes to Financial Statements

December 31, 2014 and 2013

|                            | Fair Value at<br>December 31, 2013 | Fair Value Measurements Using |              |
|----------------------------|------------------------------------|-------------------------------|--------------|
|                            |                                    | Level 1                       | Level 2      |
| Cash and Cash Equivalents  | \$6,970,519                        | \$6,970,519                   | \$—          |
| Balanced Funds             | 91,038,994                         | 91,038,994                    | —            |
| Bond Funds                 | 63,919,182                         | 63,919,182                    | —            |
| Diebold Company Stock Fund | 38,272,687                         | 38,272,687                    | —            |
| Domestic Stock Funds       | 196,590,082                        | 196,590,082                   | —            |
| International Stock Funds  | 40,674,558                         | 40,674,558                    | —            |
| Common Collective Trusts   | 84,383,755                         | —                             | 84,383,755   |
| Total                      | \$521,849,777                      | \$437,466,022                 | \$84,383,755 |

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 and also include cash and cash equivalents. Assets valued using level 2 inputs in the table above represent the Plan's investment in fully benefit-responsive investment contracts and a collective fund for qualified plans that approximates the risk and return of the S&P Midcap 400 Index. 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.

During December 31, 2014 and 2013, there were no transfers between levels or changes in the methodologies used for assets measured at fair value.

## (5) Tax Status

The Internal Revenue Service (IRS) has determined and informed the Employer by a letter dated March 15, 2012, that the Plan and related trust are designed in accordance with applicable sections of the IRC. Although the Plan has been amended since receiving the letter, 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. The current determination letter expires January 31, 2016 and the Employer is in the process of applying for an updated letter of determination.

## (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. In the event of Plan termination, participants would become 100 percent vested in their Employer contributions.

## (7) Party In Interest Transactions

The Pending Settlement Fund is designed to temporarily hold monies pending settlement for transactions initiated by the participant. The Merrill Lynch Bank Deposit Program is designed to temporarily hold monies related to contributions received not yet allocated or the value of any distributions payable from the trust. The Diebold Company Stock Fund is designed primarily for investment in common stock of Diebold, Incorporated.

The previous trustee, Vanguard Fiduciary Trust Company, served as the fund manager for various funds held by the Plan during 2013.



DIEBOLD, INCORPORATED 401(k) SAVINGS PLAN  
Notes to Financial Statements  
December 31, 2014 and 2013

## (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, 2014 and 2013 to the Form 5500:

|  | 2014          | 2013          |
|--|---------------|---------------|
| Net assets available for benefits per the financial statements                         | \$483,637,942 | \$534,970,146 |
| Loan balances deemed for distribution for Form 5500 reporting purposes                 | (82,000       | ) (425,624 )  |
| Adjustment from contract value to fair value for fully-responsive investment contracts | 896,601       | 518,108       |
| Net assets available for benefits per the Form 5500                                    | \$484,452,543 | \$535,062,630 |

The following is a reconciliation of the net change in Plan assets per the financial statements for the years ended December 31, 2014 to the Form 5500:

|  |               |   |
|--|---------------|---|
| Net change in Plan assets, per the financial statements                            | \$(51,332,204 | ) |
| Deemed distributions of defaulted notes  | 343,624       |   |
| Impact of reflecting fully benefit-responsive contracts at fair value on Form 5500 | 378,493       |   |
| Net change in Plan assets per the Form 5500  | \$(50,610,087 | ) |

## (9) Plan Amendment - Voluntary Early Retirement Program

On October 31, 2013, the Plan was amended for the purpose of implementing a Voluntary Early Retirement Program (VERP) for Plan associates who are also participants in the Diebold, Incorporated Retirement Plan for Salaried Employee (the Pension Plan). The VERP allowed Pension Plan participants to voluntarily roll over their lump sum distribution from the Pension Plan into the 401(k) Plan. The amendment was effective October 1, 2013.

## (10) Transfer of Assets out of Plan

The Company divested Diebold Eras, Incorporated in the second quarter of 2014. As a result, \$3,893,266 of investments and loans were transferred out of the Plan in the year ending December 31, 2014.

## (11) Subsequent Event

Effective July 1, 2015, the Plan was amended to increase the automatic contribution election for eligible new participants from three percent to six percent. Participants that do not make an affirmative contribution election will receive an annual notice explaining the automatic election and their right to modify the election.

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DIEBOLD, INCORPORATED 401(K) SAVINGS PLAN  
 Schedule H, Line 4i – Schedule of Assets (Held at End of Year)  
 December 31, 2014  
 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/Units | Cost | Current Value |
|     | Allianzgi International Value Fund                    | Registered Investment Company   | 642,168      | **   | \$13,780,916  |
|     | American Balanced Fund                                | Registered Investment Company   | 493,188      | **   | 12,216,263    |
|     | Calamos International Fund                            | Registered Investment Company   | 951,610      | **   | 16,015,597    |
|     | Invesco Diversified Fund                              | Registered Investment Company   | 1,463,293    | **   | 26,778,265    |
|     | Janus Triton Fund                                     | Registered Investment Company   | 259,807      | **   | 6,144,433     |
|     | John Hancock Disciplined Fund                         | Registered Investment Company   | 600,037      | **   | 11,982,738    |
|     | Loomis Sayles Bond Fund                               | Registered Investment Company   | 1,485,229    | **   | 15,510,643    |
|     | Loomis Sayles Small Cap Value Fund                    | Registered Investment Company   | 449,975      | **   | 22,025,946    |
|     | Oppenheimer Developing Markets Fund                   | Registered Investment Company   | 58,826       | **   | 2,062,447     |
|     | T Rowe Price Blue Chip Growth Fund                    | Registered Investment Company   | 407,843      | **   | 27,435,589    |
|     | Vanguard Institutional Index                          | Registered Investment Company   | 323,769      | **   | 61,085,445    |
|     | Vanguard PRIMECAP Fund                                | Registered Investment Company   | 330,514      | **   | 35,216,263    |
|     | Vanguard Target Retirement 2010 Fund                  | Registered Investment Company   | 34,608       | **   | 910,889       |
|     | Vanguard Target Retirement 2015 Fund                  | Registered Investment Company   | 435,371      | **   | 6,656,819     |
|     | Vanguard Target Retirement 2020 Fund                  | Registered Investment Company   | 416,008      | **   | 11,839,594    |
|     | Vanguard Target Retirement 2025 Fund                  | Registered Investment Company   | 1,014,003    | **   | 16,761,467    |
|     | Vanguard Target Retirement 2030 Fund                  | Registered Investment Company   | 393,496      | **   | 11,427,132    |
|     | Vanguard Target Retirement 2035 Fund                  | Registered Investment Company   | 673,048      | **   | 12,007,182    |
|     | Vanguard Target Retirement 2040 Fund                  | Registered Investment Company   | 269,214      | **   | 8,011,800     |
|     | Vanguard Target Retirement 2045 Fund                  | Registered Investment Company   | 478,315      | **   | 8,920,568     |



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|  |                               |            |         |               |
|--|-------------------------------|------------|---------|---------------|
|  | Registered Investment Company |            |         |               |
| Vanguard Target Retirement 2050 Fund   | Registered Investment Company | 172,938    | **      | 5,122,415     |
| Vanguard Target Retirement 2055 Fund   | Registered Investment Company | 29,519     | **      | 944,005       |
| Vanguard Target Retirement 2060 Fund   | Registered Investment Company | 2,628      | **      | 74,102        |
| Vanguard Target Retirement Income Fund | Registered Investment Company | 144,885    | **      | 1,870,460     |
| Vanguard Total Bond Market Index Fund  | Registered Investment Company | 2,753,516  | **      | 29,930,724    |
| Invesco Stable Value Retirement Trust  | Common / Collective Trust     | 52,742,748 | **      | 53,639,349    |
| Northern Trust S&P 400 Index Fund      | Common / Collective Trust     | 82,892     | **      | 18,071,298    |
| * Diebold Company Stock Fund           | Company Stock Fund            | 2,966,349  | **      | 35,140,255    |
| * Merrill Lynch Bank Deposit Program   | Cash and Cash Equivalents     | —          | 225,145 | 225,145       |
| * Pending Settlement Fund              | Cash and Cash Equivalents     | —          | 2,175   | 2,175         |
| * Participant Loans                    | 1 – 5 years; 4.25% to 9.25%   | —          | ***     | 11,138,518    |
|  |                               |            |         | \$482,948,442 |

\* Party-in-interest

\*\* Information not required pursuant to instructions to Form 5500 for participant-directed funds

\*\*\* The cost of participant loans is \$0 based upon instructions for the Form 5500 Schedule H Line 4i

Signatures

Diebold, Incorporated 401(k) Savings Plan. Pursuant to the requirements of the Securities Exchange Act of 1934, the Benefits Committee of Diebold Incorporated, the Administrator of the Plan, has duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

DIEBOLD, INCORPORATED 401(k) SAVINGS PLAN

Date: June 26, 2015

By: /s/ Christopher A. Chapman  
Christopher A. Chapman  
Senior Vice President and Chief Financial Officer  
(Principal Financial Officer)

DIEBOLD, INCORPORATED  
Form 11-K  
INDEX TO EXHIBITS

|   | EXHIBIT NO. |
|---|-------------|
| Consent of Bober, Markey, Fedorovich & Company, Independent Registered Public Accounting Firm | 23.1        |