

DIGITAL ALLY INC  
Form PRE 14A  
March 08, 2016

**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.**

Edgar Filing: DIGITAL ALLY INC - Form PRE 14A

(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):

No fee required

Fee computed on table below per Exchange Act Rule 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:



Digital Ally, Inc.  
9705 Loiret Boulevard  
Lenexa, Kansas 66219

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

March 18, 2016

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 Thursday, May 12, 2016 at 10:00 a.m., CDT, at our Company facility at 9705 Loiret Boulevard, Lenexa, Kansas 66219. 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.

We have elected to take advantage of Securities and Exchange Commission rules that allow issuers to furnish proxy materials to their stockholders on the Internet. We believe that the 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 an admission ticket and picture identification will be required to enter 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.

**Table of Contents**

	<b>Page</b>
<u>Notice of Annual Meeting of Stockholders</u>	
<u>Proxy Statement for 2016 Annual Meeting of Stockholders</u>	1
<u>Record Date and Voting Securities</u>	1
<u>Revocability of Proxies</u>	2
<u>Quorum Requirement</u>	2
<u>Voting</u>	2
<u>Abstentions and Broker Non-Votes</u>	3
<u>Stockholder List</u>	4
<u>Proxy Solicitation Costs</u>	4
<u>Our Voting Recommendations</u>	4
<u>Voting Results</u>	5
<u>Stockholders Sharing the Same Address</u>	5
<u>Deadline for Receipt of Stockholder Proposals for 2017 Annual Meeting of Stockholders</u>	5
<u>Other Matters</u>	5
<u>Proposal One: Election of Directors</u>	6
<u>Nominees</u>	6
<u>Vote Required and Board Recommendation</u>	8
<u>Board of Directors and Committee Meetings</u>	9
<u>Committees of the Board of Directors</u>	9
<u>Compensation Committee Interlocks and Insider Participation</u>	12
<u>Board of Directors' Role in the Oversight of Risk Management</u>	12
<u>Board Leadership Structure</u>	13
<u>Stockholder Communication with the Board of Directors</u>	13
<u>Policy for Director Recommendations and Nominations</u>	14
<u>Code of Ethics and Conduct</u>	14
<u>Director Compensation</u>	15
<u>Proposal Two: Approval of Amendment to Our Articles of Incorporation to Increase the Number of Authorized Shares of Our Capital Stock that We May Issue From 25,000,000 to 35,000,000 Shares, of which 25,000,000 Shares Shall Be Classified As Common Stock and 10,000,000 shares Shall be Classified as Blank Check Preferred Stock</u>	16
<u>Authorization of Blank Check Preferred Stock</u>	18
<u>Effectiveness of Articles Amendment</u>	18
<u>Potential Anti-Takeover effect of the Proposed Articles Amendment</u>	18
<u>Vote Required and Recommendation</u>	19
<u>Proposal Three: Amend the 2015 Digital Ally, Inc. Stock Option and Restricted Stock Plan to increase the Number of Shares Reserved for Issuance under the Plan by 450,000</u>	19
<u>Vote Required and Recommendation</u>	21
<u>Summary of the 2015 Stock Option and Restricted Stock Plan</u>	21
<u>Outstanding Equity Awards at Fiscal Year-End</u>	22

<u>Recent Stock Option and Restricted Stock Award Grants to Employees, Consultants, and Directors</u>	24
<u>Federal Tax Aspects</u>	25

<u>Proposal Four: Advisory (Non-binding) Vote on Executive Compensation</u>	27
<u>Summary of Advisory (Non-binding) Vote on Executive Compensation</u>	27
<u>Vote Required and Board Recommendation</u>	
<u>Proposal Five: Ratification of Appointment of Independent Registered Public Accounting Firm</u>	28
<u>Audit and Related Fees</u>	28
<u>Vote Required and Board Recommendation</u>	29
<u>Report of the Audit Committee</u>	30
<u>Executive Compensation and Related Information</u>	31
<u>Summary Compensation Table</u>	31
<u>Grant of Plan-Based Awards</u>	33
<u>Outstanding Equity Awards at Fiscal Year-End</u>	34
<u>Option Exercises and Stock Vested</u>	35
<u>Stock Option Plans</u>	35
<u>Equity Compensation Plan Information</u>	36
<u>Stock Option and Restricted Stock Grants</u>	37
<u>Employment Contracts, Termination of Employment and Change-in-Control Arrangements</u>	37
<u>Retention Agreements</u>	38
<u>Security Ownership of Certain Beneficial Owners and Management</u>	40
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	41
<u>Transactions with Related Persons</u>	41
<u>Other Matters</u>	41
<u>Advance Notice Provisions for Stockholder Proposals and Nominations</u>	42
<u>Future Proposals of Stockholders</u>	42
<u>Annual Report</u>	42
<u>Appendix A – Amendment to the Digital Ally, Inc. 2015 Stock Option and Restricted Stock Plan</u>	43



**Digital Ally, Inc.**

9705 Loiret Blvd

Lenexa, Kansas 66219

(913) 814-7774

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**To Be Held on Thursday, May 12, 2016**

The 2016 Annual Meeting of the Stockholders of Digital Ally, Inc., a Nevada corporation (“Digital” or the “Company”), will be held at the Corporate facility located at 9705 Loiret Boulevard, Lenexa, Kansas, 66219 on Thursday, May 12, 2016 at 10:00 a.m., CDT, for the following purposes:

1. To elect five directors;
  
2. To approve an amendment to our Articles of Incorporation to increase the number of authorized shares of our capital stock that we may issue from 25,000,000 to 35,000,000, of which 25,000,000 shares shall be classified as common stock and 10,000,000 shares shall be classified as blank check preferred stock.
  
3. To approve an amendment to the 2015 Digital Ally, Inc. Stock Option and Restricted Stock Plan and to increase the number of shares reserved for issuance under such Plan by 450,000;
  
4. To give an advisory (non-binding) vote to approve the compensation of the Company’s named executive officers, as disclosed pursuant to Item 402 of Regulation S-K, including the compensation tables and narrative discussion in the accompanying proxy statement;
  
5. To ratify the appointment of RSM US LLP as our independent registered public accounting firm; and
  
6. 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 14, 2016 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 2015 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 2015 Annual Report to Stockholders are available at [www.digitalallyinc.com](http://www.digitalallyinc.com).

By order of the Board of Directors

Stanton E. Ross  
Chairman of the Board, President  
and Chief Executive Officer  
March 18, 2016

Lenexa, 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 ON IT AND RETURN IMMEDIATELY IN THE ENVELOPE PROVIDED, WHICH REQUIRES NO POSTAGE IF MAILED IN THE UNITED STATES.

**DIGITAL ALLY, INC.**

**PROXY STATEMENT**

**FOR THE 2016 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 2016 Annual Meeting of Stockholders to be held Thursday, May 12, 2016 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 our corporate facility, located at 9705 Loiret Boulevard, Lenexa, Kansas, 66219. The telephone number at that location is (913) 814-7774.

These proxy solicitation materials were first mailed on or about March 18, 2016 to all stockholders entitled to vote at the meeting.

Record Date and Voting Securities

Stockholders of record at the close of business on March 14, 2016 are entitled to notice of and to vote at the meeting. At the record date, 5,311,999 shares of our common stock were issued and outstanding and held of record by 88 stockholders.

**Stockholder of Record: Shares Registered in Your Name.** If on March 14, 2016, your shares were registered directly in your name with our transfer agent, Action Stock Transfer Corporation, then you are a stockholder of record. As a stockholder of record, you may vote in person at the annual meeting or vote by proxy. Whether or not you plan to attend the annual meeting, we urge you to complete and return the enclosed proxy card or vote by proxy via telephone or the Internet as instructed on your proxy card to ensure your vote is counted.

**Beneficial Owner: Shares Registered in the Name of a Broker or Bank.** If on March 14, 2016, your shares were held in an account at a brokerage firm, bank, dealer, or other similar organization, then you are the beneficial owner of shares held in "street name" and these proxy materials are being forwarded to you by that organization. The organization

holding your account is considered the stockholder of record for purposes of voting at the annual meeting.

As a beneficial owner, you have the right to direct your broker or other agent on how to vote the shares in your account. If you do not provide instructions for voting the shares that you beneficially own, the organization holding your shares **cannot** vote them for you for Proposals 1 through 3, as follows: Proposal 1, the election of directors; Proposal 2, to approve an amendment to our Articles of Incorporation to increase the number of authorized shares of our capital stock that we may issue from 25,000,000 to 35,000,000, of which 25,000,000 shares shall be classified as common stock and 10,000,000 shares shall be classified as blank check preferred stock; and Proposal 3, to approve an amendment to the 2015 Digital Ally, Inc. Stock Option and Restricted Stock Plan and to increase the number of shares reserved under such Plan by 450,000.

We encourage you to provide voting instructions to the brokerage firm, bank, dealer, or other similar organization that is the record holder of your shares. A number of brokers and banks enable beneficial holders to give voting instructions via telephone or the internet. Please refer to the voting instructions provided by your bank or broker. You are also invited to attend the annual meeting. However, since you are not the stockholder of record, you may not vote your shares in person at the annual meeting unless you provide a valid proxy from your broker, bank or other custodian.

## 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 annual 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 annual 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 that you hold on the record date.

**Stockholder of Record: Shares Registered in Your Name.** If you are a stockholder of record, you may vote by proxy using the enclosed proxy card, vote by proxy on the internet or by telephone, or vote in person at the annual meeting. Whether or not you plan to attend the annual meeting, we urge you to vote by proxy to ensure your vote is counted. You may still attend the annual meeting and vote in person if you have already voted by proxy.

To vote using the proxy card, simply complete, sign and date the enclosed proxy card and return it promptly in the envelope provided. If you return your signed proxy card to us before the annual meeting, we will vote your shares as you direct.

To vote on the internet, please follow the instructions provided on your proxy card.

To vote by telephone, please follow the instructions provided on your proxy card.

To vote in person, come to the annual meeting and we will give you a ballot when you arrive.

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.

We provide internet proxy voting to allow you to vote your shares online, with procedures designed to ensure the authenticity and correctness of your proxy vote instructions. However, please be aware that you must bear any costs associated with your internet access, such as usage charges from your internet provider.

**Beneficial Owner: Shares Registered in the Name of Broker or Bank.** If you are a beneficial owner of shares registered in the name of your broker, bank, or other agent, you should have received instructions for granting proxies with these proxy materials from that organization rather than from us. A number of brokers and banks enable beneficial holders to give voting instructions via telephone or the internet. Please refer to the voting instructions provided by your bank or broker. To vote in person at the annual meeting, you must provide a valid proxy from your broker, bank, or other custodian. Follow the instructions from your broker or bank included with these proxy materials, or contact your broker or bank to request a proxy form.

If you return a signed and dated proxy card without marking any voting selections, your shares will only be voted **for** Proposals 4 and 5, and **not** for Proposals 1, 2 or 3. Thus, if you are not a record holder and hold your shares through a bank or broker, you must provide voting instructions to the record holder of the shares in accordance with its requirements in order for your shares to be properly voted for the following proposals: Proposal 1, the election of directors; Proposal 2, to approve an amendment to our Articles of Incorporation to increase the number of authorized shares of our capital stock that we may issue from 25,000,000 to 35,000,000, of which 25,000,000 shares shall be classified as common stock and 10,000,000 shares shall be classified as blank check preferred stock; and Proposal 3, to approve an amendment to the 2015 Digital Ally, Inc. Stock Option and Restricted Stock Plan and to increase the number of shares reserved for issuance under such Plan by 450,000. If any other matter is properly presented at the meeting, your proxy (one of the individuals named on your proxy card) will vote your shares using his or her best judgment.

If you beneficially own your shares in street name and you do not instruct your bank or broker how to vote on Proposals 1 through 3, no votes will be cast on your behalf at the annual meeting as to these proposals. Your bank or broker will, however, have discretion to vote any uninstructed shares on Proposals 4 and 5.

#### 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 Proposals 1 through 5, your abstention will have no effect on

the outcome of the vote with respect to these proposals.

If your shares are held by your broker as your nominee (that is, in “street name”), you will need to obtain a proxy form from the institution that holds your shares and follow the instructions included on that form regarding how to instruct your broker to vote your shares. If you do not give instructions to your broker, your broker can vote your shares with respect to “discretionary” items, but not with respect to “non-discretionary” items. Discretionary items are proposals considered routine under the rules of the New York Stock Exchange (“NYSE”) on which your broker may vote shares held in street name without your voting instructions. On non-discretionary items for which you do not give your broker instructions, the shares will be treated as broker non-votes. Under NYSE rules, any election of a member of the Board of Directors, whether contested or uncontested, is considered “non-discretionary” and therefore brokers are not permitted to vote your shares held in street name for the election of directors in the absence of instructions from you. Each of Proposals 1, 2 and 3 are “non-discretionary.” Therefore, if you hold your shares through a broker, nominee, fiduciary or other custodian, your shares will not be voted on those proposals unless you provide voting instructions to the record holder.