

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2011.

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)

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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check One)

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller Reporting Company

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

The number of shares of the registrant's common stock outstanding as of November 2, 2011 was 81,829,668.

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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-Q 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—FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements.

**Diligent Board Member Services, Inc.
Consolidated Balance Sheets**

	September 30, 2011 (Unaudited)	December 31, 2010
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 4,715,412	\$ 3,212,449
Term deposit	95,913	97,300
Accounts receivable, net	1,491,205	494,048
Prepaid expenses and other current assets	633,669	323,911
Total current assets	6,936,199	4,127,708
Property and equipment, net	1,297,018	1,082,104
Note receivable from affiliate, net of valuation allowance of \$0 at September 30, 2011 and \$1,200,000 at December 31, 2010	3,071,563	1,875,685
Restricted cash - security deposits	88,368	226,617
Total assets	\$ 11,393,148	\$ 7,312,114
<u>LIABILITIES, REDEMABLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY</u>		
Current liabilities:		
Accounts payable	\$ 324,704	\$ 84,388
Accrued expenses	470,824	556,093
Accrued preferred stock dividend	269,504	359,338
Deferred revenue	5,156,433	2,849,225
Current portion of obligations under capital leases	78,285	86,230
Total current liabilities	6,299,750	3,935,274
Non-current liabilities:		
Obligations under capital leases, less current portion	4,631	60,861
Other non-current liabilities	51,374	50,255
Total non-current liabilities	56,005	111,116
Total liabilities	6,355,755	4,046,390
Commitments and contingencies		
Redeemable preferred stock:		
Series A convertible redeemable preferred stock, \$.001 par value, 50,000,000 shares authorized		
32,667,123 shares issued and outstanding (liquidation value \$5,169,572 and \$5,259,406)	3,197,986	3,177,291
Stockholders' equity:		
Common Stock, \$.001 par value, 250,000,000 shares authorized, 82,018,001 and 81,968,001 shares issued and outstanding	82,018	81,968
Additional paid-in capital	23,712,801	23,107,919
Accumulated deficit	(21,953,598)	(23,099,704)
Accumulated other comprehensive loss	(1,814)	(1,750)
Total stockholders' equity	1,839,407	88,433
Total liabilities, redeemable preferred stock and stockholders' equity	\$ 11,393,148	\$ 7,312,114

See accompanying notes to condensed consolidated financial statements

Diligent Board Member Services, Inc.
Consolidated Statements of Operations
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Revenues	\$ 4,826,544	\$ 2,188,613	\$ 11,467,838	\$ 5,851,494
Cost of revenues	1,360,428	704,595	3,320,902	1,986,815
Gross profit	3,466,116	1,484,018	8,146,936	3,864,679
Operating expenses:				
Selling and marketing expenses	1,402,901	688,315	3,428,423	1,995,191
General and administrative expenses	1,217,648	1,007,848	3,394,105	2,892,285
Research and development expenses	386,736	253,663	1,076,806	664,551
Depreciation and amortization	125,234	117,274	366,738	347,177
Total operating expenses	3,132,519	2,067,100	8,266,072	5,899,204
Operating income (loss)	333,597	(583,082)	(119,136)	(2,034,525)
Other income (expenses):				
Impairment recovery on note receivable from affiliate	-	1,100,000	1,200,000	4,300,000
Interest income, net	45,642	43,791	134,404	188,173
Foreign exchange transaction gain(loss)	(36,575)	34,522	(32,652)	(4,089)
Total other income	9,067	1,178,313	1,301,752	4,484,084
Income before provision for income taxes	342,664	595,231	1,182,616	2,449,559
Income tax expense	17,521	1,344	36,510	11,421
Net income	\$ 325,143	\$ 593,887	\$ 1,146,106	\$ 2,438,138
Net income per share:				
Basic	\$ 0.003	\$ 0.006	\$ 0.011	\$ 0.026
Diluted	\$ 0.003	\$ 0.005	\$ 0.010	\$ 0.020
Weighted average shares outstanding:				
Basic	82,018,001	78,790,000	81,999,649	85,532,491
Diluted	117,246,530	113,438,232	115,824,670	120,180,723

See accompanying notes to condensed consolidated financial statements

Diligent Board Member Services, Inc.
Consolidated Statement of Changes in Stockholders' Equity
And Comprehensive Loss
Nine Months Ended September 30, 2011
(Unaudited)

	Common Shares	Common Stock \$.001 Par Value	Additional Paid-in- Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balance at						
January 1, 2011	81,968,001	\$ 81,968	\$ 23,107,919	\$ (23,099,704)	\$ (1,750)	\$ 88,433
Net income	-	-	-	1,146,106	-	1,146,106
Foreign exchange translation adjustment	-	-	-	-	(64)	(64)
Total comprehensive income						1,146,042
Capital contribution	-	-	200,000	-	-	200,000
Share-based compensation	-	-	686,813	-	-	686,813
Exercise of stock options	50,000	50	8,268	-	-	8,318
Amortization of preferred stock offering costs	-	-	(20,695)	-	-	(20,695)
Accrued preferred stock dividend	-	-	(269,504)	-	-	(269,504)
Balance at						
September 30, 2011	82,018,001	\$ 82,018	\$ 23,712,801	\$ (21,953,598)	\$ (1,814)	\$ 1,839,407

See accompanying notes to condensed consolidated financial statements

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

	Nine Months Ended September 30,	
	2011	2010
Cash flows from operating activities:		
Net income	\$ 1,146,106	\$ 2,438,138
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Impairment recovery on note receivable from affiliate	(1,200,000)	(4,300,000)
Depreciation and amortization	366,738	347,177
Share-based compensation	686,813	511,174
Straight-line rent adjustment	1,119	4,908
Changes in operating assets and liabilities:		
Accounts receivable	(997,157)	(40,980)
Prepaid expenses and other current assets	(309,757)	(89,607)
Restricted cash - security deposits	138,249	(4,021)
Accounts payable and accrued expenses, net	155,046	(45,724)
Deferred revenue	2,307,208	513,429
Payable to affiliates	-	(5,762)
Net cash provided by (used in) operating activities	2,294,365	(671,268)
Cash flows from investing activities:		
Purchase of property and equipment	(580,437)	(146,465)
Net cash used in investing activities:	(580,437)	(146,465)
Cash flows from financing activities:		
Payment of preferred stock dividend, net of capital contribution in lieu of dividend	(159,338)	-
Proceeds from exercise of stock options	8,318	-
Cash received from partial prepayment of note receivable from affiliate	4,122	1,010,430
Payments of obligations under capital leases	(64,175)	(93,006)
Net cash (used in) provided by financing activities	(211,073)	917,424
Effect of exchange rates on cash and cash equivalents	108	(12,169)
Net increase in cash and cash equivalents	1,502,963	87,522
Cash and cash equivalents at beginning of period	3,212,449	1,129,591
Cash and cash equivalents at end of period	\$ 4,715,412	\$ 1,217,113
Supplemental disclosure of cash flow information:		
Cash paid during the period for :		
Interest	\$ 21,515	\$ 34,903
Income taxes	\$ 51,264	\$ 18,405
Supplemental disclosure of noncash investing and financing activities:		
Capital contribution in lieu of preferred stock dividend	\$ 200,000	\$ -
Accrual of preferred stock dividend	\$ 269,504	\$ 247,500
Prepayment of principal on note receivable from affiliate in exchange for 11,650,000 shares	\$ -	\$ 3,075,676

See accompanying notes to condensed consolidated financial statements

Diligent Board Member Services, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

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, United States and Christchurch, New Zealand.

The Company has a wholly-owned subsidiary located in New Zealand, Diligent Board Member Services NZ Limited (“DBMS NZ”), which provides research and development services to the Company. The Company also has a wholly-owned subsidiary, Diligent Boardbooks Limited (“DBL”), an England and Wales limited liability company which provides sales and marketing services in Europe. On December 23, 2010, the Company formed a Singapore-based wholly-owned subsidiary, Diligent APAC Board Services PTE. Ltd. (“DAP”), to provide sales and marketing services in the Asia-Pacific region. 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-Q with the SEC, to ensure that this Form 10-Q includes subsequent events that should be recognized in the financial statements as of September 30, 2011, and appropriate disclosure of subsequent events which were not recognized in the financial statements.

2) Significant accounting policies

Basis of presentation – The accompanying interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information and the instructions for Form 10-Q pursuant to the rules and regulations of the SEC. Accordingly, they do not include all information and notes required by GAAP and provided in the annual consolidated financial statements. These financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in Form 10-K of the Company for the year ended December 31, 2010, as filed with the SEC on March 22, 2011.

In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the financial statements. The results of operations for the nine months ended September 30, 2011 are not necessarily indicative of the results to be expected for the full year.

The preparation of financial statements in conformity with GAAP 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 banks, U.S. treasury bills and money market funds of major financial institutions. Accordingly, its cash equivalents are subject to minimal credit and market risk. At September 30, 2011, cash equivalents consist of investments in U.S. treasury bills of

Diligent Board Member Services, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

\$999,970, U.S. treasury money market funds of \$1,000,004 and other money market funds of \$1,017,783, which are carried at cost which approximates fair value. At December 31, 2010, cash equivalents consists of investments in money market funds of \$2,277.

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 (the “Note”) is recorded at estimated net realizable value, adjusted for any valuation allowance for amounts considered uncollectable. The Note is reviewed for impairment each reporting period.

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.

Net income per share – Basic net income per share is computed by dividing the net income 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 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 all periods applicable.

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

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
Numerator:				
Net income	\$ 325,143	\$ 593,887	\$ 1,146,106	\$ 2,438,138
Preferred stock dividends	(89,835)	(82,500)	(269,504)	(247,500)
Basic net income available to common shareholders	\$ 235,308	\$ 511,387	\$ 876,602	\$ 2,190,638
Diluted net income available to common shareholders	\$ 325,143	\$ 593,887	\$ 1,146,106	\$ 2,438,138
Denominator:				
Basic weighted average shares outstanding	82,018,001	78,790,000	81,999,649	85,532,491
Dilutive effect of stock options	2,561,406	1,981,109	1,157,898	1,981,109
Dilutive effect of convertible preferred stock	32,667,123	32,667,123	32,667,123	32,667,123
Diluted weighted average shares outstanding	117,246,530	113,438,232	115,824,670	120,180,723
Basic earnings per share	\$ 0.003	\$ 0.006	\$ 0.011	\$ 0.026
Diluted earnings per share	\$ 0.003	\$ 0.005	\$ 0.010	\$ 0.020

Diligent Board Member Services, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Recent accounting pronouncements – In June 2011, the FASB issued new guidance regarding the presentation of comprehensive income, which requires entities to present the total of comprehensive income, the components of net income and the components of other comprehensive income (OCI) in either a single continuous statement of comprehensive income or in two separate consecutive statements. The guidance does not change the components of OCI or when an item of OCI must be reclassified to net income, or the earnings per share calculation. The guidance is effective for fiscal years and interim periods within those years, beginning after December 15, 2011. Early adoption is permitted. The Company intends to implement this guidance when required in the first quarter of 2012, and does not believe that the adoption of this guidance will have a material impact on its 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 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.

3) Term deposit

At September 30, 2011, the Company has a term deposit with a New Zealand bank with an initial term of 365 days. The term deposit in the amount of NZD 125,000 (US\$ 95,913) bears interest at 4.00% and matures in March 2012.

4) Note receivable from affiliate

At December 31, 2010, a portion of the contractual loan balance of \$3,075,685 had been reserved on our balance sheet by a valuation allowance, resulting in a net receivable balance of \$1,875,685. In January 2011, SSH LLC overpaid the interest due by \$4,122, which was applied to the principal balance, in accordance with the Note agreement, reducing the contractual loan balance to \$3,071,563. At June 30, 2011, the Company performed an impairment review and determined that the value of the Note was no longer impaired and therefore the remaining balance of the valuation allowance of \$1,200,000 was reversed and recorded as income. The Note is secured by 4,930,597 shares of Diligent common stock held by SSH LLC and pledged as collateral. The Note is considered to be collateral dependent, as SSH LLC's primary means of repayment is through liquidation of the underlying collateral.

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 allowance 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 Company recorded subsequent recoveries in the value of the Note, including \$4.3 million during the nine months ended September 30, 2010 and \$1.2 million during the nine months ended September 30, 2011, reducing the valuation allowance to zero. The recoveries were based on the re-measurement of the value the underlying collateral of the Note to reflect prices obtained in private sales of blocks of Diligent stock, and management's determination that the enterprise value of the Company has increased significantly due to improvement in operating margins and cash flows.

5) 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 inputs). A reconciliation of the beginning and ending balances of the Note is as follows:

Diligent Board Member Services, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

	Nine months ended September 30, 2011	Nine months ended September 30, 2010
Balance at beginning of period	\$ 1,875,685	\$ 1,661,791
Total gains or losses (unrealized/realized)		
Included in earnings (or changes in net assets)	1,200,000	4,300,000
Included in other comprehensive income	-	-
Purchases, issuances and settlements	(4,122)	(4,086,106)
Transfers in and/or out of Level 3	-	-
Ending balance	<u>\$ 3,071,563</u>	<u>\$ 1,875,685</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>\$ 1,200,000</u>	<u>\$ 4,300,000</u>

6) Line of credit facility

In September 2011, the Company amended its line of credit agreement with Spring Street Partners, L.P. (“the Lender”), reducing the interest rate under the facility to 7.0% and extending the maturity date to September 2012. 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.

As of September 30, 2011, the Company has not borrowed any amounts under its line of credit facility.

7) 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 aggregate proceeds of \$3,000,000 in additional capital. Expenses relating to the share issuance were \$138,850.

For the year 2009, the Board of Directors of the Company approved the issuance of paid-in-kind (“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 in January 2010.

The carrying value of the Preferred Shares at September 30, 2011 and December 31, 2010 is as follows:

Diligent Board Member Services, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

	September 30, 2011	December 31, 2010
Gross proceeds	\$ 3,000,000	\$ 3,000,000
Less: Issuance costs	<u>(138,850)</u>	<u>(138,850)</u>
	2,861,150	2,861,150
Issuance of PIK shares	266,712	266,712
Cumulative amortization of issuance costs	<u>70,124</u>	<u>49,429</u>
Balance	<u>\$ 3,197,986</u>	<u>\$ 3,177,291</u>

In 2012, the Company anticipates that accumulated cash dividends will be paid on the Series A Preferred Stock. Accordingly, preferred stock dividends of \$269,504 for the nine months ended September 30, 2011 are included in accrued expenses.

8) Stockholders' equity

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, 2011, and directed the Company to retain those funds to support future growth. This was recorded 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 and the holder of 5.5 million shares of common stock of the Company.

9) 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 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 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.

Stock Option Awards – In January 2011 the Company granted 750,000 stock options to one of its managing directors, with graded vesting over three years. In June 2011 the Company granted 3,000,000 stock options to its Chief Executive Officer, with graded vesting over seven years. 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 case 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 straight line basis over the option vesting period for employee stock options, ranging from one to seven years.

Diligent Board Member Services, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

The fair values of the options granted in 2011 were estimated based on the following assumptions:

Expected volatility (1)	156.67 - 167.79%
Expected term (2)	6.0 - 7.25 years
Risk-free interest rate (3)	1.93 - 2.19%
Dividend yield	-
Weighted average grant-date fair value of granted options	.7234

- (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 allowed by the SEC, 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 nine months ended September 30, 2011 is as follows:

	Options	Weighted average exercise price	Weighted average remaining contractual term
Outstanding at January 1, 2011	5,190,335	\$ 0.19	8.78 years
Granted	3,750,000	\$ 0.75	
Exercised	(50,000)	\$ 0.16	
Forfeited	-	-	
Outstanding at September 30, 2011	8,890,335	\$ 0.43	8.67 years
Exercisable at September 30, 2011	4,090,335	\$ 0.20	8.02 years

During the three and nine months ended September 30, 2011, the Company recognized share-based compensation costs related to stock options of \$308,621 and \$686,813, respectively. At September 30, 2011 there was \$2,445,171 of unrecognized share-based compensation expense related to options granted that will be recognized over the next 6.75 years.

10) Income taxes

Diligent Board Member Services, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

The Company records an income tax provision for foreign tax obligations in New Zealand. No US, UK, Canadian or Singapore current income taxes have been provided due to tax losses incurred. The Company has recorded a full valuation allowance against all US deferred tax assets, because management is unable to conclude that it is more likely than not that the deferred tax assets will be realized.

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.

11) Subsequent events

In October 2011, the Company purchased 225,000 shares of its stock from a shareholder for NZD1.45 (US\$1.19) per share, which was the market price at date of purchase. The shares were subsequently cancelled.

Item 2. 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-Q. 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 clients’ 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 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 subject to the U.S. 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.

Recent Developments

The third quarter of 2011 marked a significant milestone for the Company – Diligent achieved operating profit for the quarter for the first time in its history. This is a result of the Company's record-breaking sales and management's focus on effective cost controls.

The third quarter of 2011 marked the fifth consecutive quarter of record-breaking sales results. During the third quarter, Diligent signed a total of 170 net new license agreements as compared to 41 in the same quarter last year, an increase of 315%. Included among the new clients are 53 NYSE and 20 NASDAQ companies. Diligent now services 134 Fortune 1000 companies, of which 30 were added in the third quarter. The Company has over 820 worldwide clients, and services over 1,200 boards and 21,000 users in the US, Canada, UK/Europe and the Asia Pacific region.

The Company's income consists of subscription-based revenue that recurs each year and increases with each new license agreement or upgrade. The Company added \$5.0 million of additional annual license agreements in the third quarter, compared with \$0.9 million in the third quarter of 2010. The revenue from these contracts will be recognized over the contract period, generally one year. Our sales revenue for the first nine months of 2011 is up 96% over the first nine months of 2010, while operating expenses have increased only 40% for the same period. A key driver of our increased sales growth is the increasing acceptance of the Apple iPad[®] by executives around the world. Moreover, our customer satisfaction is such that we continue to enjoy a high retention rate – upgrades from existing customers in the third quarter grew 323% over the third quarter of 2010, and 242% in the first nine months of 2011 when compared with the first nine months of 2010.

Critical Accounting Policies and Estimates

There have been no material changes to the critical accounting policies as filed in our 2010 annual report on Form 10-K.

Recent Accounting Pronouncements

See Note 2 to the condensed consolidated financial statements at Item 1 of this Form 10-Q.

Results of Operations for the Three Months Ended September 30, 2011 and 2010

Revenues

	Three months ended September 30,		Increase/(Decrease)
	2011	2010	
Revenues	\$ 4,826,544	\$ 2,188,613	\$ 2,637,931

The growth in total revenues of 120% in the third quarter of 2011 when compared with the 2010 third quarter is a result of the addition of a significant number of new license agreements during the year. The Company has continued to add license agreements each quarter since inception. At September 30, 2011, the Company had 823 cumulative license agreements, compared with 397 at September 30, 2010. A net of 170 new licenses were added during the third quarter of 2011, compared with 41 for the third quarter of 2010, an increase of 315%. A key driver of our sales growth was the development of a Boardbooks app for the Apple iPad®, and the increasing use of the iPad by executives around the world. Additionally, net upgrades from existing customers in the third quarter grew 323% over the third quarter of 2010.

Revenue is recorded ratably over the contract period, which is generally twelve months. The unearned portion of existing contracts for services to be provided is recorded as deferred revenue. Accordingly, the full impact of the growth in license agreements during the quarter will be recognized over the next twelve months. This increase in revenues is in line with our targets and was achieved at a significantly lower customer acquisition cost. All of the deferred revenue of \$5.2 million recorded on the balance sheet at September 30, 2011 will be recognized as revenue in the next twelve months.

Cost of Revenues and Operating Expenses

Cost of Revenues

	Three months ended September 30,		Increase/(Decrease)
	2011	2010	
Cost of Revenues	\$ 1,360,428	\$ 704,595	\$ 655,833

Cost of revenues is comprised of account management, customer support and IT services. The Company increased headcount in account management and customer support in order to service our larger client base, resulting in an increase in employee costs of approximately \$440 thousand for the three months ended September 30, 2011, as compared to the three months ended September 30, 2010. Other expenses, including office costs, travel and recruitment fees, also increased as a direct result of the increase in headcount. Hosting costs increased by approximately \$132 thousand, driven by the significant growth in the number of customers.

Cost of revenues as a percentage of revenues was 28.2% for the third quarter of 2011, compared with 32.2% for the third quarter of 2010, as a result of the greater economies that we have achieved as our client base increased.

Selling and Marketing Expenses

	Three months ended September 30,		Increase/(Decrease)
	2011	2010	
Selling and Marketing Expenses	\$ 1,402,901	\$ 688,315	\$ 714,586

Selling expenses increased by approximately \$787 thousand for the quarter, offset by a decrease of approximately \$73 thousand in marketing expenses. The most significant contributor to the increase in selling expenses is the increase in U.S. sales commissions and salaries of \$638 thousand, due entirely to the increase in revenues. DBL contributed an additional \$49 thousand increase, primarily due to higher sales commissions in the UK. Approximately \$90 thousand of the increase in selling expenses is attributed to our Asia-Pacific initiative.

The decrease in marketing expenses in the third quarter of 2011 when compared with the third quarter of 2010 is due to the reduction in our marketing staff, which has been replaced by outside consultants, resulting in a net decrease of \$46 thousand in labor costs. Additionally, printing and mailing costs have declined while internet marketing has increased, resulting in a net decrease of \$28 thousand.

General and Administrative Expenses

	Three months ended September 30,		Increase/(Decrease)
	2011	2010	
General and Administrative Expenses	\$ 1,217,648	\$ 1,007,848	\$ 209,800

The primary contributors to the increase in general and administrative expenses are an increase in share-based compensation expense of \$21 thousand relating to stock options, an increase of \$146 thousand in employee compensation and benefits due to salary increases, an increase of \$49 thousand in rent and office costs due to the expansion of our New York office space and an increase in travel expenses of \$11 thousand, offset by a decrease in professional fees of \$22 thousand.

Research and Development Expenses

	Three months ended September 30,		Increase/(Decrease)
	2011	2010	
Research and Development Expenses	\$ 386,736	\$ 253,663	\$ 133,073

Our research and development is performed primarily by our New Zealand subsidiary. The New Zealand expenses for the third quarter of 2011 in local currency increased by 38% over the comparable 2010 period due to increased staffing for new product development and support, including development of a Diligent Boardbooks app for the Apple iPad®. The difference in the average US\$/NZD exchange rates for the periods resulted in an additional increase when measured in US dollars, bringing the overall increase to 53%.

Depreciation and Amortization

	Three months ended September 30,		Increase/(Decrease)
	2011	2010	
Depreciation and Amortization	\$ 125,234	\$ 117,274	\$ 7,960

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

	Three months ended September 30,		Increase/(Decrease)
	2011	2010	
Impairment recovery on note receivable from affiliate	\$ -	\$ 1,100,000	\$ (1,100,000)

The carrying value of the Note had 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. The Company has recorded adjustments to the valuation allowance based on the remeasurement of the underlying collateral, including a recovery of \$1.1 million in the third quarter of 2010. At June 30, 2011, the Company determined that the value of the Note was no longer impaired and the remaining balance of the valuation allowance of \$1.2 million was reversed and recorded as income. Accordingly, at September 30, 2011, the Note is recorded at its full contractual value.

Interest Income, net

	Three months ended September 30,		Increase/(Decrease)
	2011	2010	
Interest Income, net	\$ 45,642	\$ 43,791	\$ 1,851

Interest income, net, includes interest income on the Note Receivable from an affiliate, as well as interest on the Company's cash and cash equivalents and term deposits which are interest-bearing. The increase in interest income is attributable to the increase in our interest-bearing cash balances.

Foreign Exchange Transaction Gain(Loss)

	Three months ended September 30,		Increase/(Decrease)
	2011	2010	
Foreign Exchange Transaction Gain (Loss)	\$ (36,575)	\$ 34,522	\$ (71,097)

The parent Company maintains a portion of its cash balances in foreign currencies, primarily the NZD and GBP. Additionally, the Company has receivable balances in foreign currencies, primarily GBP, Canadian dollars, and Euros. The foreign exchange transaction loss for the three months ended September 30, 2011 is due to a strengthening of the US dollar against both NZD and GBP from June 30 to September 30, 2011. During the third quarter of 2010, the US dollar weakened against both NZD and GBP.

Results of Operations for the Nine Months Ended September 30, 2011 and 2010**Revenues**

	Nine months ended September 30,		Increase/(Decrease)
	2011	2010	
Revenues	\$ 11,467,838	\$ 5,851,494	\$ 5,616,344

The growth in total revenues of 96% for the nine months ended September 30, 2011 when compared with the comparable 2010 period is a result of the significant increase in license agreements. The Company has continued to add license agreements each quarter since inception. At September 30, 2011, the cumulative license agreements were 823, compared with 397 at September 30, 2010. A net of 367 new licenses were added during the first nine months of 2011, compared with 113 for the first nine months of 2010, an increase of 225%. A key driver of our sales growth was the development of a Boardbooks app for the Apple iPad®, and the increasing use of the iPad by executives around the world. Additionally, net upgrades from existing customers in the first nine months of the year grew 242% over the comparable 2010 period.

Revenue is recorded ratably over the contract period, which is generally twelve months. The unearned portion of existing contracts for services to be provided is recorded as deferred revenue. Accordingly, the full impact of the growth in license agreements during the year will be recognized over the remaining twelve months. This increase in revenues is in line with our targets and was achieved at a significantly lower customer acquisition cost. All of the deferred revenue of \$5.2 million recorded on the balance sheet at September 30, 2011 will be recognized as revenue in the next twelve months.

Cost of Revenues and Operating Expenses*Cost of Revenues*

	Nine months ended September 30,		Increase/(Decrease)
	2011	2010	
Cost of Revenues	\$ 3,320,902	\$ 1,986,815	\$ 1,334,087

Cost of revenues is comprised of account management, customer support and IT services. The Company increased headcount in account management and customer support in order to service our larger client base, resulting in an increase in employee costs of approximately \$842 thousand for the nine months ended September 30, 2011, as compared to the nine months ended September 30, 2010. Other expenses, including office costs, printing, travel and recruitment fees, also increased as a direct result of the increase in headcount. Hosting costs increased by approximately \$339 thousand, driven by the significant growth in the number of customers.

Cost of revenues as a percentage of revenues was 29.0% for the first nine months of 2011, compared with 34.0% for the comparable 2010 period, as a result of the greater economies that we have achieved as our client base increased.

Selling and Marketing Expenses

	Nine months ended September 30,		Increase/(Decrease)
	2011	2010	
Selling and Marketing Expenses	\$ 3,428,423	\$ 1,995,191	\$ 1,433,232

Selling expenses increased by approximately \$1,652 thousand for the first nine months of 2011, offset by a decrease of approximately \$219 thousand in marketing expenses. The most significant contributor to the increase in selling expenses is the increase in US sales commissions and salaries of \$1,208 thousand, due entirely to the increase in revenues. DBL contributed an additional \$179 thousand increase, primarily due to higher sales commissions in the UK. Approximately \$254 thousand of the increase in selling expenses is attributed to our Asia-Pacific initiative.

The decrease in marketing expenses in the first nine months of 2011 when compared with the comparable 2010 period is due to the reduction in our marketing staff, which has been replaced by outside consultants, resulting in a net decrease of \$148 thousand in labor costs. Additionally, printing and mailing costs have declined while internet marketing has increased, resulting in a net decrease of \$69 thousand.

General and Administrative Expenses

	Nine months ended September 30,		Increase/(Decrease)
	2011	2010	
General and Administrative Expenses	\$ 3,394,105	\$ 2,892,285	\$ 501,820

The primary contributors to the increase in general and administrative expenses are an increase in share-based compensation expense of \$176 thousand relating to stock options, an increase of \$235 thousand in employee compensation and benefits due to salary increases, an increase of \$98 thousand in rent and office costs due to the expansion of our New York office space, an increase in UK and Singapore general and administrative expenses of \$19 thousand, and an increase in travel expenses of \$11 thousand, offset by a decrease in professional fees of \$66 thousand.

Research and Development Expenses

	Nine months ended September 30,		Increase/(Decrease)
	2011	2010	
Research and Development Expenses	\$ 1,076,806	\$ 664,551	\$ 412,255

Our research and development is performed primarily by our New Zealand subsidiary. The New Zealand expenses for the first nine months of 2011 in local currency increased by 44% over the comparable 2010 period due to increased staffing for new product development and support, including development of a Diligent Boardbooks app for the Apple iPad®. The difference in the average US\$/NZD exchange rates for the periods resulted in an additional increase when measured in US dollars, bringing the increase to 62%.

Depreciation and Amortization

	Nine months ended September 30,		Increase/(Decrease)
	2011	2010	
Depreciation and Amortization	\$ 366,738	\$ 347,177	\$ 19,561

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

	Nine months ended September 30,		Increase/(Decrease)
	2011	2010	
Impairment recovery on note receivable from affiliate	\$ 1,200,000	\$ 4,300,000	\$ (3,100,000)

The carrying value of the Note had 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. The Company has recorded adjustments to the valuation allowance based on the remeasurement of the underlying collateral, including recoveries of \$3.2 million in the first quarter of 2010 and \$1.1 million in the third quarter of 2010. At June 30, 2011, the Company determined that the value of the Note was no longer impaired and the remaining balance of the valuation allowance of \$1.2 million was reversed and recorded as income. Accordingly, at September 30, 2011, the Note is recorded at its full contractual value.

Interest Income, net

	Nine months ended September 30,		Increase/(Decrease)
	2011	2010	
Interest Income, net	\$ 134,404	\$ 188,173	\$ (53,769)

Interest income, net, includes interest income on the Note Receivable from an 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 a decrease in interest income from the Note Receivable after the prepayment and amendment of the Note in June 2010. Although the interest rate on the Note increased from 5.0% to 6.5%, the principal balance decreased by approximately \$4.1 million, resulting in less interest income from the Note Receivable overall. This was offset slightly by an increase in interest from our interest-bearing cash balances.

Foreign Exchange Transaction Gain (Loss)

	Nine months ended September 30,		Increase/(Decrease)
	2011	2010	
Foreign Exchange Gain (Loss)	\$ (32,652)	\$ (4,089)	\$ (28,563)

The parent Company maintains a portion of its cash balances in foreign currencies, primarily the NZD and GBP. Additionally, the Company has receivable balances in foreign currencies, primarily GBP, Canadian dollars, and Euros. The foreign exchange transaction loss for the nine months ended September 30, 2011 is due to a strengthening of the US dollar against both NZD and GBP through September 30, 2011.

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 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, for the first time since inception, 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. The Company continued this trend in the first nine months of 2011, generating positive cash flows from operations of \$2.3 million.

At September 30, 2011, the Company's sources of liquidity consist of cash, cash equivalents and term deposits of approximately \$4.7 million. The Company's current operating expenses and expected capital expenditures are predictable and adequate to support our budgeted growth. The Company's cash receipts from operations are expected to exceed expenses for 2011 and we anticipate that we will continue to be cash flow positive for the remainder of 2011.

The Company is evaluating strategic growth opportunities that could change our current expense and capital forecasts, particularly in light of our expansion into the Asia-Pacific region.

In order to maximize returns on our excess cash and minimize credit and market risk, the Company has invested \$2 million of its excess cash in short-term U.S. treasury instruments, through the direct purchase of treasury bills and through a U.S. treasury money market fund. An additional \$1 million is invested in a money market fund of a major financial institution. The remainder of our cash is held in various financial institutions by the parent company and subsidiaries based on our projected cash needs. To minimize our foreign currency exposure, we maintain funds in foreign currency bank accounts, based on projected foreign currency expenditures.

Cash flows

	Nine months ended September 30,	
	2011	2010
Cash provided by (used in):		
Operating activities	\$ 2,294,365	\$ (671,268)
Investing activities	\$ (580,437)	\$ (146,465)
Financing activities	\$ (211,073)	\$ 917,424

Net Cash Flows from Operating Activities

Cash provided by operating activities for the nine months ended September 30, 2011 was \$2.3 million, compared with cash used of \$671 thousand for the first nine months of 2010. The Company has been reducing its cash burn rate from operations, primarily from increased revenues coupled with a leveling off of cash-based operating expenses (operating expenses less depreciation and share-based compensation). By the end of 2010, the Company had achieved positive cash flow from operations for the full 12-month period, marking the first year since inception that the Company generated positive cash flow from operations. The Company continued this trend by controlling expenses while significantly adding to our revenues. During the quarter ended September 30, 2011 the Company generated net cash of \$0.9 million, which includes \$1.2 million net cash from operating activities.

Net Cash Flows from Investing Activities

Cash used in investing activities is comprised entirely of purchases of property and equipment, primarily computer equipment and software.

Net Cash Flows from Financing Activities

In the first nine months of 2011, cash used in financing activities included \$159,338 of cash dividends paid on preferred stock and \$64,175 in repayments of capital lease obligations. In 2010, the dividends on the Company's preferred stock were paid as PIK dividends, and accordingly there was no cash used for dividend payments. In 2010,

cash received from financing activities consists principally of \$1.0 million received from a prepayment of the Note receivable from affiliate.

Item 3. 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 4. Controls and Procedures.

(a) *Evaluation of disclosure controls and procedures.* As of the end of the quarter ended September 30, 2011, our Chief Executive Officer and Chief Financial Officer have each reviewed and evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have each concluded that our current disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms, and include controls and procedures designed to ensure that information required to be disclosed by the Company in such reports is accumulated and communicated to the Company's management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

(b) *Changes in Internal Controls.* There has been no change in the Company's internal control over financial reporting required by Exchange Act Rule 13a-15 or 15d-15 that occurred during the fiscal quarter ended September 30, 2011 that has materially affected, or is reasonably likely to materially affect Diligent Board Member Services, Inc.'s internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

None

Item 1A. Risk Factors.

Not required

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None

Item 3. Defaults Upon Senior Securities.

Not applicable

Item 4. [Reserved]

Item 5. Other Information.

Not applicable

Item 6. Exhibits.

Exhibit Numbers	Exhibits
10.15	First Amendment to Credit Facility established by Spring Street Partners, L.P. as Lender in favor of Diligent Board Member Services, Inc. as Borrower
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

SIGNATURES

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

DILIGENT BOARD MEMBER SERVICES, INC.

Dated: November 7, 2011

By: /s/ Alessandro Sodi
Alessandro Sodi, Chief Executive Officer (Principal Executive Officer)

Dated: November 7, 2011

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

EXHIBIT 10.15

FIRST AMENDMENT TO CREDIT AGREEMENT

THIS FIRST AMENDMENT TO CREDIT AGREEMENT (this “**Amendment**”) is dated and made effective as of the 12th day of September, 2011 (the “**Effective Date**”), by and between **SPRING STREET PARTNERS, L.P.** (“**Lender**”), and **DILIGENT BOARD MEMBER SERVICES, INC.** (“**Borrower**”).

W I T N E S S E T H

WHEREAS, on or about March 12, 2010, Borrower and Lender entered into a Credit Agreement (the “**Credit Agreement**”) in connection with that certain revolving loan from Lender to Borrower in the original principal amount of \$1,000,000.00 (the “**Loan**”);

WHEREAS, in addition to the Credit Agreement, Borrower executed certain other loan documents in favor of Lender, including but not limited to a Revolving Promissory Note (the “**Note**”) and a General Security Agreement (the “**Security Agreement**”), both dated March 12, 2010 (the Credit Agreement, the Note, the Security Agreement, and all other loan and security documents executed in connection with the Loan are collectively referred to herein as the “**Loan Documents**”); and

WHEREAS, the parties hereto desire to modify the Credit Agreement as hereinafter provided.

NOW THEREFORE, for and in consideration of the premises, the mutual covenants and agreements herein contained, and other good and valuable consideration, the receipt and sufficiency whereof are hereby acknowledged by Borrower and Lender, the parties hereby covenant and agree as follows:

1. Recitals; Defined Terms. The above recitals are true and correct and are incorporated herein by reference. All capitalized terms that are used but not specifically defined herein shall have the meanings ascribed to them in the Credit Agreement.

2. Amendment to the Credit Agreement. The Credit Agreement is hereby amended as follows:

(a) The definition of “Interest Rate” in Section 1.01 is deleted in its entirety and replaced with the following:

(30) “**Interest Rate**” means an interest rate of 7.00% per annum.

(b) The definition of “Maturity Date” in Section 1.01 is deleted in its entirety and replaced with the following:

(35) “**Maturity Date**” means September 12, 2012.

(c) The definition of “Term” in Section 1.01 is deleted in its entirety and replaced with the following:

(51) “**Term**” means the period commencing on the Closing Date and expiring on the Maturity Date.

3. Reaffirmation of Representations, Warranties and Covenants. Borrower hereby reaffirms each of the representations, warranties, and covenants made by the Borrower to the Lender in the Loan Documents, as modified hereby, and agrees that each such representation, warranty, and covenant shall apply with the same force and effect as if fully restated herein. All representations and warranties of the Borrower made in the Credit Agreement and the Security Agreement are true and correct as of the Effective Date, and all applicable conditions set forth in Section 6.01 of the Credit Agreement have been and continue to be satisfied as of the date hereof or appropriately waived in writing by the Lender.

4. Conditions Precedent to the Approval of Modification. The obligation of the Lender to approve any modification to the Loan Documents is subject to the receipt by the Lender of the following documents and the following actions, each of which shall be satisfactory to the Lender in form and substance in the exercise of its sole discretion:

(a) Company Documents and Approvals. A certificate of good standing, certified as of a date no more than 30 days prior to the effective date of this Amendment by an appropriate governmental authority, and a certified copy of all corporate action taken by the Borrower approving the consummation of the modifications and related transactions contemplated hereby.

(b) Certificate of Borrower. A certificate by the Borrower to the effect that, as of the date of delivery of this Amendment and since the date of the Credit Agreement, and after giving effect thereto: (i) no Event of Default shall have occurred and be continuing; (ii) no event shall have occurred and be continuing which, with notice or lapse of time or both, would constitute an Event of Default under the Credit Agreement, as amended hereby, or any other Loan Document; (iii) no amendment and/or restatement of the Certificate of Incorporation or the Bylaws of Borrower shall have been made; and (iv) no material adverse change of the Borrower shall have occurred.

(c) Incumbency Certificate. An incumbency certificate, dated as of the effective date of this Amendment, executed by the Secretary or Assistant Secretary of the Borrower, which shall identify by name and title and bear the signature of the officer of the Borrower authorized to sign this Amendment on behalf of the Company. The Lender shall be entitled to rely upon such incumbency certificate in completing the modifications contemplated herein.

5. Additional Representations, Warranties, and Covenants. Borrower acknowledges, warrants to and covenants with Lender that (i) Borrower has full right and lawful authority to execute and deliver this Amendment; (ii) the Credit Agreement has not been modified in any way except as provided herein; (iii) the Credit Agreement (as so modified) and the Loan Documents are in full force and effect, and are hereby affirmed by Borrower; and (iv) Borrower has no claims, defenses or rights of setoff under or in connection with the Loan.

6. No Novation. It is the agreement and intent of the parties hereto that neither this Amendment nor any other document executed in connection herewith shall (i) constitute a novation with respect to any of the obligations under the Loan Documents, or (ii) in any way impair the first priority of the liens and security interests created by the Loan Documents.

7. No Waiver. Neither the execution or performance of this Amendment by the Lender, nor any prior forbearance by the Lender from exercising any of its rights or remedies under the Loan Documents, is intended or shall be deemed to:

(a) constitute or give rise to (i) a waiver of any Event of Default that continues or arises after the Effective Date, or (ii) any obligation on the part of the Lender to forbear from exercising any rights or remedies in relation to any such Event of Default; or

(b) otherwise impair any right that the Lender may have to (i) accelerate any of the obligations on account of any Event of Default that continues or arises after the Effective Date, (ii) exercise any other right or remedy provided by the Loan Documents in connection therewith, or (iii) otherwise enforce the Loan Documents against the Borrower strictly in accordance with their terms.

Without limiting the generality of the preceding portion of this Section, nothing contained in this Amendment is intended or shall be construed to evidence or imply a course of dealing between the parties or to otherwise obligate the Lender to further modify the Credit Agreement or any of the other Loan Documents in any respect.

8. Binding Effect. This Amendment shall be binding upon and inure to the benefit of Borrower and Lender and their respective heirs, personal representatives, successors and assigns.

9. WAIVER OF JURY TRIAL. BORROWER AND LENDER HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE THE RIGHT EACH MAY HAVE TO A TRIAL BY JURY IN

RESPECT OF ANY LITIGATION BASED ON THIS AGREEMENT, OR ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT AND ANY AGREEMENT CONTEMPLATED TO BE EXECUTED IN CONJUNCTION WITH THIS AGREEMENT, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS, WHETHER VERBAL OR WRITTEN, OR ACTIONS OF EITHER PARTY. THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE LENDER ACCEPTING THIS AGREEMENT FROM BORROWER.

10. Counterparts. This Amendment may be executed by Borrower and Lender in any number of counterparts, each of which, when executed and delivered, shall be an original; and all such counterparts together shall constitute one and the same instrument. Signature and acknowledgment pages may be detached from the counterparts and attached to a single copy of this document to physically form one document.

(SIGNATURES ON THE FOLLOWING PAGE)

IN WITNESS WHEREOF, Borrower and Lender have caused this Amendment to be duly executed as of the date first above written.

BORROWER:

DILIGENT BOARD MEMBER SERVICES, INC.

By: /s/ Alessandro Sodi
Name: Alessandro Sodi
Title: CEO and President

LENDER:

SPRING STREET PARTNERS, L.P.

By: West Broadway Advisors, L.L.C.
Its: General Partner

By: /s/ David Liptak

David Liptak, Manager

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Alessandro Sodi, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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: November 7, 2011

/s/ Alessandro Sodi

Alessandro Sodi

Chief Executive Officer (Principal Executive Officer)

EXHIBIT 31.2

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Steven P. Ruse, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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: November 7, 2011

/s/ Steven P. Ruse

Steven P. Ruse

Chief Financial Officer (Principal Financial Officer)

EXHIBIT 32.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Diligent Board Member Services, Inc. (the “Company”) on Form 10-Q for the period ended September 30, 2011 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Alessandro Sodi, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 7, 2011

/s/ Alessandro Sodi

Alessandro Sodi

Chief Executive Officer (Principal Executive Officer)

EXHIBIT 32.2

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Diligent Board Member Services, Inc. (the “Company”) on Form 10-Q for the period ended September 30, 2011 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Steven P. Ruse, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 7, 2011

/s/ Steven P. Ruse

Steven P. Ruse

Chief Financial Officer (Principal Financial Officer)