

ROSS STANTON E  
Form 4  
March 28, 2012

**FORM 4**

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

OMB APPROVAL

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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person \*  
ROSS STANTON E

(Last) (First) (Middle)

8000 WEST 110TH STREET, SUITE 200

(Street)

OVERLAND PARK, KS 66210

(City) (State) (Zip)

2. Issuer Name and Ticker or Trading Symbol  
DIGITAL ALLY INC [DGLY]

3. Date of Earliest Transaction (Month/Day/Year)  
02/23/2012

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

Director  10% Owner  
 Officer (give title below)  Other (specify below)

CEO & President

6. Individual or Joint/Group Filing(Check Applicable Line)

Form filed by One Reporting Person  
 Form filed by More than One Reporting Person

**Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned**

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Ownership (Instr. 4)
				Code V	Amount	(A) or (D)	Price
Common stock	02/23/2012		S		91,600	D	\$ 0 (1)
Common stock	02/23/2012		S		555,000	D	\$ 0 (2)
Common stock	02/23/2012		S		2,185	D	\$ 0 (3)

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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number.

**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned**  
(e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	Amount	
				Code	V (A) (D)	Date Exercisable	Expiration Date	Title	Number Shares
Employee Stock Option (right to buy)	\$ 2.15 <sup>(4)</sup>	02/23/2012		J	303,488 <sup>(4)</sup>	09/25/2006	09/25/2011	Common stock	303,4 <sup>(4)</sup>

## Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
ROSS STANTON E 8000 WEST 110TH STREET SUITE 200 OVERLAND PARK, KS 66210	X		CEO & President	

## Signatures

Stanton E. Ross                      03/28/2012  
 \*\*Signature of                      Date  
 Reporting Person

## Explanation of Responses:

\* If the form is filed by more than one reporting person, see Instruction 4(b)(v).

\*\* Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Mr. Ross did not initiate the sales reported. He had pledged 91,600 shares of his common stock for a margin account at a stock brokerage firm. The firm and/or its accounts were subsequently taken over by a third party. At some point, Mr. Ross learned that such third party had liquidated these shares to satisfy, in whole or in part, the margin debt. Mr. Ross is unable to confirm dates, prices or amount of any sale transactions by such third party and has used the date noted as the transaction date for purposes of this Report.

(2) Mr. Ross did not initiate the sales reported. He had pledged approximately 555,000 shares of his common stock as collateral for a personal loan. In 2011 the bank notified Mr. Ross that it intended to sell all or part of the pledged shares to help satisfy his obligation to it and sold shares, which Mr. Ross previously reported on Form 4's according to the information that the bank supplied to him. Mr. Ross contested the bank's actions in court. Effective February 23, 2012, he and the bank reached a settlement under which the bank retained the balance of the unsold pledged shares it then held in partial satisfaction of the debt. No specific value has been assigned to the shares in the settlement agreement.

(3) The Digital Ally, Inc. 401K Plan & Trust holds shares for the benefit of Mr. Ross. The number of shares held for the benefit of Mr. Ross was adjusted by 2,185 shares to 11,957 as of December 31, 2011. This adjustment was the result of a reallocation of shares within the Plan pursuant to applicable rules and regulations.

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- (4) A total of 303,488 options previously granted to Mr. Ross under the 2006 Digital Ally, Inc. Stock Option and Restricted Stock Plan expired unexercised on September 25, 2011.

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