

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549**

FORM 10-K

**FOR ANNUAL AND TRANSITION REPORTS
PURSUANT TO SECTIONS 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934**

(Mark One)

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

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

OR

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

For the transition period from _____ to _____

Commission file number **000-53205**

Diligent Board Member Services, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or Other Jurisdiction
of Incorporation or Organization)

26-1189601

(I.R.S. Employer
Identification No.)

39 West 37 St. 8th Floor, New York, NY, 10018

(Address of Principal Executive Offices)(Zip Code)

(212) 741-8181

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: **None**

Securities registered pursuant to Section 12(g) of the Act:

Title of Each Class

Name of Each Exchange on Which Registered

Common Stock, par value \$0.001 per share

The New Zealand Stock Exchange

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ___ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ___ No

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 such 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 (§232.405 of this chapter) 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to their Form 10-K.

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 definition of "accelerated filer," "large accelerated filer" and smaller company: in Rule 12b-2 of the Exchange Act. (Check One):

Large accelerated filer ___ Accelerated filer ___ Non-accelerated filer ___ Smaller reporting company

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

The aggregate market value of common equity held by non-affiliates as of the last business day of the registrant's second fiscal quarter, computed by reference to the last sales price as reported by NZX on June 30, 2010 of NZD 0.64 (US\$ 0.44) per share, was US\$34.8 million.

The number of shares of the registrant's common stock outstanding as of March 1, 2011 was 81,978,001.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents are incorporated herein by reference:

(1) Proxy Statement for the Annual Meeting to be held April 28, 2011, New Zealand Time.

CONTENTS

	PAGE
Forward Looking Statements	ii
Available Information	ii

PART I

Item 1. Business	1
Item 1A. Risk Factors	7
Item 1B. Unresolved Staff Comments	7
Item 2. Properties	8
Item 3. Legal Proceedings	8
Item 4 [Reserved]	8

PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	9
Item 6. Selected Financial Data	10
Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations	10
Item 7A. Quantitative and Qualitative Disclosure About Market Risk	20
Item 8. Financial Statements and Supplementary Data	21
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	44
Item 9A. Controls and Procedures	44
Item 9B. Other Information	44

PART III

Item 10. Directors, Executive Officers and Corporate Governance	45
Item 11. Executive Compensation	45
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	45
Item 13. Certain Relationships and Related Transactions, and Director Independence	45
Item 14. Principal Accountant Fees and Services	45

PART IV

Item 15. Exhibits, Financial Statement Schedules	46
--	----

SIGNATURES	47
INDEX TO EXHIBITS	49

FORWARD LOOKING STATEMENTS

Except for statements of historical fact, certain information described in this document contains "forward-looking statements" that involve substantial risks and uncertainties. You can identify these statements by forward-looking words such as "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "should," "will," "would" or similar words. The statements that contain these or similar words should be read carefully because these statements discuss our future expectations, contain projections of our future results of operations or of our financial position, or state other "forward-looking" information. Diligent Board Member Services, Inc. believes that it is important to communicate our future expectations to our investors. However, there may be events in the future that we are not able accurately to predict or control. Further, we urge you to be cautious of the forward-looking statements which are contained in this Form 10-K because they involve risks, uncertainties and other factors affecting our operations, market growth, service, products and licenses. Events in the future may cause our actual results and achievements, whether expressed or implied, to differ materially from the expectations we describe in our forward-looking statements. The occurrence of future events could have a material adverse effect on our business, results of operations and financial position.

AVAILABLE INFORMATION

We file reports, proxy statements, information statements and other information with the Securities and Exchange Commission. You may read and copy this information, for a copying fee, at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for more information on its public reference rooms. Our Securities and Exchange Commission filings are also available to the public from commercial document retrieval services, and at the web site maintained by the Securities and Exchange Commission at <http://www.sec.gov>. Our internet address is <http://www.boardbooks.com>. We will make available through a link to the SEC's web site, electronic copies of the materials we file with the SEC (including our annual reports on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K, the Section 16 reports filed by our executive officers, directors and 10% stockholders and amendments to those reports). To receive paper copies of our SEC materials, please contact us by mail addressed to Robert E. Norton, Corporate Secretary, Diligent Board Member Services, Inc., 39 West 37 St. 8th Floor, New York, NY 10018, (212) 741-8181.

PART I

ITEM 1. BUSINESS

As used herein, unless the context otherwise requires, the terms “Company”, “we”, “us”, “our” and words of similar import refer to the combined business of Diligent Board Member Services, Inc. and its consolidated subsidiaries.

GENERAL INFORMATION

History

We are a Delaware corporation that was incorporated on September 27, 2007. On October 1, 2007, our accounting predecessor entity and sole stockholder at that time, Services Share Holding, LLC, (previously known as Diligent Board Member Services, LLC and referred to in this document as “SSH LLC”), contributed substantially all of its assets and its Diligent Boardbooks^{® 1} business to Diligent Board Member Services, Inc. SSH LLC was founded in 1994 and developed complex database-driven software for large and small companies until 2003, when it shifted its focus to corporate governance service delivery software.

Company Overview

We develop and sell an online software application called Diligent Boardbooks, which is a web-based portal that directors and administrative staff use to compile, update and examine board materials before, during and after board meetings. Each of our clients enters into a service agreement whereby we agree to provide and support the Diligent Boardbooks service. Diligent provides clients with subscription-based access to its software and also provides associated services including securely hosting the clients’ data and customer service and support for the application.

The Boardbooks product features an on-screen interface that resembles a book and displays documents in single web-viewable pages, from a secure central database. The software is accessed via the internet and is a “point and click” system that gives directors the ability to navigate throughout the entire virtual book.

Diligent uses the Software-as-a-Service (“SaaS”) model to distribute its Diligent Boardbooks application to the market and maintain the security and integrity of its clients’ data. Under this model, Diligent offers annual renewable subscriptions for customer access to its Boardbook product which is hosted on Diligent’s secure servers, and offers a complete suite of related services including training, support, data migration and data security/backup.

¹ Diligent Boardbooks is a registered trademark of Diligent Board Member Services, Inc.

The SaaS model allows Diligent to differentiate itself through technological innovation and customer service while the subscription billing approach results in a predictable and recurring revenue stream. This SaaS model also allows companies to retain control over access to the application while outsourcing to Diligent the support activities, such as managing the IT infrastructure and maintaining the software.

The first phase of our business focus was developing and testing the Boardbooks system, building a loyal core of blue chip customers to become champions of the product, and promoting product awareness through exposure in print media. During this phase we did not focus on revenue growth or profitability, and sales and marketing had been conducted by two to three staff members, who fit this role alongside their other responsibilities. By 2007 we had a commercially viable product and shifted our focus to commit substantial resources to the sales and marketing of our Boardbooks product. We are now in the customer acquisition phase of our business and currently provide the Boardbooks service to over 450 companies and 12,000 users.

Development Timeline

The paragraphs below provide a general timeline of the development of the Diligent Boardbooks system:

- *The Diligent Boardbooks Concept (1998-2001)*. We began developing components of the Diligent Boardbooks system starting in 1998. In 2001, SunAmerica Funds requested a solution to automate the management of its board meeting papers. With this request, the Diligent Boardbooks concept was launched and a working concept was produced and tested, which was licensed to SunAmerica Funds.
- *Diligent Boardbooks Delivery and Development (2000-2002)*. The development process took more than three years to create the first commercially viable version of Diligent Boardbooks. The founders of SSH LLC made this investment foreseeing the end product could become an extremely valuable licensing opportunity.
- *Diligent Boardbooks Testing (2002-2004)*. With SunAmerica Funds as an anchor client, SSH LLC spent a year getting other major accounts to buy licenses in a market that had yet to deal with the implications of the Sarbanes-Oxley Act. These clients had to be “seasoned” (a term we use to describe the time an account takes to become a “paying, satisfied Boardbooks client”) for years in many cases prior to them having the comfort to move their board materials to our servers.
- *Building Credentials (2004-2006)*. After “seasoning” the anchor accounts we began establishing our own credentials. Our marketing group produced credential style marketing materials featuring the initial test license accounts.

- *Scaling (2006-2007)*. Before undertaking an international rollout of a large licensing sales force, we tested several key growth assumptions relating to scaling the Diligent Boardbooks service.
- *Roll-out (2007-2008)*. The roll-out of a sales force commenced in 2007 and by the end of the 3rd quarter our sales force had increased from 3 to 23 full time salespeople, which was subsequently reduced to 18 following performance evaluations. At the end of 2008, a general workforce reduction, due to a difficult worldwide economic climate, further reduced the sales force to 10.
- *Growth (2009-2010)*. Despite the global economic crisis and sales force reduction, the Company had exceptional years in 2009 and 2010. The fourth quarter of 2010 was the best quarter since inception for new sales, with the addition of 59 new agreements for Boardbook licenses and \$1.6 million in annual recurring revenue. For the full year 2010, we added 172 new agreements and \$3.7 million in annual recurring revenue. Additionally, our revenues for 2010 increased 66% to \$8.3 million.

New Zealand Offering

On December 12, 2007, we completed an offshore offering of 24,000,000 common shares to members of the public in conjunction with a listing of our stock on the New Zealand Stock Exchange. The net proceeds of the offering were approximately \$16.4 million, which we used to: recruit additional staff to grow our business, including more licensing sales people in North America, Europe and the Pacific Rim; invest in the operational infrastructure required to scale the business; provide working capital to sustain the operations of the business while we further built our revenue streams; and retire certain debt obligations incurred by SSH LLC in connection with the development of the Diligent Boardbooks business.

Our common stock is listed on the New Zealand Stock Exchange and trades under the symbol “DIL.NZ”.

Acquisition of Diligent Board Member Services NZ Limited; Activities of UK and Singapore Subsidiaries

Effective January 1, 2008, we acquired the stock of Diligent Board Member Services NZ Limited, for consideration of NZD 5,000 (approximately US \$3,800), which provides software development services and support. Effective April 2008, our United Kingdom subsidiary, Diligent Boardbooks Limited, became active and is engaged in European sales. On December 23, 2010, we formed a new subsidiary in Singapore, APAC Board Services PTE. Ltd., to focus on expansion in the Asia-Pacific region.

Market Opportunity

The online board portal industry remains in its early stages with market penetration still relatively low. Our client base was previously comprised of blue chip companies predominantly in the financial services sector. These entities had previously been prime targets because their board materials are crucial to effectively managing the corporate governance process. Public recognition by prominent publications has helped us become a leader in the provision of online board portal software in this sector, and a vast opportunity for us remains in the global financial services sector.

In addition to the financial services sector, Diligent has successfully expanded into numerous other sectors as well, including energy, oil and gas, health care and universities. In spite of the financial stress in the key US market, an impressive list of new clients has been added, including several international brand names. Further inroads have also been made into Canada with major energy companies and one of Canada's largest pension funds selecting the Boardbooks board portal to provide them with real time access to their vital board materials.

In 2010, Diligent achieved sales revenue of over \$8.3 million, a year-to-year increase of 66%. The Company's ability to continue to significantly grow its recurring income each quarter confirms that its SaaS business model is strongly positioned for the future.

The drivers behind Diligent's significant sales growth include:

- Greater brand recognition of the Diligent Boardbooks product.
- A highly skilled and focused sales force.
- Faster sales turnaround driven, in part, by a general return of business confidence.
- High customer confidence in, and satisfaction with, the product; supporting a trend where existing clients continue to upgrade services, add new users and provide new client referrals.
- The introduction of an Apple iPad compatible version of Diligent Boardbooks in September 2010, and the acceptance of Boardbooks for iPad 1.0 into the Apple App Store in early January 2011.

An important factor to also note is that this growth has been achieved even though the number of trained sales staff has remained relatively consistent throughout 2009 and 2010 and significantly down from sales staffing levels of 2008.

As confidence appears to be returning to US companies and the Diligent sales pipeline continues to grow, the company is considering expanding its sales force to take advantage of the real growth opportunities. Given the sales performance to date,

management has now achieved a proven model when it comes to driving results from its sales force.

Our Product Strengths

Established Brand. We compete against several competitors within the board portal industry. Notably however, we began development in early 2001 ahead of many of our competitors. As a result, we believe our brand is more established in the marketplace.

Ease of Use. In an article published in The Wall Street Journal on October 23, 2006, the author commented that “The portal from Diligent Board Member Services may be the easiest to use. The Diligent layout looks like a paper book. A binding coil and divider tabs are drawn onto the screen and directors “flip” pages with the click of a mouse.” This “ease of use” has been one of the many key elements to Diligent Boardbooks' popularity among executives with little time to learn a new system.

Flexible Online and Offline Viewing. Diligent Boardbooks may be viewed online via the Internet or offline on the user's computer. The offline version of Diligent Boardbooks allows a user to download a secure encrypted database of their own corporation's entire Diligent Boardbooks database. This allows meetings to be run off-site without an Internet connection. The same book-like interface is used to view offline as well as online. This system is secured through high-level security and encryption technology.

Additionally, when paper copies are requested, Diligent Boardbooks has a “Print Book” feature that allows directors to print the entire collated Boardbook complete with page numbers, agenda-related footers and more. This feature is controlled by the user, allowing a page, a tab or a whole book to be printed. This is a password-specific functionality controlled by the users.

Offline Synchronization. The main distinction between Diligent Boardbooks and other systems is that Diligent Boardbooks maintains a single copy and does not download information that has already been downloaded, making synchronization an efficient and rapid process. Accordingly, there is no risk of having multiple copies or outdated documents floating on the computer desktop.

Regular Upgrades. The Diligent Boardbooks software is regularly updated by our software development team. Updates are applied automatically and users receive the benefit of enhanced functionality without the inconvenience of software reinstallation.

Application Security. We designed a powerful and secure triple redundant network to promote absolute protection and availability of client data. Primaries, secondaries and fail-over servers and systems are located in geographically diverse locations for application and data delivery security. An automated intrusion detection system blocks malicious activity and reverse proxy authentication provides another

barrier of protection for sensitive data. For complete security, each individual Diligent Boardbooks user has a distinct user name and password that is required to access the Diligent Boardbooks site. All data is encrypted.

We are SAS 70 – Series II Audited (Statement on Auditing Standards – Service Organizations). This means our licensed client base can be assured that their most intimate corporate information is secure.

Global Support. We serve the highest level officers of some of the largest companies in the world. To assist with completely meeting the expectations of these directors and their key employees, we have staff and contractors in four countries. Our support team is trained to work with its high-level clients to solve any problem a user might encounter. This high level of support is a core competency that has helped to ensure successful implementation and retention for over 450 companies and over 12,000 users to date, while keeping client attrition rates to less than five percent per year.

Full Management and Implementation Team. We provide personalized and high quality account management and implementation to our clients. Each client has a dedicated team that includes an assigned day-to-day account manager, an assigned security engineer and an assigned executive.

Rapid, Cost Effective Deployment. Diligent Boardbooks can be rapidly deployed for use within an organization. Once a company chooses to use Diligent Boardbooks, it can begin to realize the benefits almost immediately. Director training typically takes less than 45 minutes and full product administration training less than 10 hours. We consider this a very important distinguishing factor relative to key competitors whose systems can take considerably longer to implement.

Business Model

We use the SaaS model to distribute our Diligent Boardbooks software to the market and maintain the security and integrity of our clients' data. Under this model, we license customer access to our Boardbook product, which is hosted on our secure servers, and offer a complete suite of related services including training, support, data migration and data security/backup.

The SaaS model is characterized by a company providing on-demand access to its complex software through a web-based interface in return for subscription-based revenue. The SaaS industry has undergone significant growth over the past five years, spurred on by several factors:

- SaaS providers can cost-effectively share one application across hundreds or thousands of companies;
- Clients can accelerate the deployment process and eliminate additional infrastructure costs;

- A continuing decline in the cost of bandwidth has meant web-based solutions have become more viable;
- Lower cost of implementation. Clients do not pay large sums for a product with a long development and implementation timeframe with no guarantee of success. Instead, clients that pay a nominal set-up and/or training fee (installation fee), and a recurring subscription fee, can begin to use the fully developed service immediately and retain the ability to cancel the service, if unsatisfied;
- The success of on-demand services in the consumer market (e.g., Google, iTunes and YouTube) have made accessing content and services commonplace in professionals' personal lives. Professionals are now demanding similar features in business software; and
- The success of early leaders such as WebEx and salesforce.com has demonstrated the viability and value proposition of the SaaS model.

Central characteristics of implementing the SaaS model include the:

- Ability to obtain rapid growth in market share and revenue over a sustained period of time;
- Highly scalable operations that can support sales growth with much lower increases in operating costs;
- Significant up-front investment in sales and marketing in order to maximize the market penetration;
- Negative earnings over the expansion period offset by equity capital; and
- After a period of intense competition, typically one or two companies emerge as the market leaders.

Marketing; Growth Strategy

We believe building a successful sales and marketing team to present to and serve the boards of the world's major corporations is a significant undertaking. Staff must have a deep understanding of corporate governance issues while also being able to interact credibly with the board members and senior executives of major US and international corporations.

The roll-out of our sales force commenced in 2007. By the beginning of the 4th quarter 2008, our sales force had increased to 23 full-time salespeople and then was subsequently reduced to 18 after performance evaluations. In November 2008, after

consideration of the then current market environment and economic conditions, and the concern about the Company's ability to raise additional growth financing on historically favorable terms, management decided to implement a cost reduction program that reduced staff by 13 people, including 8 in sales and 1 in marketing, leaving a total of 10 active in sales. Although this was a dramatic cut in sales force, the Company retained its most effective salespeople and continued the pattern of growth necessary to maintain its market position. We currently have 8 fully trained sales people and we continue on an ongoing basis to evaluate the performance of our sales team and make adjustments as prudent and/or necessary.

Intellectual Property

We acquired all Diligent Boardbooks-related intellectual property from SSH LLC, as of October 1, 2007. We have protected our unique graphical user interface by copyright. We have registered our "Diligent Boardbooks" trademark and will continue to take steps to protect our intellectual property.

All software developed by us is protected by copyright and has been developed entirely by our employees. Employees and contractors have no rights to the application source code, design, user interface or any other aspect of the application, which is protected by copyright and provisions in our employment contracts.

Clients have no rights, other than licensed use, to the application source code, and generally have no visibility of the source code. We make occasional exceptions to allow clients to perform due diligence security audits, which are protected by non-disclosure/non-use agreements. Client rights to the application are defined and protected by the client service agreement with us.

Customers and Certain Contracts

Our client base is currently comprised of large companies predominantly in the financial services sector, however, the Company has successfully expanded into numerous other sectors as well, including energy, oil and gas, health care and universities. While confidentiality arrangements limit Diligent from disclosing its client base, clients who have permitted disclosure include SunAmerica Funds, Allianz Global Investors, New York Life Investment Management, Motorola, AOL, Exxon Mobil and the BBC. We have implemented the Diligent Boardbooks system for over 450 companies and over 12,000 users.

Research and Development

Our research and development efforts are now focused on improving and enhancing our Diligent Boardbooks system.

Competition

We are subject to significant competition that could impact our ability to gain market share, win business and increase the price pressure on our products. We face strong competition from a wide variety of firms, both large and small. Some of our primary direct competitors are the following:

- Thomson Reuters, headquartered in New York, which provides a board portal service through a product called Thomson BoardLink;
- BoardVantage, Inc., located in California, which provides a product called BoardVantage Board Portal;
- Directors Desk, located in New York and Washington, which provides a product called Directors Desk; and
- SAI Global Limited, which acquired 80-20 Software Inc., a Melbourne-based service provider with a product called Leaders4.

We believe the principal factors that generally determine a company's competitive advantage in the market in which Diligent Boardbooks competes are:

- software development capabilities;
- functionality and reliability of products and services;
- competitive sales and marketing capabilities;
- proven testing record of software products and services; and
- market share.

We believe that we compete favorably regarding each of these factors.

Regulation

Our business is not subject to any industry-specific regulation that affects our business as currently conducted, although we are subject to general tax, corporate, securities, employment, privacy and other laws and regulations that affect businesses generally. We are a beneficiary of the push to improve corporate governance and oversight stimulated by the Sarbanes-Oxley Act of 2002, which we believe has increased demand for our Diligent Boardbooks product.

Environmental Matters

We do not believe that the costs and effects of compliance with environmental laws will be material to our business.

Employees

As of March 1, 2011, we had approximately 58 full-time employees. Of these, the majority are located in our New York, New York offices. The remaining employees are located predominantly in our Christchurch, New Zealand office, which provides software and help desk support for several large corporations, as well as providing the

software development of the Diligent Boardbooks product. We also have administrative employees in our Wayne, New Jersey office.

ITEM 1A. RISK FACTORS

Because the Company qualifies as a smaller reporting company, as defined by §229.10(f)(1), it is not required to provide the information required by this Item.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Because the Company qualifies as a smaller reporting company, as defined by §229.10(f)(1), it is not required to provide the information required by this Item.

ITEM 2. PROPERTIES

Our headquarters are located at 39 West 37 St., New York, NY 10018, where our primary executive, sales and administrative offices are located. We also have an ancillary administrative office located at 155 Willowbrook Boulevard, Suite 100, Wayne, NJ 07470. We have sales offices in England and New Zealand. We also have an office at 49 Carlyle Street, Christchurch, New Zealand, where our software development takes place. We lease all of these properties and do not own any real property.

We believe that our current facilities are suitable and adequate to meet our current needs, and that suitable additional or substitute space will be available as needed to accommodate expansion of our operations, although we intend to open additional sales offices as our geographic sales footprint warrants.

We believe that our facilities are adequately covered by insurance.

ITEM 3. LEGAL PROCEEDINGS

The Company is not a party to any material legal proceeding required to be disclosed under Item 103 of Regulation S-K.

ITEM 4. [RESERVED]

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

There is no United States established public trading market for our common stock. On December 12, 2007 we completed a public share offering of 24,000,000 shares of our common stock in conjunction with a listing of our stock on the New Zealand Stock Exchange under the symbol "DIL."

The following table shows the high and low closing sales prices for our common stock in New Zealand dollars.

Period	Closing Price of Common Stock (NZD)	
	High	Low
2009 – 1 st Quarter	.15	.15
2009 – 2 nd Quarter	.25	.10
2009 – 3 rd Quarter	.25	.14
2009 – 4 th Quarter	.44	.18
2010 – 1 st Quarter	.52	.25
2010 – 2 nd Quarter	.70	.46
2010 – 3 rd Quarter	.68	.56
2010 – 4 th Quarter	.69	.57

Holdings

As of March 1, 2011 there are 782 holders of record of our common stock.

Dividends

We have not paid any dividends on our common stock within the past two fiscal years or during the current fiscal year, and have no plans to do so in the foreseeable future.

Equity Compensation Plan Information

As of December 31, 2010, no shares of common stock are issuable by us upon the exercise of options, warrants and rights under any equity compensation plan, except as follows:

	Number of securities to be issued	Weighted-average exercise price of	Number of securities remaining available for future issuance under equity

Plan category	upon exercise of outstanding options	outstanding options	compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plan approved by security holders	5,190,335	.1902	5,191,664

Recent Sales of Unregistered Securities

The following is a summary of transactions by our company within the past three years involving sales of its securities that were not registered under the Securities Act of 1933 (or “Securities Act”).

On October 23, 2008, we issued 600,000 shares of our common stock to our General Counsel and former CFO pursuant to written agreements under our 2007 Stock Option and Incentive Plan pursuant to the exemption from registration provided by Rule 506 and/or Section 4(2) of the Securities Act of 1933. These shares were subject to a substantial risk of forfeiture based on continued service requirements that lapsed at various dates through May 2009.

On March 11, 2009, we issued 30,000,000 shares of newly created Series A Preferred Stock to Spring Street Partners, L.P. and Carroll Capital Holdings, LLC for US\$0.10 per share. The Series A Preferred Stock was issued pursuant to the exemption from registration provided by Rule 506 of Regulation D and/or Section 4(2) of the Securities Act of 1933 (based on the issuance not involving any public offering and the shares being issued solely to accredited investors). The Preferred Shares carry a fixed, cumulative, dividend of 11% per annum (adjusted for stock splits, consolidation, etc). The dividend may be paid on the first business day of each calendar year for the prior year either in cash or in kind (at Diligent’s option) by the issue of additional Preferred Shares (PIK Shares), to be issued at the same issue price of US\$0.10 per share. The 11% annual dividend on the Preferred Shares will rank ahead of the declaration or payment of any dividends on Diligent’s common stock (ordinary shares). In addition to the 11% preferred dividend, the holders of the Preferred Shares will also be entitled to participate pro rata in any dividend paid on Diligent’s common stock. The Preferred Shares will be convertible at any time at the option of the holders into Diligent common stock on a one-for-one basis based on a conversion price of US\$0.10 per share. For the year 2009, the Board of Directors of the Company approved the issuance of PIK shares in lieu of cash, which dividend was effective January 4, 2010. Accordingly, the holders of the Series A Preferred Stock received an aggregate of 2,667,123 PIK Shares on January 4, 2010. During 2010, the Company anticipated that a cash dividend would be paid on the Series A Preferred Stock and accrued \$359,338 for such dividend. In January 2011, Spring Street Partners, L.P., one of the holders of the Series A Preferred Stock, waived its right to \$200,000 of the dividend due on January 1, and directed the Company to retain those

funds to support future growth. The founder and managing partner of Spring Street Partners, L.P. is also the chairman of the board of directors of the Company.

On October 19, 2010, we completed an offshore private placement for 3,000,000 shares of newly issued common stock by First NZ Capital Securities Limited at NZ\$0.62 (US\$0.47) per share, for total proceeds of NZ\$1,824,000 (US\$1,380,950), net of expenses. The private placement was conducted in reliance upon Regulation S promulgated under the Securities Act of 1933.

ITEM 6. SELECTED FINANCIAL DATA

Because the Company qualifies as a smaller reporting company, as defined by §229.10(f)(1), it is not required to provide the information required by this Item.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes that appear elsewhere in this Form 10-K. In addition to historical consolidated financial information, the following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements.

Overview

The Company develops and makes available an online software application called Diligent Boardbooks, a web based portal that board members, management and administrative staff use to compile, update, review and archive board materials before, during and after board meetings. The Company provides clients with subscription-based access to its software and also provides associated services including securely hosting the client's data and customer service and support for the application.

Software-as-a-Service ("SaaS") Model

The Company uses the Software-as-a-Service ("SaaS") model to distribute its Diligent Boardbooks application to the market and maintain the security and integrity of its clients' data. Under this model, the Company offers annual renewable subscriptions for customer access to its Boardbook product which is hosted on the Company's secure servers, and offers a complete suite of related services including training, support, data migration and data security/backup.

The SaaS model allows the Company to differentiate itself through technological innovation and customer service while the subscription billing approach results in a predictable and recurring revenue stream. This SaaS model also allows clients to retain control over access to the application while outsourcing to the Company the support activities, such as managing the IT infrastructure and maintaining the software.

SaaS Benefits

The Company's SaaS model addresses several difficulties found in the traditional software model and offers the following critical advantages for our company:

- **Highly scalable operations.** Because our client's boards do not ordinarily meet on a daily or monthly basis, our system has the capability to support many more Boards without absorbing increased costs associated with customer growth.
- **Better revenue visibility.** By offering renewable annual subscriptions instead of one time perpetual licenses, the Company has much better revenue foresight. This high revenue visibility allows the Company to undertake much better planning and budgeting, with significant advantages for corporate strategy and profitability.
- **Lower cost of development.** The Company has developed one application that is cost effectively shared across thousands of end users. This is considerably less expensive than developing all the permutations (data bases, operating systems, etc) needed by customers who want to run the software on their own premises. These economies allow the Company to spend resources on developing increased functionalities for its Boardbooks application instead of on creating multiple versions of the same code.
- **Longer corporate life.** The SaaS model has a long tail of recurring revenue that reduces investment risk, simplifies corporate planning and leads to extended corporate life.
- **Better expense visibility.** Because revenue is more predictable, the Company is able to better plan expenses.

Diligent's History

We began developing components of the Diligent Boardbooks system starting in 1998. In 2001, SunAmerica Funds requested a solution to automate the management of its board meeting papers. With this request, the founders of the Company launched the Diligent Boardbooks concept and produced and tested a working concept that was delivered to SunAmerica Funds. By 2002, the founders of the Company believed the end product could become an extremely valuable licensing opportunity. With SunAmerica Funds as one of our anchor clients, the Company spent a year selling Boardbooks licenses to other major accounts to buy licenses in a market that had yet to deal with the implications of the Sarbanes-Oxley Act. Starting in 2006, after fully developing the capabilities of our product with our anchor clients, we began establishing our own credentials. Our marketing group produced promotional marketing materials featuring our anchor clients which described the Boardbooks product and explained its benefits for

boards of directors. For the next two years, before undertaking an international rollout of a large licensing sales force, we tested several key growth assumptions relating to scaling the Diligent Boardbooks product.

On December 12, 2007 we completed a public share offering of 24,000,000 shares of our common stock in conjunction with a listing of our stock on the New Zealand Stock Exchange under the symbol “DIL.” As a result, the Company is subject to the regulation and reporting requirements imposed by the New Zealand Stock Exchange. There is no United States established public trading market for our common stock. However, because the Company is a U.S. company incorporated in Delaware with over 500 shareholders, it is also treated as a public company in the U.S. subject to the reporting and regulatory requirements of the Securities and Exchange Commission (“SEC”) and the Securities Exchange Act of 1934. Because of this dual regulation in New Zealand and the U.S., the Company is required to meet both standards, which means the Company sometimes is faced with conflicting requirements and always must comply with the more stringent rule.

Today, as a result of our commitment to sales and marketing, we are currently experiencing outstanding financial growth. Despite the global economic crisis and sales force reduction, the Company had exceptional years in 2009 and 2010. The fourth quarter of 2010 was the best quarter since inception for new sales, with the addition of 59 new agreements for Boardbook licenses and \$1.6 million in annual recurring revenue. For the full year 2010, we added 172 new agreements and \$3.7 million in annual recurring revenue. Additionally, our revenue for 2010 increased 66% to \$8.3 million. The Company now has over 450 worldwide clients and more than 12,000 users of its Boardbooks products, servicing customers across a wide range of industry segments

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its estimates and judgments, including those related to revenue recognition, deferral of costs, the allowance for accounts receivable, software development costs, the impairment of long-lived assets and note receivable, income taxes and assumptions for stock-based compensation. Management bases its estimates and judgments on historical experience, known trends or events and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We define our “critical accounting policies” as those that require us to make subjective estimates about matters that are uncertain and are likely to have a material impact on our financial condition and results of operations or that concern the specific manner in which we apply GAAP. Our estimates are based upon assumptions and judgments about matters that are highly uncertain at the time the accounting estimate is made and applied and require us to assess a range of potential outcomes.

We believe the following critical accounting policies to be both those most important to the portrayal of our financial condition and those that require the most subjective judgment.

Revenues and Accounts Receivable

We derive our revenues from set-up and training fees (“installation fees”) of the Boardbooks system and license fees for the ongoing use of our Diligent Boardbooks software. We have no other significant sources of revenues at this time.

The Company recognizes revenue when all of the following criteria are met: (a) persuasive evidence of the arrangement exists, (b) delivery has occurred or services have been rendered, (c) the seller’s price to the buyer is fixed and determinable and (d) collectability is reasonably assured. Revenue from the Boardbooks licenses is recorded ratably over the contract period, which is generally twelve months. License fees paid in advance are recorded as deferred revenue until recognized. The Company generally invoices its customers in annual installments. Accordingly, the deferred revenue balance does not represent the total contract value of annual or multi-year, noncancelable subscription agreements. The Company also earns fees for set-up and training (“installation fees”) of the Boardbooks system. Installation fees are recorded ratably over the contract period.

Accounts receivable are recorded at estimated net realizable value. A provision for doubtful accounts is based on management’s assessment of amounts considered uncollectable for specific customers based on age of debt, history of payments and other relevant information. An allowance for doubtful accounts is provided for accounts receivable which management determines will not be collectable in full.

Cost of Revenues and Operating Expenses

Cost of Revenues. Cost of revenues consists of direct expenses related to account management, customer support and IT hosting. We do not allocate indirect overhead to cost of revenues.

Selling and Marketing Expenses. Selling and marketing expenses are comprised of sales commissions, salaries for sales and marketing employees, and direct advertising expenses, including mailings and travel. We do not allocate indirect overhead to selling and marketing.

General and Administrative Expenses. General and administrative expenses consist of compensation and related expenses for executive, finance, accounting, administrative, legal, professional fees, other corporate expenses and overhead costs such as rents, utilities etc.

Research and Development Expenses. Research and development expenses are incurred as we upgrade and maintain our software, and develop product enhancements. Such expenses include compensation and employee benefits of engineering and testing personnel, materials, travel and all direct overhead associated with design and required testing of our product line. We do not allocate indirect overhead to research and development.

Software development costs are expensed as they are incurred until technological feasibility has been established, at which time those costs are capitalized until the product is available for general release to customers. To date, software has been available for general release concurrent with the establishment of technological feasibility and, accordingly, the Company has not capitalized any development costs. Costs incurred to enhance products after the general release of the service using the product are expensed in the period they are incurred and included in research and development costs in our consolidated statements of operations.

Share-Based Compensation. In November 2007, we adopted our 2007 Stock Option and Incentive Plan pursuant to which we have issued share-based compensation from time to time, in the form of stock options and other equity based awards. In June 2010, we adopted the 2010 Stock Option and Incentive Plan pursuant to which we issued stock options in July 2010.

Share-based compensation consists of stock issued to employees and contractors for services rendered. The Company measures the cost of employee services received in exchange for an equity-based award using the fair value of the award on the date of the grant, and recognizes the cost over the period that the award recipient is required to provide services to the Company in exchange for the award.

The Company measures compensation cost for awards granted to non-employees based on the fair value of the award at the measurement date, which is the date performance is satisfied or services are rendered by the non-employee.

Interest Income (Expense), net

Interest income is derived from interest bearing bank deposits held by US, UK and New Zealand bank accounts, together with investment income from a loan receivable due from a related party, SSH LLC.

Foreign Exchange

As a worldwide company, certain of Diligent's revenues and expenses are denominated in foreign currencies, which are recorded at the approximate rates of exchange in effect at the transaction dates. Assets and liabilities are translated at the exchange rates in effect at the balance sheet dates, with differences recorded as foreign exchange gains or losses in the statements of operations. Additionally, the Company has cash balances maintained in New Zealand Dollars (NZD) and British Pound Sterling (GBP).

The Company's wholly-owned subsidiaries, Diligent Boardbooks Limited ("DBL") and DBMS NZ, utilize the GBP and the NZD, respectively, as their functional currencies. Assets and liabilities of these subsidiaries are translated to US dollars at exchange rates in effect at the balance sheet dates, with the resulting translation adjustments directly recorded to a separate component of accumulated other comprehensive income.

Income taxes

Diligent Board Member Services, Inc. files U.S. federal and state income tax returns. Foreign operations file income tax returns in their respective foreign jurisdictions. The Company accounts for deferred income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company and its subsidiaries are subject to regular audits by federal, state and foreign tax authorities. These audits may result in additional tax liabilities. The Company's federal, state and foreign income tax returns for the 2007 through 2010 tax years are open for examination by the respective taxing jurisdictions.

Note receivable from affiliate

The note receivable from affiliate represents amounts due from Services Share Holding, LLC ("SSH LLC", the Company's predecessor entity), under a Promissory Note and Security Agreement dated October 1, 2007 (the "Note"), as amended by the Prepayment and Amendment Agreement entered into in February 2010 and approved by our stockholders in June 2010.

Prior to the prepayment and amendment, the principal balance of the Note was \$7,161,791, which bore interest at 5% per annum, and was scheduled to mature on October 1, 2010. It was originally secured by 25,000,000 shares of the Company's stock which was pledged as collateral by members of SSH LLC. A portion of the pledged shares were subsequently sold by SSH LLC in order to obtain funds to make the quarterly

interest payments. At December 31, 2009, there were 21,678,597 shares securing the Note.

The Prepayment and Amendment Agreement with SSH LLC provided for:

- The sale in February 2010 by SSH LLC of a block of 4,823,000 shares of the pledged stock to a third party for US\$0.24 per share, for a total of US\$1,157,011 (after commissions), which would be applied to the interest due for the period from January through May 2010 (\$146,581) and prepayment of principal (\$1,010,430). The proceeds of this sale were placed in escrow pending stockholder approval of the agreement.
- The prepayment of an additional US\$3,075,676 of principal through the surrender of 11,650,000 pledged shares to the Company at US\$0.26 per share,
- The extension of the maturity date on the Note from October 1, 2010 to October 1, 2012, and
- Effective in June 2010, adjustment of the annual interest rate from 5.0% to 6.5%, payable annually on January 1 of each year, in arrears.

This agreement was subject to the approval of the Company's shareholders at the annual meeting on June 8, 2010, and was contingent on the receipt of an appraisal attesting to the fairness of the transaction to the shareholders unrelated to SSH LLC. The agreement was approved and the proceeds from the February 2010 sale, which had been placed in escrow, were delivered to the Company on June 8, 2010. After the transaction, the amended Note had a contractual outstanding principal balance of \$3,075,685 and was secured by 5,205,597 shares of the Company's common stock pledged by the members of SSH LLC. In a series of transactions in December 2010 and early January 2011, SSH LLC sold an additional 275,000 shares of the Company's common stock pledged as collateral for the Note, as permitted under the Note agreement to fund interest payments. As a result, the number of shares pledged as collateral for the Note has been reduced to 4,930,597.

A portion of the outstanding loan balance of \$3,075,685 is reserved on our balance sheet by a valuation allowance of \$1,200,000, resulting in a net receivable balance of \$1,875,685. The Note is considered to be collateral dependent, as SSH LLC's primary means of repayment is through liquidation of the underlying collateral. At December 31, 2008, the then-outstanding loan balance of \$7,161,791 was reduced by a \$5.8 million valuation allowance, which was based on the estimated fair value of the underlying collateral at that time. As discussed below, in the fourth quarter of 2009, the Company recorded a recovery in the value of the Note of \$300,000 and a corresponding decrease in the valuation allowance to \$5.5 million. At March 31, 2010, the Company recorded an additional recovery in the value of the note of \$3.2 million, and at September 30, 2010 the Company recorded a further recovery of \$1.1 million, as described below.

In the absence of an active market for the Company's common stock, or other observable inputs for similar instruments, the Company originally based its valuation of the underlying collateral on the value of the March 2009 issuance of Series A Preferred Stock, adjusted using an assumed discount rate of 20%, which was management's estimate of the fair value of the preferred features of the Series A Preferred Stock. In addition, management assumed that SSH LLC and/or its members would sell a portion of

the underlying collateral to meet their quarterly interest payments, thereby reducing the amount of collateral expected to be available when the Note was to mature in October 2010.

The recovery of \$3.2 million at March 31, 2010 was based on the re-measurement of a significant input used to value the underlying collateral of the Note. The February 2010 sale of shares to a third party indicated that the preferred stock price was no longer the best measure of the fair value of our common stock. The Company believed that a better benchmark for fair value was the US\$0.24 per share obtained by SSH LLC for the 4.8 million shares sold to a third party in February 2010. The additional recovery at September 30, 2010 is based on the subsequent re-measurement of the underlying collateral at \$0.47 per share, which is the price obtained for the 3 million shares issued by the Company in a private placement in October 2010. The Company reviews the valuation of the Note each reporting period and believes the value is properly stated at December 31, 2010. In assessing the adequacy of the valuation allowance at December 31, 2010, we considered the prices obtained by SSH LLC for the December 2010/January 2011 sales of 275,000 shares, which were approximately equal to the price received for the shares issued in the October 2010 private placement. Additionally, there have been no other third party sales which would cause us to believe that \$0.47 per share is not the best measure of the value of the underlying collateral.

Recent Accounting Pronouncements

See Note 3 to the consolidated financial statements at Item 8 of this Form 10-K.

Results of Operations for the Years Ended December 31, 2010 and 2009

Revenues

	Year ended December 31,		Increase/(Decrease)
	2010	2009	
Revenues	\$ 8,300,958	\$ 5,000,639	\$ 3,300,319

The growth in revenues of 66% in the year ended December 31, 2010 when compared with 2009 is a result of the cumulative addition of license agreements each quarter. The Company has continued to add license agreements each quarter since inception. At December 31, 2010, the cumulative license agreements were 456, compared with 284 at December 31, 2009, a 61% increase. The fourth quarter of 2010 saw an increase of 59 license agreements and marked an all-time high quarterly increase. The introduction of an Apple iPad compatible version of Diligent Boardbooks in September 2010 contributed to the increased demand for our product and we expect this trend to continue.

All of the deferred revenue of \$2.8 million recorded on the balance sheet at December 31, 2010 will be recognized as revenue in the next twelve months.

Cost of Revenues and Operating Expenses

Cost of Revenues

	Year ended December 31,		Increase/(Decrease)
	2010	2009	
Cost of Revenues	\$ 2,774,217	\$ 2,186,850	\$ 587,367

Cost of revenues is comprised of account management, customer support and IT services. For the year ended December 31, 2010, employee costs included in cost of revenues increased by approximately \$445 thousand as compared to the year ended December 31, 2009, primarily as a result of a realignment of certain management responsibilities from research and development to account management, and an increase in head count to support our larger client base. The remainder of the increase in cost of revenues is primarily attributable to an increase in hosting costs of approximately \$61 thousand, which increased primarily due to hosting facilities the Company has expanded as a result of the growth in the number of users. Additional cost increases attributable to our larger client base include travel costs of \$34 thousand, equipment maintenance of \$31 thousand, and phone support of \$9 thousand.

Cost of revenues as a percentage of revenues decreased to 33.4% in 2010, compared with 43.7% for 2009, as a result of the greater economies of scale that we have achieved as our client base increased.

Selling and Marketing Expenses

	Year ended December 31,		Increase/(Decrease)
	2010	2009	
Selling and Marketing Expenses	\$ 2,658,301	\$ 2,436,912	\$ 221,389

Selling and marketing expenses increased in 2010 as compared to 2009 as a result of an increase in labor costs of \$108 thousand, comprised of a decrease in salary expense for sales people, which was more than offset by an increase in commissions earned. Labor costs for marketing activities were level, as we decreased our in-house marketing staff, while increasing the use of outside consultants. Marketing costs overall increased by approximately \$47 thousand primarily due to an increase in trade shows and printing costs, offset by a reduction in advertising and mailings. Foreign selling expenses increased by approximately \$83 thousand, primarily in the UK.

General and Administrative Expenses

	Year ended December 31,		Increase/(Decrease)
	2010	2009	

General & Administrative Expenses	\$ 3,847,156	\$ 3,944,363	\$ (97,207)
-----------------------------------	--------------	--------------	-------------

The decrease in general and administrative expenses is comprised of increases in share-based compensation expense relating to stock options (\$398 thousand) and employee compensation (\$71 thousand), offset by decreases in professional fees (\$435 thousand), state and city capital taxes (\$64 thousand), UK general and administrative costs (\$43 thousand) and director-related costs (\$15 thousand). The decrease in professional fees is attributable to the inclusion in 2009 of incremental professional fees associated with the requirements of becoming a public company in the U.S. The overall reduction in general and administrative expenses is a result of our focus on cost control in order to direct our resources towards business growth.

Research and Development Expenses

	Year ended December 31,		Increase/(Decrease)
	2010	2009	
Research and Development Expenses	\$ 963,916	\$ 730,201	\$ 233,715

Research and development expenses increased 32% in 2010, as compared to 2009. Our research and development is performed primarily by our New Zealand subsidiary, whose expenses in NZD increased by 13%, due to increased staffing for new product development, including development of Diligent Boardbooks for Apple iPad. In US dollars, the New Zealand costs increased by 30%, as a result of an increase in the average NZD/US\$ exchange rate to 0.72 in 2010 from 0.63 in 2009. Additionally, we increased R&D staff in our New York office in 2010.

Depreciation and Amortization

	Year ended December 31,		Increase/(Decrease)
	2010	2009	
Depreciation and Amortization	\$ 472,593	\$ 418,644	\$ 53,949

The increase in depreciation and amortization is attributable to the net increase in property and equipment, consisting principally of computer equipment and computer software.

Impairment recovery on note receivable from affiliate

	Year ended December 31,		Increase/(Decrease)
	2010	2009	
Impairment recovery on note receivable from affiliate	\$ 4,300,000	\$ 300,000	\$ 4,000,000

The carrying value of the Note had previously been reduced by a valuation allowance to reflect the estimated fair value of the Company's common stock which is

held as collateral for the Note, as the Note is deemed to be collateral dependent. At March 31, 2010, the Company re-measured a significant input used to value the underlying collateral and recorded a recovery of \$3.2 million. An additional recovery of \$1.1 million was recorded at September 30, 2010, based on recent events which indicated that the revised measurement was the best representation of fair value of the underlying collateral for the Note.

Interest Income, net

	Year ended December 31,		Increase/(Decrease)
	2010	2009	
Interest Income, net	\$ 233,388	\$ 358,446	\$ (125,058)

Interest income, net, includes interest income on the Note Receivable from our affiliate, as well as interest on the Company's cash and cash equivalents and term deposits which are interest-bearing. The decrease in interest income is attributable to the prepayment and amendment of the Note in June 2010. Although the interest rate increased from 5.0% to 6.5%, the principal balance decreased by approximately \$4.1 million, resulting in less interest income overall.

Foreign Exchange Transaction Gain/(Loss)

	Year ended December 31,		Increase/(Decrease)
	2010	2009	
Foreign Exchange Transaction Gain/(Loss)	\$ (13,000)	\$ 60,893	\$ (73,893)

The Company's US and UK operations have transactions with customers and suppliers denominated in currencies other than their functional currencies, primarily the Canadian Dollar and the Euro. Additionally, the US parent Company maintains a portion of its cash and receivable balances in foreign currencies, primarily the NZD and GBP. Foreign exchange transaction gains and losses arise on the settlement of foreign currency transactions at amounts different from the recorded amounts, and the measurement of the unrealized foreign currency gains and losses in the related assets and liabilities at the end of the period. In 2009, the US dollar weakened significantly against both the NZD and GBP, while in 2010 the US dollar recovered against the GBP and experienced just a slight weakening against the NZD.

Other Income

	Year ended December 31,		Increase/(Decrease)
	2010	2009	
Other Income	\$ -	\$ 171,339	\$ (171,339)

Other income in 2009 consists of a recovery of UK Value Added Tax (VAT) on prior year expenses.

Liquidity and Capital Resources

Historically, as the Company grew its business and sustained negative cash flow, its primary source of liquidity had been the cash received from stock issuances, including \$16.4 million obtained in December 2007 from the Company's initial public offering and \$2.9 million obtained from the issuance of Series A preferred stock issued in March 2009. Additionally, in June 2010, the Company received a \$1.0 million principal prepayment on the Note receivable from affiliate, and on October 20, 2010, the Company received \$1.4 million in an offshore private placement of 3 million shares of newly issued common stock by First NZ Capital Securities Limited.

In the third and fourth quarters of 2010, the Company generated positive cash flows from operations of \$0.2 million and \$0.7 million, respectively, resulting in approximately \$18 thousand net cash generated from operations for the full year. This marks the first year since inception of the Company that Diligent achieved positive cash flow from operations.

At December 31, 2010, the Company's sources of liquidity consist of cash and term deposits of approximately \$3.3 million. The Company also has a \$1.0 million revolving line of credit facility with Spring Street Partners, L.P. This line of credit offers the Company additional cash flow support, if needed. As of December 31, 2010, the Company has had no borrowings under this credit facility.

The Company's current operating expenses and expected capital expenditures are predictable and adequate to support our budgeted growth. However, with the recent acquisition of additional capital, the Company is evaluating strategic growth opportunities that could change our current expense and capital forecasts, particularly in the Asia-Pacific region. The Company's expected cash receipts from operations are adequate to support budgeted expenses for 2011. The primary uncertainty concerning the Company's capital needs pertains to its ability to continue to achieve the expected sales growth in a timely manner.

Cash flows

	Year ended December 31,	
	2010	2009
Cash provided by (used in):		
Operating activities	\$ 17,843	\$ (2,473,837)
Investing activities	\$ (257,339)	\$ (377,858)
Financing activities	\$ 2,324,749	\$ 2,720,789

Net Cash Flows from Operating Activities

Cash provided by operating activities was \$17,843 for the year ended December 31, 2010, compared with \$2,473,837 cash used in operating activities for 2009. This marks the first year since inception that the Company has generated positive cash flow from operations. This was achieved through increased revenues coupled with a leveling off of cash-based operating expenses (operating expenses less depreciation and share-based compensation).

Net Cash Flows from Investing Activities

Cash used in investing activities is comprised primarily of purchases of property and equipment, which decreased to \$257,339 in 2010 from \$377,858 in 2009. Following Diligent's IPO at the end of 2007, the Company made significant investments in property and equipment. Additions each year result from necessary expansion to accommodate our growing customer base.

In 2010, the Company invested an additional \$25,000 in a New Zealand term deposit.

Net Cash Flows from Financing Activities

For the year ended December 31, 2010, cash provided by financing activities was \$2,324,749, consisting principally of approximately \$1.0 million received from a prepayment of the Note receivable from affiliate and \$1.4 million received from the issuance of common stock in a private placement in the fourth quarter of 2010. In 2009, cash provided by financing activities of \$2,720,789 consists principally of the proceeds of the issuance of Series A preferred stock.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, results of operations, liquidity, capital expenditures or capital resources that is material to stockholders.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Quantitative and Qualitative Disclosures about Market Risk

Because the Company qualifies as a smaller reporting company, as defined by §229.10(f)(1), it is not required to provide the information required by this Item.

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA
INDEX TO FINANCIAL STATEMENTS**

	PAGE
Report of Independent Registered Public Accounting Firm	22
Consolidated Balance Sheets as of December 31, 2010 and December 31, 2009	23
Consolidated Statements of Operations for the years ended December 31, 2010 and December 31, 2009	24
Consolidated Statements of Changes in Stockholders' Equity (Deficiency) and Comprehensive Income (Loss) for the years ended December 31, 2010 and December 31, 2009	25
Consolidated Statements of Cash Flows for the years ended December 31, 2010 and December 31, 2009	26
Notes to Consolidated Financial Statements	27

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of
Diligent Board Member Services, Inc.

We have audited the accompanying consolidated balance sheets of Diligent Board Member Services, Inc. as of December 31, 2010 and 2009, and the related consolidated statements of operations, changes in stockholders' equity (deficiency) and comprehensive loss, and cash flows for the years then ended. Diligent Board Member Services, Inc.'s management is responsible for these consolidated financial statements. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements and assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Diligent Board Member Services, Inc. as of December 31, 2010 and 2009 and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ Holtz Rubenstein Reminick LLP

New York, New York
March 22, 2011

Diligent Board Member Services, Inc.
Consolidated Balance Sheets

ASSETS	December 31, 2010		December 31, 2009	
Current assets:				
Cash and cash equivalents	\$	3,212,449	\$	1,129,591
Term deposit		97,300		72,530
Accounts receivable		494,048		303,331
Prepaid expenses and other current assets		323,911		183,368
Total current assets		4,127,708		1,688,820
Property and equipment, net		1,082,104		1,312,959
Note receivable from affiliate, net of valuation allowance		1,875,685		1,661,791
Restricted cash - security deposits		226,617		221,886
Total assets	\$	7,312,114	\$	4,885,456
LIABILITIES, REDEEMABLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIENCY)				
Current liabilities:				
Accounts payable	\$	84,388	\$	144,751
Accrued expenses and other liabilities		915,431		253,089
Deferred revenue		2,849,225		1,593,351
Current portion of obligations under capital leases		86,230		113,418
Payables to affiliates		-		5,762
Total current liabilities		3,935,274		2,110,371
Non-current liabilities:				
Obligations under capital leases, less current portion		60,861		147,091
Other noncurrent liabilities		50,255		44,252
Total non-current liabilities		111,116		191,343
Total liabilities		4,046,390		2,301,714
Commitments and contingencies				
Redeemable preferred stock:				
Series A convertible redeemable preferred stock, \$.001 par value, 50,000,000 shares authorized, 32,667,123 and 30,000,000 shares issued and outstanding (liquidation value \$5,259,406 and \$4,766,712)		3,177,291		3,149,851
Stockholders' equity:				
Common Stock, \$.001 par value, 250,000,000 shares authorized, 81,968,001 and 90,440,000 shares issued and outstanding		81,968		90,440
Additional paid-in capital		23,107,919		24,532,622
Accumulated deficit		(23,099,704)		(25,180,648)
Accumulated other comprehensive loss		(1,750)		(8,523)
Total stockholders' equity (deficiency)		88,433		(566,109)
Total liabilities, redeemable preferred stock and stockholders' equity (deficiency)	\$	7,312,114	\$	4,885,456

See accompanying notes to consolidated financial statements

Diligent Board Member Services, Inc.
Consolidated Statements of Operations

	Year ended December 31, 2010	Year ended December 31, 2009
Revenues	\$ 8,300,958	\$ 5,000,639
Cost of revenues	2,774,217	2,186,850
Gross profit	5,526,741	2,813,789
Operating expenses:		
Selling and marketing expenses	2,658,301	2,436,912
General and administrative expenses	3,847,156	3,944,363
Research and development expenses	963,916	730,201
Depreciation and amortization	472,593	418,644
Total operating expenses	7,941,966	7,530,120
Operating loss	(2,415,225)	(4,716,331)
Other income (expenses):		
Impairment recovery on note receivable from affiliate	4,300,000	300,000
Interest income, net	233,388	358,446
Foreign exchange transaction gain (loss)	(13,000)	60,893
Other	-	171,339
Total other income, net	4,520,388	890,678
Income (loss) before provision for income taxes	2,105,163	(3,825,653)
Provision for income taxes	24,219	36,337
Net income (loss)	\$ 2,080,944	\$ (3,861,990)
Net income (loss) per share:		
Basic	\$ 0.02	\$ (0.04)
Diluted	\$ 0.02	\$ (0.04)
Weighted average shares outstanding:		
Basic	84,487,207	90,371,507
Diluted	119,388,351	90,371,507

See accompanying notes to consolidated financial statements

Diligent Board Member Services, Inc.
Consolidated Statements of Changes in Stockholders' Equity (Deficiency)
and Comprehensive Income (Loss)

	Common Shares	Common Stock \$,001 Par Value	Additional Paid-in- Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity(Deficiency)
Balance at January 1, 2009	90,440,000	\$ 90,440	\$ 24,618,070	\$ (21,318,658)	\$ (20,045)	\$ 3,369,807
Net loss	-	-	-	(3,861,990)	-	(3,861,990)
Foreign exchange translation adjustment	-	-	-	-	11,522	11,522
Total comprehensive loss	-	-	-	-	-	(3,850,468)
Share-based compensation, net of forfeitures	-	-	203,253	-	-	203,253
Amortization of preferred stock offering costs	-	-	(21,989)	-	-	(21,989)
Accrual of preferred stock dividend	-	-	(266,712)	-	-	(266,712)
Balance at December 31, 2009	<u>90,440,000</u>	<u>\$ 90,440</u>	<u>\$ 24,532,622</u>	<u>\$ (25,180,648)</u>	<u>\$ (8,523)</u>	<u>\$ (566,109)</u>
Net income	-	-	-	2,080,944	-	2,080,944
Foreign exchange translation adjustment	-	-	-	-	6,773	6,773
Total comprehensive income	-	-	-	-	-	2,087,717
Share-based compensation, net of forfeitures	-	-	601,541	-	-	601,541
Cancellation of common stock	(11,650,000)	(11,650)	(3,064,026)	-	-	(3,075,676)
Issuance of shares in private placement	3,000,000	3,000	1,395,096	-	-	1,398,096
Exercise of stock options	178,001	178	29,464	-	-	29,642
Amortization of preferred stock offering costs	-	-	(27,440)	-	-	(27,440)
Accrual of preferred stock dividend	-	-	(359,338)	-	-	(359,338)
Balance at December 31, 2010	<u>81,968,001</u>	<u>\$ 81,968</u>	<u>\$ 23,107,919</u>	<u>\$ (23,099,704)</u>	<u>\$ (1,750)</u>	<u>\$ 88,433</u>

See accompanying notes to consolidated financial statements

Diligent Board Member Services, Inc.
Consolidated Statements of Cash Flows

	Year ended December 31, 2010	Year ended December 31, 2010
Cash flows from operating activities:		
Net income (loss)	\$ 2,080,944	\$ (3,861,990)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Impairment recovery on note receivable from affiliate	(4,300,000)	(300,000)
Depreciation and amortization	472,593	418,644
Share-based compensation	601,541	203,253
Allowance for doubtful accounts	-	(7,125)
Straight-line rent adjustment	6,003	44,252
Changes in operating assets and liabilities:		
Accounts receivable	(190,717)	93,974
Prepaid expenses and other current assets	(140,543)	39,249
Restricted cash - security deposits	(4,731)	24,799
Accounts payable and accrued expenses	242,641	(77,020)
Deferred revenue	1,255,874	991,943
Payables to affiliates	(5,762)	(43,816)
Net cash provided by (used in) operating activities	17,843	(2,473,837)
Cash flows from investing activities:		
Additional investment in term deposit	(25,000)	-
Purchase of property and equipment	(232,339)	(377,858)
Net cash used in investing activities	(257,339)	(377,858)
Cash flows from financing activities:		
Net proceeds from preferred stock issuance	-	2,861,150
Cash received from partial prepayment of note receivable from affiliate	1,010,430	-
Proceeds from issuance of common stock through private placement	1,398,096	-
Proceeds from exercise of stock options	29,642	-
Repayments of obligations under capital leases	(113,419)	(140,361)
Net cash provided by financing activities	2,324,749	2,720,789
Effect of exchange rates on cash and cash equivalents	(2,395)	(4,850)
Net increase (decrease) in cash and cash equivalents	2,082,858	(135,756)
Cash and cash equivalents at beginning of year	1,129,591	1,265,347
Cash and cash equivalents at end of year	\$ 3,212,449	\$ 1,129,591
Supplemental disclosure of cash flow information:		
Cash paid during the year for :		
Interest	\$ 47,155	\$ 32,256
Income taxes	\$ 17,222	\$ 20,457
Supplemental disclosure of noncash investing and financing activities:		
Property and equipment acquired under capital leases	\$ -	\$235,747
Prepayment of principal on note receivable from affiliate in exchange for 11,650,000 shares	\$ 3,075,676	\$ -
Accrual of preferred stock dividend	\$ 359,338	\$ -

See accompanying notes to consolidated financial statements

Diligent Board Member Services, Inc.
Notes to Consolidated Financial Statements
Years Ended December 31, 2010 and 2009

1) Organization and nature of the business

Diligent Board Member Services, Inc. (“Diligent” or the “Company”) is a global leader in web-based portals for Boards of Directors. The Company develops and sells an online software application called Diligent Boardbooks, a web based portal that board members, management and administrative staff use to compile, update, review and archive board materials during and after board meetings. Diligent provides clients with subscription-based access to the software and also provides associated services including securely hosting the clients’ data and customer service and support for the application.

The Company was incorporated in the State of Delaware on September 27, 2007 and is listed on the New Zealand Stock Exchange (“NZSX”). On December 12, 2007, the Company completed its initial public offering on the NZSX. In April 2008, the Company filed a registration statement with the United States Securities and Exchange Commission (“SEC”), which became effective on June 30, 2008. The Company’s corporate headquarters are located in New York and Christchurch, New Zealand.

The Company has a wholly-owned subsidiary located in New Zealand, Diligent Board Member Services NZ Limited (“DBMS NZ”), which was acquired on January 1, 2008. DBMS NZ provides research and development services for the Company. The Company has a wholly-owned subsidiary, Diligent Boardbooks Limited (“DBL”), an England and Wales limited liability company which was formed on December 14, 2006, to provide European sales and marketing services. DBL was inactive until April 2008. The Company also has a Singapore-based wholly-owned subsidiary, APAC Board Services PTE. Ltd., which was formed on December 23, 2010 and had no operations in 2010. Diligent, together with its subsidiaries, are hereinafter referred to as “the Company”.

The Company’s consolidated financial statements are presented in US dollars, rounded to the nearest dollar, which is the Company’s functional and presentational currency.

The Company has evaluated all subsequent events through the filing date of this Form 10-K with the SEC, to ensure that this Form 10-K includes subsequent events that should be recognized in the financial statements as of December 31, 2010, and appropriate disclosure of subsequent events which were not recognized in the financial statements.

2) Liquidity

Historically, as the Company grew its business and sustained negative cash flow, its primary source of liquidity had been the cash received from stock issuances, including \$16.4 million obtained in December 2007 from the Company’s initial public offering and \$2.9 million obtained from the issuance of Series A preferred stock issued in March 2009. Additionally, in June 2010, the Company received a \$1.0 million principal prepayment on the Note receivable from affiliate, and on October 20, 2010, the Company received \$1.4 million in an offshore private placement of 3 million shares of newly issued common stock by First NZ Capital Securities Limited.

In the third and fourth quarters of 2010, the Company generated positive cash flows from operations of \$0.2 million and \$0.7 million, respectively, resulting in approximately \$18 thousand net cash generated from operations for the full year. This marks the first year since inception of the Company that Diligent achieved positive cash flow from operations.

Diligent Board Member Services, Inc.
Notes to Consolidated Financial Statements
Years Ended December 31, 2010 and 2009

At December 31, 2010, the Company's sources of liquidity consist of cash and term deposits of approximately \$3.3 million. The Company also has a \$1.0 million revolving line of credit facility with Spring Street Partners, L.P. This line of credit offers the Company additional cash flow support if needed. As of December 31, 2010, the Company has had no borrowings under this credit facility.

The Company's current operating expenses and expected capital expenditures are predictable and adequate to support our budgeted growth. However, with the recent acquisition of additional capital, the Company is evaluating strategic growth opportunities that could change our current expense and capital forecasts, particularly in the Asia-Pacific region. The Company's expected cash receipts from operations are adequate to support budgeted expenses for 2011. The primary uncertainty concerning the Company's capital needs pertains to its ability to continue to achieve the expected sales growth in a timely manner.

3) Significant accounting policies

Basis of presentation – The Company's consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

Principles of consolidation – The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All material intercompany balances and transactions have been eliminated in consolidation.

Use of estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents – The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. The Company invests its excess cash primarily in bank and money market funds of major financial institutions. Accordingly, its cash equivalents are subject to minimal credit and market risk. At December 31, 2010 and 2009, cash equivalents include investments in money market funds of \$2,277 and \$102,409, respectively, which are carried at cost which approximates fair value.

Term deposits – Term deposits are short-term investments with banks, with maturities greater than three months at inception.

Diligent Board Member Services, Inc.
Notes to Consolidated Financial Statements
Years Ended December 31, 2010 and 2009

Accounts receivable – Accounts receivable are recorded at estimated net realizable value. A provision for doubtful accounts is recorded based on management’s assessment of amounts considered uncollectable for specific customers based on age of the receivable, history of payments and other relevant information. An allowance for doubtful accounts is provided for accounts receivable which management determines will not be collectable in full.

Property and equipment – Property and equipment consists of computer and office equipment, leasehold improvements and internal-use computer software. Property and equipment are carried at cost, less accumulated depreciation and amortization and any impairment losses.

Internal-use software – The Company capitalizes certain costs incurred after the preliminary project stage in connection with developing or obtaining software for internal use. Internal use software is included in property and equipment.

Depreciation and amortization – Depreciation on property and equipment is computed on a straight line basis at rates adequate to recover the cost of the assets over their estimated useful lives, which range from three to five years. Leasehold improvements are depreciated over estimated useful lives of the assets or the term of the underlying lease, whichever is shorter. Amortization of computer software is computed on the straight-line method over its estimated useful life, which is three years. Expenditures for repair and maintenance costs are expensed as incurred.

Impairment of long-lived assets –The Company periodically reviews the carrying amounts of its tangible and intangible assets to determine whether events or changes in circumstances indicate the carrying amount of an asset may not be fully recoverable. The carrying amount of a long-lived asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. Measurement of an impairment loss for long-lived assets and certain identifiable intangible assets that management expects to hold and use is based on the fair value of the asset. An impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value.

Revenue recognition – The Company recognizes revenue when all of the following criteria are met: (a) persuasive evidence of the arrangement exists, (b) delivery has occurred or services have been rendered, (c) the seller’s price to the buyer is fixed and determinable and (d) collectability is reasonably assured. Revenue from the Boardbooks licenses is recorded ratably over the contract period, which is generally twelve months. License fees paid in advance are recorded as deferred revenue until recognized. The Company generally invoices its customers in annual installments. Accordingly, the deferred revenue balance does not represent the total contract value of annual or multi-year, noncancelable subscription agreements. The Company also earns fees for set-up and training (“installation fees”) of the Boardbooks system. Installation fees are recorded ratably over the contract period.

Diligent Board Member Services, Inc.
Notes to Consolidated Financial Statements
Years Ended December 31, 2010 and 2009

Advertising Expenses – Advertising is expensed as incurred. Advertising expense was \$320,822 and \$302,724 for the years ended December 31, 2010 and 2009, respectively.

Research and development – Software development costs are expensed as they are incurred until technological feasibility has been established, at which time those costs are capitalized until the product is available for general release to customers. To date, software has been available for general release concurrent with the establishment of technological feasibility and, accordingly, the Company has not capitalized any development costs. Costs incurred to enhance products after the general release of the service using the product are expensed in the period they are incurred and included in research and development costs in our consolidated statements of operations.

Operating leases – The Company records rental costs, including costs related to fixed rent escalation clauses and rent holidays, on a straight-line basis over the lease term.

Income taxes – Diligent files U.S. federal and state income tax returns. Foreign operations file income tax returns in their respective foreign jurisdictions. The Company accounts for deferred income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Foreign exchange – The Company's wholly-owned subsidiaries, DBL and DBMS NZ, utilize the British Pound Sterling and the New Zealand Dollar (NZD), respectively, as their functional currencies. Assets and liabilities of these subsidiaries are translated to US dollars at exchange rates in effect at the balance sheet dates, with the resulting translation adjustments directly recorded to a separate component of accumulated other comprehensive income.

Diligent Board Member Services, Inc.
Notes to Consolidated Financial Statements
Years Ended December 31, 2010 and 2009

Transactions in foreign currencies are reported at the approximate rates of exchange at the transaction date. Assets and liabilities are translated at the rates of exchange in effect at the balance sheet date. All differences are recorded in results of operations. The foreign exchange loss is primarily attributable to unfavorable movement in exchange rates on certain of the Company's cash accounts held in foreign currencies.

From time to time, the Company uses foreign currency option contracts that are not designated as hedging instruments to manage exposure to fluctuations in foreign currency. The Company uses these instruments as economic hedges and not for speculative or trading purposes. All foreign currency option contracts are recorded at fair value in other current assets on the balance sheet and unrealized gains or losses at the balance sheet date are recorded in the income statement. The Company has no open foreign currency option contracts as of December 31, 2010.

Share-based compensation – The Company measures the cost of employee services received in exchange for an equity-based award using the fair value of the award on the date of the grant, and recognizes the cost over the period that the award recipient is required to provide services to the Company in exchange for the award.

The Company measures compensation cost for awards granted to non-employees based on the fair value of the award at the measurement date, which is the date performance is satisfied or services are rendered by the non-employee.

Fair value of financial instruments – The fair value of our cash and cash equivalents, term deposits, accounts receivable, accounts payable and accrued expenses approximates book value due to their short term settlements. The note receivable from affiliate is recorded at estimated net realizable value, adjusted for any valuation allowance for amounts considered uncollectable. The valuation allowance is reviewed for adjustment each reporting period. See Note 6.

Segment reporting – Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated on a regular basis by the chief operating decision-maker, or decision making group, in deciding how to allocate resources to an individual segment and in assessing performance of the segment. In light of the Company's current product offering, management believes that the Company operates in one segment.

Net loss and diluted net loss per share – Basic net income (loss) per share is computed by dividing the net income (loss) attributable to common stockholders, after deducting accrued preferred stock dividends, by the weighted average number of common shares outstanding for the period.

Diluted net income (loss) per share reflects the potential dilution that would occur if securities or other contracts to issue common stock were exercised or converted into common stock, unless the effect is anti-dilutive. Stock options and convertible preferred stock are included as potential dilutive securities for the periods applicable. All potentially dilutive securities have been excluded from the calculation for the year ended

Diligent Board Member Services, Inc.
Notes to Consolidated Financial Statements
Years Ended December 31, 2010 and 2009

December 31, 2009 as they were anti-dilutive. There were 34,660,003 potentially dilutive securities for the year ended December 31, 2009.

The components of the calculation of basic and diluted net income (loss) per common share are as follows:

	Year ended December 31,	
	2010	2009
Numerator:		
Net income (loss)	\$ 2,080,944	\$ (3,861,990)
Preferred stock dividends	(359,338)	(266,712)
Basic net income (loss) available		
to common shareholders	\$ 1,721,606	\$ (4,128,702)
Diluted net income (loss) available		
to common shareholders	\$ 2,080,944	\$ (3,861,990)
Denominator:		
Basic weighted average		
shares outstanding	84,487,207	90,371,507
Dilutive effect of stock options	2,234,021	-
Dilutive effect of convertible		
preferred stock	32,667,123	-
Diluted weighted average		
shares outstanding	119,388,351	90,371,507
Basic earnings (loss) per share	\$ 0.02	\$ (0.04)
Diluted earnings (loss) per share	\$ 0.02	\$ (0.04)

Recent accounting pronouncements – In January 2010, the FASB issued new guidance which improves disclosures about fair value measurements. The new standard was effective for interim and annual periods beginning after December 15, 2009, except for certain disclosures regarding Level 3 measurements which are effective for fiscal years beginning after December 15, 2010. The new guidance did not have a material effect on the consolidated financial statements.

In February 2010, the FASB issued updated guidance to address certain implementation issues related to an entity's requirements to perform and disclose subsequent events procedures. This update requires SEC filers to evaluate subsequent events through the date financial statements are issued and exempts SEC filers from disclosing the date through which subsequent events have been evaluated. The updated guidance was effective upon issuance, and did not have a material impact on the Company's consolidated financial statements.

From time to time, new accounting pronouncements are issued by the FASB and are adopted by the Company as of the specified effective date. Unless otherwise

Diligent Board Member Services, Inc.
Notes to Consolidated Financial Statements
Years Ended December 31, 2010 and 2009

discussed, the impact of other recently issued accounting pronouncements will not have a material impact on the consolidated financial position, results of operations, and cash flows, or do not apply to the Company's operations.

4) Term deposit

At December 31, 2010, the Company has a term deposit with a New Zealand bank with a term of 98 days. The term deposit in the amount of NZD 125,000 (US\$97,300 at December 31, 2010) bears interest at 4.02% and matures in March 2011.

At December 31, 2009, the Company had a term deposit with a New Zealand bank with a term of 365 days. The term deposit in the amount of NZD 100,000 (US\$72,530 at December 31, 2009) bore interest at 4.50% and matured in March 2010.

5) Property and equipment and obligations under capital leases

Property and equipment is comprised of the following:

	December 31,	
	2010	2009
Equipment	\$ 1,579,859	\$ 1,416,470
Computer software	537,379	479,370
Leasehold improvements	151,594	140,653
	2,268,832	2,036,493
Less: accumulated depreciation/amortization	1,186,728	723,534
Net property and equipment	<u>\$ 1,082,104</u>	<u>\$ 1,312,959</u>

Obligations under capital leases consist of various financing arrangements entered into by the Company to acquire computer equipment and software. The leases bear interest at rates ranging from 10.96% to 30.96% per annum, with monthly payments ranging from \$658 to \$2,528, and maturities from July 2011 to October 2012.

Each lease is secured by the underlying leased asset. Amortization of assets recorded under capital leases is included in depreciation expense. The equipment relating to capital leases, included in property and equipment on the balance sheet, is as follows:

Diligent Board Member Services, Inc.
Notes to Consolidated Financial Statements
Years Ended December 31, 2010 and 2009

	Year ended December 31,	
	2010	2009
Capital lease assets included in property and equipment	\$ 246,449	\$ 409,409
Accumulated depreciation	<u>81,496</u>	<u>139,077</u>
	<u>\$ 164,953</u>	<u>\$ 270,332</u>
	Year ended December 31,	
	2010	2009
Depreciation expense relating to capital lease assets	<u>\$ 52,139</u>	<u>\$ 72,599</u>

The following is a schedule of future minimum lease payments due under capital leases as of December 31, 2010:

Year ending			
<u>December 31,</u>			
2011		\$ 110,787	
2012		<u>67,724</u>	
Total minimum lease payments		178,511	
Less interest portion of payments		<u>(31,420)</u>	
Present value of minimum lease payments		<u>\$ 147,091</u>	

6) Note receivable from affiliate – The note receivable from affiliate represents amounts due from Services Share Holding, LLC (“SSH LLC”, the Company’s predecessor entity), under a Promissory Note and Security Agreement dated October 1, 2007 (the “Note”), as amended by the Prepayment and Amendment Agreement entered into in February 2010 and approved by our stockholders in June 2010.

Prior to the prepayment and amendment, the principal balance of the Note was \$7,161,791, which bore interest at 5% per annum, and was scheduled to mature on October 1, 2010. It was originally secured by 25,000,000 shares of the Company’s stock which was pledged as collateral by members of SSH LLC. A portion of the pledged shares were subsequently sold by SSH LLC in order to obtain funds to make the quarterly interest payments. At December 31, 2009, there were 21,678,597 shares securing the Note.

The Prepayment and Amendment Agreement with SSH LLC provided for:

Diligent Board Member Services, Inc.
Notes to Consolidated Financial Statements
Years Ended December 31, 2010 and 2009

- The sale in February 2010 by SSH LLC of a block of 4,823,000 shares of the pledged stock to a third party for US\$0.24 per share, for a total of US\$1,157,011 (after commissions), which would be applied to the interest due for the period from January through May 2010 (\$146,581) and prepayment of principal (\$1,010,430). The proceeds of this sale were placed in escrow pending stockholder approval of the agreement.
- The prepayment of an additional US\$3,075,676 of principal through the surrender of 11,650,000 pledged shares to the Company at US\$0.26 per share,
- The extension of the maturity date on the Note from October 1, 2010 to October 1, 2012, and
- Effective in June 2010, adjustment of the annual interest rate from 5.0% to 6.5%, payable annually on January 1 of each year, in arrears.

This agreement was subject to the approval of the Company's shareholders at the annual meeting on June 8, 2010, and was contingent on the receipt of an appraisal attesting to the fairness of the transaction to the shareholders unrelated to SSH LLC. The agreement was approved and the proceeds from the February 2010 sale which had been placed in escrow were delivered to the Company on June 8, 2010. After the transaction, the amended Note had a contractual outstanding principal balance of \$3,075,685 and was secured by 5,205,597 shares of the Company's common stock pledged by the members of SSH LLC. In a series of transactions in December 2010 and early January 2011, SSH LLC sold an additional 275,000 shares of the Company's common stock pledged as collateral for the Note, as permitted under the Note agreement to fund interest payments. As a result, the number of shares pledged as collateral for the Note has been reduced to 4,930,597.

A portion of the outstanding loan balance of \$3,075,685 is reserved on our balance sheet by a valuation allowance of \$1,200,000, resulting in a net receivable balance of \$1,875,685. The Note is considered to be collateral dependent, as SSH LLC's primary means of repayment is through liquidation of the underlying collateral. At December 31, 2008, the then-outstanding loan balance of \$7,161,791 was reduced by a \$5.8 million valuation allowance, which was based on the estimated fair value of the underlying collateral at that time. As discussed below, in the fourth quarter of 2009, the Company recorded a recovery in the value of the Note of \$300,000 and a corresponding decrease in the valuation allowance to \$5.5 million. At March 31, 2010, the Company recorded an additional recovery in the value of the note of \$3.2 million, and at September 30, 2010 the Company recorded a further recovery of \$1.1 million, as described below.

In the absence of an active market for the Company's common stock, or other observable inputs for similar instruments, the Company originally based its valuation of the underlying collateral on the value of the March 2009 issuance of Series A Preferred Stock, adjusted using an assumed discount rate of 20%, which was management's estimate of the fair value of the preferred features of the Series A Preferred Stock. In addition, management assumed that SSH LLC and/or its members would sell a portion of the underlying collateral to meet their quarterly interest payments, thereby reducing the amount of collateral expected to be available when the Note was to mature in October 2010.

Diligent Board Member Services, Inc.
Notes to Consolidated Financial Statements
Years Ended December 31, 2010 and 2009

The recovery of \$3.2 million at March 31, 2010 was based on the re-measurement of a significant input used to value the underlying collateral of the Note. The February 2010 sale of shares to a third party indicated that the preferred stock price was no longer the best measure of the fair value of our common stock. The Company believed that a better benchmark for fair value was the US\$0.24 per share obtained by SSH LLC for the 4.8 million shares sold to a third party in February 2010. The additional recovery at September 30, 2010 is based on the subsequent re-measurement of the underlying collateral at \$0.47 per share, which is the price obtained for the 3 million shares issued by the Company in a private placement in October 2010. The Company reviews the valuation of the Note each reporting period and believes the value is properly stated at December 31, 2010. In assessing the adequacy of the valuation allowance at December 31, 2010, we considered the prices obtained by SSH LLC for the December 2010/January 2011 sales of 275,000 shares, which were approximately equal to the price received for the shares issued in the October 2010 private placement. Additionally, there have been no other third party sales which would cause us to believe that \$0.47 per share is not the best measure of the value of the underlying collateral.

7) Fair value measurements

The Note is the only financial instrument held by the Company for which a fair value measurement is made using significant unobservable inputs (Level 3). A reconciliation of the beginning and ending balances of the Note follows:

	Year ended December 31,	
	2010	2009
Balance at beginning of period	\$ 1,661,791	\$ 1,361,791
Total gains or losses (unrealized/realized)		
Included in earnings (or changes in net assets)	4,300,000	300,000
Included in other comprehensive income	-	-
Purchases, issuances and settlements	(4,086,106)	-
Transfers in and/or out of Level 3	-	-
Ending balance	<u>\$ 1,875,685</u>	<u>\$ 1,661,791</u>
The amount of total gains or losses for the period included in earnings (or changes in net assets) attributable to the change in unrealized gains or losses relating to assets still held at the reporting date	<u>\$ 4,300,000</u>	<u>\$ 300,000</u>

Diligent Board Member Services, Inc.
Notes to Consolidated Financial Statements
Years Ended December 31, 2010 and 2009

8) Accrued expenses and other liabilities

Accrued expenses and other current liabilities is comprised of the following:

	December 31,	
	2010	2009
Accrued dividend	\$ 359,338	\$ -
Accrued commissions, bonuses, and payroll	300,775	73,563
Other (individually less than 5% of total current liabilities)	255,318	179,526
Total accrued expenses and other liabilities	<u>\$ 915,431</u>	<u>\$ 253,089</u>

9) Line of credit facility

In March 2010, the Company entered into an agreement with Spring Street Partners, L.P. (“the Lender”) pursuant to which the Lender extended a \$1.0 million revolving line of credit facility to the Company. The Lender is the holder of approximately 22 million shares of the Company’s Series A Preferred Stock and 5.5 million shares of the Company’s common stock. The founder and managing partner of the Lender is also the chairman of the board of directors of the Company.

The line of credit bears interest at a fixed rate of 9.50% per annum on outstanding borrowings. Upon an event of default, the Lender has the option to increase the interest rate on all outstanding obligations to 14.50% per annum. The line of credit is subject to a 0.5% per annum commitment fee on the unused portion, paid quarterly in arrears. Accrued interest must be paid quarterly on the last business day of each quarter. The credit facility matures in September 2011, at which time all outstanding principal and unpaid interest and commitment fees are due in full.

The Lender has a first priority lien on all of the Company’s accounts receivable. The line of credit agreement includes restrictive covenants regarding liens, additional indebtedness, sales of assets and dividend payments on common stock. Additionally, the line of credit includes financial covenants with respect to the achievement of budgeted revenues and expenses.

As of December 31, 2010, the Company has no outstanding borrowings under this credit facility.

Diligent Board Member Services, Inc.
Notes to Consolidated Financial Statements
Years Ended December 31, 2010 and 2009

10) Related party transactions

Marketing expense – During the years ended December 31, 2010 and 2009, the Company incurred marketing expenses of approximately \$176,000 and \$147,000, respectively, for services rendered by Yankee Hill Company, LLC, an entity owned by a stockholder of the Company.

Legal services – A director is a partner of Buddle Findlay, a law firm which provides legal services to the Company in New Zealand. Fees paid to Buddle Findlay for the years ended December 31, 2010 and 2009 were approximately \$20,000 and \$86,000, respectively. Payables to affiliates include \$0 and approximately \$5,800 at December 31, 2010 and 2009, respectively, payable to Buddle Findlay.

Rent expense – The Company subleased its New Jersey office from an affiliate through August 2009. Rent expense paid to affiliates for the years ended December 31, 2010 and 2009 was \$0 and approximately \$29,000, respectively.

11) Geographic information

The Company's revenue, by geographic location of the customer, and long-lived assets located outside the United States are as follows:

	Year ended December 31,	
	2010	2009
Revenues:		
United States	\$ 6,596,969	\$ 4,193,354
Foreign	1,703,989	807,285
Total	<u>\$ 8,300,958</u>	<u>\$ 5,000,639</u>
	December 31,	
	2010	2009
Long-lived assets outside		
the United States, net	<u>\$ 383,416</u>	<u>\$ 507,794</u>

12) Income taxes

No provision (benefit) for U.S. income taxes has been recorded in the accompanying consolidated financial statements for the periods ended December 31, 2010 and December 31, 2009 as a result of the Company's net operating losses. At December 31, 2010, the Company has net operating loss carryforwards of U.S. income taxes of \$17,513,250, which expire from 2027 through 2030.

Diligent Board Member Services, Inc.
Notes to Consolidated Financial Statements
Years Ended December 31, 2010 and 2009

The significant components of loss before provision for income taxes and the consolidated income tax provision are as follows:

		Year ended December 31,	
		2010	2009
Income (loss) before provision for income taxes:			
Domestic		\$ 2,035,766	\$ (4,098,429)
Foreign		<u>69,397</u>	<u>272,776</u>
Total		<u>\$ 2,105,163</u>	<u>\$ (3,825,653)</u>
Provision for income taxes:			
Current:			
Domestic		\$ -	\$ -
Foreign		<u>27,064</u>	<u>31,194</u>
Total current		<u>\$ 27,064</u>	<u>\$ 31,194</u>
Deferred:			
Domestic		\$ -	\$ -
Foreign		<u>(2,845)</u>	<u>5,143</u>
Total deferred		<u>\$ (2,845)</u>	<u>\$ 5,143</u>
Provision for income taxes		<u>\$ 24,219</u>	<u>\$ 36,337</u>

The income tax provision differs from the amount of tax determined by applying the federal statutory rate as follows:

		Year ended December 31,	
		2010	2009
		%	%
Federal income tax statutory rate		34.00	(34.00)
State income taxes, net of federal benefit		6.63	(10.60)
Foreign income taxes		1.19	0.90
Tax effect of:			
Share-based compensation		5.28	13.80
Other		(1.07)	0.20
Change in valuation allowance		<u>(44.84)</u>	<u>30.60</u>
Income tax provision		<u>1.19</u>	<u>0.90</u>

Diligent Board Member Services, Inc.
Notes to Consolidated Financial Statements
Years Ended December 31, 2010 and 2009

Significant components of deferred tax assets and liabilities are as follows:

		Year ended December 31,	
		2010	2009
Deferred tax asset (liability)		(In thousands)	(In thousands)
	Net fixed assets	\$ (108)	\$ (38)
	Accruals and reserves	625	2,469
	Foreign	18	-
	Net operating loss carryforwards	6,954	7,115
	Valuation allowance	(7,471)	(9,546)
	Total	\$ 18	\$ -

Management has provided a valuation allowance of approximately \$7,471,000 and \$9,546,000 as of December 31, 2010 and 2009, respectively, for all U.S. net deferred tax assets since it is more likely than not that the related deferred tax assets will not be realized. The net deferred tax asset of \$18,000 relates to the Company's New Zealand subsidiary and is included in other current assets on the balance sheet.

The Company has evaluated its uncertain tax positions and determined that any required adjustments would not have a material impact on the Company's financial statements. The Company classifies interest and penalties on uncertain tax positions as interest expense and general and administrative expenses, respectively. There were no interest and penalties recorded in 2010. Interest and penalties recorded in 2009 were approximately \$2,000 and \$10,000, respectively.

The Company and its subsidiaries are subject to regular audits by federal, state and foreign tax authorities. These audits may result in additional tax liabilities. The Company's federal, state and foreign income tax returns for the tax years 2007 through 2010 are open for examination by the federal, state and foreign taxing jurisdictions.

13) Redeemable Preferred Stock – On March 11, 2009, the Company issued 30,000,000 shares of newly-created Series A Preferred Stock for \$0.10 per share in a private offering, for an aggregate of \$3,000,000 in additional capital. Expenses relating to the share issuance were \$138,850. The principal terms of the Preferred Shares are as follows:

Dividend rights – The Preferred Shares carry a fixed, cumulative, dividend of 11% per annum (adjusted for stock splits, consolidation, etc). The dividend, which is due on the first business day of each calendar year for the prior year, may (at the Company's option) be paid either in cash or in kind by the issuance of additional Preferred Shares (PIK Shares), to be issued at the same issue price as the Series A Preferred Stock of \$0.10 per share. The 11% annual dividend on the Preferred Shares will have preference over the declaration or payment of any dividends on the Company's common stock (ordinary shares). In addition to the 11% preferred dividend, the holders of the Preferred Shares will also be entitled to participate pro rata in any dividend paid on the Company's common stock.

Diligent Board Member Services, Inc.
Notes to Consolidated Financial Statements
Years Ended December 31, 2010 and 2009

Conversion rights – The Preferred Shares are convertible at any time at the option of the holders into the Company’s common stock on a one-for-one basis at a conversion price of \$0.10 per share. In addition, Preferred Shares will automatically be converted into common stock upon the closing of an underwritten share offering by the Company on a registered stock exchange which realizes at least \$40,000,000 of gross proceeds.

Redemption rights – The holders of the Preferred Shares have the option to require the Preferred Shares (including any PIK shares) to be redeemed in cash, at \$0.10 per share plus accrued and unpaid dividends, at any time after 60 months from the date of issue of the Preferred Shares.

Anti-Dilution Provision – In the event of a future offering of the Company’s stock at a price per common share which is less than the Preferred Share conversion price immediately before such offering, the conversion price for the Preferred Shares is adjusted according to a weighted average formula.

Liquidation entitlement – In the event of any voluntary or involuntary liquidation of the Company, the holders of Preferred Shares are entitled to an amount per Preferred Share equal to 1.5 times the original issue price of \$0.10 plus any dividends which have become due but have not been paid.

Voting rights – Preferred Shares have equal voting rights (one vote per share) to common stock, except that Preferred Shares do not vote in the general election of directors.

Other provisions – For as long as not less than 15,000,000 Preferred Shares are outstanding, the holders of the Preferred Shares have the right between them to appoint one director, and the Company may not take action relating to certain major transactions without obtaining the consent of not less than 60% of the Preferred Shares or without obtaining the approval of the director appointed by the holder of the Preferred Shares (for matters requiring Board of Directors approval).

Accounting for Preferred Shares – If certain criteria are met, companies must bifurcate conversion options from their host instruments and account for them as free standing derivative instruments. The Company has evaluated the conversion option on the Preferred Shares and determined that the embedded conversion option should not be bifurcated. Additionally, the Company analyzed the conversion feature and determined that the effective conversion price was higher than the market price at date of issuance; therefore no beneficial conversion feature was recorded. The Company has classified the Preferred Shares as temporary equity because they are redeemable upon the occurrence of an event that is not solely within the control of the issuer. As noted above, the holders of the Preferred Shares may demand redemption any time after 60 months from the date of issue. The securities are carried at their face value net of issuance costs plus accrued dividends (representing fair value) because the contingency has not been met. If the

Diligent Board Member Services, Inc.
Notes to Consolidated Financial Statements
Years Ended December 31, 2010 and 2009

redemption were considered likely to occur, the carrying value would be adjusted to its liquidation value.

The carrying value of the Preferred Shares at December 31, 2010 and December 31, 2009 is as follows:

	December 31,	
	2010	2009
Gross proceeds	\$ 3,000,000	\$ 3,000,000
Less: Issuance costs	(138,850)	(138,850)
	<u>2,861,150</u>	<u>2,861,150</u>
Issuance of PIK shares	266,712	-
Cumulative amortization of offering costs	49,429	21,989
Cumulative in kind dividend	-	266,712
Balance at December 31, 2010	<u>\$ 3,177,291</u>	<u>\$ 3,149,851</u>

For the year 2009, the Board of Directors of the Company approved the issuance of PIK Shares in lieu of cash, which dividend was effective January 4, 2010. Accordingly, the holders of the Series A Preferred Stock received an aggregate of 2,667,123 PIK Shares on January 4, 2010.

14) Stockholders' equity (deficiency)

In March 2009, the stockholders of the Company approved an increase in the number of authorized shares of common stock from 200,000,000 to 250,000,000.

On June 8, 2010, the Company's shareholders approved the surrender of 11,650,000 pledged SSH LLC common shares as a prepayment associated with the Note. These shares were cancelled at June 8, 2010. See Note 6.

In October 2010, the Company announced the successful completion of a 3,000,000 common share private placement at \$0.47 per share. These new shares were allotted and settled on October 20, 2010.

In the fourth quarter of 2010, several employees of the Company exercised options previously granted to them for common shares in an aggregate amount of 178,001.

15) Stock option and incentive plan

In November 2007, the Company adopted the 2007 Stock Option and Incentive Plan ("the 2007 Plan") authorizing the issuance of up to 10,000,000 shares of the Company's common stock as awards to

Diligent Board Member Services, Inc.
Notes to Consolidated Financial Statements
Years Ended December 31, 2010 and 2009

selected employees, directors and consultants of the Company and its affiliates, in the form of incentive stock options, non-qualified stock options, and stock awards. The 2007 Plan is administrated by the Company's Board of Directors. Pursuant to delegation by the Company's Board of Directors, the Remunerations and Nominations Committee determines the number of shares, the term, the frequency and date, the type, the exercise periods, any performance criteria pursuant to which stock option awards may be granted and the restrictions and other terms and conditions of each grant of restricted shares in accordance with the terms of the 2007 Plan.

In June 2010, the Company adopted the 2010 Stock Option and Incentive Plan ("the 2010 Plan") authorizing the issuance of up to 5,000,000 shares of the Company's common stock to employees, directors and consultants of the Company and its affiliates, as Incentive Stock Options and Non-Qualified Stock Options. The 2010 Plan is to be administered by the Remunerations and Nominations Committee pursuant to delegation by the Company's Board of Directors, which will determine the number of shares, the term, the frequency and date, the type, the exercise periods, and any performance criteria pursuant to which stock option awards may be granted.

Restricted Stock Awards – On November 8, 2007, the Company granted 4,000,000 shares of common stock to selected employees (3,064,000 shares), directors (200,000 shares) and consultants (736,000 shares) of the Company, and its affiliates. Of these shares, 2,071,000 shares were fully vested upon issuance on December 12, 2007, 160,000 shares were forfeited during 2008 and 1,769,000 shares vested on January 1, 2009, based on continued employment through that date. The fair value of the awards to employees was estimated to be NZD0.90(US\$0.69) per share, which was the closing price of the Company's stock on December 12, 2007. The fair values of the awards to non-employees were closing prices on various measurement dates.

On October 23, 2008, the Company granted 600,000 shares of restricted stock to two officers in accordance with the terms of their employment agreements, which included 250,000 shares which vested immediately, 250,000 shares which vested on February 15, 2009, and 100,000 shares which vested on May 15, 2009, based on continued employment through those dates. The estimated fair value of the shares at the award date was measured using the closing price of NZD0.25 (US\$0.14) per share on the date of grant.

During the years ended December 31, 2010 and 2009, the Company recognized share-based compensation costs related to restricted stock awards of \$0 and \$23,099, respectively, which is included in general and administrative expenses in the statement of operations.

At December 31, 2010 all restricted stock is fully vested and there is no unrecognized compensation cost.

Stock Option Awards – On August 20, 2009 the Board of Directors approved the Stock Option Agreement, which contains the terms and conditions with respect to stock options granted by the Company under the 2007 Plan. On that date, the Board of Directors awarded 3,650,000 stock options to officers and an additional 100,000 options to two former outside directors of the Company. On October 9, 2009, the Company granted an additional 910,003 shares to employees under the 2007 Plan. In July 2010, the Company granted 800,000 options to outside consultants, under the 2010 Plan.

The exercise price of each option is the market price of the Company's stock for the last sale prior to the grant date, converted to U.S. dollars using the exchange rate in effect on the grant date. The options generally expire after a period not to exceed ten years, except in the event of termination, whereupon vested options must be exercised generally within three months, or upon death or disability, in which cases the vested options may be exercised within twelve months, but in all cases the exercise date may not exceed the expiration date.

The fair value of each option grant was estimated on the date of grant using the Black-Scholes option pricing model and the resulting fair value is recorded as share-based compensation expense on a

Diligent Board Member Services, Inc.
Notes to Consolidated Financial Statements
Years Ended December 31, 2010 and 2009

straight line basis over the option vesting period for employee stock options, ranging from six months to three years. The value of the options granted to former directors was charged to expense as of the grant date.

The value of options granted to nonemployees is initially measured at grant date and remeasured each quarter until the vesting date, which is the measurement date for share-based compensation issued to nonemployees.

The fair values of the options granted were estimated based on the following assumptions:

	Year Ended December 31,	
	2010	2009
Expected volatility (1)	167.79%	183.98 – 186.94%
Expected term (2)	5.25 years	5.35 – 6.00 years
Risk-free interest rate (3)	1.85%	2.36 – 2.75%
Dividend yield	-	-
Weighted average grant-date fair value of granted options	\$0.4266	\$0.1406

- (1) The expected volatility was determined using historical volatility data for comparable companies.
- (2) The expected term of the options has been estimated using the simplified method which calculates the average of the vesting period and the contractual term of the options.
- (3) The risk free interest rate is based on the U.S. Treasury constant maturity nominal yield with a term approximately equal to the expected terms of the options.

A summary of stock option activity for the year ended December 31, 2010 is as follows:

	Options	Weighted average exercise price	Weighted average remaining contractual term
Outstanding at January 1, 2010	4,660,003	\$ 0.14	
Granted	800,000	0.45	
Exercised	(178,001)	0.16	
Forfeited	<u>(91,667)</u>	0.16	
Outstanding at December 31, 2010	<u>5,190,335</u>	0.19	8.78 years
Exercisable at December 31, 2010	<u>2,690,335</u>	0.19	8.77 years

During the years ended December 31, 2010 and 2009, the Company recognized share-based compensation expense related to stock options of \$601,541 and \$180,154, respectively, which is included in general and administrative expenses in the statement of operations. At December 31, 2010 there was \$231,610 of unrecognized share-based compensation expense that will be recognized over the next 1.75 years.

Diligent Board Member Services, Inc.
Notes to Consolidated Financial Statements
Years Ended December 31, 2010 and 2009

The aggregate intrinsic value of the stock options outstanding and exercisable at December 31, 2010 was \$912,424. The aggregate intrinsic value of options exercised during 2010 was \$55,127. No options were exercisable at December 31, 2009 or exercised during 2009.

16) Commitments and contingencies

Operating leases – The Company has operating lease agreements for office space in New York City, New Jersey, New Zealand and the United Kingdom, which expire at various dates through 2018. Leases with rent escalations are recognized as rent expense over the term of the lease. Operating lease rent expense for the years ended December 31, 2010 and 2009 was approximately \$307,778 and \$383,917, respectively.

The lease agreements require security deposits in the amount of \$222,354 at December 31, 2010.

Future minimum lease payments for leases that have initial or non-cancelable lease terms in excess of one year at December 31, 2010 are as follows:

Year ending December 31,		
2011	\$	323,574
2012		322,946
2013		309,183
2014		311,844
2015		314,584
2016 and thereafter		<u>691,186</u>
	\$	<u><u>2,273,317</u></u>

Warranties and indemnification – The Company’s service is warranted to perform in a manner materially consistent with its marketing and training materials, specifications and technical information provided to users. The Company’s arrangements generally include certain provisions for indemnifying customers against liabilities if its products or services infringe a third-party’s intellectual property rights. To date, the Company has not incurred any material costs as a result of such indemnifications and has not accrued any liabilities related to such obligations.

The Company has also agreed to indemnify its directors and officers to the fullest extent allowed under Delaware law for costs associated with any fees, expenses, judgments, fines and settlement amounts incurred by any of these persons in any action or proceeding to which any of those persons is, or is threatened to be, made a party by reason of the person’s services as a director or officer of the Company, or arising as a result of that person serving at the request of the Company as a director, officer, employee or agent of another enterprise. The Company maintains director and officer insurance coverage that should enable the Company to recover a portion of any future amounts paid.

17) Risks and uncertainties

Diligent Board Member Services, Inc.
Notes to Consolidated Financial Statements
Years Ended December 31, 2010 and 2009

Interest rate risk - Interest rate risk is the risk that market interest rates will change and impact Diligent's financial results by affecting the rate of interest charged or received by the Company. It is not expected that changes in interest rates will materially affect the Company's results of operations.

Currency rate risk - The Company is subject to currency rate risk primarily from export sales to Canada, Europe, Australia and New Zealand, and from cash balances maintained in foreign currencies.

Liquidity risk - The Company expects that its cash and cash equivalents will be adequate to support sales and growth. Particularly in light of current economic conditions, the Company intends to manage liquidity risk by continuously monitoring forecasted and actual cash flows and matching the maturity profiles of financial assets and liabilities. Additionally, in March 2010, the Company secured a \$1 million revolving line of credit facility, which provides the Company cash flow protection if needed. The primary uncertainty concerning the Company's capital needs pertains to its ability to continue to achieve the expected sales growth in a timely manner.

Concentrations of credit and other risks - The Company sells its service to a diverse number of customers and performs ongoing credit evaluations of its customers' financial condition as part of its accounts receivable monitoring procedures. Financial instruments which potentially subject the Company to concentrations of credit risk consist primarily of trade accounts receivable. No single customer accounted for more than 10% of the accounts receivable balance at December 31, 2010 and one customer accounted for 14.2% of the accounts receivable balance at December 31, 2009. No single customer generated more than 10% of revenue in 2010 and 2009.

Financial instruments which potentially subject the Company to significant concentration of credit risk include money market funds, time deposits and a term deposit. These financial instruments are classified as either cash and cash equivalents or term deposit and are maintained with high credit quality banking institutions in the United States, New Zealand and Great Britain. At times the cash balances may be in excess of the insurance limits at a particular bank.

18) Subsequent events

In January 2011, Spring Street Partners, L.P., one of the holders of the Series A Preferred Stock, waived its right to \$200,000 of the dividend due on January 1, and directed the Company to retain those funds to support future growth. The Company will record this waiver as a capital contribution in the first quarter of 2011. The founder and managing partner of Spring Street Partners, L.P. is also the chairman of the board of directors of the Company.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934) as of the end of the period covered by this Form 10-K. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures, as of the end of the period covered by this Form 10-K, were effective in ensuring that information required to be disclosed by us in reports that we file or submit under the Securities Exchange Act of 1934 is (i) recorded, processed, summarized and reported within the time periods specified in SEC's rules and forms, and (ii) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in *Internal Control—Integrated Framework*, our management concluded that our internal control over financial reporting was effective as of December 31, 2010.

Because the Company qualifies as a smaller reporting company, as defined by §229.10(f)(1), this annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting.

Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Securities Exchange Act of 1934) that occurred during the year ended December 31, 2010 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

Not applicable

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this Item is incorporated by reference from the information to be contained in our Proxy Statement.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated by reference from the information to be contained in our Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this Item is incorporated by reference from the information to be contained in our Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this Item is incorporated by reference from the information to be contained in our Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item is incorporated by reference from the information to be contained in our Proxy Statement.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

- a. The following documents are filed as a part of this Report:
- 1) *Financial Statements*: The information concerning our financial statements, and Report of Independent Registered Public Accounting Firm required by this Item is incorporated by reference herein to the section of this Report in Item 8, entitled “Consolidated Financial Statements and Supplementary Data.”
 - 2) *Financial Statement Schedules*:

The Financial Statement Schedules not listed have been omitted because they are not applicable or are not required or the information required to be set forth herein is included in the Consolidated Financial Statements or Notes thereto.
 - 3) *Exhibits*: See “Index to Exhibits.”
- b. *Exhibits*. The exhibits listed below in the accompanying “Index to Exhibits” are filed or incorporated by reference as part of this Annual Report on Form 10-K.
- c. *Financial Statement Schedules*.

SIGNATURES

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: March 22, 2011

**DILIGENT BOARD MEMBER SERVICES,
INC.**

By: /s/ Steven P. Ruse
Steven P. Ruse, Chief Financial Officer
(Principal Financial Officer)

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Steven P. Ruse and each of them, his true and lawful attorneys-in-fact and agents, with full power of substitution and re-substitution, for him and in his name, place and stead, in any and all capacities, to sign any and all reports of the Registrant on Form 10-K and to sign any and all amendments to such reports and to file the same with all exhibits thereto, and other documents in connection therewith, with the Securities & Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant in the capacities indicated on the dates indicated.

<u>Name</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Alessandro Sodi</u> Alessandro Sodi	Chief Executive Officer, President, Director (Principal Executive Officer)	<u>March 22, 2011</u>
<u>/s/ Steven P. Ruse</u> Steven P. Ruse	Chief Financial Officer (Principal Financial Officer)	<u>March 22, 2011</u>
<u>/s/ Donald Meisner</u> Donald Meisner	Treasurer (Principal Accounting Officer)	<u>March 22, 2011</u>
<u>/s/ David Liptak</u> David Liptak	Director	<u>March 22, 2011</u>
<u>/s/ Peter Huljich</u> Peter Huljich	Director	<u>March 22, 2011</u>
<u>/s/ Rick Bettle</u> Rick Bettle	Director	<u>March 22, 2011</u>
<u>/s/ Mark Russell</u> Mark Russell	Director	<u>March 22, 2011</u>

INDEX TO EXHIBITS

Exhibit Numbers	Exhibits
3.1 ³	Amended and Restated Certificate of Incorporation
3.2 ¹	Amended and Restated Bylaws
4.1 ¹	Form of common stock certificate
10.1 ¹	Contribution Agreement dated October 1, 2007 between Diligent Board Member Services, LLC and Diligent Board Member Services, Inc.
10.4.1 ¹	Promissory Note and Security Agreement dated October 1, 2007 in the principal amount of \$6,800,000 given by Diligent Board Member Services, LLC to the order of Diligent Board Member Services, Inc.
10.4.2 ⁶	Prepayment and Amendment Agreement dated February 9, 2010 between Diligent Board Member Services, Inc. and Services Share Holding, LLC
10.5.1 ¹	Limited Pledge of Collateral for Loan dated February 18, 2008 given by Services Share Holding, LLC (f/k/a Diligent Board Member Services, LLC) to Diligent Board Member Services, Inc.
10.5.2 ⁴	Amendment to Limited Pledge of Collateral for Loan dated January 14, 2009 given by Services Share Holding, LLC to Diligent Board Member Services, Inc.
10.5.3 ⁴	Limited Pledge of Collateral for Loan dated January 14, 2009 given by Corcoran Consulting, LLC to Diligent Board Member Services, Inc.
10.6 ¹	2007 Stock Option and Incentive Plan of Diligent Board Member Services, Inc.
10.6.1	2010 Stock Option and Incentive Plan of Diligent Board Member Services, Inc.
10.7 ¹	Form of Restricted Stock Award Agreement for restricted stock awards under the 2007 Stock Option and Incentive Plan
10.9 ³	Stock Purchase Agreement dated February 13, 2009 among Diligent Board Member Services, Inc., Spring Street Partners, L.P. and Carroll Capital Holdings, LLC
10.10 ³	Investor Rights Agreement dated March 11, 2009 among Diligent Board Member Services, Inc., Spring Street Partners, L.P. and Carroll Capital

Holdings, LLC

- 10.11⁵ Employment agreement of CFO Steven P. Ruse
- 10.12⁷ Credit Facility established by Spring Street Partners, L.P. as Lender in favor of Diligent Board Member Services, Inc. as Borrower
- 10.13 Employment agreement between APAC Board Services PTE. Ltd. (Singapore) and Eslinda Hamzah
- 21 Subsidiaries
- 25 Powers of Attorney executed by all officers and directors of the Company who have signed this report on Form 10-K
- 31.1 CEO Certification pursuant to Rule 13a-14(a)
- 31.2 CFO Certification pursuant to Rule 13a-14(a)
- 32.1 CEO Certification furnished pursuant to Rule 13a-14(b) and 18 U.S.C. 1350
- 32.2 CFO Certification furnished pursuant to Rule 13a-14(b) and 18 U.S.C. 1350

¹ Filed with the Original Form 10 Filing on April 30, 2008.

² Filed with Amendment No. 3 to Form 10 Filing on February 12, 2009.

³ Filed with Form 8-K Filing on March 13, 2009.

⁴ Filed with Form 10-K Filing on March 30, 2009.

⁵ Filed with Form 10-Q Filing on November 9, 2009.

⁶ Filed with Form 8-K Filing on February 24, 2010.

⁷ Filed with Form 10-K Filing on March 18, 2010.

**DILIGENT BOARD MEMBER SERVICES, INC.
2010 STOCK OPTION AND INCENTIVE PLAN**

Adopted by the Board: April 22, 2010

Adopted by the Shareholders: June 8, 2010

ARTICLE I. PURPOSE.

1.1. The purpose of the Plan is to provide a means by which selected Employees, Directors and Consultants of the Company, and its Affiliates, are incented to perform through the opportunity to benefit from increases in value of the Common Stock of the Company from grants of Options in the Company's Common Stock.

1.2. The Company, by means of the Plan, seeks to retain the services of persons who are now Employees, Directors, or Consultants to the Company or its Affiliates, to secure and retain the services of new Employees, Directors and Consultants, and to provide incentives for such persons to exert maximum efforts for the success of the Company and its Affiliates.

1.3. All Options granted under the Plan shall be separately designated as Incentive Stock Options or Non-Qualified Stock Options at the time of grant, and in such form as issued pursuant to Article VI, and the number of shares of common stock will be listed in the name of the Employee, Director or Consultant in the Company's stock records for shares purchased on exercise of each type of Option by said individual .

ARTICLE II. DEFINITIONS.

"Act" means the Securities Act of 1933, as amended.

"Affiliate" means any parent corporation or subsidiary corporation of the Company, whether now or hereafter existing, as those terms are defined in Sections 424(e) and (f) respectively, of the Code.

"Award" means the grant of an Option.

"Board" means the Board of Directors of the Company.

"Code" means the Internal Revenue Code of 1986, as amended, and any Internal Revenue Code adopted in the future to replace the Internal Revenue Code of 1986.

"Committee" means the Remuneration and Nominations Committee or any other committee appointed by the Board in accordance with subsection C of Article III to administer the Plan. The Committee shall be composed of outside directors only.

“Common Stock” means shares of the Company’s common stock, par value \$0.001 per share.

“Company” means Diligent Board Member Services, Inc., a Delaware corporation.

“Consultant” means any person, including an advisor, engaged by the Company or an Affiliate to render consulting or other personal services as an independent contractor and who is compensated for such services, provided that the term “Consultant” shall not include Directors.

“Continuous Status as an Employee, Director or Consultant” means that the provision of services to the Company or an Affiliate in the capacity of Employee, Director or Consultant, is not interrupted or terminated. Continuous Status as an Employee, Director or Consultant shall not be considered interrupted in the case of (i) any approved leave of absence, (ii) transfers between locations of the Company or among the Company, any Affiliate, or any successor, in any capacity as Employee, Director or Consultant, or (iii) any change in status as long as the person remains in the service of the Company, Affiliate or successor in any capacity as an Employee, Director, Consultant (except as otherwise provided in the Option Agreement). An approved leave of absence shall include sick leave, military leave, or any other authorized personal leave approved by the Company; provided, however, that any such authorized leave of absence shall be treated as Continuous Status as an Employee, Director, or Consultant for the purposes of vesting only to the extent as may be provided in the Company’s leave policy. For purposes of Incentive Stock Options, no such leave may exceed ninety (90) days, unless reemployment upon expiration of such leave is guaranteed by statute or contract. Notwithstanding anything to the contrary in this definitional paragraph, a Consultant’s status shall not be considered continuous unless the Consultant is and continues to be ready, willing and able to engage in substantial services to the Company. The Board, in its sole discretion, shall in all cases determine whether Continuous Status as an Employee, Director or Consultant shall be considered interrupted or terminated.

“Covered Employee” means any person who, on the last day of the taxable year, is the chief executive officer (or is acting in such capacity) or is among the four most highly compensated officers (other than the chief executive officer) of the Company for whom total compensation is required to be reported to stockholders under the Exchange Act, as determined for purposes of Section 162(m) of the Code.

“Director” means a member of the Board or of the board of directors of an Affiliate.

“Employee” means any person, including Officers and Executive Directors, employed by the Company or any Affiliate of the Company as determined under the rules contained in Code Section 3401. Neither service as a Director nor payment of a director’s fee by the Company shall be sufficient by itself to constitute “employment” by the Company.

“Exchange Act” means the Securities Exchange Act of 1934, as amended.

“Executive Director” means an individual who is an officer of the Company and also serves as a member of the Board of Directors.

“Fair Market Value” means, as of any date, the value of the Common Stock of the Company determined as follows:

(a) If the Common Stock is readily tradable on an established securities market, the fair market value of the Common Stock on the date of grant means the value determined based upon the last sale before or the first sale after the grant, the closing price on the trading day before or the trading day of the grant of the Award, or any other reasonable basis using actual transactions in the Common Stock as reported by such market and consistently applied.

(b) If the Common Stock is not readily tradable on an established securities market, the fair market value of the Common Stock on the date of grant means the value determined by a valuation of the Common Stock determined by an independent appraisal that meets the requirements of Section 401(a)(28)(C) of the Code and the regulations thereunder as of a date that is no more than 12 months before the relevant Option grant date.

“Incentive Stock Option” means an Option intended to qualify as an incentive stock option (as set forth in the Option Agreement) and that qualifies as an Incentive Stock Option within the meaning of Section 422 of the Code and the regulations promulgated thereunder.

“Non-Qualified Stock Option” means an Option not intended to qualify as an Incentive Stock Option (as set forth in the Option Agreement) or that does not qualify as an Incentive Stock Option.

“Officer” means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.

“Option” means an option for the Company’s common stock granted pursuant to the Plan.

“Option Agreement” means a written agreement between the Company and a Recipient evidencing the terms and conditions of an individual Option grant. The Option Agreement shall be in the form approved by the Board from time to time. Each Option Agreement shall be subject to the terms and conditions of the Plan.

“Outside Director” means a Director who (i) is not a current employee of the Company or an “affiliated corporation” (within the meaning of Treasury regulations promulgated under Section 162(m) of the Code), (ii) is not a former employee of the Company or an “affiliated corporation” receiving compensation for prior services (other than benefits under a tax qualified pension plan) during the taxable year, (iii) has not been an officer of the Company or an “affiliated corporation” at any time, (iv) is not currently receiving direct or indirect remuneration (including any payment in exchange for goods or services) from the Company or an “affiliated corporation” in any capacity other than as a Director, (v) is otherwise considered an “outside director” for purposes of Section 162(m) of the Code, a “non-employee director” for purposes of Rule 16b-3 under the Exchange Act.

“Plan” means this Diligent Board Member Services, Inc. 2010 Stock Option and Incentive Plan.

“Purchase Price” is defined in Subsection C of Article VI.

“Recipient” means an Employee, Director or Consultant, or their transferees, who holds an outstanding Option.

“Rule 16b-3” means Rule 16b-3 of the Exchange Act or any successor to Rule 16b-3, as in effect when discretion is being exercised with respect to the Plan.

ARTICLE III. ADMINISTRATION.

1.4. The Plan shall be administered by the Board unless and until the Board delegates administration to the Committee, as provided in subsection C of this Article III.

1.5. The Board shall have the power, subject to, and within the limitations of, the express provisions of the Plan:

(a) To determine, in its sole discretion, from time to time which of the persons eligible under the Plan shall be granted an Award; when and how each Award shall be granted; whether an Option granted will be an Incentive Stock Option or a Non-Qualified Stock Option, or a combination of the foregoing; the provisions of each Award granted (which need not be identical), including the time or times when a person shall be permitted to receive stock pursuant to an Award; the number of shares with respect to which an Award shall be granted to each such person; and all other terms, conditions and restrictions applicable to each such Award or shares acquired upon exercise of an Option not inconsistent with the terms of the Plan.

(b) To approve one or more forms of Option Agreement.

(c) To construe and interpret, in its sole discretion, the Plan and Awards granted under it, and to establish, amend and revoke rules and regulations for its administration. The Board, in the exercise of this power, may correct any defect, omission or inconsistency in the Plan or in any Option Agreement, in a manner and to the extent it shall deem necessary or expedient to make the Plan fully effective.

(d) To amend, modify or otherwise change in any manner the Plan or an Award as provided in Article XII and to suspend or terminate the Plan as provided in Article XIII.

(e) Generally, to exercise such powers and to perform such acts as the Board deems necessary or expedient to promote the best interests of the Company that are not in conflict with the provisions of the Plan.

All decisions, determinations and interpretations of the Board shall be final, binding and conclusive on any Recipient and any other person with an interest in the Plan or in an Award and on any Affiliate.

1.6. The Board hereby delegates administration of the Plan to the Committee which will be composed of not fewer than two (2) of its members. Furthermore, notwithstanding anything in this Article III to the contrary, the Board hereby delegates to the Committee the exclusive right and authority to award Options to an eligible person who is a Covered Employee or who is expected to be a Covered Employee at the time of recognition of income resulting from such Award with respect to either of whom the Company wishes to avoid the application of Section 162(m) of the Code.

The Committee shall have, during such delegation and in connection with the administration of the Plan, the powers theretofore possessed by the Board (and references in this Plan to the Board shall thereafter be to the Committee), subject, however, to such resolutions, not inconsistent with the provisions of the Plan, as may be adopted from time to time by the Board. Administration of the Plan shall encompass, among other things, determining potential optionees, establishing the terms of each option, ensuring all proposed grants are consistent with the terms of the Plan, granting the options and ensuring the Corporate Secretary keeps accurate records of options granted and exercised.

The Board may withdraw administration of the Plan from the Committee at any time. The Board may abolish the Committee at any time and, upon abolition administration of the Plan shall revert automatically, without any further action on the Board's part, to the Board.

1.7. Notwithstanding anything in this Article III to the contrary, at any time the Board may also delegate to any proper Officer the authority to grant Awards, without further approval of the Board, to eligible persons who (i) are not then subject to Section 16 of the Exchange Act and (ii) are either (A) not then Covered Employees and are not expected to be Covered Employees at the time of recognition of income resulting from such Award, or (B) not persons with respect to whom the Company wishes to avoid the application of Section 162(m) of the Code; provided, however, that (i) the exercise price per share of each Option Award shall be equal to the Fair Market Value of such stock at the date of grant, and (ii) each Option Award shall be subject to the terms and conditions of the standard form of Option Agreement approved by the Board and shall conform to the provisions of the Plan and such other guidelines as shall be established from time to time by the Board.

1.8. No member of the Board or of any committee constituted under this Article III or any Officer acting pursuant to this Article shall be personally liable for any action, determination or interpretation made in good faith with respect to the Plan or any Award.

ARTICLE IV. SHARES SUBJECT TO THE PLAN.

1.9. Subject to the provisions of Article XI relating to adjustments upon changes in stock, the amount of stock that may be issued pursuant to Awards shall not exceed in the aggregate five million (5,000,000) shares of the Company's Common Stock. If any Award shall for any reason expire or otherwise terminate, in whole or in part, without having been exercised in full, the shares not acquired underlying such Award shall revert to and again become available for issuance under the Plan.

1.10. The Common Stock subject to the Plan may be unissued shares or reacquired shares, bought on the market or otherwise.

ARTICLE V. ELIGIBILITY.

1.11. Incentive Stock Options may be granted to Employees. Non-Qualified Stock Options may be granted only to Employees, Directors or Consultants.

1.12. No person shall be eligible for the grant of an Incentive Stock Option if, at the time of grant, such person owns (or is deemed to own pursuant to Section 424(d) of the Code) stock representing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company, or of any of its Affiliates (a “**Ten Percent Stockholder**”), unless the exercise price of such Option is at least one hundred ten percent (110%) of the Fair Market Value of such stock at the date of grant and the Option is not exercisable after the expiration of five (5) years from the date of grant.

1.13. To the extent that the aggregate Fair Market Value (determined at the time of grant) of stock with respect to which Incentive Stock Options are exercisable for the first time by any Recipient during any calendar year under all plans of the Company and its Affiliates exceeds one hundred thousand dollars (\$100,000), the Options or portions thereof which exceed such limit (according to the order in which they were granted) shall be treated as Non-Qualified Stock Options.

1.14. Subject to the provisions of Article XI relating to adjustments upon changes in stock, no person shall be eligible to be granted Awards covering more than five hundred thousand (500,000) shares of the Common Stock in any calendar year.

ARTICLE VI. TERMS OF OPTIONS.

Each Option shall be evidenced by an Option Agreement in such form and shall contain such terms and conditions as the Board shall deem appropriate. No Option or purported Option shall be a valid and binding obligation of the Company unless evidenced by a fully executed Option Agreement or by communicating with the Company in such manner as the Company may authorize. The provisions of separate Options need not be identical, but each Option shall include (through incorporation of provisions hereof or as specifically set forth in the Option Agreement or otherwise) the substance of each of the following provisions:

1.15. **Term.** No Incentive Stock Option shall be exercisable after the expiration of ten (10) years from the date it was granted. However, in the case of an Incentive Stock Option granted to a Recipient who, at the time the Option is granted, is a Ten Percent Stockholder (as described in subsection B of Article V), the term of the Option shall be five (5) years from the date of grant thereof or such shorter term as may be provided in the Option Agreement.

1.16. **Price.** The exercise price of each Option shall be not less than one hundred percent (100%) of the Fair Market Value of the stock subject to the Option on the date the Option is granted. Notwithstanding the foregoing, an Option (whether an Incentive Stock

Option or a Non-Qualified Stock Option) may be granted with an exercise price lower than that set forth in the preceding sentence if such Option is granted pursuant to an assumption or substitution for another option in a manner satisfying the provisions of Section 424(a) of the Code.

1.17. **Consideration.** The purchase price of stock acquired pursuant to an Option (the "Purchase Price") shall be paid, to the extent permitted by applicable statutes and regulations, either (i) in cash or check at the time the Option is exercised, or (ii) as set forth in the Option Agreement (or in the case of a Non-Qualified Stock Option, as subsequently determined in the discretion of the Board or the Committee) (A) in shares of Common Stock duly endorsed over to the Company (which shares shall have been owned by the Option holder for at least six (6) months prior to such exercise and, for purposes of this paragraph, be valued at their Fair Market Value as of the business day immediately preceding the date of such exercise), (B) by written direction to an authorized broker to sell the shares of Common Stock purchased pursuant to such exercise immediately for the account of the Option holder and pay an appropriate portion of the proceeds thereof to the Company, (C) according to a deferred payment or other arrangement (which may include, without limiting the generality of the foregoing, the use of other Common Stock of the Company) with the Recipient in any other form of legal consideration that may be acceptable to the Board, or (D) any combination of such methods of payment which together amount to the full exercise price of the shares purchased pursuant to the exercise of the Option. For purposes of this subsection C, the Purchase Price shall include the amount of the full exercise price of the shares of the Common Stock purchased pursuant to the exercise of the Option plus the minimum amount, if any, of any applicable taxes which the Company is required to withhold.

In the case of any deferred payment arrangement approved by the Board, interest shall be payable at least annually and shall be charged at the minimum rate of interest necessary to avoid the treatment as interest, under any applicable provisions of the Code, of any amounts other than amounts stated to be interest under the deferred payment arrangement. No deferred payment arrangement shall be permitted if the exercise of an Option for such a deferred payment would be a violation of any law or cause the Plan to be deemed a "nonqualified deferred compensation plan", as defined in Section 409A of the Code.

1.18. **Transferability.** An Incentive Stock Option shall not be transferable except by will or by the laws of descent and distribution, and shall be exercisable during the lifetime of the Recipient only by such Recipient or by his attorney-in-fact or conservator, unless such exercise by the attorney-in-fact or the conservator of the Recipient would disqualify the Incentive Stock Option as such. Unless the Board otherwise specifies, a Non-Qualified Stock Option shall not be transferable except by will or by the laws of descent and distribution and shall be exercisable during the lifetime of the Recipient only by such person or by his attorney-in-fact or conservator. Notwithstanding the foregoing, the Recipient may, by delivering written notice to the Company, in a form satisfactory to the Company, designate a third party who, in the event of the death of the Recipient, shall thereafter be entitled to exercise the Option.

1.19. **Vesting.** The total number of shares of stock subject to an Option may, but need not, be allotted in periodic installments (which may, but need not, be equal). The Option

Agreement may provide that from time to time during each of such installment periods, the Option may become exercisable (“vest”) with respect to some or all of the shares allotted to that period, and may be exercised with respect to some or all of the shares allotted to such period and/or any prior period as to which the Option became vested but was not fully exercised. The Option may be subject to such other terms and conditions on the time or times when it may be exercised (which may be based on performance or other criteria) as the Board may deem appropriate. Unless otherwise specified in an Option Agreement, the shares of stock underlying an Option grant shall vest in three equal amounts: the first installment will be first exercisable on the six (6)-month anniversary of the option grant date and each succeeding installment will be first exercisable one (1) year from the date that the immediately preceding installment became exercisable. Any vesting schedule can be accelerated in the discretion of the Board, unless otherwise specified in the Option Agreement.

1.20. Termination of Employment or Relationship as a Director or Consultant. In the event a Recipient’s Continuous Status as an Employee, Director or Consultant terminates (other than upon the Recipient’s death or disability), the Recipient may exercise his or her Option (to the extent that the Recipient was entitled to exercise it at the date of termination) but only within such period of time ending on the earlier of (i) the date three (3) months after the termination of the Recipient’s Continuous Status as an Employee, Director or Consultant (or, such longer or shorter period specified in the Option Agreement), or (ii) the expiration of the term of the Option as set forth in the Option Agreement. If, at the date of termination, the Recipient is not entitled to exercise his or her entire Option, the shares covered by the unexercisable portion of the Option shall revert to and again become available for issuance under the Plan. If, after termination, the Recipient does not exercise his or her Option within the time specified in the Option Agreement or in this Plan, the Option shall terminate, and the shares covered by such Option shall revert to and again become available for issuance under the Plan. The above terms shall apply only if the specific Option grant is silent on the above issues; however, a specific Option grant may provide for different terms in the event a Recipient’s Continuous Status as an Employee, Director or Consultant terminates (other than upon the Recipient’s death or disability).

1.21. Disability of Recipient. In the event a Recipient’s Continuous Status as an Employee, Director or Consultant terminates as a result of the Recipient’s disability, as defined in Section 22(e)(3) of the Code, the Recipient may exercise his or her Option (to the extent that the Recipient was entitled to exercise it at the date of termination), but only within such period of time ending on the earlier of (i) the date twelve (12) months following such termination (or, such longer or shorter period specified in the Option Agreement), or (ii) the expiration of the term of the Option as set forth in the Option Agreement. If, at the date of termination of Continuous Status, the Recipient is not entitled to exercise his or her entire Option, the shares covered by the unexercisable portion of the Option shall revert to and again become available for issuance under the Plan. If, after termination, the Recipient does not exercise his or her Option within the time specified herein, the Option shall terminate, and the shares covered by such Option shall revert to and again become available for issuance under the Plan. The above terms shall apply only if the specific Option grant is silent on the above issues; however, a specific Option grant may provide for different terms in the event a

Recipient's Continuous Status as an Employee, Director or Consultant terminates as a result of the Recipient's disability.

1.22. **Death of Recipient.** In the event of the death of a Recipient during, or within a period specified in the Option after the termination of, the Recipient's Continuous Status as an Employee, Director or Consultant, the Option may be exercised (to the extent the Recipient was entitled to exercise the Option at the date of death) by the Recipient's estate, by a person who acquired the right to exercise the Option by bequest or inheritance or by a person designated to exercise the option upon the Recipient's death pursuant to subsection D of Article VI, but only within the period ending on the earlier of (i) the date twelve (12) months following the date of death (or, such longer or shorter period specified in the Option Agreement), or (ii) the expiration of the term of such Option as set forth in the Option Agreement. If, at the time of death, the Recipient was not entitled to exercise his or her entire Option, the shares covered by the unexercisable portion of the Option shall revert to and again become available for issuance under the Plan. If, after death, the Option is not exercised within the time specified herein, the Option shall terminate, and the shares covered by such Option shall revert to and again become available for issuance under the Plan. The above terms shall apply only if the specific Option grant is silent on the above issues; however, a specific Option grant may provide for different terms in the event a Recipient's Continuous Status as an Employee, Director or Consultant terminates as a result of the Recipient's death.

1.23. **Responsibility for Option Exercise.** A Recipient is responsible for taking any and all actions as may be required to exercise any Option in a timely manner, and for properly executing any documents as may be required for the exercise of an Option in accordance with such rules and procedures as may be established from time to time under the Plan. By signing or accepting an Option Agreement a Recipient (and any person to whom the Option under that Option Agreement is transferred) acknowledges that information regarding the procedures and requirements for the exercise of that Option is available upon such Recipient's or person's request to the Board. The Company shall have no duty or obligation to notify any Recipient of the expiration of any Option.

ARTICLE VII. REPRICING, CANCELLATION AND RE-GRANT OF OPTIONS.

The Board or the Committee shall not effect at any time directly or indirectly the repricing of any outstanding Options, including without limitation a repricing by the cancellation of any outstanding Options under the Plan and the grant in substitution therefor of new Options under the Plan covering the same or different amount of shares of stock. Notwithstanding the foregoing, an Option (whether an Incentive Stock Option or a Non-Qualified Stock Option) may be granted with an exercise price lower than that set forth in the preceding sentence if such Option is granted pursuant to an assumption or substitution for another option in a manner satisfying the provisions of Section 424(a) of the Code.

ARTICLE VIII. COVENANTS OF THE COMPANY.

During the terms of the Awards, the Company shall keep available at all times the number of shares of Common Stock required to satisfy such Awards.

ARTICLE IX. USE OF PROCEEDS FROM EXERCISE OF OPTIONS.

Proceeds from the exercise of Options shall constitute general funds of the Company.

ARTICLE X. MISCELLANEOUS.

1.24. Neither an Employee, Director or Consultant nor any person to whom an Option may be transferred shall be deemed to be the holder of, or to have any of the rights of a holder with respect to, any shares subject to such Award unless and until such person has satisfied all requirements for exercise, which can include an early exercise of the Option pursuant to its terms and the Company has issued such shares.

1.25. Nothing in the Plan or any instrument executed or Award granted pursuant thereto shall confer upon any Employee, Director, Consultant or other holder of Awards or Common Stock issued upon exercise of Options any right to continue in the employ of the Company or any Affiliate (or to continue acting as a Director or Consultant) or shall affect the right of the Company or any Affiliate to terminate the employment of any Employee with or without cause, the right of the Company's Board of Directors and/or the Company's stockholders to remove any Director pursuant to the terms of the Company's Articles of Incorporation and By-Laws and the provisions of Delaware Law, or the right to terminate the relationship of any Consultant with the Company or its Affiliates.

1.26. If the Company or its Affiliates is required to withhold any amounts by reason of federal, state or local tax laws, rules or regulations, in respect of the issuance of Awards or shares of stock pursuant to the Plan, the Company or such Affiliates shall be entitled to deduct and withhold such amounts from any cash payments to be made to the Recipient. In any event, such person shall promptly make available to the Company or such Affiliate, when requested by the Company or such Affiliate, sufficient funds to meet the requirements of such withholding, and the Company or such Affiliate may take and authorize such steps as it may deem advisable in order to have such funds made available to the Company or such Affiliate from any funds or property due or to become due to such person. The exercise will not be effective until the Company has received such funds to cover the withholding.

1.27. To the extent provided by the terms of an Option Agreement, and to the extent the Company agrees, through a vote of its Board, regarding a non-cash payment, the person to whom an Option is granted may satisfy any federal, state or local tax withholding obligation relating to the exercise or acquisition of stock under an Option by any of the following means or by a combination of such means: (i) tendering a cash payment; (ii) authorizing the Company to withhold shares from the shares of the stock otherwise issuable to the Recipient as a result of the exercise or acquisition of stock underlying the Option; or (iii) delivering to the Company unencumbered shares of the Company's stock owned by the person acquiring the stock. The Fair Market Value of any shares of Common Stock withheld or tendered to satisfy any such tax withholding obligations shall not exceed the amount determined by the applicable minimum statutory withholding rules.

1.28. The Company shall not be required to issue fractional shares pursuant to this Plan and, accordingly, a Recipient may be awarded or required to purchase only whole shares.

1.29. The Plan and all determinations made and actions taken hereunder, to the extent not otherwise governed by the Code or laws of the United States, shall be governed by the laws of the State of Delaware and construed accordingly, without reference to the conflict of laws principles.

1.30. The receipt, transfer and exercise of any Award is subject to taxation under Section 83 of the Code.

ARTICLE XI. ADJUSTMENTS UPON CHANGES IN STOCK.

If any change is made in the stock subject to the Plan, or subject to any Award, without the receipt of consideration by the Company (through merger, consolidation, reorganization, recapitalization, reincorporation, stock dividend, dividend in property other than cash, stock split, liquidating dividend, combination of shares, exchange of shares, change in corporate structure or other transaction not involving the receipt of consideration by the Company), the Plan will be appropriately adjusted in the class(es) and maximum number of shares subject to the Plan, and the outstanding Awards will be appropriately adjusted in the class(es) and number of shares and price per share of stock subject to such outstanding Awards. Such adjustments shall be made by the Board or the Committee, the determination of which shall be final, binding and conclusive. (The conversion of any convertible securities of the Company shall not be treated as a transaction not involving the receipt of consideration by the Company.)

ARTICLE XII. AMENDMENT OF THE PLAN AND AWARDS.

1.31. The Board at any time, and from time to time, may amend the Plan. However, except as provided in Article XI relating to adjustments upon changes in stock, no amendment shall be effective unless approved by the stockholders of the Company within twelve (12) months before or after the adoption of the amendment, where the amendment will:

- (a) Increase the number of shares reserved for Awards under the Plan;
- (b) Modify the requirements as to eligibility for participation in the Plan (to the extent such modification requires stockholder approval in order for the Plan to satisfy the requirements of Section 422 of the Code); or
- (c) Modify the Plan in any other way if such modification requires stockholder approval in order for the Plan to satisfy the requirements of Section 422 of the Code.

1.32. The Board may in its sole discretion submit any other amendment to the Plan for stockholder approval, including, but not limited to, amendments to the Plan intended to satisfy the requirements of Section 162(m) of the Code and the regulations promulgated thereunder regarding the exclusion of performance-based compensation from the limit on corporate deductibility of compensation paid to certain executive officers.

1.33. It is expressly contemplated that the Board may amend the Plan in any respect the Board deems necessary or advisable to provide eligible Employees, Directors or

Consultants with the maximum benefits provided or to be provided under the provisions of the Code and the regulations promulgated thereunder relating to Incentive Stock Options and/or to bring the Plan and/or Incentive Stock Options granted under it into compliance therewith.

1.34. Rights and obligations of the Recipient under any Award granted before amendment of the Plan shall not be materially impaired by any amendment of the Plan except with the written consent of the Recipient, unless such amendment is necessary to comply with any applicable law, regulation or rule as determined in the sole discretion of the Board.

1.35. The Board at any time, and from time to time, may amend, modify, extend, cancel or renew any Award or waive any restrictions or conditions applicable to any Award or any shares acquired upon the exercise thereof and accelerate, continue, extend or defer the exercise time for any Award or the vesting of any shares acquired upon the exercise thereof, including with respect to the period following a Recipient's termination of Continuous Status as an Employee, Director or Consultant; provided, however, that the rights and obligations under any Award shall not be materially impaired by any such amendment except with the written consent of the Recipient, unless such amendment is necessary to comply with any applicable law, regulation or rule as determined in the sole discretion of the Board.

The Board may accelerate the time at which an Option may first be exercised or the time during which an Option or any part thereof will vest notwithstanding the provisions in the Option Agreement stating the time at which it may first be exercised or the time during which it will vest.

1.36. The Board may amend the Plan to take into account changes in law and tax and accounting rules, as well as other developments, and to grant Awards that qualify for beneficial treatment under such rules without stockholder approval.

ARTICLE XIII. TERMINATION OR SUSPENSION OF THE PLAN.

1.37. The Board may suspend or terminate the Plan at any time. Unless sooner terminated, the Plan shall terminate on June 7, 2020, which shall be within ten (10) years from the date the Plan is adopted by the Board or approved by the stockholders of the Company, whichever is later. No Awards may be granted under the Plan while the Plan is suspended or after it is terminated.

1.38. Rights and obligations under any Award granted while the Plan is in effect shall not be impaired by suspension or termination of the Plan, except with the written consent of the Recipient, unless such impairment is necessary to qualify the Award as an Incentive Stock Option or to comply with any applicable law, regulation or rule all as determined in the sole discretion of the Board.

ARTICLE XIV. EFFECTIVE DATE OF PLAN.

The Plan shall become effective as determined by the Board, but no Awards granted under the Plan shall be exercised unless and until the Plan has been approved by the

stockholders of the Company, which approval shall be obtained within twelve (12) months before or after the date when the Plan is adopted by the Board.

ARTICLE XV. COMPLIANCE WITH SECURITIES LAWS.

The grant of Awards and the issuance of shares of Common Stock upon the exercise of Options shall be subject to compliance with all applicable requirements of federal and state law with respect to such securities. Options may not be exercised if the issuance of shares of Common Stock upon exercise would constitute a violation of any applicable federal or state securities laws or other laws or regulations or the requirements of any stock exchange or market system upon which the Common Stock may then be listed. In addition, no Option may be exercised unless (A) a registration statement under the Act shall at the time of exercise of the Option be in effect with respect to the Common Stock shares to be issued upon the exercise of that Option or (B) in the opinion of counsel to the Company, the Common Stock shares issuable upon exercise of the Option may be issued in accordance with the terms of an applicable exemption from the registration requirements of the Act. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Common Stock shares under the Plan shall relieve the Company of any liability in respect of the failure to issue or sell such shares as to which such requisite authority shall not have been obtained. As a condition of the exercise of any Option, the Company may require the Recipient to satisfy any qualifications that may be necessary or appropriate, to evidence compliance with any applicable law or regulation and to make any representation or warranty with respect thereto as may be requested by the Company. The Company may, upon the advice of counsel to the Company, place legends on stock certificates issued under the Plan as such counsel deems necessary or appropriate in order to comply with applicable securities laws, including, but not limited to, legends restricting the transfer of the Common Stock.

ARTICLE XVI. COMPLIANCE WITH SECTION 409A.

To the extent that the Board determines that any Award granted under the Plan is subject to Section 409A of the Code, the Option Agreement or other agreement evidencing the Award will incorporate the terms and conditions required by Section 409A of the Code. To the extent applicable, the Plan and Award agreements will be interpreted in accordance with Section 409A of the Code and Department of Treasury regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the Plan's effective date. Notwithstanding any provision of the Plan to the contrary, in the event that following the Plan's effective date the Board determines that any Award may be subject to Section 409A of the Code and related Department of Treasury guidance (including such Department of Treasury guidance as may be issued after the Plan's effective date), the Board may adopt such amendment to the Plan and applicable Award agreements or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, that the Board determines are necessary or appropriate to (a) exempt the Award from Section 409A of the Code and/or preserve the intended tax treatment of the benefits provided with respect to the Award, or (b) comply with the requirements of Section 409A of the Code and related Department of Treasury guidance.

AGREEMENT

This agreement ("Agreement") is made as of the 1st day of January, 2011 by and between **Diligent APAC Board Services Pte. Ltd.**, a Singapore corporation, 5 Shenton Way, #16-00 UIC Building, Singapore 068808 (the "Company"), and **Eslinda Hamzah**, an individual residing at 101-C Siglap Road, Singapore 455898 ("Executive").

1. Employment. Company hereby employs Executive and Executive hereby accepts employment upon the terms and conditions hereinafter set forth.
2. Term. Unless earlier terminated pursuant to Article 6 below, this Agreement shall commence on January 1, 2011, or such other date as the parties may agree (the "Effective Date") and shall continue in effect for two years (through December 31, 2012) (the "Initial Term"). This Agreement shall continue in effect thereafter for one year periods until either party provides the other One Hundred Twenty (120) days prior written notice of termination. The Initial Term and the subsequent annual periods that this Agreement remains in effect shall be hereinafter referred to as the "Term".
3. Duties and Obligations of Executive. Executive is being hired as the Managing Director of the Company to manage and run the Company and to head the Company's effort to sell the Diligent Boardbooks® product in the Asia Pacific Region. During the Term, in addition to the other obligations set forth herein, Executive shall hold the title and perform the duties and fulfill the obligations set forth on Schedule A.
4. Collateral Agreement. Contemporaneous with the execution of this Agreement, the Company has entered into an Agreement (the "Collateral Agreement") with Diligent Board Member Services, Inc. ("Parent") pursuant to which Parent has granted to Company the right to sell Diligent Boardbooks in the Asia Pacific Region.
5. Compensation. For all services rendered by Executive and for all covenants undertaken by Executive pursuant to this Agreement, Company shall pay to Executive the monetary compensation and Executive shall receive stock awards with respect to the Parent's stock as provided in Schedule B. The payment of compensation to Executive shall be subject to such statutory deductions (including, without limitation, employee payment obligations to the Central Provident Fund) as may be required in accordance with applicable law.
 - 5.1 Fringe Benefits. During the Term, Company shall extend to Executive other fringe benefits as per Schedule C. Company makes no provision for disability, retirement or death in service benefits to the Executive.
6. Termination.

6.1 Termination of Executive for Cause. Company may terminate this Agreement for “cause” by written notice to Executive upon the occurrence of one or more of the following:

- (a) Executive commits a material act of dishonesty, deceit, or breach of fiduciary duty in the performance of Executive’s duties as an employee of Company;
- (b) Executive neglects or fails, in a material respect, to perform or observe Executive’s job responsibilities and/or obligations as set forth in Schedule A and such neglect or failure is not cured within thirty days of receipt of notice from Company of such neglect or failure ;
- (c) Executive substantially violates any written policy regarding employee behavior or conduct that has been provided to Executive by Company and Executive does not cure such breach within thirty (30) days after written notice from Company of such violation;
- (d) Executive is convicted of, or pleads nolo contendere to, (i) any felony, or any misdemeanor involving moral turpitude or (ii) any crime or offense involving dishonesty with respect to Company; or
- (e) Executive materially breaches any other provision of this Agreement and does not cure such breach within thirty days after written notice from Company, except that such cure period shall not apply to any breach by Executive of the restrictive covenants in Article 9 of this Agreement.

In the event Company opts to terminate this Agreement for cause, Company shall provide written notice of such termination which shall also specify the reason for such termination.

In the event this Agreement is terminated by either party for any reason other than for cause against Company, all obligations of Company under this Agreement shall terminate except for those set forth in Article 10 and those obligations accrued prior to the termination date.

6.2 Termination by Executive. Executive shall have the right to terminate this Agreement forthwith if Company breaches or fails to perform any of its obligations hereunder and such breach or failure is not cured within thirty days after notice by Executive of such breach or failure to perform. In the event Executive opts to terminate this Agreement pursuant to this Article 6.2, Executive shall provide written notice of such termination which shall also specify the reason for such termination. In the event this Agreement is terminated by either party for other than cause against Executive, then all obligations of Executive shall terminate except for those set forth in Articles 9 and 10 and those obligations accrued prior to the termination date.

6.3 Illness or Disability of Executive. If Executive is unable for health reasons to perform services for Company for a continuous period of more than 90 days, Executive shall be deemed to be permanently and totally disabled and Company may terminate this

Agreement forthwith, and both Company and Executive or his estate, trustee or personal representative (as the case may be) shall not be entitled to claim any compensation for any and all loss or damage as a result of such early termination and shall have no claim whatsoever for any part of any future compensation that would have been paid to Executive for the remainder of Term from the date of termination. Executive shall be paid all compensation due under this Agreement until it is terminated in writing.

- 6.4 Death of Executive. This Agreement will terminate immediately upon the death of Executive, and in such case, the surviving named beneficiary or Executive's estate shall receive any compensation earned and unpaid as of the date of Executive's death. Both Company and Executive or his estate, trustee or personal representative (as the case may be) shall not be entitled to claim any compensation for any and all loss or damage as a result of such early termination and shall have no claim whatsoever for any part of any future compensation that would have been paid to Executive for the remainder of Term from the date of termination.
- 6.5 Resignation by Executive. In the event that Executive voluntarily resigns after the Initial Term as an employee of Company by giving the 120 days notice referred to in Article 2, all obligations of Company under this Agreement shall terminate on the effective date of such resignation other than Company's obligations under Article 10 and those obligations accrued prior to the termination date.
7. Expenses. The T&E expenses of Executive incurred in connection with the conduct of Company's business shall be paid as provided in Schedule B.
8. Devotion to business. Throughout Executive's employment pursuant to this Agreement, Executive will devote 100% of Executive's professional and business hours and Executive's undivided attention to the business and affairs of Company and its divisions and affiliates, except as otherwise set forth in this Agreement. Nothing in this Agreement will preclude Executive from devoting reasonable periods as may be required for outside activities and engagements that will not interfere with Executive's performance of her duties hereunder and will not reflect adversely on Company, and that are not inconsistent with the mission or purposes of Company, including, but not limited to, such activities as the following: (a) service as a director, trustee, or member of a committee of any organization involving no conflict of interest with the interests of Company; (b) fulfilling speaking engagements, teaching at continuing education seminars, or fulfilling other professional or business educational opportunities; and/or (c) engaging in charitable and community activities that are not inconsistent with the mission and purposes of Company.
9. Restrictive Covenants.
- 9.1 Competition. Executive agrees that while this Agreement is in effect, and for a period of one year after its termination, Executive will not, without the written consent of Company, engage in, directly or indirectly, either as principal, agent, proprietor, director, officer, employee or consultant, or participate in the ownership, management, operation or control of any business, offering a board portal product in those countries in the Asia

Pacific Region where a client of Company is using the Diligent Boardbooks Product during the Term or at the date of termination of this Agreement. A business competitive with the business of Company shall include a business that manufactures, provides or markets software for digital board books, regardless of how delivered. Nothing in this section shall prevent Executive from purchasing securities of any business whose securities are regularly traded on any national securities exchange, or in the over-the-counter market; provided that such purchases shall not result in Executive owning, directly or indirectly, at any time, one percent (1%) or more of the voting securities of any entity engaged in any business competitive to that carried on by Company at the termination of this Agreement.

- 9.2 Recruitment of Clients. Executive agrees that she will not, while this Agreement is in effect and for a period of one year thereafter, directly or indirectly, individually or in concert with other persons, aid or endeavor to solicit or induce customers/clients of Company (with whom Executive or a Sales Assistant had contact while at Company) to obtain from another person or entity products or services competitive with the products or services then sold or provided by Company.
- 9.3 Confidential Information. Executive agrees that she will not, while this Agreement is in effect or at any time thereafter, use or disclose to any unauthorized person any trade secrets or other confidential information of Company, any of its clients or its affiliates. Executive acknowledges and agrees that trade secrets and other confidential information, whether created by Executive in connection with her employment or by others, constitute Company's sole and exclusive property. For purposes of this section, the term "confidential information" includes, without limitation, all documents, materials and other information, whether in oral, written or electronic form, that have been or will be furnished by or on behalf of Company or a client to Executive (or that have been or will be created for, or submitted to, Company while Executive is employed by Company), and includes, without limitation, all client data stored on its Boardbooks site, all notes, analyses, compilations, materials, manuscripts, books, pamphlets, tapes, CDs, products, product information, mailing lists, customer/client information and customer/client lists, business plans, business methods, web site designs, technology information, software, source code, pricing information, and any studies or other documents or materials prepared by the Executive which contain or reflect all or any portion of the originally disclosed materials. Notwithstanding the foregoing, Confidential Information does not include information that: (i) was or becomes generally available to the public other than as a result of a disclosure by Executive or Executive's agents; or (ii) becomes available to Executive on a non confidential basis from an independent source without breach of any confidentiality obligations. or (iii) which Executive is required to disclose under applicable laws or regulations or in connection with judicial or administrative proceedings, provided that to the extent possible Executive shall notify Company if compelled to disclose confidential information, prior to its disclosure, so as to permit Company an opportunity to seek a protective order or other appropriate relief it deems prudent. Executive will return all documents and other tangible evidence related to Company's trade secrets and any confidential information on termination of this Agreement with or without cause. No breach or alleged breach of this Agreement by

Company shall alter the obligations of Executive set forth in this Article. When Company is used in this Article 9.3, it shall also include Parent.

- 9.4 Right to Injunctive Relief and Other Remedies. Executive agrees that the restrictions contained in Article 9 are necessary for the protection of Company and its Parent and any breach thereof may cause Company or Parent irreparable harm for which there may not be adequate remedy at law. Executive consents in the event of such breach to the issuance of injunctive or other equitable relief in favor of Company restraining the breach of the Article 9 covenants by any court having jurisdiction. Executive agrees that the rights of Company to obtain an injunction shall not be considered a waiver of Company's rights to assert any other remedy it may have at law or in equity.
- 9.5 Survival of Provisions. The provisions of this Article 9 shall survive termination of this Agreement.
10. Non-Disparagement. During the term of this Agreement and thereafter, Executive shall not, directly or indirectly, disparage or make negative, derogatory or defamatory statements about Company or Parent, their business activities, their clients, or any of their directors, officers, employees, affiliates, agents, or representatives or any of them, to any person or business entity. Neither Parent, Company nor their directors, officers, employees, affiliates, agents and representatives shall, directly or indirectly, disparage or make negative, derogatory or defamatory statements about Executive. Except pursuant to a subpoena validly issued or enforced by a court, arbitrator, agency, or other governmental body of competent jurisdiction, or in response to a valid investigative demand by a governmental body, neither Executive nor Company nor Parent (including any of their directors, officers, employees, affiliates, agents and representatives) will testify, consult, cooperate or otherwise communicate with any other person concerning any legal proceeding, judicial or administrative, against or adverse to Executive, Parent or Company. Executive, Parent and Company shall give prompt notice (i.e., no later than five (5) business days following receipt) to the other of any such subpoena or investigative demand before taking any action in response thereto.

The provisions of this Article 10 shall survive termination of this Agreement.

11. Intellectual Property Rights. Executive agrees that all copyright and all other intellectual, moral, and proprietary rights (collectively, the "**Intellectual Property Rights**") conceived of or developed by Executive during the Term of Executive's employment with Company, whether alone or jointly with others and whether during working hours or otherwise, which relate to the business or interests of Company shall be Company's exclusive property. Executive shall (i) promptly disclose in writing to Company each Intellectual Property Right related to the business or interests of Company that is conceived or developed by Executive during the term of Executive's employment with Company, (ii) assign all rights to such Intellectual Property Rights to Company and (iii) assist Company, at Company's expense, in every way to obtain and/or protect any patents, trademarks or copyrights on such Intellectual Property Rights.
12. Miscellaneous.

- 12.1 Severability. If any provision of this Agreement shall be adjudicated to be invalid, it shall not affect the remaining provisions of this Agreement. In addition, if any provision of this Agreement shall be adjudicated to be invalid as it relates to the restrictive covenants in Article 9, such provision shall be modified to provide for the maximum restriction on Executive that is lawful as, for example, by decreasing the geographical area or duration of any such restriction.
- 12.2 Further assurances. Each of Company and Executive agrees, at the expense of Company, to do such acts and execute such documents as are reasonably necessary to implement fully her or its respective covenants under this Agreement.
- 12.3 Succession. This Agreement shall extend to and be binding upon Executive and her heirs, administrators and executors and upon Company and its successors and assigns.
- 12.4 Entire agreement; waiver. This Agreement contains the entire and only agreement between Company and Executive with respect to the subject matter hereof. This Agreement supersedes all prior representations, agreements and understandings, whether oral or written, upon the subject matter hereof. All waivers and modifications of this Agreement shall be in writing and signed by the party against whom enforcement of such waiver or modification is sought. No waiver or failure or delay by either party to enforce a right set forth in this Agreement shall operate as a waiver of any term or condition of this Agreement as applied to the same or similar circumstances occurring thereafter.
- 12.5 Governing Law and Jurisdiction. This Agreement shall be construed and interpreted in accordance with the laws of Singapore and is subject to the non-exclusive jurisdiction of the Singapore courts.
- 12.6 Notices. Any notice or other communication required or permitted to be made or given to either party pursuant to this Agreement shall be sufficiently made or given on the date of mailing if the notice or communication is in writing and is delivered by hand or sent to the recipient by nationally recognized courier or certified mail, return receipt requested, addressed to the intended recipient at his or its address set forth in the preamble to this Agreement or to such other address as the recipient shall have designated by written notice given to the party providing notice.
- 12.7 Legal Fees. Executive, and her heirs, shall be entitled to reasonable attorney's fees incurred in the fully successful defense or enforcement of any of their rights hereunder.
- 12.8 Article Headings. The article headings in this Agreement are for convenience of reference only and shall not be considered a part of, or modify, explain, enlarge, restrict or in any way affect, the construction or interpretation of any provisions of this Agreement.
- 12.9 Counterparts. This Agreement may be executed in counterparts. Facsimile and electronic signatures shall be treated as originals for all purposes of this Agreement.

12.10 Condition precedent. This Agreement is subject, as a condition precedent, to approval by the Company's Board of Directors. This Agreement shall be submitted to the Board at a meeting to be held on September 22, 2010.

WITNESS the signatures of the parties hereto as of the date first written above.

Diligent APAC Board Services Pte. Ltd.

**Executive:
ESLINDA HAMZAH**

By: /s/ Alessandro Sodi

By: /s/ Eslinda Hamzah

Alessandro Sodi
Director

Eslinda Hamzah

SCHEDULE A

ACCOUNTABILITIES

Job Title: Managing Director

Function: Executive shall be responsible for managing the Company and directing Company's sales efforts in the Asia Pacific Region through sales calls on prospective clients by the Sales Personnel and the management of the sales staff while working with the regional account managers.

Reports to: Board of Company and President/CEO of Parent.

Accountabilities:

- Executive is principally responsible for securing sales by the Company of the Parent's Boardbook product either directly, or indirectly, through the Sales Assistants in the Asia Pacific Region.
- Executive will manage all of the affairs of the Company, including without limitation, managing the Company's employees and the sales efforts of the Company.
- Executive will closely supervise the efforts of the Sales Assistants and will coordinate with the account managers. Executive will report to the President and CEO of the Parent ("President") any issues arising in connection with such employees.
- Prior to the Effective Date of this Agreement, Executive and the President shall agree on the objectives for the Company for the Initial Term. Thereafter, prior to the commencement of each calendar year, Executive and President shall establish the Asia Pacific Region objectives for the ensuing calendar year, including without limitation, the number of new service agreements and the license fees to be received for such new agreements.
- Executive will create business strategies for effectively selling the Diligent Boardbooks product in the Asia Pacific Region and secure the approval of the President of such business strategies prior to their implementation.
- Executive will confer with the President on the number of Sales Assistants, account managers and administrative assistants to be employed by the Company. The President must approve the number of staff as well as those individuals proposed to be hired by Executive.
- Executive will submit to the President on a monthly basis by the 10th of each month a report of the activities and results for the Asia Pacific Region for the immediately prior month. The report will contain the details specified from time to time by the President.

- At the request of the President and/or Chairman of Parent's Board, Executive shall participate in any Board meeting of the Parent for which such request has been made. Executive may be required to make presentations to the Parent's Board regarding the Company from time to time.
- Executive will work with the Chief Financial Officer in connection with the preparation of the Company's budget and the compilation of the Company's financial statements and reports. Executive shall submit such information as reasonably requested by the Chief Financial Officer in connection with such budget, financial statements and reports.
- Executive shall use the marketing materials prepared by Parent to promote the Diligent Boardbooks product in the Asia Pacific Region. Executive may propose additional marketing materials which will be subject to the approval of the President.
- In connection with signing any newclients, Executive will use the Service Agreement as agreed with the General Counsel of Parent in negotiating the business relationship with a potential client. Executive will not agree to any substantial changes in such Service Agreement with a potential client without the approval of the President and/or General Counsel of Parent, as appropriate.
- Executive has been provided with a pricing calculator which will establish the minimum configuration pricing for any proposed client. Executive shall not agree to a reduction of more than ten (10%) percent of the minimum configuration price without the approval of the President.
- Executive shall, at all times during the term of this Agreement, conduct herself in a business-like, professional manner and in such a manner so as not to create negative publicity or damage to the business reputation of the Company.
- Executive shall at all times comply with Company's policies including, without limitation, the Code of Conduct, the Fraud Policy and the Privacy Policy.

SCHEDULE B

PAYMENTS BY PARENT, REVENUE SPLIT, EXPENSES AND COMPENSATION

1. COLLATERAL AGREEMENT

As stated in Article 4, the Company and Parent have entered into the Collateral Agreement in which Parent grants to Company the right to sell Diligent Boardbooks® in the Asia Pacific Region. The Company shall earn revenues (“Company Revenues”) from Subscription Fees pursuant to Service Agreements on Qualifying Sales (as defined in Paragraph 6 below) of Diligent Boardbooks. The Company will set aside the amounts of the Company’s Revenues specified below (“Designated Company Revenues”) which amounts shall be used solely to pay the amounts due under Paragraphs 2 and 3 below:

- (A) Fifty (50%) percent of the Company Revenues attributable to the first year’s annual Subscription Fees received in the first year of a Service Agreement with a new client.
- (B) Thirty-five (35%) percent of the Company Revenues attributable to the annual Subscription Fees received in the second year of a Service Agreement with a client.
- (C) Twenty (20%) percent of the Company Revenues attributable to the annual Subscription Fees received in the third year of a Service Agreement with a client.
- (D) Ten (10%) percent of the Company Revenues attributable to the annual Subscription Fees received in the fourth year and thereafter of a Service Agreement with a client.

“Subscription Fees” are the annual amount paid by clients pursuant to a Service Agreement for Diligent Boardbooks products which does not include installation fees.

“Service Agreement” means the agreement for Diligent Boardbooks to be entered into between Company and its clients and shall be in the form as agreed with the General Counsel of Parent.

The foregoing notwithstanding, the above percentages representing Designated Company Revenues shall be reduced by the amount, if any, paid to the Singapore Exchange for sales of Diligent Boardbooks in Singapore.

2. SALES ASSISTANTS AND SALES AND MARKETING EXPENSES

The Company may employ assistants for Managing Director who shall make sales of Diligent Boardbooks and who will assist the Managing Director in connection with the Managing Director’s sales (“Sales Assistants”). These Sales Assistants shall be paid the compensation provided in paragraph 4 below. The Company shall also reimburse expenses for travel and entertainment incurred by Managing Director and Sales Assistants and advertising and marketing expenses in the Region (these salary, commissions, travel and entertainment and marketing and advertising expenses are referred to herein as “Sales and Marketing Expenses”).

Company shall apply the Designated Company Revenues received during the Term first to pay all Sales and Marketing Expenses incurred from time to time.

3. COMPENSATION TO EXECUTIVE

Upon payment by Company of all Sales and Marketing Expenses, the remaining amount of the Designated Company Revenues shall be paid to Executive as compensation for Executive's services as Managing Director of the Company. For the first two years of this Agreement, Company shall pay the amount of any shortfall in Designated Company Revenues to ensure that Managing Director is paid \$250,000 in each such year. After the Initial Term, Executive's sole source of compensation shall be the excess amount of Designated Company Revenues over Sales and Marketing Expenses incurred by the Company during the Term. The Company, at its sole discretion, may, without having any obligation to do so, pay bonuses to Executive. If compensation to the Executive is subject to withholding or other taxes in any jurisdiction, the payments to Executive shall be reduced by the amounts required to be withheld by the appropriate taxing authority.

4. SALES ASSISTANTS SALARY AND COMMISSION

In addition to Sales Assistants annual salary as established by Company, each Sales Assistant will earn a commission equal to fifty (50%) percent of the Designated Company Revenues attributable to a sale of the Diligent Boardbooks product in the first year of a Service Agreement which was negotiated and closed by the Sales Assistant with a new client. Sales Assistants shall receive fifty (50%) percent of the Designated Company Revenues attributable to the second and third years of a Service Agreement which was negotiated and closed by the Sales Assistant.

5. TRAVEL AND ENTERTAINMENT EXPENSES

Company will reimburse Executive for the expenses incurred by her in the conduct of the Company's business upon submission of receipts evidencing such expenses.

6. QUALIFYING SALES

Company shall earn Company Revenues for each sale of the Diligent Boardbooks product in the Asia Pacific Region which was closed by the Executive and/or a Sales Assistant, irrespective of where the lead for such transaction arose (referred to herein as a "Qualifying Sale"). By way of example and not limitation, if a U.S. client requests the Diligent Boardbooks product for its Asia Pacific office, and the Executive or a Sales Assistant closes this transaction, then this will be a Qualifying Sale for purposes of Company Revenues for the transaction. If, however, a lead for a possible sale of the Diligent Boardbooks product in Asia comes to an employee of Parent and the transaction is closed by an employee of Parent who is not the Executive or a Sales Assistant, then this transaction shall not be a Qualifying Sale for revenue purposes to the Company. If a lead originates outside of Asia Pacific and a sale is accomplished through the joint efforts of an employee of Parent outside of Asia Pacific and the Executive or a Sales Assistant, then the Company and appropriate region shall agree in advance on the split of the revenues received for attribution to the specific Region and the Company.

7. ACCOUNT MANAGERS

Account Managers are responsible for coordination with accounts once they have been signed and account managers do not sign new accounts, and, hence, they are not Sales Assistants.

8. STOCK COMPENSATION

Pursuant to the Collateral Agreement, Parent shall grant Executive options for 750,000 shares of the Parent's common stock at the Remuneration and Nominations Committee meeting in January 2011, to be effective after Executive's commencement of employment. The stock options will vest over three years for exercise purposes at 250,000 shares per year on the later of the anniversary date of Executive's employment and the anniversary date of the grant. The exercise price will be established as the closing market price on the day prior to the date of the grant. The terms governing the stock options are set forth in the Stock Option Agreement which each employee who is granted stock options must sign.

SCHEDULE C

The following are the benefits to be provided to Executive in connection with her employment:

Insurance Benefits:

Health Insurance: Full family health insurance coverage will be provided to the Executive on a contributory health insurance basis. Executive and Company shall agree on a medical plan available to Executive and other Company employees in Asia and Company shall pay ninety (90%) percent of the premiums for medical coverage allocable to Executive, only, on a monthly basis up to US\$600.00 per month. Executive shall be responsible for any amounts attributable to adding a spouse or other dependents to the insurance. Executive shall be responsible for all premium amounts above Company's payment.

Sick Leave:

Executive shall be entitled to three working days sick leave per year.

Maternity and Childcare Leave:

The provisions of the Singapore Employment Act (Cap. 91) and the Children Development Co-Savings Act (Cap. 38A) apply.

Vacation:

The Executive will be entitled to a minimum of four (4) weeks paid vacation per year - plus public holidays and personal days - as per Company policy.

Tools:

Desktop and laptop computers and business cards will be provided by Company as required.

Central Provident Fund:

Company shall make any employer contributions required to be made by it to the Central Provident Fund in connection with Executive's employment.

Reservation of Rights:

Nothing in this Schedule C shall be deemed to limit the ability of Company to adopt, amend, revoke or replace any fringe benefit plans or Company policies or from taking any action in connection therewith that is applied uniformly to all executive employees of Company.

Exhibit 21

**DILIGENT BOARD MEMBER SERVICES, INC. AND SUBSIDIARIES (AND
JURISDICTION OF ORGANIZATION)**

DILIGENT BOARD MEMBER SERVICES, INC. (Delaware)

Diligent Boardbooks Limited (United Kingdom)

Diligent Board Member Services (NZ) Ltd (New Zealand)

APAC Board Services PTE. Ltd. (Singapore)

CERTIFICATION

I, Alessandro Sodi, certify that:

1. I have reviewed this annual report on Form 10-K of Diligent Board Member Services, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's

auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 22, 2011

/s/ Alessandro Sodi
Alessandro Sodi,
President and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION

I, Steven P. Ruse, certify that:

1. I have reviewed this annual report on Form 10-K of Diligent Board Member Services, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's

auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 22, 2011

/s/ Steven P. Ruse
Steven P. Ruse,
Chief Financial Officer
(Principal Financial Officer)

**CERTIFICATION
OF
PERIODIC REPORT**

I, Alessandro Sodi, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

(1) the Annual Report on Form 10-K of the Company for the fiscal year ended December 31, 2010 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 22, 2011

/s/ Alessandro Sodi
Alessandro Sodi,
President and Chief Executive Officer
(Principal Executive Officer)

[A signed original of this written statement required by Section 906 has been provided to Diligent Board Member Services, Inc. and will be retained by Diligent Board Member Services, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.]

**CERTIFICATION
OF
PERIODIC REPORT**

I, Steven P. Ruse, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

(1) the Annual Report on Form 10-K of the Company for the fiscal year ended December 31, 2010 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 22, 2011

/s/ Steven P. Ruse
Steven P. Ruse,
Chief Financial Officer
(Principal Financial Officer)

[A signed original of this written statement required by Section 906 has been provided to Diligent Board Member Services, Inc. and will be retained by Diligent Board Member Services, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.]