

DIGITAL ALLY INC
Form DEF 14A
April 20, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C.

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934
(Amendment No. __)

Filed by the Registrant
Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to Rule 14a-12

Digital Ally, Inc.
(Name of Registrant as Specified in Its Charter)
(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of filing fee: (Check the appropriate box):

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Digital Ally, Inc.

7311 West 130th Street, Suite 170
Overland Park, KS 66213
(913) 814-7774

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To Be Held on Monday, May 24, 2010

The 2010 Annual Meeting of the Stockholders of Digital Ally, Inc., a Nevada corporation (“Digital” or the “Company”), will be held at the Doubletree Hotel-Overland Park at Corporate Woods located at 10100 College Blvd., Overland Park, Kansas on Monday, May 24, 2010 at 10:00 a.m., CDT, for the following purposes:

1. To elect five directors;
2. To ratify the appointment of Grant Thornton LLP as our independent registered public accounting firm; and
3. To act upon such other business as may properly come before the annual meeting.

The foregoing items of business are more fully described in the proxy statement accompanying this notice.

Only stockholders of record at the close of business on March 31, 2010 will be entitled to vote at the annual meeting or any adjournment or postponement thereof.

You are cordially invited to attend the annual meeting. Whether or not you plan to attend the annual meeting, please sign, date and return your proxy to us promptly. Your cooperation in signing and returning the proxy will help avoid further solicitation expense.

Pursuant to rules promulgated by the Securities and Exchange Commission, or the SEC, we have elected to provide access to our proxy materials both by sending you this full set of proxy materials, including a notice of annual meeting, proxy statement, and 2009 Annual Report to Stockholders, and by notifying you of the availability of our proxy materials on the Internet. Copies of our notice of annual meeting, proxy statement and 2009 Annual Report to Stockholders are available at www.digitalallyinc.com.

By order of the Board of Directors

Stanton E. Ross
Chairman of the Board, President and Chief Executive Officer

April 21, 2010
Overland Park, Kansas

YOUR VOTE IS IMPORTANT

WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING, WE URGE YOU TO VOTE AND SUBMIT YOUR PROXY AS PROMPTLY AS POSSIBLE TO ENSURE THE PRESENCE OF A QUORUM. TO ASSURE YOUR REPRESENTATION AT THE MEETING, PLEASE SIGN AND DATE THE ENCLOSED PROXY EXACTLY AS YOUR NAME APPEARS THEREON AND RETURN IMMEDIATELY IN THE ENVELOPE PROVIDED, WHICH REQUIRES NO POSTAGE IF MAILED IN THE UNITED STATES.

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Digital Ally, Inc.
7311 West 130th Street, Suite 170
Overland Park, KS 66213

Stanton E. Ross
President, Chief Executive Officer and
Chairman of the Board

April 21, 2010

To our Stockholders:

I am pleased to invite you to attend the annual meeting of stockholders of Digital Ally, Inc. (“Digital”) to be held on Monday, May 24, 2010 at 10:00 a.m., CDT, at the Doubletree Hotel-Overland Park at Corporate Woods located at 10100 College Blvd., Overland Park, Kansas. Details regarding admission to the annual meeting and the business to be conducted are more fully described in the accompanying notice of annual meeting and proxy statement.

If you are unable to attend the annual meeting in person, you may participate through the Internet. To participate in the live webcast, log on at www.digitalallyinc.com and select the link for the webcast in the “Upcoming and Featured Events” section of the site. The webcast will begin at 10:00 a.m. and will remain on Digital’s website for one year. You cannot record your vote on this website.

We have elected to take advantage of new Securities and Exchange Commission rules that allow issuers to furnish proxy materials to their stockholders on the Internet. We believe that the new rules will allow us to provide our stockholders with the information they need, while lowering the costs of delivery and reducing the environmental impact of our annual meeting.

Your vote is important. Whether or not you plan to attend the annual meeting, I hope that you will vote as soon as possible. Please review the instructions on each of your voting options described in the proxy statement and the notice of annual meeting you received in the mail.

Thank you for your ongoing support of, and continued interest in, Digital.

Sincerely,

Admission to the annual meeting will be limited to stockholders. Please note that admission ticket and picture identification will be required to enter the annual meeting. Each stockholder will be entitled to bring a guest to the annual meeting. For stockholders of record, an admission ticket is printed on the back cover of these proxy materials and on the notice of annual meeting. An individual arriving without an admission ticket will not be admitted unless it can be verified that the individual was a Digital stockholder as of the record date. Backpacks, cameras, cell phones with cameras, recording equipment and other electronic recording devices will not be permitted at the annual meeting. Digital reserves the right to inspect any persons or items prior to their admission to the annual meeting. Failure to follow the meeting rules or permit inspection will be grounds for exclusion from the meeting.

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Dear Fellow Shareholder:

It is our pleasure to invite you to join us at the 2010 Annual Shareholders Meeting of Digital Ally, Inc. to be held on Monday, May 24, 2010 at 10:00 a.m., CST. Information regarding the Annual Meeting is as follows:

Meeting will be held at The Doubletree Hotel Overland Park-Corporate Woods, at 10100 College Blvd, Overland Park, KS 66210. Directions from Kansas City International Airport are as follows:

- | | | |
|-----|--|------------|
| 1: | Start out going SOUTH on BRASILIA AVE toward PARIS ST. | 0.2 miles |
| 2: | Turn LEFT onto PARIS ST. | 0.2 miles |
| 3: | Turn LEFT to take the ramp toward AIRPORT EXIT / ECONOMY PARKING. | 0.1 miles |
| 4: | Merge onto LP COOKINGHAM DR. | 1.2 miles |
| 5: | Merge onto I-29 S / US-71 S toward KANSAS CITY. | 9.4 miles |
| 6: | Merge onto I-635 S via EXIT 3B toward KANSAS (Crossing into KANSAS). | 12.3 miles |
| 7: | Merge onto I-35 S via EXIT 1A toward WICHITA. | 4.7 miles |
| 8: | Merge onto US-69 S via EXIT 225B. | 4.1 miles |
| 9: | Take the COLLEGE BLVD EAST exit | 0.2 miles |
| 10: | Turn RIGHT onto COLLEGE BLVD. | 0.3 miles |
| 11: | Turn LEFT onto MASTIN ST. | 0.1 miles |
| 12: | Hotel is on LEFT. | 0.1 miles |
| 13: | End at Doubletree Hotel Overland Park-at Corporate Woods:
10100 College Blvd, Overland Park, KS 66210, US | |

Total Est. Time: 38 minutes Total Est. Distance: 32.54 miles

On Monday, May 24, 2010 a Continental Breakfast will be available to Shareholders in the Meeting Room beginning at 9:00 a.m. The Annual Shareholder Meeting is scheduled to begin at 10:00 a.m., CST.

A block of rooms has been reserved for arrival on Sunday, May 23, 2010. Shareholders should contact the hotel directly at 913-451-6100 by April 9, 2010 for reservations in order to receive the preferred rates for our group. When contacting the hotel guests should also identify their affiliation with Digital Ally, Inc.

Digital Ally, Inc.

PROXY STATEMENT
FOR THE 2010 ANNUAL MEETING OF STOCKHOLDERS

INFORMATION CONCERNING SOLICITATION AND VOTING

General

The enclosed proxy is solicited on behalf of the Board of Directors of Digital Ally, Inc., a Nevada corporation, for use at the 2010 Annual Meeting of Stockholders to be held Monday, May 24, 2010 at 10:00 a.m., CDT, or at any adjournment or postponement thereof, for the purposes set forth herein and in the accompanying notice of annual meeting of stockholders. The annual meeting will be held at the Doubletree Hotel Overland Park located at 10100 College Blvd., Overland Park, Kansas 66210. The telephone number at that location is (913) 451-6100.

These proxy solicitation materials were first mailed on or about April 21, 2010 to all stockholders entitled to vote at the meeting.

Record Date and Voting Securities

Stockholders of record at the close of business on March 31, 2010 are entitled to notice of and to vote at the meeting. At the record date, 16,321,998 shares of our authorized common stock were issued and outstanding and held of record by 111 stockholders.

Revocability of Proxies

You may revoke your proxy at any time before it is voted at the annual meeting. In order to do this, you may either:

- sign and return another proxy bearing a later date;
- provide written notice of the revocation to Thomas J. Heckman, our Secretary, prior to the time we take the vote at the annual meeting; or
- attend the meeting and vote in person.

Quorum Requirement

A quorum, which is a majority of our outstanding shares of common stock as of the record date, must be present or represented by proxy in order to hold the annual meeting and to conduct business. Your shares will be counted as being present at the meeting if you attend the meeting in person or if you submit a properly executed proxy card.

Voting

You are entitled to one vote for each share of common stock held by you on the record date.

If a broker, bank or other nominee holds your shares, you will receive instructions from it that you must follow in order to have your shares voted. If your shares are held by a broker, bank, broker-dealer or similar organization, you are the beneficial owner of shares held in "street name." If your shares are held in street name, it is critical that you direct the organization holding your shares to vote the shares if you want your shares to be voted in the election of

directors (Proposal 1 of this Proxy Statement). In the past, if you beneficially owned your shares in street name and you did not indicate how you wanted your shares voted in the election of directors, your bank or broker was allowed to vote those shares on your behalf in the election of directors as they felt appropriate.

Recent changes in regulation were made to take away the ability of your bank or broker to vote your uninstructed shares in the election of directors on a discretionary basis. Thus, if you beneficially own your shares in street name and you do not instruct your bank or broker how to vote in the election of directors, no votes will be cast on your behalf. Your bank or broker will, however, continue to have discretion to vote any uninstructed shares on

the ratification of the appointment of the Company's independent registered public accounting firm (Proposal 2 of this Proxy Statement).

If you hold your shares in your own name as a holder of record, you may instruct the proxy holders how to vote your common stock by signing, dating and mailing the proxy card in the postage paid reply envelope that we have provided. Of course, you may also choose to come to the annual meeting and vote your shares in person. The proxy holders will vote your shares in accordance with those instructions. If you sign and return a proxy card without giving specific voting instructions, your shares will be voted as recommended by our Board of Directors.

Abstentions and Broker Non-Votes

If you return a proxy card that indicates an abstention from voting on all matters, the shares represented will be counted as present for the purpose of determining a quorum, but they will not be voted on any matter at the annual meeting. Consequently, if you abstain from voting on the proposal to elect directors, your abstention will have no effect on the outcome of the vote with respect to this proposal.

Under the rules that govern brokers who have record ownership of shares that are held in "street name" for their clients, who are the beneficial owners of the shares, brokers have discretion to vote these shares on routine matters but not on non-routine matters. Thus, if you do not otherwise instruct your broker, the broker may turn in a proxy card voting your shares "for" routine matters but expressly instructing that the broker is NOT voting on non-routine matters. A "broker non-vote" occurs when a broker expressly instructs on a proxy card that it is not voting on a matter, whether routine or non-routine. Broker non-votes are counted for the purpose of determining the presence or absence of a quorum, but are not counted for determining the number of votes cast for or against a proposal. Your broker will have discretionary authority to vote your shares on Proposal 2 and any other business that properly comes before the meeting, all of which are routine matters, but not on Proposal 1, as described above.

Stockholder List

The stockholder list as of the record date will be available for examination by any stockholder at our corporate office, 7311 West 130th Street, Suite 170, Overland Park, KS 66213, beginning May 10, 2010, which is at least ten business days prior to the date of the meeting and the stockholder list will be available at the annual meeting.

Proxy Solicitation Costs

This solicitation of proxies is made by our Board of Directors, and we will bear all related costs. None of our directors intends to oppose any action for which stockholder approval is being solicited. In addition, we may reimburse brokerage firms and other persons representing beneficial owners of shares for their expenses in forwarding solicitation materials to such beneficial owners. Proxies may also be solicited by certain of our directors, officers and regular employees, without additional compensation, personally or by telephone or facsimile.

Our Voting Recommendations

Our Board of Directors recommends that you vote:

- FOR the election of the five nominees to the Board of Directors;
- FOR the ratification of the appointment of Grant Thornton LLP as our independent registered public accounting firm.

Voting Results

The preliminary voting results will be announced at the annual meeting. The final voting results will be calculated by our Inspector of Elections and published in our report on Form 8-K within four business days of the meeting.

Stockholders Sharing the Same Address

Digital has adopted a procedure called “householding,” which has been approved by the Securities and Exchange Commission. Under this procedure, Digital is delivering only one copy of the annual report and proxy

statement to multiple stockholders who share the same address, unless Digital has received contrary instructions from an affected stockholder. This procedure reduces Digital's printing costs, mailing costs, and fees. Stockholders who participate in householding will continue to receive separate proxy cards.

Digital will deliver, promptly upon written or oral request, a separate copy of the annual report and the proxy statement to any stockholder at a shared address to which a single copy of either of those documents was delivered. To receive a separate copy of the annual report or proxy statement, you may write or call Digital's Investor Relations Department at 7311 West 130th Street, Suite 170, Overland Park, KS 66213, telephone (913) 814-7774. Any stockholders of record who share the same address and currently receive multiple copies of Digital's annual report and proxy statement who wish to receive only one copy of these materials per household in the future, please contact Digital's Investor Relations Department at the address or telephone number listed above to participate in the householding program.

A number of brokerage firms have instituted householding. If you hold your shares in "street name," please contact your bank, broker, or other holder of record to request information about householding.

Deadline for Receipt of Stockholder Proposals for 2011 Annual Meeting of Stockholders

As a stockholder, you may be entitled to present proposals for action at an upcoming meeting if you comply with the requirements of the proxy rules established by the Securities and Exchange Commission and our bylaws. Stockholders wishing to present a proposal at our 2011 annual meeting of stockholders must submit such proposal to us by November 18, 2010, if they wish it to be eligible for inclusion in the proxy statement and form of proxy relating to that meeting. In connection with our 2011 annual meeting of stockholders, we intend to solicit proxies granting discretionary authority to the proxyholders to vote on any matters submitted by stockholders on or after November 18, 2010. In addition, under our bylaws, a stockholder wishing to make a proposal at the 2011 annual meeting of stockholders must submit such a proposal to us prior to November 18, 2010. Any such proposals should be in compliance with our bylaws and should be submitted to Digital Ally, Inc., 7311 West 130th Street, Suite 170, Overland Park, KS 66213, Attention: Thomas J. Heckman, Secretary.

Other Matters

Other than the proposals listed above, our Board of Directors does not intend to present any other matters to be voted on at the meeting. Our Board of Directors is not currently aware of any other matters that will be presented by others for action at the meeting. However, if other matters are properly presented at the meeting and you have signed and returned your proxy card, the proxy holders will have discretion to vote your shares on these matters to the extent authorized under the Securities Exchange Act of 1934, as amended.

Important notice regarding the availability of proxy materials for the Annual Meeting of Stockholders to be held on May 24, 2010:

Copies of our notice of annual meeting, proxy statement and 2009 Annual Report to Stockholders are available online at www.digitalallyinc.com.

Proposal One

Election of Directors

Nominees

A Board of five directors is to be elected at the 2010 Annual Meeting of Stockholders. Unless otherwise instructed, the proxy holders will vote the proxies received by them for the five nominees named below, all of whom are presently directors of Digital. If any nominee is unable or declines to serve as a director at the time of the annual meeting, the proxies will be voted for any nominee who shall be designated by the present Board of Directors to fill the vacancy. We are not aware of any nominee who will be unable or will decline to serve as a director. The term of office for each person elected as a director will continue until the next annual meeting of Stockholders or until a successor has been elected and qualified.

The names of the nominees and certain information about them as of the date of this proxy statement are set forth below:

Name of Nominee	Principal Occupation	Age	Director Since
Stanton E. Ross	Chairman, President and Chief Executive Officer	48	2005
Leroy C. Richie (1)(2)(3)	Lead Outside Director, attorney	68	2005
Daniel F. Hutchins (1)(4)	Chairman of Audit Committee, Chief Financial Officer of Infinity Energy Resources, Inc., Certified Public Accountant	54	2007
Elliot M. Kaplan (2)(3)(4)	Chairman of the Compensation Committee, attorney	59	2005
Bernard A. Bianchino(2)(4)	Chairman of the Strategic Planning Committee, attorney	61	2009

-
- (1) Member of Audit Committee
 - (2) Member of Compensation Committee
 - (3) Member of Nominating Committee
 - (4) Member of Strategic Planning Committee

Stanton E. Ross. Mr. Ross has served as Chairman, President and Chief Executive Officer since September 2005. From March 1992 to June 2005, Mr. Ross was the Chairman and President of Infinity Energy Resources, Inc., a publicly held oil and gas exploration and production company (“Infinity”), and served as an officer and director of each of Infinity’s subsidiaries. He resigned all of his positions with Infinity in June 2005, except Chairman, but was reappointed President in October 2006. From 1991 until March 1992, he founded and served as President of Midwest Financial, a financial services corporation involved in mergers, acquisitions and financing for corporations in the Midwest. From 1990 to 1991, Mr. Ross was employed by Duggan Securities, Inc., an investment banking firm in Overland Park, Kansas, where he primarily worked in corporate finance. From 1989 to 1990, he was employed by Stifel, Nicolaus & Co., a member of the New York Stock Exchange, where he was an investment executive. From 1987 to 1989, Mr. Ross was self-employed as a business consultant. From 1985 to 1987, Mr. Ross was President and founder of Kansas Microwave, Inc., which developed a radar detector product. From 1981 to 1985, he was employed by Birdview Satellite Communications, Inc., which manufactured and marketed home satellite television systems, initially as a salesman and later as National Sales Manager. Mr. Ross devotes such time to the business of Digital as

he deems necessary to discharge his fiduciary duties to it. Mr. Ross estimated that he divided his time equally between Infinity and Digital through the first quarter of 2007 and thereafter, Mr. Ross has devoted the majority of his time to Digital. In late 2007, Infinity sold a substantial portion of its operating assets. Mr. Ross ho