

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

**FORM S-1**  
REGISTRATION STATEMENT  
UNDER THE  
SECURITIES ACT OF 1933

**DIGITAL ALLY, INC.**

(Exact name of registrant as specified in its charter)

**Nevada**  
(State or other jurisdiction of  
incorporation or organization)

**3663**  
(Primary Standard Industrial  
Classification Code Number)

**20-0064269**  
(I.R.S. Employer Identification  
Number)

**Digital Ally, Inc.**  
**14001 Marshall Drive**  
**Lenexa, KS 66215**  
**(913) 841-7774**

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

**Stanton E. Ross**  
**Chief Executive Officer**  
**Digital Ally, Inc.**  
**14001 Marshall Drive**  
**Lenexa, KS 66215**  
**(913) 841-7774**

(Name, address including zip code, and telephone number, including area code, of agent for service)

***With copies to:***

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**Approximate date of commencement of proposed sale to the public:** From time to time after the effective date of this registration statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box: ☒

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒ Smaller reporting company ☒ Emerging Growth Company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act. ☐

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

**The information in this prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.**



Digital Ally, Inc.

## Up to 11,952,191 Shares of Common Stock

This prospectus relates to the offer and resale by the selling stockholders (the "Selling Stockholders") identified herein of up to an aggregate of 11,952,191 shares (the "Shares"), of common stock, par value \$0.0001 per share ("common stock"), of Digital Ally, Inc. (the "Company", "we", "us" or "our"), which consists of (i) 622,211 shares of common stock issued pursuant to that certain Securities Purchase Agreement, dated June 24, 2024, by and between the Company and the Selling Stockholders (such agreement, the "Purchase Agreement"), (ii) 573,008 shares of common stock issuable upon the exercise of the pre-funded warrants issued pursuant to the Purchase Agreement (the "Pre-Funded Warrants"), (iii) up to 5,976,095 shares of common stock issuable upon the exercise of the Series A Warrants issued pursuant to the Purchase Agreement (the "Series A Warrants"), and (iv) up to 4,780,877 shares of common stock issuable upon the exercise of the Series B Warrants issued pursuant to the Purchase Agreement (the "Series B Warrants", and together with the Series A Warrants, the "Warrants"). For additional information regarding the issuance of the Shares to the Selling Stockholders, see "The Private Placement" beginning on page 5 of this prospectus.

The Shares will be resold from time to time by the Selling Stockholders listed in the section titled "Selling Stockholders" beginning on page 22.

The Selling Stockholders, or their respective transferees, pledgees, donees or other successors-in-interest, will sell the Shares through public or private transactions at prevailing market prices, at prices related to prevailing market prices or at privately negotiated prices. The Selling Stockholders may sell any, all or none of the Shares offered by this prospectus, and we do not know when or in what amount the Selling Stockholders may sell their Shares hereunder following the effective date of this registration statement. We provide more information about how a Selling Stockholder may sell its Shares in the section titled "Plan of Distribution" on page 26.

We are registering the Shares on behalf of the Selling Stockholders, to be offered and sold by them from time to time. While we will not receive any proceeds from the sale of the Shares by the Selling Shareholders, we may receive cash proceeds equal to the total exercise price of the Pre-Funded Warrants, Series A Warrants and the Series B Warrants, to the extent that the Pre-Funded Warrants, Series A Warrants and the Series B Warrants are exercised for cash. However, we cannot predict when and in what amounts or if the Pre-Funded Warrants and the Warrants will be exercised for cash, and it is possible that the Pre-Funded Warrants and the Warrants may expire and never be exercised or be exercised, if at all, only on a cashless basis, in which each case we would not receive any cash proceeds. We have agreed to bear all of the expenses incurred in connection with the registration of the Shares. The Selling Stockholders will pay or assume discounts, commissions, fees of underwriters, selling brokers or dealer managers and similar expenses, if any, incurred for the sale of the Shares.

Our common stock is currently listed on the Nasdaq Capital Market under the symbol "DGLY." On July 23, 2024, the last reported sale price of our common stock was \$2.11 per share. There is no established market for the Pre-Funded Warrants or the Warrants, and we do not intend to apply to list the Pre-Funded Warrants or the Warrants on any securities exchange or other nationally recognized trading system.

**Investing in our common stock involves risks. You should carefully review the risks described under the heading "Risk Factors" beginning on page 7 and in the documents which are incorporated by reference herein before you invest in our common stock.**

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

The date of this prospectus is , 2024.

## TABLE OF CONTENTS

	Page
<a href="#">ABOUT THIS PROSPECTUS</a>	1
<a href="#">SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS</a>	2
<a href="#">INDUSTRY AND MARKET DATA</a>	3
<a href="#">PROSPECTUS SUMMARY</a>	4
<a href="#">THE PRIVATE PLACEMENT</a>	5
<a href="#">ABOUT THIS OFFERING</a>	6
<a href="#">RISK FACTORS</a>	7
<a href="#">SELLING STOCKHOLDERS</a>	22
<a href="#">USE OF PROCEEDS</a>	23
<a href="#">DIVIDEND POLICY</a>	24
<a href="#">DESCRIPTION OF SECURITIES THAT THE SELLING STOCKHOLDERS ARE OFFERING</a>	25
<a href="#">PLAN OF DISTRIBUTION</a>	26
<a href="#">DISCLOSURE OF COMMISSION POSITION ON INDEMNIFICATION FOR SECURITIES ACT LIABILITY</a>	27
<a href="#">LEGAL MATTERS</a>	27
<a href="#">EXPERTS</a>	27
<a href="#">WHERE YOU CAN FIND MORE INFORMATION</a>	27
<a href="#">INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE</a>	28
<a href="#">INDEX TO FINANCIAL STATEMENTS</a>	F-1

## ABOUT THIS PROSPECTUS

This prospectus describes the general manner in which the Selling Stockholders may offer from time to time up to 11,952,191 Shares (i) issued directly to the Selling Stockholders pursuant to the Purchase Agreement or (ii) issuable upon the exercise of the Pre-Funded Warrants and the Warrants issued pursuant to the Purchase Agreement. You should rely only on the information contained in this prospectus and the related exhibits, any prospectus supplement or amendment thereto and the documents incorporated by reference, or to which we have referred you, before making your investment

decision. Neither we nor the Selling Stockholders have authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. This prospectus, any prospectus supplement or amendments thereto do not constitute an offer to sell, or a solicitation of an offer to purchase, the Shares offered by this prospectus, any prospectus supplement or amendments thereto in any jurisdiction to or from any person to whom or from whom it is unlawful to make such offer or solicitation of an offer in such jurisdiction. You should not assume that the information contained in this prospectus, any prospectus supplement or amendments thereto, as well as information we have previously filed with the U.S. Securities and Exchange Commission, or the SEC, is accurate as of any date other than the date on the front cover of the applicable document.

If necessary, the specific manner in which the Shares may be offered and sold will be described in a supplement to this prospectus, which supplement may also add, update or change any of the information contained in this prospectus. To the extent there is a conflict between the information contained in this prospectus and any prospectus supplement, you should rely on the information in such prospectus supplement, provided that if any statement in one of these documents is inconsistent with a statement in another document having a later date — for example, a document incorporated by reference in this prospectus or any prospectus supplement — the statement in the document having the later date modifies or supersedes the earlier statement.

Neither the delivery of this prospectus nor any distribution of Shares pursuant to this prospectus shall, under any circumstances, create any implication that there has been no change in the information set forth or incorporated by reference into this prospectus or in our affairs since the date of this prospectus. Our business, financial condition, results of operations and prospects may have changed since such date.

When used herein, unless the context requires otherwise, references to “Digital Ally”, the “Company”, “we”, “our” or “us” refer to Digital Ally, Inc., a Nevada corporation, and its subsidiaries on a consolidated basis.

## **SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This prospectus, any amendment and the information incorporated by reference into this prospectus, including the sections entitled “Risk Factors”, contain “forward-looking statements” within the meaning of Section 21(E) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and Section 27A of the Securities Act of 1933, as amended (the “Securities Act”). These forward-looking statements include, without limitation: statements regarding the Business Combination, new products or services; statements concerning litigation or other matters; statements concerning projections, predictions, expectations, estimates or forecasts for our business, financial and operating results and future economic performance; statements of our management’s goals and objectives; statements concerning our competitive environment, availability of resources and regulation; trends affecting our financial condition, results of operations or future prospects; our financing plans or growth strategies; and other similar expressions concerning matters that are not historical facts. Words such as “may”, “will”, “should”, “could”, “would”, “predicts”, “potential”, “continue”, “expects”, “anticipates”, “future”, “intends”, “plans”, “believes” and “estimates,” and variations of such terms or similar expressions, are intended to identify such forward-looking statements.

Forward-looking statements should not be read as a guarantee of future performance or results and will not necessarily be accurate indications of the times at, or by which, that performance or those results will be achieved. Forward-looking statements are based on information available at the time they are made and/or our management’s good faith belief as of that time with respect to future events. Our actual results may differ materially from those expressed in, or implied by, the forward-looking statements due to a number of factors including, but not limited to, those set forth under the heading “Risk Factors” in this prospectus, as well as other risks discussed in documents that we file with the SEC.

Forward-looking statements speak only as of the date they are made. You should not put undue reliance on any forward-looking statements. We assume no obligation to update forward-looking statements to reflect actual results, changes in assumptions or changes in other factors affecting forward-looking information, except to the extent required by applicable securities laws. If we do update one or more forward-looking statements, no inference should be drawn that we will make additional updates with respect to those or other forward-looking statements. You should review our subsequent reports filed with the SEC described in the sections of this prospectus and the accompanying prospectus entitled “Where You Can Find More Information” and “Incorporation of Certain Documents by Reference,” all of which are accessible on the SEC’s website at [www.sec.gov](http://www.sec.gov).

## **INDUSTRY AND MARKET DATA**

Unless otherwise indicated, information contained in this prospectus concerning our industry and the market in which we operate, including our market position, market opportunity and market size, is based on information from various sources, on assumptions that we have made based on such data and other similar sources and on our knowledge of the markets for our products. These data sources involve a number of assumptions and limitations, and you are cautioned not to give undue weight to such estimates.

We have not independently verified any third-party information. While we believe the market position, market opportunity and market size information included in this prospectus is generally reliable, such information may be imprecise. In addition, projections, assumptions and estimates of our future performance and the future performance of the industry in which we operate is necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described in the section titled “Risk Factors” and elsewhere in this prospectus and in any documents that we incorporate by reference into this prospectus and the registration statement of which this prospectus forms a part. These and other factors could cause results to differ materially from those expressed in the estimates made by the independent parties and by us.

## **PROSPECTUS SUMMARY**

*This summary highlights selected information contained elsewhere in this prospectus or incorporated by reference into this prospectus. This summary does not contain all of the information that you should consider before investing in our common stock. You should carefully read this entire prospectus, and our other filings with the SEC, including the following sections, which are either included herein and/or incorporated by reference herein, “Risk Factors”, “Special Note Regarding Forward-Looking Statements”, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the consolidated financial statements incorporated by reference herein, before making a decision about whether to invest in our securities.*

### **Company Overview**

The business of the Company (with its wholly-owned subsidiaries, Digital Ally International, Inc., Shield Products, LLC, Digital Ally Healthcare, Inc. (“Digital Ally Healthcare”), TicketSmarter, Inc. (“TicketSmarter”), Worldwide Reinsurance, Ltd., Digital Connect, Inc., BirdVu Jets, Inc., Kustom 440 (“Kustom 440”), Inc., Kustom Entertainment, Inc. (“Kustom”), and its majority-owned subsidiary Nobility Healthcare, LLC (“Nobility Healthcare”)), is divided into three reportable operating segments: 1) the video solutions operating segment (the “Video Solutions Operating Segment”), 2) the revenue cycle management segment (the “Revenue Cycle Management Section”), and 3) the entertainment segment (the “Entertainment Segment”). The Video

Solutions Operating Segment is our legacy business that produces digital video imaging, storage products, disinfectant and related safety products for use in law enforcement, security and commercial applications. This segment includes both service and product revenues through our subscription models offering cloud and warranty solutions, and hardware sales for video and health safety solutions. The Revenue Cycle Management Segment provides working capital and back-office services to a variety of healthcare organizations throughout the country, as a monthly service fee. The Entertainment Segment acts as an intermediary between ticket buyers and sellers within our secondary ticketing platform, ticketmaster.com, and we also acquire tickets from primary sellers to then sell through various platforms.

## Corporate Information

We were incorporated in Nevada on December 13, 2000. We conduct our business from 14001 Marshall Drive, Lenexa, Kansas 66215. Our telephone number is (913) 814-7774. Our website address is [www.digitalallyinc.com](http://www.digitalallyinc.com). The information contained in, or accessible through, our website is not incorporated by reference into this prospectus or the registration of which it forms a part and is intended for informational purposes only. You should not consider such website information to be a part of this prospectus and such registration statement.

## Recent Developments

In June 2023, the Company, entered into an Agreement and Plan of Merger (the "Merger Agreement") with Clover Leaf Capital Corp., a Delaware corporation (Nasdaq: CLOE) ("Clover Leaf"), CL Merger Sub, Inc., a Nevada corporation and a wholly owned subsidiary of Clover Leaf ("Merger Sub"), Yntegra Capital Investments LLC, a Delaware limited liability company, in the capacity as the representative ("Yntegra") from and after the Effective Time (as defined in the Merger Agreement) for the stockholders of Clover Leaf in accordance with the terms and conditions of the Merger Agreement, and Kustom, a wholly owned subsidiary of the Company, with a focus and mission to own and produce events, festivals, and entertainment alongside its evolving primary and secondary ticketing technologies. Pursuant to the Merger Agreement, subject to the terms and conditions set forth therein upon the consummation of the transactions contemplated by the Merger Agreement (the "Closing"), Merger Sub will merge with and into Kustom, with Kustom continuing as the surviving corporation in the Merger and a wholly owned subsidiary of Clover Leaf. Upon the Closing which is subject to the approval of Clover Leaf's shareholders and the satisfaction or waiver of certain other customary closing conditions, the common stock of the combined company is expected to be listed on the Nasdaq under a mutually agreed new ticker symbol that reflects the name "Kustom Entertainment".

## Implications of Being a Smaller Reporting Company

We are a "smaller reporting company," meaning that the market value of our stock held by non-affiliates is less than \$700 million and our annual revenue was less than \$100 million during our most recently completed fiscal year. We may continue to be a smaller reporting company if either (i) the market value of our stock held by non-affiliates is less than \$250 million measured on the last business day of our second fiscal quarter or (ii) our annual revenue is less than \$100 million during the most recently completed fiscal year and the market value of our stock held by non-affiliates is less than \$700 million measured on the last business day of our second fiscal quarter. For so long as we remain a smaller reporting company, we are permitted and intend to rely on exemptions from certain disclosure and other requirements that are applicable to other public companies that are not smaller reporting companies.

## THE PRIVATE PLACEMENT

On June 24, 2024, the Company entered into a private placement transaction (the "Private Placement"), pursuant to the Purchase Agreement with the Selling Stockholders for aggregate gross proceeds of approximately \$2.9 million, before deducting fees to the placement agent and other expenses payable by the Company in connection with the Private Placement.

As part of the Private Placement, the Company issued an aggregate of 1,195,219 units and pre-funded units (collectively, the "Units") at a purchase price of \$2.51 per unit (less \$0.0001 per pre-funded unit). Each Unit consists of (i) one share of common stock (or one Pre-Funded Warrant to purchase one share of common stock), (ii) one Series A Warrant to purchase one share of common stock, and (iii) one Series B Warrant to purchase such number of shares of common stock as will be determined on the Reset Date and in accordance with the terms therein.

### Pre-Funded Warrants

The Pre-Funded Warrants are immediately exercisable at an exercise price of \$0.0001 per share of common stock and will not expire until exercised in full.

### Series A Warrants

The Series A Warrants will be exercisable at any time or times on or after the date Stockholder Approval (as defined in the Series A Warrant) is obtained, have an initial exercise price of \$2.51 per share of common stock, subject to adjustment, and a term of 5 years after the later of (a) the date that the Company obtains Stockholder Approval and (b) the earlier of (i) the Resale Effective Date (as defined in the Series A Warrant) registering all of the Registrable Securities (as defined in the Series A Warrant) or (ii) the date that the Registrable Securities can be sold, assigned or transferred without restriction or limitation pursuant to Rule 144 or Rule 144A promulgated under the Securities Act.

The exercise price and number of shares of common stock issuable upon exercise of the Series A Warrants are subject to adjustment upon future dilutive issuances, stock combination events and on the Reset Date, as follows:

- **Dilutive Issuances:** Whenever on or after the issuance date, as long as the Series A Warrant is outstanding, the Company issues or sells any common stock for a consideration per share (the "New Issuance Price") less than a price equal to the exercise price in effect immediately prior to such issue or sale or deemed issuance or sale (the foregoing a "Dilutive Issuance"), then immediately after such Dilutive Issuance, the exercise price then in effect shall be reduced to an amount equal to the lower of (a) the New Issuance Price or (b) the lowest weighted average price during the 5 consecutive trading day period commencing on the date of the Dilutive Issuance (such lower price, the "Base Share Price"), and the number of shares of common stock issuable upon exercise of the Series A Warrant shall be proportionately adjusted such that the aggregate exercise price of the Series A Warrant on the issuance date for the warrant shares then outstanding shall remain unchanged; provided that the Base Share Price shall not be less than \$0.502 per share of common stock (the "Floor Price").

- **Share Combination Event Adjustment:** If at any time on or after the issuance date there occurs any share split, reverse share split, share dividend, share combination recapitalization or other similar transaction involving the common stock (each, a "Share Combination Event", and such date on which the Share Combination Event is effected, the "Share Combination Event Date") and the lowest weighted average price of the common stock during the period commencing on the trading day immediately following the applicable Share Combination Event Date and ending on the fifth (5th) trading day immediately following the applicable Share Combination Event Date (the "Event Market Price") (provided if the Share Combination Event is effective prior to the opening of trading on the principal market, then, commencing on the Share Combination Event Date and ending on the fourth (4th) trading day immediately following the applicable Share Combination Event Date (such period, the "Share Combination Adjustment Period")) is less than the exercise price then in effect, then, at the close of trading on the principal market on the last day of the Share Combination Adjustment Period, the exercise price then in effect on such 5th trading day shall be reduced (but in no event increased) to the Event Market Price and the number of warrant shares issuable upon exercise of the Series A Warrant shall be increased such that the aggregate exercise price payable thereunder, after taking into account the decrease in the exercise price, shall be equal to the aggregate exercise price on the issuance date for the warrant shares then outstanding; provided, however, that in no event shall the Event Market Price be lower than the Floor Price.
- **Reset:** On the Reset Date (as defined in the Series A Warrant), the exercise price shall be adjusted to equal the lower of (i) the exercise price then in effect and (ii) the Reset Price determined as of the date of determination (which shall be equal to the greater of (a) the lowest single day weighted average price of the common stock during the Reset Period (equal to the period commencing on the twentieth trading day immediately preceding the Reset Date and ending on the Reset Date) and (b) the Floor Price). Upon such reset of the exercise price pursuant to this feature of the Series A Warrant, the number of warrant shares issuable upon exercise of the Series A Warrant shall be increased such that the aggregate exercise price payable thereunder, after taking into account the decrease in the exercise price, shall be equal to the aggregate exercise price on the issuance date for the warrant shares then outstanding.

#### Series B Warrants

The Series B Warrants will be exercisable at any time or times on or after the date Stockholder Approval is obtained, have an initial exercise price of \$0.001 per share of common stock and will not expire until exercised in full. The number of shares of common stock issuable under the Series B Warrants will be determined on the Reset Date (as defined in the Series B Warrant), pursuant to the lowest daily weighted average trading price of the shares of common stock during a period of 20 trading days, subject to the Floor Price, such that, assuming the Floor Price, the maximum number of shares of common stock underlying the Series B Warrants would be an aggregate of approximately 4,780,877 shares.

Pursuant to the Purchase Agreement, the Company is required to hold a special meeting of stockholders at the earliest practicable date after the date of the Purchase Agreement, but in no event later than sixty (60) days after the closing date of the Private Placement for the purpose of obtaining Stockholder Approval, and the Company shall solicit proxies from its stockholders in connection therewith in the same manner as all other management proposals in such proxy statement and all management-appointed proxyholders shall vote their proxies in favor of such proposal. Within ten (10) business days following the closing date of the Private Placement, the Company shall file with the SEC this Proxy Statement to request for the purpose of obtaining Stockholder Approval. In addition, from the date of the Purchase Agreement until six (6) months from the Release Date (as defined in the Purchase Agreement), the Company and its subsidiaries shall be prohibited from effecting or entering into an agreement to effect any issuance by the Company or any of its subsidiaries of shares of common stock or common stock equivalents involving a Variable Rate Transaction (as defined in the Purchase Agreement).

### ABOUT THIS OFFERING

This prospectus relates to the offer and resale by the Selling Stockholders of up to 11,952,191 Shares. All of the Shares, if and when sold, will be sold by the Selling Stockholders.

Shares offered by the Selling Stockholders: Up to 11,952,191 Shares.

Shares of common stock outstanding after completion of this offering (assuming the issuance of the maximum number of Shares issuable upon exercise of the Pre-Funded Warrants, the Series A Warrants and the Series B Warrants): 14,832,017 <sup>(1)</sup>

Use of proceeds: We will not receive any of the proceeds from any sale of the Shares by the Selling Stockholders. Any proceeds that we receive from the exercise of the Pre-Funded Warrants and the Warrants will be used for working capital, capital expenditures, product development, and other general corporate purposes, including investments in sales and marketing in the United States and internationally. See "Use of Proceeds."

Risk factors: An investment in our securities involves substantial risk. You should read carefully the "Risk Factors" section on page 7 of this prospectus, and under similar headings in the other documents incorporated by reference into this prospectus. Additional risks and uncertainties not presently known to us or that we currently deem to be immaterial may also impair our business and operations.

Nasdaq symbol for Common Stock: "DGLY"

(1) Shares of our common stock that will be outstanding after this offering is based on 3,502,037 shares of common stock outstanding as of July 23, 2024, but excludes the following as of such date:

- excludes up to 53,600 shares of our common stock issuable upon exercise of outstanding options with a weighted average exercise price of \$45.55 per share.
- excludes up to 1,250,000 shares of our common stock issuable upon exercise of warrants issued previously and outstanding, but including Pre-Funded Warrants or the Warrants, having a weighted average exercise price of \$6.50 per share.

Unless otherwise indicated, all information in this prospectus assumes or gives effects to the exercise of all Pre-Funded Warrants, Series A Warrants and Series B Warrants in full.

## RISK FACTORS

*An investment in the securities offered under this prospectus involves a high degree of risk. You should carefully consider and evaluate all of the information contained in this prospectus and in the documents that we incorporate by reference herein before you decide to invest in our securities. In particular, you should carefully consider and evaluate the risks and uncertainties described under the heading "Risk Factors" in this prospectus and in the documents incorporated by reference herein. Investors are further advised that the risks described below may not be the only risks we face. Additional risks that we do not yet know of, or that we currently think are immaterial, may also negatively impact our business operations or financial results. Any of the risks and uncertainties set forth in this prospectus and in the documents incorporated by reference herein, as updated by annual, quarterly and other reports and documents that we file with the SEC and incorporate by reference into this prospectus, could materially and adversely affect our business, results of operations and financial condition, which in turn could materially and adversely affect the value of our securities.*

### **Risks Related to Our Financial Condition**

***We will need financing in the longer term to support our ongoing operations. If we do not raise sufficient capital when such financing is needed, we may be forced to cease operations, liquidate our assets and possibly seek bankruptcy protection or engage in a similar process.***

While we believe that current cash on hand, prior to the receipt of any proceeds from the exercise of the Pre-Funded Warrants and the Warrants, is sufficient to fund our immediate operational needs, we will need financing in the longer term to support our ongoing operations. There can be no assurance that we will be able to secure any needed funding, or that if such funding is available, the terms or conditions would be acceptable to us. If we are unable to obtain such additional financing, we will be required to divest all or a portion of our business or otherwise liquidate, wind-up, restructure or curtail our operations and product development timeline. We may seek additional capital through a combination of equity offerings, debt financings and/or strategic collaborations. Debt financing, if obtained, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, and could increase our expenses and require that our assets secure such debt. Equity financing, if obtained, could result in dilution to our then-existing stockholders and/or require such stockholders to waive certain rights and preferences. If such financing is not available on satisfactory terms, or is not available at all, our ability to accelerate product development will be hindered, our business and financial condition may be materially and adversely affected, and you may lose all or part of your investment.

***We have incurred losses in recent years.***

We have had net losses for several years and had an accumulated deficit of \$117,668,781 at December 31, 2023, which includes our net loss attributable to common stockholders of \$25,688,547 for the year ended December 31, 2023, as compared to our net loss attributable to common stockholders of \$21,666,691 for the year ended December 31, 2022. As of March 31, 2024, we had an accumulated deficit of \$121,599,801, which includes net losses attributable to common stockholders of \$3,931,020 for the three months ended March 31, 2024. Our management has concluded that our historical recurring losses from operations and unstable cash flows from operations, as well as our dependence on private equity and other financings, raise substantial doubt about our ability to continue as a going concern and our auditor has included an explanatory paragraph relating to our ability to continue as a going concern in its audit report for the years ended December 31, 2023 and 2022.

***Our independent registered public accounting firm's report contains an explanatory paragraph that expresses substantial doubt about our ability to continue as a going concern.***

Our independent registered public accounting firm has included in its report for the year ended December 31, 2023 an explanatory paragraph expressing substantial doubt about our ability to continue as a going concern. Our consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the discharge of liabilities in the normal course of business. Our ability to continue as a going concern is contingent upon, other factors, our ability to raise additional capital through sales of our securities, including this offering, and incurrence of debt. Additionally, future capital requirements will depend on many factors, including the rate of revenue growth, the selling price of our products, the expansion of sales and marketing activities, the timing and extent of spending on research and development efforts and the continuing market acceptance of our products. These factors raise substantial doubt about our ability to continue as a going concern. There is no assurance that additional financing will be available at terms acceptable to us or at all. If we cannot continue as a viable entity, this could materially adversely affect the value of the shares of common stock.

***Foreign currency fluctuations may affect our competitiveness and sales in foreign markets.***

The relative change in currency values creates fluctuations in our product pricing for potential international customers. These changes in foreign end-user costs may result in lost orders and reduce the competitiveness of our products in certain foreign markets. These changes may also negatively affect the financial condition of some existing or potential foreign customers and reduce or eliminate their future orders of our products. We also import selected components which are used in the manufacturing of some of our products. Although our purchase orders are in the United States dollar, weakness in the United States dollar could lead to price increases for the components.

***Our revenues and operating results may fluctuate unexpectedly from quarter to quarter, which may cause our stock price to decline.***

Our revenues and operating results have varied significantly in the past and may continue to fluctuate significantly in the future due to various factors that are both in and outside our control. Thus, we believe that period-to-period comparisons of our operating results may not be meaningful in the short-term, and our performance in a particular period may not be indicative of our performance in any future period.

***Changes in financial accounting standards may cause adverse and unexpected revenue fluctuations and impact our reported results of operations.***

A change in accounting standards or practices could harm our operating results and may even affect our reporting of transactions completed before the change is effective. New accounting pronouncements and varying interpretations of accounting pronouncements have occurred and may occur in the future. Changes to existing rules or the questioning of current practices may harm our operating results or the way we conduct our business.

### **Risks Related to Our Business and Industry**

***There are risks related to dealing with domestic governmental entities as customers.***

One of the principal target markets for our products is the law enforcement community. In this market, the sale of products will be subject to budget constraints of governmental agencies purchasing these products, which could result in a significant reduction in our anticipated revenues. Such governmental agencies have experienced budgetary pressures because of the recent recession and its impact on local sales, property and income taxes that provide funding for purchasing our products. These agencies also may experience political pressure that dictates the way they spend money. Thus, even if an agency wants to acquire our products, it may be unable to purchase them due to budgetary or political constraints, even if such agencies have the necessary funds, we may experience delays and relatively long sales cycles due to their internal decision-making policies and procedures.

***There are risks related to dealing with foreign governmental entities as customers.***

We target the law enforcement community in foreign countries for the sale of many of our products. While foreign countries vary, generally the sale of our products will be subject to political and budgetary constraints of foreign governments and agencies purchasing these products, which could result in a significant reduction in our anticipated revenues. Some foreign governments are experiencing budgetary pressures because of various reasons specific to them and their impact on taxes and tariffs that in many cases provide funding for purchasing our products. Law enforcement agencies within these countries also may experience political pressure that dictates the way they spend money. Thus, even if a foreign country or its law enforcement agencies want to acquire our products, it may be unable to purchase them due to budgetary or political constraints. We cannot assure investors that such governmental agencies will have the necessary funds to purchase our products even though they may want to do so. Further, even if such agencies have the necessary funds, we may experience delays and relatively long sales cycles due to their internal decision-making policies and procedures.

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International law enforcement and other agencies that may consider using our products must analyze a wide range of issues before committing to purchase products like ours, including training costs, product reliability and budgetary constraints. The length of our sales cycle may range from a few months to a year or more. We may incur substantial selling costs and expend significant effort in connection with the evaluation of our products by potential customers before they place an order. Initial orders by foreign governments and agencies typically are for a small number of units that are used to evaluate the products. If these potential customers do not purchase our products, we will have expended significant resources and receive no revenue in return. In addition, we may be selected as the vendor of choice by these foreign customers but never receive the funding necessary to purchase our product due to political or economic reasons.

***We are marketing our DVM-250, DVM-250 Plus event recorder and FirstVU HD products to commercial customers, which is a relatively new sales channel for us and we may experience problems in gaining acceptance.***

The principal target commercial market for our event recorder products is commercial fleet operators, such as taxi cabs, limousine services, transit buses, ambulance services and a variety of delivery services, and the principal target commercial market for our disinfectant/sanitizer and temperature monitoring products are healthcare centers and direct consumer businesses such as bars and restaurants. We have been marketing our FirstVU HD and EVO-HD to commercial customers for approximately one year and have been marketing our Shield™ and ThermoVU™ products to commercial customers for approximately the same period of time. While we have continued to try to capitalize on the existing market for our event recorder products, the markets for these newer products have represented relatively new sales channels for us and we may experience difficulty gaining acceptance of such products by the targeted customers. Our sales of such products will be subject to budget constraints of both the large and small prospective customers, which could result in a significant reduction in our anticipated revenues. Certain of such companies have experienced budgetary and financial pressures for various reasons specific to them or the applicable industries in which they operate, which may negatively impact their ability to purchase our products. Thus, even if prospective customers want to acquire our products, they may be unable to do so because of such factors. Further, even if such companies have the necessary funds, we may experience delays and relatively long sales cycles due to their internal decision-making policies and procedures.

***We are operating in a developing market and there is uncertainty as to market acceptance of our technology and products.***

The markets for our new and enhanced products and technology are developing and rapidly evolving. They are characterized by an increasing number of market entrants who have developed or are developing a wide variety of products and technologies, a number of which offer certain of the features that our products offer. Because of these factors, demand and market acceptance for new products are subject to a high level of uncertainty. There can be no assurance that our technology and products will become widely accepted. It is also difficult to predict with any assurance the future growth rate, if any, and size of the market. If a substantial market fails to develop, develops more slowly than expected or becomes saturated with competitors or if our products do not achieve or continue to achieve market acceptance, our business, operating results and financial condition will be materially and adversely affected.

Our technology may also be marketed and licensed to device manufacturers for inclusion in the products and equipment they market and sell as an embedded solution. As with other new products and technologies designed to enhance or replace existing products or technologies or change product designs, these potential partners may be reluctant to integrate our digital video recording technology into their systems unless the technology and products are proven to be both reliable and available at a competitive price. Even assuming product acceptance, our potential partners may be required to redesign their systems to effectively use our digital video recording technology. The time and costs necessary for such redesign could delay or prevent market acceptance of our technology and products. A lack of, or delay in, market acceptance of our digital video recording technology and products would adversely affect our operations. There can be no assurance that we will be able to market our technology and products successfully or that any of our technology or products will be accepted in the marketplace.

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9

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***We expend significant resources in anticipation of a sale due to our lengthy sales cycle and may receive no revenue in return.***

Generally, law enforcement and other agencies and commercial fleet and mass transit operators that may consider using our products must analyze a wide range of issues before committing to purchase products like ours, including training costs, product reliability and budgetary constraints. The length of our sales cycle may range from several months to a year or more. We may incur substantial selling costs and expend significant effort in connection with the evaluation of our products by potential customers before they place an order. Initial orders by agencies typically are for a small number of units that are used to evaluate the products. If these potential customers do not purchase our products, we will have expended significant resources and have received no revenue in return.

***Failure to stay on top of technology innovation could harm our business model.***

Our revenue growth will depend upon our success in new and existing markets for our technologies. The markets for our technologies and products are defined by:

- rapid technological change;
- new and improved technology and frequent product introductions;
- consumer demands; evolving industry standards; and
- technology and product obsolescence.

Our future success depends on our ability to enhance our technologies and products and to develop new technologies and products that address the market needs in a timely manner. Technology development is a complex, uncertain process requiring high levels of innovation, highly skilled engineering and development personnel, and the accurate anticipation of technological and market trends. We may not be able to identify, develop, acquire, market,

or support new or enhanced technologies or products on a timely basis, if at all.

***We are dependent on key personnel.***

Our success will be largely dependent upon the efforts of our executive officers, Stanton E. Ross and Thomas J. Heckman. We do not have employment agreements with Messrs. Ross or Heckman, although we entered into retention agreements with such officers on December 23, 2008, which were amended in April 2018. The loss of the services of either of these individuals could have a material adverse effect on our business and prospects. There can be no assurance that we will be able to retain the services of such individuals in the future. We have not obtained key-man life insurance policies on these individuals. We are also dependent to a substantial degree on our technical, research and development staff. Our success will be dependent upon our ability to hire and retain additional qualified technical, research, management, marketing and financial personnel. We will compete with other companies with greater financial and other resources for such personnel. Although we have not had trouble in attracting qualified personnel to date, there can be no assurance that we will be able to retain our present personnel or acquire additional qualified personnel as and when needed.

***We are dependent on manufacturers and suppliers.***

We purchase, and intend to continue to purchase, substantially all the components for our products and some entire products, from a limited number of manufacturers and suppliers, most of whom are located outside the United States. Our internal process is principally to assemble the various components and subassemblies manufactured by our suppliers and test the assembled product prior to shipping to our customers. We do not intend to directly manufacture any of the equipment or parts to be used in our products. Our reliance upon outside manufacturers and suppliers, including foreign suppliers, is expected to continue, increase in scope and involves several risks, including limited control over the availability of components, and products themselves and related delivery schedules, pricing and product quality. We may be subject to political and social risks associated with specific regions of the world including those that may be subject to changes in tariffs that may have substantial effects on our product costs and supply chain reliability and availability. We may experience delays, additional expenses and lost sales if we are required to locate and qualify alternative manufacturers and suppliers.

A few of the semiconductor chip components for our products are produced by a very small number of specialized manufacturers. Currently, we purchase one essential semiconductor chip from a single manufacturer who currently sources such chipsets from the Philippines, China, Taiwan and South Korea, among other countries. While we believe that there are alternative sources of supply, if, for any reason, we are precluded from obtaining such a semiconductor chip from this manufacturer, we may experience long delays in product delivery due to the difficulty and complexity involved in producing the required component and we may also be required to pay higher costs for our components.

While we do the final assembly, testing, packaging, and shipment of certain of our products in-house, a number of our component parts are manufactured by subcontractors. These subcontractors include: raw circuit board manufacturers; circuit board assembly houses; injection plastic molders; metal parts fabricators; and other custom component providers. While we are dependent upon these subcontractors to the extent that they are producing custom subassemblies and components necessary for manufacturing our products, we still own the designs and intellectual property involved. This means that the failure of any one contractor to perform may cause delays in production. However, we can mitigate potential interruptions by maintaining "buffer stocks" of critical parts and subassemblies and by using multiple sources for critical components. We also can move our subcontracting to alternate providers. Being forced to use a different subcontractor could cause production interruptions ranging from negligible, such as a few weeks, to very costly, such as four to six months. Further, the failure of a foreign manufacturer to deliver products to us timely, in sufficient quantities and with the requisite quality would have a material adverse impact on our business, operations and financial condition.

The only components that would require a complete redesign of our digital video electronics package are the chips manufactured by Texas Instruments Incorporated ("Texas Instruments"). While there are competitive products available, each chip has unique characteristics that would require extensive tailoring of product designs to use it. The Texas Instruments chip is the heart of our video processing system. If Texas Instruments became unwilling or unable to provide us with these chips, we would be forced to redesign our digital video encoder and decoder systems. Such a complete redesign could take substantial time (over six months) to complete. We attempt to mitigate the potential for interruption by maintaining continuous stocks of these chips to support several months' worth of production. In addition, we regularly check on the end-of-life status of these parts to make sure that we will know well in advance of any decisions by Texas Instruments to discontinue these parts. There are other semiconductors that are integral to our product design and which could cause delays if discontinued, but not to the same scale as the Texas Instruments chips.

***We are uncertain of our ability to protect technology through patents.***

Our ability to compete effectively will depend on our success in protecting our proprietary technology, both in the United States and abroad. We have filed for at least 50 patents for protection in the United States and certain other countries to cover certain design aspects of our products.

We have been issued at least 38 patents to date by the USPTO. In addition, we have at least 12 patent applications that are still under review by the U.S. Patent Office and, therefore, we have not yet been issued all the patents that we applied for in the United States. No assurance can be given that any patents relating to our existing technology will be issued from the United States or any foreign patent offices, that we will receive any patents in the future based on our continued development of our technology, or that our patent protection within and/or outside of the United States will be sufficient to deter others, legally or otherwise, from developing or marketing competitive products utilizing our technologies.

If our patents were to be denied as filed, we would seek to obtain different patents for other parts of our technology. If our main patent, which relates to the placement of the in-car video system in a rear-view mirror, were to be challenged and denied, it could potentially allow our competitors to build very similar devices. Currently, this patent is not being challenged. However, we believe that very few of our competitors would be capable of this because of the level of technical sophistication and level of miniaturization required. Even if we obtain patents, there can be no assurance that they will be enforceable to prevent others from developing and marketing competitive products or methods. If we bring an infringement action relating to any future patents, it may require the diversion of substantial funds from our operations and may require management to expend efforts that might otherwise be devoted to our operations. Furthermore, there can be no assurance that we will be successful in enforcing our patent rights.

Further, if any patents are issued there can be no assurance that patent infringement claims in the United States or in other countries will not be asserted against us by a competitor or others, or if asserted, that we will be successful in defending against such claims. If one of our products is adjudged to infringe patents of others with the likely consequence of a damage award, we may be enjoined from using and selling such product or be required to obtain a royalty-bearing license, if available on acceptable terms. Alternatively, if a license is not offered, we might be required, if possible, to redesign those aspects of the product held to infringe to avoid infringement liability. Any redesign efforts we undertake might be expensive, could delay the introduction or the re-introduction of our products into certain markets, or may be so significant as to be impractical.

***We are uncertain of our ability to protect our proprietary technology and information.***

In addition to seeking patent protection, we rely on trade secrets, know-how and continuing technological advancement to seek to achieve and thereafter



maintain a competitive advantage. Although we have entered into or intend to enter into confidentiality and invention agreements with our employees, consultants and advisors, no assurance can be given that such agreements will be honored or that we will be able to effectively protect our rights to our unpatented trade secrets and know-how. Moreover, no assurance can be given that others will not independently develop substantially equivalent proprietary information and techniques or otherwise gain access to our trade secrets and know-how.

***Cyber-security incidents, including data security breaches or computer viruses, could harm our business by disrupting our delivery of products or services, damaging our reputation or exposing us to liability.***

We receive, process, and store, electronically, the data of our customers and others, much of which is confidential. Unauthorized access to our computer systems or stored data could result in the theft, including cyber-theft, or improper disclosure of confidential information, and the deletion or modification of records could cause interruptions in our operations. These cyber-security risks increase when we transmit information from one location to another, including over the internet or other electronic networks. Despite the security measures we have implemented, our facilities, systems and procedures, and those of our third-party service providers, may be vulnerable to security breaches, acts of vandalism, software viruses, misplaced or lost data, programming or human errors or other similar events which may disrupt our delivery of services or expose the confidential information of our customers and others. Any security breach involving the misappropriation, loss or other unauthorized disclosure or use of confidential information of our customers or others, whether by us or a third party, could subject us to civil and criminal penalties, have a negative impact on our reputation, or expose us to liability to our customers, third parties or government authorities. We are not aware of such breaches to date. There can be no assurance that we will be able to effectively handle a failure of our information systems, or that we will be able to restore our operational capacity in a timely manner to avoid disruption to our business. Any of these developments could have a material adverse effect on our business, financial condition and results of operations.

***The digital video recording market is characterized by new products and rapid technological change.***

The market for our digital video recording technology products is characterized by rapidly changing technology and frequent new product introductions. Our future success will depend in part on our ability to enhance our existing technologies and products and to introduce new products and technologies to meet changing customer requirements. We are currently devoting, and intend to continue to devote, significant resources toward the development of new digital video recording technology and products both as stand-alone products and embedded solutions in third party products and systems. There can be no assurance that we will successfully complete the development of these technologies and related products in a timely fashion or that our current or future products will satisfy the needs of the digital video recording market. There can also be no assurance that digital video recording products and technologies developed by others will not adversely affect our competitive position or render our products or technologies non-competitive or obsolete.

***The markets for our new branded Shield™ disinfectant/sanitizer and ThermoVU™ temperature monitoring solution are characterized by new products and rapid technological change.***

The markets for our new branded Shield™ disinfectant/sanitizer and ThermoVU™ temperature monitoring solution products are characterized by rapidly changing technology and frequent new product introductions given the COVID-19 pandemic. Our future success will depend in part on our ability to enhance our existing products and to introduce new products and technologies to meet changing customer requirements. We are currently devoting, and intend to continue to devote, significant resources toward the development of new applications for our disinfectant/sanitizer and temperature monitoring solutions and products both as stand-alone products and embedded solutions in third party products and systems. Our current development activities include, among others, electrostatic sprayer systems to more efficiently disburse our Shield™ disinfectant/sanitizer. There can be no assurance that we will successfully complete the development of these technologies and related products in a timely fashion or that our current or future products will satisfy the needs of the market. There can also be no assurance that the disinfectant/sanitizer and temperature monitoring products and technologies developed by others will not adversely affect our competitive position or render our products or technologies non-competitive or obsolete.

***We are a party to several lawsuits both as a plaintiff and as a defendant in which we may ultimately not prevail, resulting in losses and which may cause our stock price to decline.***

We are involved as a plaintiff and defendant in routine litigation and administrative proceedings incidental to our business from time to time, including customer collections, vendor and employment-related matters. We believe that the likely outcome of any other pending cases and proceedings will not be material to our business or financial condition. However, there can be no assurance that we will prevail in the litigation or proceedings or that we may not have to pay damages or other awards to the other party.

***We are vulnerable to continued global economic uncertainty and volatility in financial markets.***

Our business is highly sensitive to changes in general economic conditions as a seller of capital equipment to end users in dental professional practices. Financial markets inside the United States and internationally have experienced extreme disruption in recent times, including, among other things, extreme volatility in security prices, severely diminished liquidity and credit availability, and declining valuations of investments. We believe these disruptions are likely to have an ongoing adverse effect on the world economy. A continued economic downturn and financial market disruptions could have a material adverse effect on our business, financial condition and results of operations. Also, the imposition of economic sanctions on Russia as a result of the war in Ukraine could prevent us from performing existing contracts and pursuing new growth opportunities, which could adversely affect our business, financial condition and results of operations.

***Future acquisitions may have a material adverse effect on our ability to manage our business and our results of operations and financial condition.***

We may acquire businesses, technologies, services, or products which are complementary to our business. Future acquisitions may expose us to potential risks, including risks associated with the integration of new operations, services, and personnel, unforeseen or hidden liabilities, the diversion of resources and management attention from our existing business and technology, our potential inability to generate sufficient revenue to offset new costs, the costs and expenses incurred in connection with such acquisitions, or the potential loss of or harm to relationships with suppliers, employees, and customers resulting from our integration of new businesses.

Any of the potential risks listed above could have a material adverse effect on our ability to manage our business or our results of operations and financial condition. In addition, we may need to fund any such acquisitions through the incurrence of additional debt or the sale of additional debt or equity securities, which would result in increased debt service obligations, including additional operating and financing covenants, or liens on our assets, that would restrict our operations, or dilution to our shareholders.

***We face intense competition in our industry, and we may not be able to compete successfully in our target markets.***

Our markets are characterized by intense competition, subject to rapid change, and are significantly affected by new product introductions and other market activities of industry participants. Our competitors include many large domestic and international companies that have substantially greater financial, technical, marketing, distribution and other resources, greater name recognition, a longer operating history, broader product lines, lower cost structures and longer-standing relationships with customers and suppliers than we do. As a result, our competitors may be able to respond better to new or emerging technologies or standards and to changes in customer requirements.

Further, some of our competitors are in a better financial and marketing position from which to influence industry acceptance of a particular product standard or a competing technology than we are. Our competitors may also be able to devote greater resources to the development, promotion and sale of products, and may be in a position to deliver competitive products at a lower price than we can, along with the potential to conduct strategic acquisitions, joint ventures, subsidies and lobbying industry and government standards, hire more experienced technicians, engineers and research and development teams than we can. As a result, we may not be able to compete effectively against any of these organizations.

Our ability to compete in our current target markets and future markets will depend in large part on our ability to successfully develop, introduce and sell new and enhanced products or technologies on a timely and cost-effective basis and to respond to changing market requirements. We expect our competitors to continue to improve the performance of their current products and potentially reduce their prices. In addition, our competitors may develop future generations and enhancements of competitive products or new or enhanced technologies that may offer greater performance and improved pricing or render our technologies obsolete. If we are unable to match or exceed the improvements made by our competitors, our market position and prospects could deteriorate and our net product sales could decline.

***Our Entertainment Segment business is dependent on the continued occurrence of large-scale sporting events, concerts and theater shows and any decrease in the number of such events may result in decreased demand for our services.***

Ticket sales are sensitive to fluctuations in the number of entertainment, sporting and theater events and activities offered by promoters, teams and facilities, and adverse trends in the entertainment, sporting and leisure event industries could adversely affect our business, financial condition and results of operations. We rely on third parties to create and perform at live music, sporting and theater events, and any unwillingness to tour, lack of availability of popular artists or decrease in the number of games or performances held could limit our ability to generate revenue. Accordingly, our success depends, in part, upon the ability of these third parties to correctly anticipate public demand for particular events, as well as the availability of popular artists, entertainers and teams, and any decrease in availability or failure to anticipate public demand could result in reduced demand for our services, which would adversely affect our business, financial condition and results of operations.

***Changes in Internet search engine algorithms and dynamics, or search engine disintermediation, or changes in marketplace rules could have a negative impact on traffic for our sites and ultimately, our business and results of operations.***

We rely heavily on Internet search engines, such as Google, to generate traffic to our website, through a combination of organic and paid searches. Search engines frequently update and change the logic that determines the placement and display of results of a user's search, such that the purchased or algorithmic placement of links to our website can be negatively affected. In addition, a search engine could, for competitive or other purposes, alter its search algorithms or results causing our website to be placed lower in organic search query results. If a major search engine changes its algorithms in a manner that negatively affects the search engine ranking of our website or those of our partners, our business, results of operations and financial condition would be harmed. Furthermore, our failure to successfully manage our search engine optimization could result in a substantial decrease in traffic to our website, as well as increased costs if we were to replace free traffic with paid traffic, which may harm our business, results of operations and financial condition.

We also rely on application marketplaces, such as Apple's App Store and Google's Play, to enable downloads of our applications. Such marketplaces have in the past made, and may in the future make, changes that make access to our products more difficult. For example, our applications may receive unfavorable treatment compared to the promotion and placement of competing applications, such as the order in which they appear within marketplaces. Further, Apple and Google App Stores are an important distribution channel. If they choose to charge commissions on our products and we fail to negotiate compatible terms, it may harm our business, results of operations and financial condition. Similarly, if problems arise in our relationships with providers of application marketplaces, traffic to our site and our user growth could be harmed.

***Our Entertainment Segment business is dependent on the willingness of artists, teams and promoters to continue to support the secondary ticket market and any decrease in such support may result in decreased demand for our services.***

Our Entertainment Segment business is dependent on the secondary ticket market for events put on by artists, teams and promoters. We rely upon the willingness of such artists, teams and promoters to support the secondary ticket market and any decrease in support of the resale market, such as by enacting restrictions regarding resale policies or partnering with other resale marketplaces on an exclusive basis, could result in reduced demand for our services, which would adversely affect our business, financial condition and results of operations.

***During the pendency of the Business Combination (as defined below), Clover Leaf and Kustom may not be able to enter into a business combination with another party because of restrictions in the Merger Agreement, which could adversely affect their respective businesses. Furthermore, certain provisions of the Merger Agreement may discourage third parties from submitting alternative takeover proposals, including proposals that may be superior to the arrangements contemplated by the Merger Agreement.***

On June 1, 2023, the Company, entered into the Merger Agreement with Clover Leaf, Merger Sub, Yntegra, in the capacity as the representative from and after the effective time for the stockholders of Clover Leaf in accordance with the terms and conditions of the Merger Agreement, and Kustom, with a focus and mission to own and produce events, festivals, and entertainment alongside its evolving primary and secondary ticketing technologies.

Pursuant to the Merger Agreement, subject to the terms and conditions set forth therein upon the consummation of the transactions contemplated by the Merger Agreement, Merger Sub will merge with and into Kustom (the "Merger" and, together with the other transactions contemplated by the Merger Agreement, the "Business Combination"), with Kustom continuing as the surviving corporation in the Merger and a wholly owned subsidiary of Clover Leaf.

Covenants in the Merger Agreement impede the ability of Clover Leaf and Kustom to make acquisitions or complete other transactions that are not in the ordinary course of business pending completion of the Business Combination. As a result, if the Business Combination is not completed, the parties may be at a disadvantage to their competitors during that period. In addition, while the Merger Agreement is in effect, each party is generally prohibited from soliciting, initiating, encouraging or entering into certain extraordinary transactions, such as a merger, sale of assets or other business combination outside the ordinary course of business, with any third party. Any such transactions could be favorable to such party's stockholders.

***The Company's ability to be successful following the Business Combination will depend upon the efforts of the Company's board of directors (the "Board") and key personnel, and the loss of such persons could negatively impact the operations and profitability of the Company's post-Business Combination business.***

The Company's ability to be successful following the Business Combination will be dependent upon the efforts of the Board and key personnel. The Company cannot assure you that the Board and key personnel after the Business Combination will be effective or successful or remain with the Company. In addition to the other challenges the Company will face, any new individuals potentially replacing the Board members or key personnel may be unfamiliar with the requirements of operating a public company, which could cause the Company's management to have to expend time and

resources helping them become familiar with such requirements.

***If the our business' benefits of the Business Combination do not meet the expectations of financial or industry analysts, the market price of our securities may decline.***

The market price of our securities may decline if we do not achieve the perceived benefits of the Business Combination as rapidly as, or to the extent anticipated by, financial or industry analysts or the effect of the Business Combination on the financial statements is not consistent with the expectations of financial or industry analysts. Accordingly, investors may experience a loss as a result of decreasing stock prices.

***The Company may waive one or more of the conditions to the Business Combination.***

The Company may agree to waive, in whole or in part, one or more of the conditions to its obligations to complete the Business Combination, to the extent permitted by the existing charter documents and applicable laws. For example, it is a condition to the Company's obligation to close the Business Combination that Clover Leaf shall have consolidated net tangible assets of at least \$5,000,001 and certain of Clover Leaf's representations and warranties be true and correct to the standards applicable to such representations and warranties. However, if the Board determines that it is in the best interests of the Company to proceed with the Business Combination, then the Board may elect to waive that condition and close the Business Combination.

***We have incurred substantial transaction-related costs in connection with the Business Combination.***

We have incurred, and expect to continue to incur, a number of substantial non-recurring transaction-related costs associated with the Business Combination which have not yet been recorded on our financial statements. Non-recurring transaction costs include, but are not limited to, fees paid to legal, financial and accounting advisors, filing fees and printing costs. These fees and cash could have a material adverse effect on our business, financial condition and operating results as repaid in the future.

***We may not realize anticipated growth opportunities.***

We expect that we will realize growth opportunities and other financial and operating benefits as a result of the Business Combination; however, we cannot predict with certainty if or when these growth opportunities and benefits will occur, or the extent to which they actually will be achieved.

***If our future performance does not meet market expectations, the price of our securities may decline.***

If our future performance does not meet market expectations, the price of our common stock may decline. In addition, fluctuations in the price of our common stock could contribute to the loss of all or part of your investment. The equity securities of our Company prior to the Business Combination may not be indicative of the price that will prevail in the trading market following the Business Combination. If an active market for the shares of our common stock continues, the trading price of our shares following the Business Combination could be volatile and subject to wide fluctuations in response to various factors, some of which are beyond our control. Any of the factors listed below could have a material adverse effect on your investment in our common stock and our common stock may trade at prices significantly below the price you paid for them.

***Even though we intend to pursue the Business Combination, we might not be able to consummate the Business Combination, or the Business Combination can disrupt our business significantly.***

We intend to continue to pursue the Business Combination, which involves the Business Combination. However, we may be unable to close the Business Combination on favorable terms, if at all. In addition, any completed transaction may not result in the intended benefits for other reasons and any completed transaction will create or involve a number of other risks such as, among others (i) additional demands on our resources, systems, procedures and controls; and (ii) diversion of management's attention from other business concerns. Moreover, we may not be able to consummate the Business Combination or may have to do so on the basis of a less than optimal capital structure. Our inability to (i) take advantage of growth opportunities for our business or for our products or (ii) address risks associated with acquisitions or investments in businesses may negatively affect our operating results.

***Risks Related to the Resale of the Shares and Ownership of Shares of Our Common Stock***

***The Selling Stockholders may choose to sell the Shares at prices below the current market price.***

The Selling Stockholders are not restricted as to the prices at which they may sell or otherwise dispose of the Shares covered by this prospectus. Sales or other dispositions of the Shares below the then-current market prices could adversely affect the market price of our common stock.

***A large number of shares of common stock may be sold in the market following this offering, which may significantly depress the market price of our common stock.***

The Shares sold in the offering will be freely tradable without restriction or further registration under the Securities Act. As a result, a substantial number of shares of common stock may be sold in the public market following this offering. If there are significantly more shares of common stock offered for sale than buyers are willing to purchase, then the market price of our common stock may decline to a market price at which buyers are willing to purchase the offered common stock and sellers remain willing to sell common stock.

***Neither we nor the Selling Stockholders have authorized any other party to provide you with information concerning us or this offering.***

You should carefully evaluate all of the information in this prospectus, including the documents incorporated by reference herein and therein. We may receive media coverage regarding our Company, including coverage that is not directly attributable to statements made by our officers, that incorrectly reports on statements made by our officers or employees, or that is misleading as a result of omitting information provided by us, our officers or employees. Neither we nor the Selling Stockholders have authorized any other party to provide you with information concerning us or this offering, and recipients should not rely on this information.

***The market price for our common stock is particularly volatile given our status as a relatively unknown company with a small and thinly traded public float, and lack of profits, which could lead to wide fluctuations in our share price.***

The market for our common stock is characterized by significant price volatility when compared to the shares of larger, more established companies that have large public floats, and we expect that our share price will continue to be more volatile than the shares of such larger, more established companies for the indefinite future, although such fluctuations may not reflect a material change to our financial condition or operations during any such period. Such volatility can be attributable to a number of factors. Such volatility can be attributable to a number of factors. First, as noted above, our common stock is, compared to the shares of such larger, more established companies, sporadically and thinly traded. The price for our common stock could, for example,

decline precipitously in the event that a large number of our shares are sold on the market without commensurate demand. Secondly, we are a speculative or “risky” investment due to our lack of profits to date. As a consequence of this enhanced risk, more risk-averse investors may, under the fear of losing all or most of their investment in the event of negative news or lack of progress, be more inclined to sell their shares on the market more quickly and at greater discounts than would be the case with the stock of a larger, more established company that has a large public float. Many of these factors are beyond our control and may decrease the market price of our common stock regardless of our operating performance.

In addition to being highly volatile, our common stock could be subject to wide fluctuations in response to a number of factors that are beyond our control, including, but not limited to:

- variations in our revenues and operating expenses;
- actual or anticipated changes in the estimates of our operating results or changes in stock market analyst recommendations regarding our common stock, other comparable companies or our industry generally;
- market conditions in our industry, the industries of our customers and the economy as a whole;
- actual or expected changes in our growth rates or our competitors’ growth rates;
- developments in the financial markets and worldwide or regional economies;
- announcements of innovations or new products or services by us or our competitors;
- announcements by the government relating to regulations that govern our industry;
- sales of our common stock or other securities by us or in the open market;
- changes in the market valuations of other comparable companies; and
- other events or factors, many of which are beyond our control, including those resulting from such events, or the prospect of such events, including war, terrorism and other international conflicts, public health issues including health epidemics or pandemics, such as the COVID-19 pandemic, and natural disasters such as fire, hurricanes, earthquakes, tornados or other adverse weather and climate conditions, whether occurring in the United States or elsewhere, could disrupt our operations, disrupt the operations of our suppliers or result in political or economic instability.

In addition, if the market for technology stocks or the stock market in general experiences loss of investor confidence, the trading price of our common stock could decline for reasons unrelated to our business, financial condition or operating results. The trading price of our common stock could also decline in reaction to events that affect other companies in our industry, even if these events do not directly affect us. Each of these factors, among others, could harm the value of our common stock. In the past, following periods of volatility in the market, securities class-action litigation has often been instituted against companies. Such litigation, if instituted against us, could result in substantial costs and diversion of management’s attention and resources, which could materially and adversely affect our business, operating results and financial condition.

***If securities or industry analysts do not publish research or reports about our business, or publish negative reports about our business, our common stock price and trading volume could decline.***

The trading market for our common stock may depend in part on the research and reports that securities or industry analysts may publish about us or our business, our market and our competitors. We do not have any control over such analysts. If one or more such analysts downgrade or publish a negative opinion of our common stock, the common stock price would likely decline. If analysts do not cover us or do not regularly publish reports on us, we may not be able to attain visibility in the financial markets, which could have a negative impact on our common stock price or trading volume.

***In the event that our common stock is delisted from Nasdaq, U.S. broker-dealers may be discouraged from effecting transactions in shares of our common stock because they may be considered penny stocks and thus be subject to the penny stock rules.***

The SEC has adopted a number of rules to regulate “penny stock” that restricts transactions involving stock which is deemed to be penny stock. Such rules include Rules 3a51-1, 15g-1, 15g-2, 15g-3, 15g-4, 15g-5, 15g-6, 15g-7, and 15g-9 under the Exchange Act. These rules may have the effect of reducing the liquidity of penny stocks. “Penny stocks” generally are equity securities with a price of less than \$5.00 per share (other than securities registered on certain national securities exchanges or quoted on Nasdaq if current price and volume information with respect to transactions in such securities is provided by the exchange or system). Our shares of common stock have in the past constituted, and may again in the future constitute, “penny stock” within the meaning of the rules. The additional sales practice and disclosure requirements imposed upon U.S. broker-dealers for sales of penny stocks may discourage such broker-dealers from effecting transactions in shares of our common stock, which could severely limit the market liquidity of such shares of common stock and impede their sale in the secondary market.

A U.S. broker-dealer selling penny stock to anyone other than an established customer or “accredited investor” (generally, an individual with a net worth in excess of \$1,000,000 or an annual income exceeding \$200,000, or \$300,000 together with his or her spouse) must make a special suitability determination for the purchaser and must receive the purchaser’s written consent to the transaction prior to sale, unless the broker-dealer or the transaction is otherwise exempt. In addition, the “penny stock” regulations require the U.S. broker-dealer to deliver, prior to any transaction involving a “penny stock”, a disclosure schedule prepared in accordance with SEC standards relating to the “penny stock” market, unless the broker-dealer or the transaction is otherwise exempt. A U.S. broker-dealer is also required to disclose commissions payable to the U.S. broker-dealer and the registered representative and current quotations for the securities. Finally, a U.S. broker-dealer is required to submit monthly statements disclosing recent price information with respect to the “penny stock” held in a customer’s account and information with respect to the limited market in “penny stocks”.

Stockholders should be aware that, according to the SEC, the market for “penny stocks” has suffered in recent years from patterns of fraud and abuse. Such patterns include: (i) control of the market for the security by one or a few broker-dealers that are often related to the promoter or issuer; (ii) manipulation of prices through prearranged matching of purchases and sales and false and misleading press releases; (iii) “boiler room” practices involving high-pressure sales tactics and unrealistic price projections by inexperienced sales persons; (iv) excessive and undisclosed bid-ask differentials and markups by selling broker-dealers; and (v) the wholesale dumping of the same securities by promoters and broker-dealers after prices have been manipulated to a desired level, resulting in investor losses. Our management is aware of the abuses that have occurred historically in the penny stock market. Although we do not expect to be in a position to dictate the behavior of the market or of broker-dealers who participate in the market, management will strive within the confines of practical limitations to prevent the described patterns from being established with respect to our securities.

***We will have broad discretion as to the proceeds that we receive from the cash exercise by any holder of the Pre-Funded Warrants and the Warrants, and we may not use the proceeds effectively.***

We will not receive any of the proceeds from the sale of the Shares by the Selling Stockholders pursuant to this prospectus. We may receive proceeds from cash exercises of the Pre-Funded Warrants and the Warrants, based on the per share exercise price of the Pre-Funded Warrants and the Warrants, and to the extent that we receive such proceeds, we intend to use the net proceeds from cash exercises of the Pre-Funded Warrants and the Warrants for working capital, capital expenditures, product development, and other general corporate purposes, including investments in sales and marketing in the United States and internationally. We have considerable discretion in the application of such proceeds. You will not have the opportunity, as part of your investment decision, to assess whether such proceeds are being used in a manner agreeable to you. You must rely on our judgment regarding the application of the net proceeds from cash exercises of the Pre-Funded Warrants and the Warrants, which may be used for corporate purposes that do not improve our profitability or increase the price of our shares of common stock. Such proceeds may also be placed in investments that do not produce income or that lose value. The failure to use such funds by us effectively could have a material adverse effect on our business, financial condition, operating results and cash flow.

***You may experience future dilution as a result of issuance of the Shares, issuance of shares of common stock pursuant to any price protection features under the terms of our outstanding securities, future equity offerings by us and other issuances of our common stock or other securities. In addition, the issuance of the Shares and future equity offerings and other issuances of our common stock or other securities may adversely affect our common stock price.***

In order to raise additional capital, we may in the future offer additional shares of our common stock or other securities convertible into or exchangeable for our common stock at prices that may not be the same as the price per share as prior issuances of common stock. We may not be able to sell shares or other securities in any other offering at a price per share that is equal to or greater than the price per share previously paid by investors, the terms of certain of our outstanding securities may contain price protection features that allow holders of such securities to acquire the same number of shares of common stock at a lower price if certain events occur, and investors purchasing shares or other securities in the future could have rights superior to existing stockholders. The price per share at which we sell additional shares of our common stock or securities convertible into common stock in future transactions may be higher or lower than the prices per share for previous issuances of common stock or securities convertible into common stock paid by certain investors. In addition, the exercise price of the Warrants for the warrant shares may be greater than the price per share previously paid by certain investors. You will incur dilution upon exercise of any outstanding stock options, warrants or upon the issuance of shares of common stock under our equity incentive programs. In addition, the issuance of the Shares, the issuance of shares of common stock pursuant to our outstanding securities, and any future sales of a substantial number of shares of our common stock in the public market, or the perception that such issuances or sales may occur, could adversely affect the price of our common stock. We cannot predict the effect, if any, that market sales of those shares of common stock or the availability of those shares for sale will have on the market price of our common stock.

***Substantial future sales of shares of our common stock could cause the market price of our common stock to decline.***

We expect that significant additional capital will be needed in the near future to continue our planned operations. Sales of a substantial number of shares of our common stock in the public market, or the perception that these sales might occur, could depress the market price of our common stock and could impair our ability to raise capital through the sale of additional equity securities. We are unable to predict the effect that such sales may have on the prevailing market price of our shares.

We have financed our operations, and we expect to continue to finance our operations, acquisitions, if any, and the development of strategic relationships by issuing equity, warrants and/or convertible securities, which could significantly reduce the percentage ownership of our existing stockholders. Further, any additional financing that we secure may require the granting of rights, preferences or privileges senior to, or *pari passu* with, those of common stock. Additionally, we may acquire other technologies or finance strategic alliances by issuing our equity or equity-linked securities, which may result in additional dilution. Any issuances by us of equity securities may be at or below the prevailing market price of our common stock and in any event may have a dilutive impact on your ownership interest, which could cause the market price of our common stock to decline. We may also raise additional funds through the incurrence of debt or the issuance or sale of other securities or instruments senior to our shares of common stock. The holders of any securities or instruments we may issue may have rights superior to the rights of our holders of our common stock. If we experience dilution from issuance of additional securities and we grant superior rights to new securities over common stockholders, it may negatively impact the trading price of our shares of common stock.

***We could issue “blank check” preferred stock without stockholder approval with the effect of diluting then current stockholder interests and impairing their voting rights; and provisions in our charter documents could discourage a takeover that stockholders may consider favorable.***

Our Articles of Incorporation authorizes the issuance of “blank check” preferred stock with designations, rights and preferences as may be determined from time to time by the Board. The Board is empowered, without stockholder approval, to issue a series of preferred stock with dividend, liquidation, conversion, voting or other rights which could dilute the interest of, or impair the voting power of, our common stockholders. The issuance of a series of preferred stock could be used as a method of discouraging, delaying or preventing a change in control. For example, it would be possible for the Board to issue preferred stock with voting or other rights or preferences that could impede the success of any attempt to change control of our Company.

***We do not intend to pay dividends on shares of our common stock for the foreseeable future.***

We have never declared or paid any cash dividends on shares of our common stock and do not intend to pay any cash dividends in the foreseeable future. We anticipate that we will retain all of our future earnings for use in the development of our business and for general corporate purposes. Any determination to pay dividends in the future will be at the discretion of our Board. Accordingly, investors must rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investments.

#### **General Risk Factors**

***Economic uncertainties or downturns, or political changes, in the United States and globally, could limit the availability of funds available to our customers and potential customers, which could materially adversely affect our business.***

Our results of operations could be adversely affected by general conditions in the economy and financial markets, both in the U.S. and globally, including conditions that are outside of our control, such as the continuing uncertainty regarding the duration and scope of the COVID-19 pandemic, global supply chain disruptions, the recent inflation in the United States and the foreign and domestic government sanctions imposed on Russia as a result of its recent invasion of Ukraine. There continues to be volatility and disruptions in the capital and credit markets, and a severe or prolonged economic downturn, including, but not limited to as a result of such events, could result in a variety of risks to our business, including weakened demand for our products and our ability to raise additional capital when needed on acceptable terms, if at all. A weak or declining economy could strain our suppliers, possibly resulting in supply disruption, or cause delays in payments for our services. In turn, we may be required to increase our allowance for doubtful accounts, which would adversely affect our financial results. Any of the foregoing could harm our business and we cannot anticipate all the ways in which the current economic climate and financial market conditions could adversely impact our business.

***Changes in government trade policies, including the imposition of tariffs and export restrictions, could have an adverse impact on our business operations and sales.***

The United States or foreign governments may enact changes in government trade policies that could adversely impact our ability to sell products in

certain countries, particularly in China. For example, the U.S. government has imposed tariffs on certain Chinese imports and, in return, the Chinese government has imposed or proposed tariffs on certain U.S. products. We cannot predict what actions may ultimately be taken with respect to tariffs or trade relations between certain countries, what products may be subject to such actions, or what actions may be taken by other countries in response. It also may not be possible to anticipate the timing or duration of such tariffs, export restrictions, or other regulatory actions. These government trade policies may materially adversely affect our sales and operations with current customers as well as impede our ability to develop relationships with new customers.

There is a risk of further escalation and retaliatory actions between the U.S. and other foreign governments. If significant tariffs or other restrictions are placed on goods exported from China or any related counter-measures are taken, our revenue and results of operations may be materially harmed. These tariffs may also make our products more expensive for customers, which may reduce customer demand.

There is also a risk that the U.S. government may seek to implement more protective trade measures, not just with respect to China but with respect to other countries as well, such as those imposed on Russia in connection with its recent invasion of Ukraine. This could include new or higher tariffs and even more restrictive trade barriers, such as prohibiting certain types of, or all sales of certain products or products sold by certain parties into the U.S. Any increased trade barriers or restrictions on global trade could have a materially adverse impact on our business and financial results.

***If we are unable to attract, integrate and retain additional qualified personnel, including top technical talent, our business could be adversely affected.***

Our future success depends in part on our ability to identify, attract, integrate and retain highly skilled technical, managerial, sales and other personnel. We face intense competition for qualified individuals from numerous other companies, including other software and technology companies, many of whom have greater financial and other resources than we do. Some of these characteristics may be more appealing to high-quality candidates than those we have to offer. In addition, new hires often require significant training and, in many cases, take significant time before they achieve full productivity. We may incur significant costs to attract and retain qualified personnel, including significant expenditures related to salaries and benefits and compensation expenses related to equity awards, and we may lose new employees to our competitors or other companies before we realize the benefit of our investment in recruiting and training them. Moreover, new employees may not be or become as productive as we expect, as we may face challenges in adequately or appropriately integrating them into our workforce and culture. If we are unable to attract, integrate and retain suitably qualified individuals who are capable of meeting our growing technical, operational and managerial requirements, on a timely basis or at all, our business will be adversely affected.

***We may be subject to litigation for a variety of claims, which could adversely affect our results of operations, harm our reputation or otherwise negatively impact our business.***

We may be subject to litigation for a variety of claims arising from our normal business activities. These may include claims, suits, and proceedings involving labor and employment, wage and hour, commercial and other matters. The outcome of any litigation, regardless of its merits, is inherently uncertain. Any claims and lawsuits, and the disposition of such claims and lawsuits, could be time-consuming and expensive to resolve, divert management attention and resources, and lead to attempts on the part of other parties to pursue similar claims. Any adverse determination related to litigation could adversely affect our results of operations, harm our reputation or otherwise negatively impact our business. In addition, depending on the nature and timing of any such dispute, a resolution of a legal matter could materially affect our future operating results, our cash flows or both.

***The requirements of being a U.S. public company may strain our resources and divert management's attention.***

As a U.S. public company, we are subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act, the Dodd-Frank Act, the listing requirements of Nasdaq, and other applicable securities rules and regulations.

Compliance with these rules and regulations increases our legal and financial compliance costs, makes some activities more difficult, time-consuming, or costly, and increases demand on our systems and resources. The Exchange Act requires, among other things, that we file annual and current reports with respect to our business and operating results.

As a result of disclosure of information in this prospectus and the registration statement of which this prospectus forms a part, as well as in filings required of a public company, our business and financial condition is more visible, which we believe may result in threatened or actual litigation, including by competitors and other third parties. If such claims are successful, our business and operating results could be harmed, and even if the claims do not result in litigation or are resolved in our favor, these claims, and the time and resources necessary to resolve them, could divert resources of our management and harm our business and operating results.

## SELLING STOCKHOLDERS

The common stock being offered by the Selling Stockholders are those previously issued to the Selling Stockholders, and those issuable to the Selling Stockholders, upon exercise of the Pre-Funded Warrants and the Warrants. For additional information regarding the issuances of those shares of common stock, Pre-Funded Warrants and the Warrants, see "Private Placement" above. We are registering the shares of common stock in order to permit the Selling Stockholders to offer the Shares for resale from time to time. Except for the ownership of the shares of common stock, Pre-Funded Warrants and the Warrants, the Selling Stockholders have not had any material relationship with us within the past three years.

The table below lists the Selling Stockholders and other information regarding the beneficial ownership of the shares of common stock by each of the Selling Stockholders. The second column lists the number of shares of common stock beneficially owned by each selling stockholder, based on its ownership of the shares of common stock, Pre-Funded Warrants and the Warrants, as of July 24, 2024, assuming the issuance of the maximum amount of Shares issuable upon exercise of such Pre-Funded Warrants and the Warrants held by the Selling Stockholders on that date, without regard to any limitations on exercises. The third column lists the shares of common stock being offered by this prospectus by the Selling Stockholders.

In accordance with the terms of a registration rights agreement with the Selling Stockholders, this prospectus generally covers the resale of the sum of (i) the number of shares of common stock issued to the selling stockholders in the "Private Placement" described above and (ii) the maximum number of shares of common stock issuable upon exercise of the related Pre-Funded Warrants and the Warrants, determined as if the outstanding Pre-Funded Warrants and the Warrants were exercised in full as of the trading day immediately preceding the date this registration statement was initially filed with the SEC, each as of the trading day immediately preceding the applicable date of determination and all subject to adjustment as provided in the registration rights agreement, without regard to any limitations on the exercise of the Pre-Funded Warrants and the Warrants (and assuming the issuance of the maximum amount of Shares issuable upon exercise of such Pre-Funded Warrants and Warrants). The fourth column assumes the sale of all of the common stock offered by the Selling Stockholders pursuant to this prospectus.

Under the terms of the Pre-Funded Warrants and the Warrants, a selling stockholder may not exercise the Pre-Funded Warrants and the Warrants to the extent such exercise would cause such Selling Stockholder, together with its affiliates and attribution parties, to beneficially own a number of shares of

common stock which would exceed 4.99% or 9.99%, as applicable, of our then outstanding common stock following such exercise, excluding for purposes of such determination shares of common stock issuable upon exercise of the Pre-Funded Warrants or the Warrants that have not been exercised. The number of common stock in the table below does not reflect this limitation. The Selling Stockholders may sell all, some or none of their common stock in this offering. See "Plan of Distribution."

<b>Name of Selling Stockholder</b>	<b>Number of shares of Common Stock Owned Prior to Offering</b>	<b>Maximum Number of shares of Common Stock to be Sold Pursuant to this Prospectus</b>	<b>Number of shares of Common Stock Owned After Offering</b>
Sabby Volatility Warrant Master Fund, Ltd. (1)	4,980,079	4,980,079	-
L1 Capital Global Opportunities Master Fund (2)	1,992,030	1,992,030	-
Anson East Master Fund LP	1,095,320	1,095,320	-
Anson Investments Master Fund LP	3,884,424	3,884,424	-

- (1) Holds the following securities issued in the Private Placement: (i) 498,008 shares of common stock issuable upon the exercise of the Series A Warrants, which, subject to certain conditions, may be exercisable into a maximum of 2,490,040 shares of common stock; (ii) 0 shares of common stock issuable upon the exercise of the Series B Warrants, but such Series B Warrants, subject to certain conditions, may be exercisable into a maximum of 1,992,031 shares of common stock; and (iii) 498,008 shares of common stock issuable upon the exercise of the Pre-Funded Warrants. Sabby Management, LLC is the investment manager of Sabby Volatility Warrant Master Fund, Ltd. and shares voting and investment power with respect to these shares in this capacity. As manager of Sabby Management, LLC, Hal Mintz also shares voting and investment power on behalf of Sabby Volatility Warrant Master Fund, Ltd. Each of Sabby Management, LLC and Hal Mintz disclaims beneficial ownership over the securities listed except to the extent of their pecuniary interest therein.
- (2) Holds the following securities issued in the Private Placement: (i) 164,203 shares of common stock; (ii) 199,203 shares of common stock issuable upon the exercise of the Series A Warrants, which, subject to certain conditions, may be exercisable into a maximum of 996,015 shares of common stock; (iii) 0 shares of common stock issuable upon the exercise of the Series B Warrants, but such Series B Warrants, subject to certain conditions, may be exercisable into a maximum of 438,248 shares of common stock; and (iii) 35,000 shares of common stock issuable upon the exercise of the Pre-Funded Warrants. David Feldman is the control person for L1 Capital Global Opportunities Master Fund. The address for L1 Capital Global Opportunities Master Fund is 1688 Meridian Ave, Level 6, Miami Beach, FL, 33139.
- (3) Holds the following securities issued in the Private Placement: (i) 109,562 shares of common stock; (ii) 109,562 shares of common stock issuable upon the exercise of the Series A Warrants, which, subject to certain conditions, may be exercisable into a maximum of 547,510 shares of common stock; and (iii) 0 shares of common stock issuable upon the exercise of the Series B Warrants, but such Series B Warrants, subject to certain conditions, may be exercisable into a maximum of 438,248 shares of common stock. Anson Advisors Inc and Anson Funds Management LP, the Co-Investment Advisers of Anson East Master Fund LP ("Anson"), hold voting and dispositive power over the common stock held by Anson. Tony Moore is the managing member of Anson Management GP LLC, which is the general partner of Anson Funds Management LP. Moez Kassam and Amin Nathoo are directors of Anson Advisors Inc. Mr. Moore, Mr. Kassam and Mr. Nathoo each disclaim beneficial ownership of these common stock except to the extent of their pecuniary interest therein. The principal business address of Anson is Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.
- (4) Holds the following securities issued in the Private Placement: (i) 348,446 shares of common stock; (ii) 388,446 shares of common stock issuable upon the exercise of the Series A Warrants, which, subject to certain conditions, may be exercisable into a maximum of 1,942,230 shares of common stock; (iii) 0 shares of common stock issuable upon the exercise of the Series B Warrants, but such Series B Warrants, subject to certain conditions, may be exercisable into a maximum of 1,553,784 shares of common stock; and (iv) 40,000 shares of common stock issuable upon exercise of the Pre-Funded Warrants. Anson Advisors Inc and Anson Funds Management LP, the Co-Investment Advisers of Anson Investments Master Fund LP ("Anson Investments"), hold voting and dispositive power over the common stock held by Anson Investments. Tony Moore is the managing member of Anson Management GP LLC, which is the general partner of Anson Funds Management LP. Moez Kassam and Amin Nathoo are directors of Anson Advisors Inc. Mr. Moore, Mr. Kassam and Mr. Nathoo each disclaim beneficial ownership of these common stock except to the extent of their pecuniary interest therein. The principal business address of Anson is Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

22

## USE OF PROCEEDS

We will not receive any of the proceeds from the sale of the Shares by the Selling Stockholders pursuant to this prospectus. However, we may receive cash proceeds equal to the total exercise price of the Pre-Funded Warrants and the Warrants to the extent that they are exercised using cash. Any proceeds that we receive from the exercise of the Pre-Funded Warrants and the Warrants will be used for inventory purchases, artist costs for upcoming festivals, transaction cost, expanded sales, marketing, partial prepayment of an outstanding note and general working capital.

The Selling Stockholders will pay any agent's commissions and expenses they incur for brokerage, accounting, tax or legal services or any other expenses that they incur in disposing of the shares of common stock. We will bear all other costs, fees and expenses incurred in effecting the registration of the shares of common stock covered by this prospectus and any prospectus supplement. These may include, without limitation, all registration and filing fees, SEC filing fees and expenses of compliance with state securities or "blue sky" laws.

We cannot predict when or if the Pre-Funded Warrants and the Warrants will be exercised, and it is possible that the Series A Warrants may expire and never be exercised. In addition, the Pre-Funded Warrants and Warrants are exercisable on a cashless basis in certain circumstances. As a result, we may never receive meaningful, or any, cash proceeds from the exercise of the Warrants, and we cannot plan on any specific uses of any proceeds we may receive beyond the purposes described herein.

See "Plan of Distribution" elsewhere in this prospectus for more information.

23

## DIVIDEND POLICY

We have never declared or paid any dividends on our common stock. We currently intend to retain all available funds and any future earnings for the operation and expansion of our business and, therefore, we do not anticipate declaring or paying dividends in the foreseeable future. The payment of dividends will be at the discretion of our board of directors and will depend on our results of operations, capital requirements, financial condition, prospects, contractual arrangements, any limitations on payment of dividends present in our future debt agreements, and other factors that our board of directors may deem relevant.

24



## DESCRIPTION OF SECURITIES THAT THE SELLING STOCKHOLDERS ARE OFFERING

The Selling Stockholders are offering for resale up to an aggregate of 11,952,191 shares of common stock issued or issuable upon exercise of the Pre-Funded Warrants and the Warrants. The terms of our shares of common stock are contained in our Articles of Incorporation and our bylaws, each as amended to date and each as filed or incorporated by reference as exhibits to our [Annual Report on Form 10-K for the fiscal year ended December 31, 2023](#). For a description of our common stock, see [Exhibit 4.10—Description of Securities Registered Pursuant to Section 12 of the Exchange Act, to our Annual Report on Form 10-K for the fiscal year ended December 31, 2023, filed with the SEC on April 1, 2024](#).

Our Articles of Incorporation authorizes the issuance of up to 200,000,000 shares of common stock and up to 10,000,000 shares of blank check preferred stock, par value \$0.001 per share. The Board may establish the rights and preferences of the preferred stock from time to time.

25

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### PLAN OF DISTRIBUTION

Each Selling Stockholder of the securities and any of their pledgees, assignees and successors-in-interest may, from time to time, sell any or all of their securities covered hereby on the principal trading market or any other stock exchange, market or trading facility on which the securities are traded or in private transactions. These sales may be at fixed or negotiated prices. A Selling Stockholder may use any one or more of the following methods when selling securities:

- ordinary brokerage transactions and transactions in which the broker-dealer solicits purchasers;
- block trades in which the broker-dealer will attempt to sell the securities as agent, but may position and resell a portion of the block as principal to facilitate the transaction;
- purchases by a broker-dealer as principal and resale by the broker-dealer for its account;
- an exchange distribution in accordance with the rules of the applicable exchange;
- privately negotiated transactions;
- settlement of short sales;
- in transactions through broker-dealers that agree with the Selling Stockholders to sell a specified number of such securities at a stipulated price per security;
- through the writing or settlement of options or other hedging transactions, whether through an options exchange or otherwise;
- a combination of any such methods of sale; or
- any other method permitted pursuant to applicable law.

The Selling Stockholders may also sell securities under Rule 144 or any other exemption from registration under the Securities Act, if available, rather than under this prospectus.

Broker-dealers engaged by the Selling Stockholders may arrange for other brokers-dealers to participate in sales. Broker-dealers may receive commissions or discounts from the Selling Stockholders (or, if any broker-dealer acts as agent for the purchaser of securities, from the purchaser) in amounts to be negotiated, but, except as set forth in a supplement to this Prospectus, in the case of an agency transaction not in excess of a customary brokerage commission in compliance with FINRA Rule 2121; and in the case of a principal transaction a markup or markdown in compliance with FINRA Rule 2121.

In connection with the sale of the securities or interests therein, the Selling Stockholders may enter into hedging transactions with broker-dealers or other financial institutions, which may in turn engage in short sales of the securities in the course of hedging the positions they assume. The Selling Stockholders may also sell securities short and deliver these securities to close out their short positions, or loan or pledge the securities to broker-dealers that in turn may sell these securities. The Selling Stockholders may also enter into option or other transactions with broker-dealers or other financial institutions or create one or more derivative securities which require the delivery to such broker-dealer or other financial institution of securities offered by this prospectus, which securities such broker-dealer or other financial institution may resell pursuant to this prospectus (as supplemented or amended to reflect such transaction).

The Selling Stockholders and any broker-dealers or agents that are involved in selling the securities may be deemed to be “underwriters” within the meaning of the Securities Act in connection with such sales. In such event, any commissions received by such broker-dealers or agents and any profit on the resale of the securities purchased by them may be deemed to be underwriting commissions or discounts under the Securities Act. Each Selling Stockholder has informed the Company that it does not have any written or oral agreement or understanding, directly or indirectly, with any person to distribute the securities.

The Company is required to pay certain fees and expenses incurred by the Company incident to the registration of the securities. The Company has agreed to indemnify the Selling Stockholders against certain losses, claims, damages and liabilities, including liabilities under the Securities Act.

We agreed to keep this prospectus effective until the earlier of (i) the date on which the securities may be resold by the Selling Stockholders without registration and without regard to any volume or manner-of-sale limitations by reason of Rule 144, without the requirement for the Company to be in compliance with the current public information under Rule 144 under the Securities Act or any other rule of similar effect or (ii) all of the securities have been sold pursuant to this prospectus or Rule 144 under the Securities Act or any other rule of similar effect. The resale securities will be sold only through registered or licensed brokers or dealers if required under applicable state securities laws. In addition, in certain states, the resale securities covered hereby may not be sold unless they have been registered or qualified for sale in the applicable state or an exemption from the registration or qualification requirement is available and is complied with.

Under applicable rules and regulations under the Exchange Act, any person engaged in the distribution of the resale securities may not simultaneously engage in market making activities with respect to the Common Stock for the applicable restricted period, as defined in Regulation M, prior to the commencement of the distribution. In addition, the Selling Stockholders will be subject to applicable provisions of the Exchange Act and the rules and regulations thereunder, including Regulation M, which may limit the timing of purchases and sales of the Common Stock by the Selling Stockholders or any other person. We will make copies of this prospectus available to the Selling Stockholders and have informed them of the need to deliver a copy of this prospectus to each purchaser at or prior to the time of the sale (including by compliance with Rule 172 under the Securities Act).

26

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## DISCLOSURE OF COMMISSION POSITION ON INDEMNIFICATION FOR SECURITIES ACT LIABILITY

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling the registrant pursuant to the foregoing provisions, the registrant has been informed that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

### LEGAL MATTERS

The validity of the issuance of the securities offered hereby will be passed upon for us by Sullivan & Worcester LLP, New York, New York.

### EXPERTS

The consolidated financial statements of Digital Ally, Inc. as of December 31, 2023 and 2022 and for each of the two years in the period ended December 31, 2023, incorporated in this prospectus by reference to the [Annual Report on Form 10-K for the year ended December 31, 2023](#), have been so incorporated in reliance on the report (which contains an explanatory paragraph relating to the Company's ability to continue as a going concern as described in Note 1 to the consolidated financial statements) of RBSM LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

### WHERE YOU CAN FIND MORE INFORMATION

This prospectus constitutes a part of a registration statement on Form S-1 filed under the Securities Act. As permitted by the SEC's rules, this prospectus and any prospectus supplement, which form a part of the registration statement, do not contain all the information that is included in the registration statement. You will find additional information about us in the registration statement and its exhibits. Any statements made in this prospectus or any prospectus supplement concerning legal documents are not necessarily complete and you should read the documents that are filed as exhibits to the registration statement or otherwise filed with the SEC for a more complete understanding of the document or matter.

You can read our electronic SEC filings, including such registration statement, on the internet at the SEC's website at [www.sec.gov](http://www.sec.gov). We are subject to the information reporting requirements of the Exchange Act, and we file reports, proxy statements and other information with the SEC. These reports, proxy statements and other information will be available at the website of the SEC referred to above. We also maintain a website at [www.digitalally.com](http://www.digitalally.com), at which you may access these materials free of charge as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC. However, the information contained in or accessible through our website is not part of this prospectus or the registration statement of which this prospectus forms a part, and investors should not rely on such information in making a decision to purchase our securities in this offering.

27

### INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The SEC permits us to "incorporate by reference" into this prospectus the information contained in documents that we file with the SEC, which means that we can disclose important information to you by referring you to those documents. Information that is incorporated by reference is considered to be part of this prospectus and you should read it with the same care that you read this prospectus. Information that we file later with the SEC will automatically update and supersede the information that is either contained, or incorporated by reference, in this prospectus, and will be considered to be a part of this prospectus from the date those documents are filed. We have filed with the SEC and incorporate by reference in this prospectus, except as superseded, supplemented or modified by this prospectus, the documents listed below (excluding those portions of any Current Report on Form 8-K that are not deemed "filed" pursuant to the General Instructions of Form 8-K):

- our Annual Report on [Form 10-K](#) for the fiscal year ended December 31, 2023, filed with the SEC on April 1, 2024;
- our Quarterly Report on [Form 10-Q](#) for the quarter ended March 31, 2024, filed with the SEC on May 15, 2024;
- our Current Reports on Forms 8-K filed with the SEC on [February 5, 2024](#), [March 5, 2024](#), [March 15, 2024](#), [April 2, 2024](#), [April 5, 2024](#), [May 20, 2024](#), [June 28, 2024](#), and [July 18, 2024](#) (except for Item 2.02 and Item 7.01 of any Current Report on Form 8-K which are not deemed "filed" for purposes of Section 18 of the Exchange Act and are not incorporated by reference in this prospectus); and
- the description of our common stock contained in [Exhibit 4.10](#)—Description of Securities Registered Pursuant to Section 12 of the Exchange Act, to our Annual Report on Form 10-K for the fiscal year ended December 31, 2023, filed with the SEC on April 1, 2024.

We also incorporate by reference into this prospectus additional documents that we may file with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date hereof but before the completion or termination of this offering (excluding any information not deemed "filed" with the SEC).

Any statement contained in a previously filed document is deemed to be modified or superseded for purposes of this prospectus to the extent that a statement contained in this prospectus or in a subsequently filed document incorporated by reference herein modifies or supersedes the statement, and any statement contained in this prospectus is deemed to be modified or superseded for purposes of this prospectus to the extent that a statement contained in a subsequently filed document incorporated by reference herein modifies or supersedes the statement.

We will provide, without charge, to each person to whom a copy of this prospectus is delivered, including any beneficial owner, upon the written or oral request of such person, a copy of any or all of the documents incorporated by reference herein, including exhibits. Requests should be directed to:

Digital Ally, Inc.  
14001 Marshall Drive  
Lenexa, KS 66215  
(913) 814-7774

Copies of these filings are also available through the "Investor Relations" section of our website at [www.digitalally.com](http://www.digitalally.com). For other ways to obtain a copy of these filings, please refer to "Where You Can Find More Information" above.

28

### INDEX TO FINANCIAL STATEMENTS

F- 1

## UNAUDITED PRO FORMA CONDENSED FINANCIAL STATEMENTS

On June 1, 2023, the Company, and the sole stockholder of Kustom, entered into the Merger Agreement with Clover Leaf, the Merger Sub, Yntegra Capital Investments LLC, a Delaware limited liability company, in the capacity as the representative from and after the Effective Time (as defined in the Merger Agreement) for the stockholders of Clover Leaf (other than the Company as of immediately prior to the Effective Time and its successors and assignees) in accordance with the terms and conditions of the Merger Agreement, and Kustom. Pursuant to the Merger Agreement, subject to the terms and conditions set forth therein upon the consummation of the transactions contemplated by the Merger Agreement, Merger Sub will merge with and into Kustom, with Kustom continuing as the surviving corporation in the Merger and a wholly-owned subsidiary of Clover Leaf. In the Merger, all of the issued and outstanding capital stock of Kustom immediately prior to the Effective Time shall no longer be outstanding and shall automatically be cancelled and shall cease to exist in exchange for the right for the Company to receive the Merger Consideration (as defined herein). The aggregate merger consideration to be paid pursuant to the Merger Agreement to the Company as of immediately prior to the Effective Time will be an amount equal to (the "Merger Consideration") (i) \$125 million, minus (ii) the estimated consolidated indebtedness of Kustom as of the closing ("Closing Indebtedness"). The Merger Consideration to be paid to the Company will be paid solely by the delivery of new shares of Clover Leaf Class A Common Stock, each valued at \$11.14 per share. The Closing Indebtedness (and the resulting Merger Consideration) is based solely on estimates determined shortly prior to the Closing and is not subject to any post-closing true-up or adjustment.

The unaudited pro forma combined financial information of the Company gives effect to the Business Combination and related adjustments in accordance with Article 8 of the SEC's Regulation S-X. In May 2020, the SEC adopted Release No.33-10786 "Amendments to Financial Disclosures about Acquired and Disposed Businesses," or the Final Rule. The Final Rule was effective on January 1, 2021 and the unaudited pro forma combined financial information herein is presented in accordance therewith.

The unaudited pro forma combined financial information presented below have been derived from our historical combined financial statements incorporated by reference in this prospectus. While the historical combined financial statements reflect the historical financial results of Digital Ally, Inc., these pro forma financial statements give effect to the separation of Kustom into an independent, publicly traded company, and consummation of the Business Combination.

The unaudited pro forma combined balance sheet gives effect to the Business Combination and related transactions described below as if they had occurred on March 31, 2024. The unaudited pro forma adjustments to the combined statement of operations for the three months ended March 31, 2024 and year ended December 31, 2023 assume that the Business Combination and related transactions occurred as of January 1, 2023.

The unaudited pro forma combined statement of operations for the three months ended March 31, 2024 and year ended December 31, 2023 and the unaudited pro forma combined balance sheet as of March 31, 2024 have been prepared to reflect adjustments to the Company's historical combined financial information for the following transaction accounting and autonomous entity adjustments:

- the receipt of approximately 11,220,826 common shares of Kustom as part of the Business Combination, of which 30% is to be immediately distributed to the Company's shareholders, with the Company holding the remaining 70% for six months. The unaudited pro forma adjustments do not reflect the effects of the distribution;
- the adjustment transaction accounting associated with the Business Combination;
- the one-time expenses associated with the Business Combination; and
- the impact of the aforementioned adjustments on the Company's operations.

The pro forma adjustments are based on available information and assumptions that management believes are reasonable given the information that is currently available. The unaudited pro forma combined financial statements are for informational purposes only and do not purport to represent what the Company's financial position and results of operations actually would have been had the Business Combination occurred on the dates indicated, or to project the Company's financial performance for any future period. The historical audited combined annual and unaudited combined interim financial statements of Digital Ally, Inc. have been derived from the consolidated company's historical accounting records and reflect certain allocations of expenses. All of the allocations and estimates in such financial statements are based on assumptions that the Company's management believes are reasonable. The historical combined financial statements do not necessarily represent the financial position or results of operations of the Company had it been operated as a standalone company during the periods or at the dates presented. As a result, autonomous entity adjustments have been reflected in the unaudited pro forma combined financial information.

The unaudited pro forma combined financial information should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our historical audited combined annual and unaudited combined interim financial statements and corresponding notes thereto incorporated by reference in this prospectus.

F- 2

## DIGITAL ALLY, INC.

## UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET

	Digital Ally, Inc. As reported 31-Mar-24	Scenario 1: No Additional Redemption Scenario Pro Forma Adjustments	Note	Digital Ally, Inc. Post Transaction Pro Forma	Scenario 2: Maximum Redemption Scenario Pro Forma Adjustments	Note	Digital Ally, Inc. Post Transaction Pro Forma
<b>Assets</b>							
Current assets:							
Cash and cash equivalents	\$ 927,861	(152,072)	(a)	\$ 775,789	(152,072)	(a)	\$ 775,789
Accounts receivable – trade, net	1,207,752	(376,757)	(a)	830,995	(376,757)	(a)	830,995
Other receivables	3,213,740	(154,913)	(a)	3,058,827	(154,913)	(a)	3,058,827
Related party receivable	—	1,465,093	(b)	1,465,093	1,465,093	(b)	1,465,093

Inventories, net	3,148,689	(318,597)	(a)	2,830,092	(318,597)	(a)	2,830,092
Prepaid expenses	6,575,013	(1,458,486)	(a)	5,116,527	(1,458,486)	(a)	5,116,527
Total current assets	15,073,055	(995,732)		14,077,323	(995,732)		14,077,323
Property, plant, and equipment, net	6,207,795	(215,027)	(a)	5,992,768	(215,027)	(a)	5,992,768
Goodwill and other intangible assets, net	16,625,032	(6,359,217)	(a)	10,265,815	(6,359,217)	(a)	10,265,815
Operating lease right of use assets, net	925,128	—		925,128	—		925,128
Other assets	6,333,185	(12,020)	(a)	6,321,165	(12,020)	(a)	6,321,165
Total assets	\$ 45,164,195	\$ (7,581,996)		\$ 37,582,199	\$ (7,581,996)		\$ 37,582,199
<b>Liabilities and Stockholders' Equity</b>							
Current liabilities:							
Accounts payable	\$ 11,212,697	\$ (6,453,959)	(a)	\$ 4,758,738	\$ (6,453,959)	(a)	\$ 4,758,738
Accrued expenses	3,137,144	(110,165)	(a)	3,026,979	(110,165)	(a)	3,026,979
Current portion of operating lease obligations	225,960	—		225,960	—		225,960
Contract liabilities – current portion	3,299,714	(288,000)	(a)	3,011,714	(288,000)	(a)	3,011,714
Notes payable - related party - current portion	2,700,000	(2,700,000)	(a)	—	(2,700,000)	(a)	—
Debt obligations – current portion	2,403,029	(1,048,393)	(a)	1,354,636	(1,048,393)	(a)	1,354,636
Warrant derivative liabilities	1,718,629	—		1,718,629	—		1,718,629
Income taxes payable	—	—		—	—		—
Total current liabilities	24,697,173	(10,600,517)		14,096,656	(10,600,517)		14,096,656
Long-term liabilities:							
Debt obligations – long term	4,875,831	—		4,875,831	—		4,875,831
Operating lease obligation – long term	749,718	—		749,718	—		749,718
Contract liabilities – long term	7,285,206	—		7,285,206	—		7,285,206
Lease deposit	10,445	—		10,445	—		10,445
Total liabilities	37,618,373	(10,600,517)		27,017,856	(10,600,517)		27,017,856
Commitments and contingencies							
Stockholders' Equity:							
Common stock, \$0.001 par value per share; 200,000,000 shares authorized; shares issued: 2,879,826 shares issued and outstanding – March 31, 2024	2,880	—		2,880	—		2,880
Additional paid in capital	128,481,699	(21,434,138)	(a)(b)	107,047,561	(21,114,705)	(a)(b)	107,366,994
Clover Leaf Class A common stock	—	8,067,601	(c)	8,067,601	7,748,168	(d)	7,748,168
Noncontrolling interest in consolidated subsidiary	661,044	—		661,044	—		661,044
Accumulated deficit	(121,599,801)	16,385,058	(a)	(105,214,743)	16,385,058	(a)	(105,214,743)
Total stockholders' equity	7,545,822	3,018,521		10,564,343	3,018,521		10,564,743
Total liabilities and stockholders' equity	\$ 45,164,195	\$ (7,581,996)		\$ 37,582,199	\$ (7,581,996)		\$ 37,582,199

F- 3

DIGITAL ALLY, INC.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS

	Digital Ally, Inc. As reported Three months ended March 31, 2024	Pro Forma Adjustments	Notes	Digital Ally, Inc. Post Transaction Pro Forma
<b>Revenue:</b>				
Product	\$ 1,565,846	\$ (828,838)	(a)	\$ 737,008
Service and other	3,963,505	(1,531,801)	(a)	2,431,704
Total revenue	5,529,351	(2,360,639)		3,168,712
<b>Cost of revenue:</b>				
Product	1,567,393	(769,899)	(a)	797,494
Service and other	2,438,259	(1,112,287)	(a)	1,325,972
Total cost of revenue	4,005,652	(1,882,186)		2,123,466
Gross profit	1,523,699	(478,453)		1,045,246
<b>Selling, general and administrative expenses:</b>				
Research and development expense	487,466	—		487,466

Selling, advertising and promotional expense	761,118	(353,542)	(a)	407,576
General and administrative expense	3,914,149	(1,132,030)	(a)	2,782,119
Total selling, general and administrative expenses	5,162,733	(1,485,572)		3,677,161
Operating loss	(3,639,034)	1,007,119		(2,631,915)
Other income (expense):				
Interest income	19,356	—		19,356
Interest expense	(648,567)	220,951	(a)	(427,616)
Other income (loss)	27,602	(5,583)	(a)	22,019
Change in fair value of warrant derivative liabilities	(348,891)	—		(348,891)
Gain on extinguishment of liabilities	682,345	(682,345)	(a)	—
Gain on sale of intangibles	5,582	—		5,582
Loss on sale of property, plant and equipment	(41,661)	—		(41,661)
Total other income	(304,234)	(466,977)		(771,211)
Income (loss) before income tax benefit	(3,943,268)	540,142		(3,403,126)
Income tax benefit	—	—		—
Net income (loss)	(3,943,268)	540,142		(3,403,126)
Net loss (income) attributable to noncontrolling interests of consolidated subsidiary	12,248	—		12,248
Net income (loss) attributable to common stockholders	\$ (3,931,020)	\$ 540,142		\$ (3,390,878)
Net loss per share information:				
Basic	\$ (1.37)	\$ 0.19		\$ (1.19)
Diluted	\$ (1.37)	\$ 0.19		\$ (1.19)
Weighted average shares outstanding:				
Basic	2,861,229	2,861,229		2,861,229
Diluted	2,861,229	2,861,229		2,861,229

F- 4

# DIGITAL ALLY, INC.

## UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2023

	Digital Ally, Inc. As reported Year ended December 31, 2023	Pro Forma Adjustments	Notes	Digital Ally, Inc. Post Transaction Pro Forma
Revenue:				
Product	\$ 9,347,945	\$ (5,044,576)	(a)	\$ 4,303,369
Service and other	18,900,399	(9,018,804)	(a)	9,881,595
Total revenue	28,248,344	(14,063,380)		14,184,964
Cost of revenue:				
Product	9,974,890	(5,149,923)	(a)	4,824,967
Service and other	12,510,970	(7,213,753)	(a)	5,297,217
Total cost of revenue	22,485,860	(12,363,676)		10,122,184
Gross profit	5,762,484	(1,699,704)		4,062,780
Selling, general and administrative expenses:				
Research and development expense	2,618,746	—		2,618,746
Selling, advertising and promotional expense	7,137,529	(5,101,591)	(a)	2,035,938
General and administrative expense	18,246,762	(5,527,346)	(a)	12,719,416
Total selling, general and administrative expenses	28,003,037	(10,628,937)		17,374,100
Operating loss	(22,240,553)	8,929,233		(13,311,320)
Other income (expense):				
Interest income	95,717	—		95,717
Interest expense	(3,134,253)	240,867	(a)	(2,893,386)
Other income (loss)	144,735	—		144,735
Loss on accrual for legal settlement	(1,792,308)	—		(1,792,308)
Loss on conversion of convertible debt	(1,112,705)	—		(1,112,705)
Change in fair value of warrant derivative liabilities	1,846,642	—		1,846,642
Change in fair value of contingent consideration promissory notes and earn-out agreements	177,909	—		177,909
Gain on extinguishment of liabilities	550,867	(550,867)	(a)	—

Total other income	(3,223,396)	(310,000)	(3,533,396)
Income (loss) before income tax benefit	(25,463,949)	8,619,233	(16,844,716)
Income tax benefit	—	—	—
Net income (loss)	(25,463,949)	8,619,233	(16,844,716)
Net loss (income) attributable to noncontrolling interests of consolidated subsidiary	(224,598)	—	(224,598)
Net income (loss) attributable to common stockholders	<u>\$ (25,688,547)</u>	<u>\$ 8,619,233</u>	<u>\$ (17,069,314)</u>
Net loss per share information:			
Basic	\$ (9.22)	\$ 3.09	\$ (6.13)
Diluted	\$ (9.22)	\$ 3.09	\$ (6.13)
Weighted average shares outstanding:			
Basic	2,784,894	2,784,894	2,784,894
Diluted	2,784,894	2,784,894	2,784,894

F- 5

## Notes to Unaudited Pro Forma Combined Financial Data

### 1. Basis of Presentation

The unaudited pro forma condensed combined financial statements are based on the Company's historical financial statements and proposed Business Combination of Kustom Entertainment, Inc., as adjusted to give effect to the Business Combination. The unaudited pro forma combined statements of operations for the three months ended March 31, 2024 and year ended December 31, 2023, respectively, give effect to the Business Combination as if it had occurred on January 1, 2023. The unaudited pro forma combined balance sheet as of March 31, 2024, gives effect to the Business Combination as if it had occurred on January 1, 2023. Kustom ("Separated Subsidiary") has historically operated as part of the Company and not as a standalone company. Financial statements representing the historical operations have been derived from the Company's historical accounting records and are presented on a carve-out basis. All revenues and costs as well as assets and liabilities directly associated with the business activity of the Separated Subsidiary are included in the financial statements. The financial statements also include allocations of certain general, administrative, sales and marketing expenses and cost of sales from the Company. However, amounts recognized by the Separated Subsidiary are not necessarily representative of the amounts that would have been reflected in the financial statements had the Separated Subsidiary operated independently of the Company. The Company allocations are discussed further in Note 2. As part of the Company, the Separated Subsidiary has historically been dependent upon the Company for a majority of its working capital and financing requirements as the Company uses a centralized approach to cash management and financing of its operations. Financial transactions relating to the Separated Subsidiary are accounted for through the Company due to/from account.

### 2. Pro Forma Adjustments

Pro forma adjustments are based on our preliminary estimates and assumptions that are subject to change. The following correspond to the footnotes in the above financial statements.

#### Balance Sheet – March 31, 2024

- (a) Reflects the stand-alone financial balances of Kustom, separate from the Company. Kustom includes the subsidiaries, TicketSmarter, Inc., Kustom 440, Inc., BirdVu Jets, Inc., and Digital Connect, Inc.
- (b) Reflects the allocation of the \$1.5 million related party transaction between the Company, at the closing date.
- (c) In scenario 1, reflects the no additional redemptions scenario. Holders of Clover Leaf common stock have the right to have their shares redeemed in accordance with the procedures set forth in Clover Leaf's proxy statement/prospectus and Clover Leaf's current charter. Accordingly, the unaudited pro forma financial statements are prepared to reflect the results of the minimum number of redemptions and the maximum number of redemptions.
- (d) In scenario 2, reflects the maximum redemptions scenario. Holders of Clover Leaf common stock have the right to have their shares redeemed in accordance with the procedures set forth in Clover Leaf's proxy statement/prospectus and Clover Leaf's current charter. Accordingly, the unaudited pro forma financial statements are prepared to reflect the results of the minimum number of redemptions and the maximum number of redemptions.

#### Statement of Operations - Three months ended March 31, 2024

- (a) Reflects the stand-alone statement of operations of Kustom, separate from the Company. Kustom Entertainment includes the subsidiaries, TicketSmarter, Inc., Kustom 440, Inc., BirdVu Jets, Inc., and Digital Connect, Inc.

#### Statement of Operations - Year ended December 31, 2023

- (a) Reflects the stand-alone statement of operations of Kustom, separate from the Company. Kustom Entertainment includes the subsidiaries, TicketSmarter, Inc., Kustom 440, Inc., BirdVu Jets, Inc., and Digital Connect, Inc.

F- 6



Digital Ally, Inc.

Up to 11,952,191 Shares of Common Stock

## PROSPECTUS

The date of this prospectus is , 2024.

### PART II - INFORMATION NOT REQUIRED IN PROSPECTUS

#### Item 13. Other Expenses of Issuance and Distribution.

The following table sets forth an estimate of the fees and expenses relating to the issuance and distribution of the securities being registered hereby, other than underwriting discounts and commissions, all of which shall be borne by the registrant. All of such fees and expenses, except for the SEC registration fee, are estimated:

SEC registration fee	\$	3,870.53
Transfer agent and registrar fees and expenses	\$	10,000.00
Legal fees and expenses	\$	70,000.00
Printing fees and expenses	\$	30,000.00
Accounting fees and expenses	\$	20,000.00
Miscellaneous fees and expenses	\$	15,000.00
Total	\$	148,870.53

#### Item 14. Indemnification of Officers and Directors.

Under Nevada law, a corporation may include in its articles of incorporation a provision that eliminates or limits the personal liability of a director to the corporation or its stockholders for monetary damages for breach of fiduciary duties as a director, but no such provision may eliminate or limit the liability of a director (a) for any breach of his or her fiduciary duty as a director, (b) for acts or omissions not in good faith or that involve intentional misconduct, fraud or a knowing violation of law, (c) for conduct violating the NRS, or (d) for any transaction from which the director will personally receive a benefit in money, property or services to which the director is not legally entitled.

Section 78.7502 of the NRS provides, in general, that a corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, except an action by or in the right of the corporation, by reason of the fact that the person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses, including attorneys' fees, judgments, fines and amounts paid in settlement actually and reasonably incurred by the person in connection with the action, suit or proceeding if the person acted in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe the conduct was unlawful.

NRS Section 78.4502 also provides, in general, that a corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that the person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses, including amounts paid in settlement and attorneys' fees actually and reasonably incurred by the person in connection with the defense or settlement of the action or suit if the person acted in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of the corporation; provided, however, that indemnification may not be made for any claim, issue or matter as to which such a person has been adjudged by a court of competent jurisdiction, after exhaustion of all appeals therefrom, to be liable to the corporation or for amounts paid in settlement to the corporation, unless and only to the extent that the court in which the action or suit was brought or other court of competent jurisdiction determines upon application that in view of all the circumstances of the case, the person is fairly and reasonably entitled to indemnity for such expenses as the court deems proper.

Any indemnification pursuant to the above provisions may be made by the corporation only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances. The determination must be made: (a) by the stockholders; (b) by the Board by majority vote of a quorum consisting of directors who were not parties to the action, suit or proceeding; (c) if a majority vote of a quorum consisting of directors who were not parties to the action, suit or proceeding so orders, by independent legal counsel in a written opinion; or (d) if a quorum consisting of directors who were not parties to the action, suit or proceeding cannot be obtained, by independent legal counsel in a written opinion.

#### II- 1

Our Articles of Incorporation, as amended, and bylaws provide, among other things, that a director or officer of the corporation may be indemnified against expenses, liability, and loss (including attorneys' fees inclusive of any appeal), judgments, fines and amounts paid in settlement reasonably incurred by such person in connection with any claim, action, suit or proceeding, whether civil, criminal, or investigative, to the fullest extent permitted under the NRS, unless it is ultimately determined by a court of competent jurisdiction that he is not entitled to be indemnified by the corporation. Directors and officers of the corporation cannot be personally liable for damages for breach of fiduciary duty, except (a) for acts of omissions involving intentional misconduct, fraud, or knowing violation of law, or (b) the payment of dividends in violation of Section 78.300 of the NRS.

Insofar as indemnification for liabilities arising under the Securities Act may be provided for directors, officers, employees, agents or persons controlling an issuer pursuant to the foregoing provisions, the opinion of the SEC is that such indemnification is against public policy as expressed in the Securities Act, and is therefore unenforceable. In the event that a claim for indemnification by such director, officer or controlling person of us in the successful defense of any action, suit or proceeding is asserted by such director, officer or controlling person in connection with the securities being offered, we will, unless in the opinion of our counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by us is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

At the present time, there is no pending litigation or proceeding involving a director, officer, employee or other agent of ours in which indemnification would be required or permitted. We are not aware of any threatened litigation or proceeding, which may result in a claim for such indemnification.

#### Item 15. Recent Sales of Unregistered Securities.

The following is a summary of all of our securities sold by us within the past three years which were not registered under the Securities Act.

On September 2, 2021, the Company, and TicketSmarter, LLC ("TicketSmarter") on behalf of itself and its wholly owned subsidiary Goody Tickets, LLC, and members of TicketSmarter ("Sellers"), entered into a Unit Purchase Agreement (the "UPA"), pursuant to which, the Company purchased all of the issued and outstanding membership interests of TicketSmarter, for aggregate consideration of approximately \$13.3 million, (subject to adjustment) including cash of approximately \$8.9 million and 35,987 shares of Company Common Stock with a value of approximately \$990,360, which consideration



was paid at closing. Such consideration includes up to approximately \$4.2 million structured as contingent payment (the "Contingent Payment") in additional cash and shares of Common Stock if TicketSmarter achieves certain EBITDA milestones prior to March 31, 2022, as set forth in the UPA.

The UPA contains customary representations and warranties and covenants. The closing of the UPA and the acquisition also occurred on September 2, 2021. Mr. Jeffrey Goodman and Mr. Michael Goodman, will be employed by Digital TicketSmarter as Chief Executive Officer and Chief Operations Officer, respectively, and they each executed certain restricted stock grant agreements with the Company (collectively, the "Restricted Stock Grant Agreements"), whereby the Company issued 5,000 restricted shares of Common Stock and 2,500 shares of Common Stock to Mr. Jeffrey Goodman and Mr. Michael Goodman, respectively, subject to the terms and provisions of the Company's 2020 Stock Option and Restricted Stock Plan. The restricted shares of Common Stock were valued based on the closing price of the Common Stock on the Nasdaq Stock Market on the day of grant. The restricted shares of Common Stock will vest in equal installments over a five-year period beginning on the first anniversary date each recipient began employment.

The issuance of the 35,987 restricted common shares and the total issuance of the 7,500 shares of restricted common stock to Jefferey Goodman and Michael Goodman were issued pursuant to an exemption from registration under Section 4(a)(2) of the Securities Act of 1933, as amended (the "Securities Act") because Jefferey Goodman and Michael Goodman had a pre-existing relationship with the Company, there was no general solicitation made, and the investors represented their sophistication. Furthermore, the creditor made representations that the securities issued to extinguish the obligations were taken for investment purposes and not with a view to resale.

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## II-2

On August 23, 2022, the Company entered into an Exchange Agreement (collectively, the "New Warrant Exchange Agreements") with each of the January 2021 Investors, pursuant to which the Company agreed to issue to the Investors an aggregate of 303,750 shares of Common Stock in exchange for the cancellation by the January 2021 Investors of the January 2021 Warrants, the August 2021 Exchange Warrants and the August 2021 Replacement Warrants. Each of the New Warrant Exchange Agreements provides that, for a period of 60 days, the Company will not issue shares of Common Stock or securities convertible into shares of Common Stock, or otherwise file any registration statement with respect to the issuance of such securities, subject in each case to certain exceptions described more fully in the New Warrant Exchange Agreements.

On October 13, 2022 the Company, entered into a Securities Purchase Agreement (the "October 2022 Purchase Agreement") with certain institutional investors (the "October 2022 Investors"), pursuant to which the Company agreed to issue and sell, in a private placement (the "October 2022 Offering"), 1,400,000 shares of the Company's Series A Convertible Redeemable Preferred Stock, par value \$0.001 per share (the "Series A Preferred Stock"), and 100,000 shares of the Company's Series B Convertible Redeemable Preferred Stock, par value \$0.001 per share (the "Series B Preferred Stock", and together with the Series A Preferred Stock, the "Preferred Stock"), at an offering price of \$9.50 per share, representing a 5% original issue discount to the stated value of \$10.00 per share, for gross aggregate proceeds of \$15 million in the October 2022 Offering, before the deduction of discounts, fees and offering expenses. The shares of Preferred Stock will, under certain circumstances, be convertible into shares of Common Stock, at the option of the holders of the Preferred Stock and, in certain circumstances, by the Company. The Purchase Agreement contains customary representations, warranties and agreements by the Company and the October 2022 Investors, and customary conditions to closing. The October 2022 Offering closed on October 19, 2022.

In connection with the October 2022 Offering, the Company agreed to pay A.G.P./Alliance Global Partners (the "Financial Advisor") an aggregate cash fee equal to \$750,000 and to reimburse the Financial Advisor for certain of its expenses in an amount not to exceed \$135,000.

On January 10, 2023, the Company awarded an aggregate of 35,000 shares of restricted common stock to its employees which will vest pursuant to their respective vesting schedules provided that they remain employees on each such date.

On April 5, 2023, the Company entered into and consummated the initial closing (the "First Closing") of the transactions contemplated by a Securities Purchase Agreement, dated as of April 5, 2023 (the "2023 Purchase Agreement"), between the Company and certain investors (the "2023 Purchasers"). At the First Closing, the Company issued and sold to the 2023 Purchasers Senior Secured Convertible Notes in the aggregate original principal amount of \$3,000,000 (the "2023 Notes") and warrants (the "2023 Warrants"). The 2023 Purchase Agreement provided for ten percent (10%) original interest discount resulting in gross proceeds to the Company of \$2,700,000. No interest accrues under the Notes. The Warrants are exercisable for an aggregate 1,125,000 shares comprised of 375,000 warrants at an exercise price of \$5.50 per share of the Company's common stock, 375,000 warrants at an exercise price of \$6.50 per share of common stock, and 375,000 warrants at an exercise price of \$7.50 per share of common stock. Subject to certain conditions, within 18 months from the effectiveness date and while the 2023 Notes remain outstanding, the 2023 Purchasers have the right to require the Company to consummate a second closing of up to an additional \$3,000,000 of 2023 Notes and 2023 Warrants on the same terms and conditions as the First Closing, except that the 2023 Notes may be subordinate to a mortgage on the Company's headquarters building (the "Bank Mortgage"). The 2023 Notes are convertible into shares of common stock at the election of the 2023 Purchasers at any time at a fixed conversion price of \$5.00 (the "Conversion Price") per share of common stock. The Conversion Price is subject to customary adjustments for stock dividends, stock splits, reclassifications and the like, and subject to price-based adjustment in the event of any issuances of common stock, or securities convertible, exercisable or exchangeable for, common stock at a price below the then-applicable Conversion Price (subject to certain exceptions). Subject to certain conditions, including certain equity conditions, the Company may redeem some or all of the then outstanding principal amount of the 2023 Note for cash in an amount equal to 110% of the outstanding principal amount of the 2023 Notes (the "Optional Redemption Amount"). In addition, the Purchasers may, at their option, demand repayment at the Optional Redemption Amount upon five (5) business days' written notice following (i) the closing by the Company of the Bank Mortgage, or (ii) a sale by the Company of common stock or common stock equivalents.

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## II-3

On June 1, 2023, the Company, and the sole stockholder of Kustom, entered into an Agreement and Plan of Merger (the "Merger Agreement") with Clover Leaf Capital Corp., a Delaware corporation (together with its successors, "Clover Leaf"), CL Merger Sub, Inc., a Nevada corporation and a wholly-owned subsidiary of Clover Leaf ("Merger Sub"), Yntegra Capital Investments LLC, a Delaware limited liability company, in the capacity as the representative from and after the Effective Time (as defined in the Merger Agreement) for the stockholders of Clover Leaf (other than the Company as of immediately prior to the Effective Time and its successors and assignees) in accordance with the terms and conditions of the Merger Agreement, and Kustom Entertainment, Inc., a Nevada corporation with a focus and mission to own and produce events, festivals, and entertainment alongside its evolving primary and secondary ticketing technologies ("Kustom"). Pursuant to the Merger Agreement, subject to the terms and conditions set forth therein upon the consummation of the transactions contemplated by the Merger Agreement (the "Closing"), Merger Sub will merge with and into Kustom (the "Merger" and, together with the other transactions contemplated by the Merger Agreement, the "Business Combination"), with Kustom continuing as the surviving corporation in the Merger and a wholly-owned subsidiary of Clover Leaf. In the Merger, all of the issued and outstanding capital stock of Kustom immediately prior to the Effective Time shall no longer be outstanding and shall automatically be cancelled and shall cease to exist in exchange for the right for the Company to receive the Merger Consideration (as defined herein). The aggregate merger consideration to be paid pursuant to the Merger Agreement to the Company as of immediately prior to the Effective Time will be an amount equal to (the "Merger Consideration") (i) \$125 million, minus (ii) the estimated consolidated indebtedness of the Company as of the Closing ("Closing Indebtedness"). The Merger Consideration to be paid to the Company Stockholder will be paid solely by the delivery of new shares of Clover Leaf Class A Common Stock, each valued at \$11.14 per share. The Closing Indebtedness (and the resulting Merger Consideration) is based solely on estimates determined shortly prior to the Closing and is not subject to any post-Closing true-up or adjustment.

On June 24, 2024, the Company entered into a private placement transaction (the "Private Placement"), pursuant to a Securities Purchase Agreement (the "Securities Purchase Agreement") with certain institutional investors (the "Purchasers") for aggregate gross proceeds of approximately \$2.9 million,

before deducting fees to the placement agent and other expenses payable by the Company in connection with the Private Placement. The Company intends to use the net proceeds from the Private Placement for inventory purchases, artist costs for upcoming festivals, transaction cost, expanded sales, marketing, partial prepayment of an outstanding note and general working capital. Aegis Capital Corp. ("Aegis"), acted as the exclusive placement agent for the Private Placement, which closed on June 25, 2024. As part of the Private Placement, the Company issued an aggregate of 1,195,219 units and pre-funded units (collectively, the "Units") at a purchase price of \$2.51 per unit (less \$0.00001 per pre-funded unit). Each Unit consists of (i) one share of common stock, par value \$0.001 per share, of the Company (the "Common Stock") (or one pre-funded warrant to purchase one share of Common Stock (the "Pre-Funded Warrants")), (ii) one Series A warrant to purchase one share of Common Stock (the "Series A Warrant") and (iii) one Series B warrant to purchase such number of shares of Common Stock as will be determined on the Reset Date (as defined below) and in accordance with the terms therein (the "Series B Warrant", and together with the Series A Warrant, the "Warrants"). The Pre-Funded Warrants are immediately exercisable at an exercise price of \$0.0001 per share of Common Stock and will not expire until exercised in full. The Series A Warrants will be exercisable at any time or times on or after the date Stockholder Approval (as defined in the Series A Warrant) is obtained, have an initial exercise price of \$2.51 per share of Common Stock and a term of 5 years after the later of (a) the date that the Company obtains the Stockholder Approval and (b) the earlier of (i) the Resale Effective Date (as defined in the Registration Rights Agreement (as defined below)) registering all of the Registrable Securities (as defined in the Registration Rights Agreement) or (ii) the date that the Registrable Securities can be sold, assigned or transferred without restriction or limitation pursuant to Rule 144 or Rule 144A promulgated under the Securities Act of 1933 (the "Securities Act"), as amended, (or a successor rule thereto). The Series B Warrants will be exercisable at any time or times on or after the date Stockholder Approval is obtained, have an initial exercise price of \$0.001 per share of Common Stock and will not expire until exercised in full. The number of shares of Common Stock issuable under the Series B Warrants will be determined following the earliest to occur of: (i) the date on which a resale registration statement covering the resale of all Registrable Securities has been declared effective for 20 consecutive trading days, (ii) the date on which the Purchasers may sell the Registrable Securities pursuant to Rule 144 under the Securities Act for a period of 20 consecutive trading days, and (iii) twelve months and 20 days following the issuance date of the Series B Warrants (the "Reset Date"), in each case, pursuant to the lowest daily weighted average trading price of the shares of Common Stock during a period of 20 trading days, subject to a pricing floor of \$0.502 per share of Common Stock (the "Floor Price"), such that, assuming the Floor Price, the maximum number of shares of Common Stock underlying the Series A Warrants and Series B Warrants would be an aggregate of approximately 5,976,095 shares and 4,780,877 shares, respectively. The Company has undertaken to file a resale registration statement covering all of the Registrable Securities on behalf the Purchasers pursuant to a Registration Rights Agreement (the "Registration Rights Agreement"), also entered into with the Purchasers in connection with the Private Placement. Pursuant to the Registration Rights Agreement, the Company shall file the resale registration statement within twenty (20) trading days after the closing of the Private Placement, and the resale registration statement shall be effective within thirty (30) calendar days following the filing date (or, in the event of a full review by the United States Securities and Exchange Commission, fifty (50) calendar days following the filing date).

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II- 4

Except as stated above, no underwriters were involved in the foregoing sales of securities. The issuances of the securities described above were deemed to be exempt from registration under the Securities Act in reliance on Section 4(a)(2) of the Securities Act or Regulation D promulgated under the Securities Act. The recipients of securities in such transactions represented their intention to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof and appropriate legends were affixed to the stock certificates and option agreements issued in such transactions. All recipients had adequate access, through their relationships with us, to information about us.

**Item 16. Exhibits.**

The list of exhibits in the Exhibit Index to this registration statement is incorporated herein by reference.

**Item 17. Undertakings.**

The undersigned registrant hereby undertakes:

- (1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:
  - (i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933, as amended;
  - (ii) To reflect in the prospectus any facts or events arising after the effective date of this registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in this registration statement. Notwithstanding the foregoing, any increase or decrease in the volume of securities offered (if the total dollar value of the securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Securities and Exchange Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement; and
  - (iii) To include any material information with respect to the plan of distribution not previously disclosed in this registration statement or any material change to such information in this registration statement;

provided, however, that the undertakings set forth in paragraphs (1)(i), (1)(ii) and (1)(iii) above do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in reports filed with or furnished to the Securities and Exchange Commission by the registrant pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934, as amended, that are incorporated by reference in this registration statement or is contained in a form of prospectus filed pursuant to Rule 424(b) that is part of this registration statement;

- (2) That, for the purpose of determining any liability under the Securities Act of 1933, as amended, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof;
- (3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering;

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II- 5

- (4) That, for the purpose of determining liability under the Securities Act of 1933, as amended, to any purchaser:
  - (i) Each prospectus filed by the registrant pursuant to Rule 424 (b)(3) shall be deemed to be part of this registration statement as of the date the filed prospectus was deemed part of and included in this registration statement; and



- (ii) Each prospectus required to be filed pursuant to Rule 424 (b)(2), (b)(5), or (b)(7) as part of a registration statement in reliance on Rule 430B relating to an offering made pursuant to Rule 415(a)(1)(i), (vii) or (x) for the purpose of providing the information required by Section 10(a) of the Securities Act of 1933, as amended, shall be deemed to be part of and included in the registration statement as of the earlier of the date such prospectus is first used after effectiveness or the date of the first contract of sale of securities in the offering described in the prospectus. As provided in Rule 430B, for liability purposes of the issuer and any person that is at that date an underwriter, such date shall be deemed to be a new effective date of the registration statement relating to the securities in the registration statement to which that prospectus relates, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof; provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such effective date, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such effective date;
- (5) That, for the purpose of determining liability of the registrant under the Securities Act of 1933, as amended, to any purchaser in the initial distribution of the securities, the undersigned registrant undertakes that in a primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:
- (i) Any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424;
- (ii) Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant;
- (iii) The portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and
- (iv) Any other communication that is an offer in the offering made by the undersigned registrant to the purchaser;
- (6) That, for purposes of determining any liability under the Securities Act of 1933, as amended, each filing of the registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934, as amended) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof;
- (7) Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended, may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933, as amended, and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act of 1933, as amended, and will be governed by the final adjudication of such issue.

## II- 6

### SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Lenexa, State of Kansas, on July 24, 2024.

**DIGITAL ALLY, INC.**

By: /s/ Stanton E. Ross

Stanton E. Ross  
Chairman and Chief Executive Officer

### POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Stanton E. Ross and Thomas J. Heckman, and each of them, his true and lawful attorney-in-fact and agent with full power of substitution and re-substitution, for him and in his name, place and stead, in any and all capacities to sign any or all amendments (including, without limitation, post-effective amendments) to this registration statement, any related registration statement filed pursuant to Rule 462(b) under the Securities Act of 1933 and any or all pre- or post-effective amendments thereto, and to file the same, with all exhibits thereto, and all other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully for all intents and purposes as he might or could do in person, hereby ratifying and confirming that said attorney-in-fact and agent, or any substitute or substitutes for him, may lawfully do or cause to be done by virtue hereof. Pursuant to the requirements of the Securities Act of 1933, the following persons in the capacities and on the dates indicated have signed this registration statement below.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Stanton E. Ross</u> Stanton E. Ross	Chief Executive Officer and Director ( <i>principal executive officer</i> )	July 24, 2024
<u>/s/ Thomas J. Heckman</u> Thomas J. Heckman	Chief Financial Officer, Secretary and Treasurer ( <i>principal financial officer and principal accounting officer</i> )	July 24, 2024
<u>/s/ D. Duke Daughtery</u> D. Duke Daughtery	Director	July 24, 2024
<u>/s/ Leroy C. Richie</u> Leroy C. Richie	Director	July 24, 2024

## EXHIBIT INDEX

Exhibit No.	Description
2.1	<a href="#"><u>Agreement and Plan of Merger, dated August 23, 2022, between Digital Ally, Inc. and DGLY Subsidiary (filed as an exhibit to the Company's Current Report on Form 8-K with the SEC on August 23, 2022).</u></a>
2.2	<a href="#"><u>Agreement and Plan of Merger, dated June 1, 2023, by and among Clover Leaf Capital Corp., CL Merger Sub, Inc., Yntegra Capital Investments LLC, in the capacity as the Purchaser Representative, Kustom Entertainment, Inc. and Digital Ally, Inc (filed as an exhibit to the Company's Current Report on Form 8-K with SEC on June 6, 2023).</u></a>
2.3	<a href="#"><u>Amendment No. 1 to the Merger Agreement (filed as an exhibit to the Company's Current Report on Form 8-K with SEC on June 28, 2024).</u></a>
3.1(i)(a)	<a href="#"><u>Articles of Incorporation (filed as an exhibit to the Company's Current Report on Form 8-K with SEC on August 23, 2022).</u></a>
3.1(i)(b)	<a href="#"><u>Articles of Merger (filed as an exhibit to the Company's Current Report on Form 8-K with SEC on August 23, 2022).</u></a>
3.1(i)(c)	<a href="#"><u>Certificate of Amendment to Digital Ally, Inc.'s Articles of Incorporation (filed as an exhibit to the Company's Current Report on Form 8-K with SEC on December 8, 2022).</u></a>
3.1(i)(d)	<a href="#"><u>Certificate of Amendment to Articles of Incorporation of Digital Ally, Inc. (filed as an exhibit to the Company's Current Report on Form 8-K with SEC on February 7, 2023).</u></a>
3.1(ii)	<a href="#"><u>Bylaws (filed as an exhibit to the Company's Current Report on Form 8-K with SEC on August 23, 2022).</u></a>
4.1	<a href="#"><u>Form of Common Stock Certificate (filed as an exhibit to the Company's Annual Report on Form 10-K with SEC on April 1, 2024).</u></a>
4.2	<a href="#"><u>Form of Common Stock Purchase Warrant of Digital Ally, Inc. (filed as an exhibit to the Company's Current Report on Form 8-K with SEC on August 5, 2019).</u></a>
4.3	<a href="#"><u>Form of Pre-Funded Common Stock Purchase Warrant of Digital Ally, Inc. (filed as an exhibit to the Company's Current Report on Form 8-K with SEC on January 28, 2021).</u></a>
4.4	<a href="#"><u>Form of Common Stock Purchase Warrant of Digital Ally, Inc. (filed as an exhibit to the Company's Current Report on Form 8-K with SEC on January 28, 2021).</u></a>
4.5	<a href="#"><u>Form of Senior Secured Convertible Note, issued by Digital Ally, Inc. (filed as an exhibit to the Company's Current Report on Form 8-K with SEC on April 7, 2023).</u></a>
4.6	<a href="#"><u>Form of Warrant of Digital Ally, Inc. (filed as an exhibit to the Company's Current Report on Form 8-K with SEC on April 7, 2023).</u></a>
4.7	<a href="#"><u>Revolving Note, dated October 26, 2023, issued by Digital Ally, Inc. to Kompass Kapital Funding, LLC (filed as an exhibit to the Company's Current Report on Form 8-K with SEC October 27, 2023).</u></a>
4.8	<a href="#"><u>Description of the Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934 (filed as an exhibit to the Company's Annual Report on Form 10K with SEC on March 31, 2023).</u></a>
4.9	<a href="#"><u>Form of Series A Warrant (filed as an exhibit to the Company's Current Report on Form 8-K with SEC on June 28, 2024).</u></a>
4.10	<a href="#"><u>Form of Series B Warrant (filed as an exhibit to the Company's Current Report on Form 8-K with SEC on June 28, 2024).</u></a>
4.11	<a href="#"><u>Form of Pre-Funded Warrant (filed as an exhibit to the Company's Current Report on Form 8-K with SEC on June 28, 2024).</u></a>
5.1*	<a href="#"><u>Opinion of Sullivan &amp; Worcester LLP</u></a>
10.1	<a href="#"><u>2005 Stock Option and Restricted Stock Plan (filed as an exhibit to the Company's October 2006 Form SB-2).</u></a>
10.2	<a href="#"><u>2006 Stock Option and Restricted Stock Plan (filed as an exhibit to the Company's October 2006 Form SB-2).</u></a>
10.3	<a href="#"><u>Form of Stock Option Agreement (ISO and Non-Qualified) 2005 Stock Option Plan (filed as an exhibit to the Company's October 2006 Form SB-2).</u></a>
10.4	<a href="#"><u>Form of Stock Option Agreement (ISO and Non-Qualified) 2006 Stock Option Plan (filed as an exhibit to the Company's October 2006 Form SB-2).</u></a>
10.5	<a href="#"><u>Forms of Restricted Stock Agreement for 2005, 2006, 2007 and 2008 Stock Option and Restricted Stock Plans (filed as an exhibit to the Company's Annual Report on Form 10K with SEC on March 23, 2010).</u></a>

10.6	<a href="#"><u>2011 Stock Option and Restricted Stock Plan (filed as an exhibit to the Company's Current Report on Form 8-K with SEC on June 1, 2011).</u></a>
10.7	<a href="#"><u>Form of Stock Option Agreement for 2011 Stock Option and Restricted Stock Plan (filed as an exhibit to the Company's Current Report on Form 8-K with SEC on June 1, 2011).</u></a>
10.8	<a href="#"><u>Amended and Restated 2015 Stock Option and Restricted Stock Plan (filed as an exhibit to the Company's Current Report on Form S-8 with SEC on May 23, 2016).</u></a>
10.9	<a href="#"><u>Form of 2015 Stock Option and Restricted Stock Plan Restricted Stock Grant Agreement (filed as an exhibit to the Company's Annual Report on Form 10K with SEC on March 31, 2023).</u></a>
10.10	<a href="#"><u>Digital Ally, Inc. 2018 Stock Option and Restricted Stock Plan (filed as an exhibit to the Company's Registration Statement on Form S-8 with SEC on August 20, 2018).</u></a>
10.11	<a href="#"><u>Form of 2018 Stock Option and Restricted Stock Plan Restricted Stock Grant Agreement (filed as an exhibit to the Company's Annual Report on Form 10K with SEC on March 31, 2023).</u></a>
10.12	<a href="#"><u>Digital Ally, Inc. 2020 Stock Option and Restricted Stock Plan (filed as an exhibit to the Company's Registration Statement on Form S-8 with SEC on November 16, 2020).</u></a>
10.13	<a href="#"><u>Amendment to Digital Ally, Inc. 2020 Stock Option and Restricted Stock Plan (filed as Appendix A to the Company's Definitive Proxy Statement on Schedule 14A with SEC on April 27, 2021).</u></a>
10.14	<a href="#"><u>Form of 2020 Stock Option and Restricted Stock Plan Restricted Stock Grant Agreement (filed as an exhibit to the Company's Annual Report on Form 10K with SEC on March 31, 2023).</u></a>
10.15	<a href="#"><u>Digital Ally, Inc. 2022 Stock Option and Restricted Stock Plan (filed as Appendix A to the Company's Definitive Proxy Statement on Schedule 14A with SEC on October 28, 2022).</u></a>
10.16	<a href="#"><u>Form of 2022 Stock Option and Restricted Stock Plan Restricted Stock Grant Agreement under the 2022 Stock Option and Restricted Stock Plan (filed as an exhibit to the Company's Registration Statement on Form S-8 with SEC on February 28, 2023).</u></a>
10.17	<a href="#"><u>Proceeds Investment Agreement, dated as July 31, 2018, by and between Digital Ally, Inc. and Brickell Key Investments LP (filed as an exhibit to the Company's Current Report on Form 8-K with SEC on August 2, 2018).</u></a>
10.18	<a href="#"><u>Letter Agreement, dated as July 31, 2018, by and between Digital Ally, Inc. and Brickell Key Investments LP (filed as an exhibit to the Company's Current Report on Form 8-K with SEC on August 2, 2018).</u></a>
10.19	<a href="#"><u>Form of Securities Purchase Agreement, dated as of January 11, 2021, by and between Digital Ally, Inc. and the Investors (filed as an exhibit to the Company's Current Report on Form 8-K with SEC on January 12, 2021).</u></a>
10.20	<a href="#"><u>Form of Placement Agency Agreement, dated January 27, 2021, by and between Digital Ally, Inc. and Kingswood Capital Markets, division of Benchmark Investments, Inc (filed as an exhibit to the Company's Current Report on Form 8-K with SEC January 28, 2021).</u></a>
10.21	<a href="#"><u>Form of Securities Purchase Agreement, dated as of January 27, 2021, by and between Digital Ally, Inc. and the Investors (filed as an exhibit to the Company's Current Report on Form 8-K with SEC January 28, 2021).</u></a>
10.22	<a href="#"><u>Commercial Real Estate Sales Contract, dated February 24, 2021, between Digital Ally, Inc. and DDG Holding, LLC (filed as an exhibit to the Company's Current Report on Form 8-K with SEC on May 3, 2021).</u></a>
10.23	<a href="#"><u>Form of Operating Agreement of Nobility Healthcare, LLC, dated June 1, 2021 (filed as an exhibit to the Company's Current Report on Form 8-K with SEC on June 9, 2021).</u></a>

- 10.24 [Warrant Exchange Agreement, dated August 19, 2021, by and among Digital Ally, Inc. and the warrant holders who are signatories thereto \(filed as an exhibit to the Company's Current Report on Form 8-K with SEC on August 19, 2021\).](#)
- 10.25 [Unit Purchase Agreement, dated September 2, 2021 \(filed as an exhibit to the Company's Current Report on Form 8-K with SEC on September 9, 2021\).](#)
- 10.26 [Form of Exchange Agreement, dated August 23, 2022 \(filed as an exhibit to the Company's Current Report on Form 8-K with SEC on August 23, 2022\).](#)
- 10.27 [Form of Securities Purchase Agreement, dated October 13, 2022, between Digital Ally, Inc. and the investors thereto \(filed as an exhibit to the Company's Current Report on Form 8-K with SEC on October 19, 2022\).](#)
- 10.28 [Form of Registration Rights Agreement, dated October 13, 2022, by and among Digital Ally, Inc. and the investors named therein \(filed as an exhibit to the Company's Current Report on Form 8-K with SEC on October 19, 2022\).](#)

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II- 9

- 10.29 [Form of Securities Purchase Agreement, dated April 5, 2023, between Digital Ally, Inc. and certain Purchasers who are signatories thereto \(filed as an exhibit to the Company's Current Report on Form 8-K with SEC on April 7, 2023\).](#)
- 10.30 [Form of Security Agreement, dated April 5, 2023, between Digital Ally, Inc. and certain holders of Digital Ally, Inc.'s Senior Secured Convertible Notes who are signatories thereto \(filed as an exhibit to the Company's Current Report on Form 8-K with SEC on April 7, 2023\).](#)
- 10.31 [Form of Trademark Security Agreement, dated April 5, 2023, between Digital Ally, Inc. and a lender \(filed as an exhibit to the Company's Current Report on Form 8-K with SEC on April 7, 2023\).](#)
- 10.32 [Form of Patent Security Agreement, dated April 5, 2023, between Digital Ally, Inc. and between Digital Ally, Inc. and a lender \(filed as an exhibit to the Company's Current Report on Form 8-K with SEC on April 7, 2023\).](#)
- 10.33 [Form of Subsidiary Guaranty, dated April 5, 2023, by and among Digital Ally, Inc. and its direct and indirect subsidiaries and a lender \(filed as an exhibit to the Company's Current Report on Form 8-K with SEC on April 7, 2023\).](#)
- 10.34 [Form of Registration Rights Agreement, dated April 5, 2023, between Digital Ally, Inc. and certain Purchasers, who are signatories thereto \(filed as an exhibit to the Company's Current Report on Form 8-K with SEC on April 7, 2023\).](#)
- 10.35 [Loan and Security Agreement, dated October 26, 2023, by and between Digital Ally, Inc., Digital Ally Healthcare, LLC, and Kompass Kapital Funding, LLC \(filed as an exhibit to the Company's Current Report on Form 8-K with SEC on October 27, 2023\).](#)
- 10.36 [Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing, dated October 26, 2023, by and between Digital Ally, Inc. and Kompass Kapital Funding, LLC \(filed as an exhibit to the Company's Current Report on Form 8-K with SEC on October 27, 2023\).](#)
- 10.37 [Lock-Up Agreement, dated June 1, 2023, by and between Clover Leaf Capital Corp., Yntegra Capital Investments, LLC, and Digital Ally, Inc \(filed as an exhibit to the Company's Current Report on Form 8-K with SEC on June 6, 2023\).](#)
- 10.38 [Form of Securities Purchase Agreement \(filed as an exhibit to the Company's Current Report on Form 8-K with SEC on June 28, 2024\).](#)
- 10.39 [Form of Registration Rights Agreement \(filed as an exhibit to the Company's Current Report on Form 8-K with SEC on June 28, 2024\).](#)
- 10.40 [Placement Agent Agreement \(filed as an exhibit to the Company's Current Report on Form 8-K with SEC on June 28, 2024\).](#)
- 10.41 [Amendment No. 2 to the Lock-Up Agreement \(filed as an exhibit to the Company's Current Report on Form 8-K with SEC on June 28, 2024\).](#)
- 21.1 [Subsidiaries of Registrant \(filed as an exhibit to the Company's Annual Report on Form 10K with SEC on April 1, 2024\).](#)
- 23.1\* [Consent of RBSM LLP, independent registered public accounting firm.](#)
- 23.2\* [Consent of Sullivan & Worcester LLP \(included in Exhibit 5.1\)](#)
- 24.1\* [Power of Attorney \(included on the signature page\)](#)
- 107\* [Filing Fee Table](#)

\* Filed herewith.

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II- 10



Sullivan & Worcester LLP  
1251 Avenue of the Americas  
New York, NY 10020

212 660 3000  
sullivanlaw.com

July 24, 2024

Digital Ally, Inc.  
14001 Marshall Drive  
Lenexa, KS 66215

Ladies and Gentlemen:

We have acted as securities counsel for Digital Ally, Inc., a Nevada corporation (the "Company"), in connection with the preparation of a Registration Statement on Form S-1 (as amended from time to time, the "Registration Statement") filed July 24, 2024 by the Company with the U.S. Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended (the "Securities Act"), relating to the proposed public offering of up to an aggregate of 11,952,191 shares (the "Shares"), of common stock, par value \$0.001 per share ("Common Stock"), of the Company, which consists of (i) 622,211 shares of Common Stock issued pursuant to that certain Securities Purchase Agreement, dated June 24, 2024, by and between the Company and the selling stockholders (the "Investors") (such agreement, the "Purchase Agreement"), (ii) 573,008 shares of Common Stock (the "Pre-Funded Warrant Shares") issuable upon the exercise of the pre-funded warrants issued pursuant to the Purchase Agreement (the "Pre-Funded Warrants"), (iii) up to 5,976,095 shares of Common Stock (the "Series A Warrant Shares") issuable upon the exercise of the Series A Warrants issued pursuant to the Purchase Agreement (the "Series A Warrants"), and (iv) up to 4,780,877 shares of Common Stock (the "Series B Warrant Shares", and together with the Series A Warrants Shares, the "Warrant Shares") issuable upon the exercise of the Series B Warrants issued pursuant to the Purchase Agreement (the "Series B Warrants", and together with the Series A Warrants, the "Warrants"). The Shares, the Pre-Funded Warrants, and the Warrants are collectively referred to herein as the "Securities". The holders of the Securities are collectively referred to herein as the "Selling Stockholders."

In connection with this opinion, we have examined and relied upon the originals or copies certified or otherwise identified to our satisfaction of the following: (i) the Registration Statement, including the exhibits filed therewith, (ii) the Purchase Agreements and all exhibits and schedules attached thereto, (iii) the Warrants, (iv) the minutes of meetings and resolutions of the board of directors of the Company or pricing committee thereof as provided to us by the Company, (v) the certificate of incorporation and bylaws of the Company, each as restated and/or amended to date, and (vi) such other documents as we have deemed necessary for purposes of rendering the opinion hereinafter set forth.

In addition to the foregoing, we have relied as to matters of fact upon the representations made by the Company and its representatives and upon representations made by the Selling Stockholders. We also have assumed the genuineness of all signatures on original documents, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as copies, the authenticity of the originals of such latter documents and the due authorization, execution and delivery of all documents where authorization, execution and delivery are prerequisites to the effectiveness of such documents. Other than our examination of the documents indicated above, we have made no other examination in connection with this opinion.

We are members of the Bar of the State of New York. We do not hold ourselves out as being conversant with, or expressing any opinion with respect to, the laws of any jurisdiction other than the laws of the State of New York and Chapter 78 of the Nevada Revised Statutes (the "NRS"). Accordingly, the opinions expressed herein are expressly limited to the laws of the State of New York and Chapter 78 of the NRS. Our opinion is based on these laws as in effect on the date hereof. We express no opinion as to whether the laws of any other jurisdiction are applicable to the subject matter hereof. We are not rendering any opinion as to compliance with any federal or state law, rule or regulation relating to securities, or to the sale or issuance thereof..

BOSTON LONDON NEW YORK TEL AVIV WASHINGTON, DC

Based upon the foregoing and in reliance thereon, and subject to the qualifications, limitations, exceptions and assumptions set forth herein, we are of the opinion that the Shares, the Pre-Funded Warrant Shares, and the Warrant Shares have been duly authorized for issuance by the Company, and such Shares, Pre-Funded Warrant Shares and Warrant Shares, when issued to the Selling Stockholders pursuant to the terms of the Purchase Agreement, the Pre-Funded Warrants and the Warrants, as applicable, and upon payment to the Company of the required consideration in accordance with the terms of the Purchase Agreement, the Pre-Funded Warrants and the Warrants, as applicable, will be validly issued, fully paid and non-assessable shares of Common Stock.

This opinion letter speaks only as of the date hereof and we assume no obligation to update or supplement this opinion letter if any applicable laws change after the date of this opinion letter or if we become aware after the date of this opinion letter of any facts, whether existing before or arising after the date hereof, that might change the opinions expressed above.

This opinion is furnished in connection with the filing of the Registration Statement and may not be relied upon for any other purpose without our prior written consent in each instance. Further, no portion of this opinion may be quoted, circulated or referred to in any other document for any other purpose without our prior written consent.

We hereby consent to the filing of this opinion with the SEC as Exhibit 5.1 to the Registration Statement and to the reference to our firm under the caption "Legal Matters" in the prospectus which forms part of the Registration Statement. In giving such consent, we do not thereby admit that we come within the category of persons whose consent is required under Section 7 of the Securities Act or the rules and regulations of the SEC promulgated thereunder.

Very truly yours,

/s/ Sullivan & Worcester LLP

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in this Registration Statement on Form S-1 of our report dated April 1, 2024 related to the financial statements of Digital Ally, Inc. and subsidiaries (the "Company") appearing in the Annual Report on Form 10-K of the Company for the year ended December 31, 2023.

We also consent to the references to us under the heading "Experts" in such Registration Statement.

/s/ RBSM LLP  
New York, NY  
July 24, 2024

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## Calculation of Filing Fee Tables

## Form S-1

(Form Type)

Digital Ally, Inc.

(Exact Name of Registrant as Specified in its Charter)

Table 1: Newly Registered and Carry Forward Securities

												Filing Fee Previously Paid in Connection with Unsold Securities to be Carried Forward
Security Type	Security Class Title	Fee Calculation or Carry Forward Rule	Amount Registered(1)	Proposed Maximum Offering Price Per Unit(2)	Maximum Aggregate Offering Price	Fee Rate	Amount of Registration Fee	Carry Forward Form Type	Carry Forward File Number	Carry Forward Initial Effective Date		
Newly Registered Securities												
Fees to be paid	Equity	Common stock, \$0.001 par value per share	Rule 457(c)	11,952,191(3)	\$ 2.194	\$26,223,107.05	0.0001476	\$ 3,870.53				
Fees Previously Paid	—	—	—	—	—	—	—	—				
Carry Forward Securities												
Carry Forward Securities	—	—	—	—	—	—	—	—	—	—	—	
Total Offering Amounts						\$26,223,107.05	\$ 3,870.53					
Total Fees Previously Paid								—				
Total Fee Offset								—				
Net Fee Due								\$ 3,870.53				

- (1) Pursuant to Rule 416(a) of the Securities Act of 1933, as amended (the "Securities Act"), includes any additional shares of common stock, par value \$0.001 per share (the "Common Stock"), of Digital Ally, Inc. (the "Registrant") that may from time to time be offered or issued to prevent dilution from any stock dividend, stock split, recapitalization or other similar transaction effected without receipt of consideration that increases the number of outstanding shares of Common Stock.
- (2) Estimated solely for the purpose of computing the amount of the registration fee pursuant to Rule 457(c) of the Securities Act, based upon the average of the high and low prices for a share of Common Stock as reported on the Nasdaq Capital Market on July 19, 2024, which date is a date within five business days of the filing of the registration statement filed by the Registrant for the registration of the securities listed in the table above (the "Registration Statement").
- (3) Consists of an aggregate of 11,952,191 of the Registrant's Common Stock, consisting of (i) 622,211 shares of Common Stock, (ii) 573,008 shares of Common Stock issuable upon the exercise of pre-funded warrants, (iii) up to a maximum of 5,976,095 shares of Common Stock issuable upon the exercise of Series A warrants, and (iv) up to a maximum of 4,780,877 shares of Common Stock issuable upon the exercise of Series B warrants. All 11,952,191 shares of Common Stock are to be offered for resale by the selling shareholders named in the prospectus contained in this Registration Statement on Form S-1.