

# SECURITIES & EXCHANGE COMMISSION EDGAR FILING

## Mobiquity Technologies, Inc.

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FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011

COMMISSION FILE NUMBER: 000-51160

ACE MARKETING & PROMOTIONS, INC.

(Exact name of Registrant as specified in its charter)

New York 11-3427886  
(State of jurisdiction of (I.R.S. Employee  
incorporation or organization) Identification Number)

457 Rockaway Avenue, Valley Stream, NY 11581  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (516) 256-7766

Securities registered pursuant to Section 12 (b) of the Act: None  
Securities registered pursuant to Section 12 (g) of the Act: Common Stock, \$.0001 Par Value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Check whether the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act.

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive data file required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers in response to Item 405 of Regulation S-K is not contained in this form, and no disclosure will be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in part III of this Form 10-K or any amendment to this Form 10-K .

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company as defined by Rule 12b-2 of the Exchange Act: smaller reporting company .

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

As of June 30, 2011, the number of shares held by non-affiliates was approximately 17,665,000 shares. The approximate market value based on the last sale (i.e. \$.67 per share as of June 30, 2011) of the Company's Common Stock was approximately \$11,836,000.

The number of shares outstanding of the Registrant's Common Stock, as of March 1, 2012 was 24,369,239.

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## FORWARD-LOOKING STATEMENTS

We believe this annual report contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are subject to risks and uncertainties and are based on the beliefs and assumptions of our management, based on information currently available to our management. When we use words such as "believes," "expects," "anticipates," "intends," "plans," "estimates," "should," "likely" or similar expressions, we are making forward-looking statements. Forward-looking statements include information concerning our possible or assumed future results of operations set forth under "Business" and/or "Management's Discussion and Analysis of Financial Condition and Results of Operations." Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions. Our future results and stockholder values may differ materially from those expressed in the forward-looking statements. Many of the factors that will determine these results and values are beyond our ability to control or predict. Stockholders are cautioned not to put undue reliance on any forward-looking statements. For those statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. For a discussion of some of the factors that may cause actual results to differ materially from those suggested by the forward-looking statements, please read carefully the information under "Risk Factors." In addition to the Risk Factors and other important factors discussed elsewhere in this annual report, you should understand that other risks and uncertainties and our public announcements and filings under the Securities Exchange Act of 1934, as amended could affect our future results and could cause results to differ materially from those suggested by the forward-looking statements.

### Item 1. Business

#### **Overview**

Ace Marketing & Promotions, Inc. (the "Company" or "Ace"), a New York corporation, is an Integrated Marketing Solutions Company that focuses on four business verticals; **Branding & Branded Merchandise, Interactive Solutions, Direct Relationship Marketing and Mobile Marketing**.

Ace Marketing has created a comprehensive suite of Integrated Marketing Solutions to Manage and Implement Branding and Marketing Strategies. Ace's proprietary Technology Platform, "AcePlace", is the centerpiece of our implementation strategy. AcePlace eliminates the need for companies to rely on multiple vendors to put their marketing strategies to work.

Ace's implementation philosophy is based on a systematic and data-driven process to identify ideal clients, prospects and branding strategies. Our integrated platforms utilize the ideal delivery methods to strengthen brand awareness and drive effective marketing programs that produce results that can be easily defined and measured.

#### **The Promotional Products Market (Branded)**

##### **Global Advertising Specialties Impressions Study** *(Released at the 2010 ASI Power Summit)*

During July and August of 2010, a team conducted in-person interviews with business people in New York, Chicago, Los Angeles, Philadelphia, London, Sydney, Toronto and Montreal metro areas on behalf of ASI regarding promotional products they had received. The purpose of the interviews was to understand where items are kept, frequency of use, why the promotional product was kept and estimate the number of impressions the advertiser makes with the item. In-person interviewers conducted a total of 406 completed surveys.

Further, an online panel survey was conducted among recipients of advertising specialties to augment the sample from the in-person interviews. Combined with the in-person interviews, there was a total of 3,332 completed surveys for this study. Respondents were asked if they had received any promotional products in the last 12 months.

#### **Conclusions**

- **Cost per Impression.** In the U.S., the cost per impression of a promotional product stayed virtually the same from 2008 to 2010, at .005 cents.
    - ü When compared to other forms of media like television or radio, promotional products are very affordable and effective. For a modest investment, a small company can obtain the type of exposure normally reserved for large companies with significant advertising budgets.
  
  - **Product Usage.** Bags have the highest number of impressions in a month, over 1,000. In fact, over one-third (36%) of those with incomes under \$50,000 own bags.
    - ü Current global awareness of the importance of reusing, rather than throwing away, combined with high end-user needs for cost saving, make bags a better-than-ever way for advertisers to spread their message.
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• **Gender Preferences.** Males are more likely than females to own shirts and caps, while females are more likely to have bags, writing instruments, calendars and health and safety products than males. And as men age, they are even more likely to have received a cap in the last 12 months. As women age, they are more likely to have received writing instruments or calendars.

- ü Knowing the likely recipient of a promotional product is paramount for an advertiser. Decorating items that have special appeal to the end-user will mean the item gets used more often and held longer, extending the product’s life span and increasing the number of impressions it makes.

• **Positive Reinforcement.** Product preferences differ among voters. 75% of Independent voters prefer consumer-branded products – nearly 1.5 times more than Democrats or Republicans. Independents get more promotional T-shirts than either Democrats or Republicans, but are less inclined than Democrats or Republicans to take free pens.

- ü Promotional products are unique during political campaigns in that they primarily emphasize the positive qualities of a candidate, while mass media focuses more on the negative aspects of the opposing candidate. A positive message on a useful product stands above the fray of negative campaign ads.

• **Ability to Identify the Advertiser.** 83% in the U.S. indicated they could identify the advertiser on a promotional item they owned, very similar to 2008 (84%).

- ü Not only do promotional products make impressions to everyone who sees them, but messaging is reinforced every time the item is used, as it is making a contribution to the needs of the owner. No other form of media can allow the advertiser to so closely tie a benefit to the recipient of the message or brand.

• **Ability to Influence User Opinions.** 41% of U.S. respondents indicated their opinion of the advertiser was more favorable after receiving a promotional product. Among those who had not done business with the advertiser already in the U.S., 27% thought it likely they would.

- ü Because the promotional products benefit is so clear to the end-user, they are more aware of the sponsor on the product and they are able to create a positive impression of the sponsor, as they find value in the item each time it is used.

• **Pass Along.** After receiving a promotional product they don’t plan to keep, nearly two-thirds (62%) of respondents in the U.S. indicated that they give the item to someone else. This is up 11 percentage points from two years ago.

- ü Promotional product usefulness goes beyond the person who initially receives the item. Products are frequently passed along to others who might value them more.

**Detailed Findings**

**Types of items owned**

The most commonly owned promotional products among U.S. respondents are writing instruments (46%), followed by shirts (38%) and calendars (24%). Calendars climbed from seventh in 2008 to third in 2010. The number of calendars given out was not necessarily higher, but the number kept and subsequently used was higher.

**Types of Items Owned**

|                                     | Rank 2010 | Rank 2008 |
|-------------------------------------|-----------|-----------|
| Writing Instruments                 | 1         | 1         |
| Shirts                              | 2         | 2         |
| Calendars                           | 3         | 7         |
| Bags                                | 4         | 4         |
| Caps/Headwear                       | 5         | 3         |
| Desk/Office/Business Accessories    | 6         | 6         |
| Food Items                          | 7         | n/a       |
| Glassware/Ceramics (includes Mugs)  | 8         | 5         |
| Health and Safety Products          | 9         | n/a       |
| Jackets/Hoodies/Sweatshirts/Fleece  | 10        | n/a       |
| Electronics/Computer                | 11        | n/a       |
| Recognition-Awards/Trophies/Plaques | 12        | 10        |
| Automotive                          | 13        | n/a       |

## **Ace Advantages**

Ace has thousands of existing customer accounts ranging from Fortune 500 companies to local schools and small businesses. We have built our business around the concept of high quality innovative branded merchandise, competitive pricing, and consistently superior customer service. Our operational platform, using top-line technology, is designed for economies of scale and ensures superior relations with major industry suppliers. The platform also provides superior support to an expanding team of experienced, well-connected salespeople who are key to Ace acquiring new business.

The major advantage we hold over most companies in the promotional product industry is the ability to provide integrated business solutions to our customers as trusted advisors. The majority of companies in the promotional product industry offer only branded merchandise, whereas, we offer solutions in:

- Branding & Branded Merchandise;
- Interactive Solutions/ Website Development;
- Direct Relationship Marketing; and
- Mobile Marketing / Proximity Marketing.

Our ability to offer multiple solutions and integrate them is what separates us from the average promotional product distributor. Where nearly all of the competition continues to be viewed as commodity based "order takers", our solutions based services deepen the relationship with our clients as Ace's sales consultants become trusted advisors and Ace becomes a valued business partner.

## **BRANDING & BRANDED MERCHANDISE**

Within the Branding vertical Ace has the ability to create the actual brand, in addition to providing all the branded merchandise. This has been the core of the Ace business model since its inception. The current focus within this vertical is to find innovative ways to leverage new technology platforms that drive growth beyond traditional channels.

Ace has invested in the technology and training that few other distributors have accomplished. Our industry leading software allows us to quickly sort through a database of 500,000 items and compile a collection of our customers best options by price, production time, imprint, shape color and size. We'll email our customers a focused product presentation of items that fit their criteria with all the details. If time allows, we'll also send our customers samples. It's how Ace helps our customers achieve the greatest marketing impact within our customers' budget on projects with even the tightest turn-around.

Whether reinventing a customer's corporate image or developing a new logo, a strong brand is essential for making a positive first impression. Ace's experienced sales consultants will help our customers to choose products that achieve the maximum impact. While working within our customer parameters, we simultaneously maintain brand consistency and corporate image. Ace's in-house Art Department & Creative Teams will incorporate our customers' logo and branding into a custom format for specific events.

## **Program Business**

Creating Brands, Creating Merchandise, Creating Solutions. Ace's "Program Business" Solution for branded Merchandise sourcing seeks to achieve:

- Better Services;
- Consistency in Branding to protect Quality, and
- Incredible cost savings when implemented as an aggregated buying program.

Through our solution, we create an Online Company Store, purchase in bulk to achieve economies of scale, negotiate preferred domestic pricing and import directly when order size permits. Ace also provides full-service fulfillment and shipping services.

## **Importing**

Ace utilizes established suppliers carrying the most recognizable brands in the U.S and overseas. By concentrating our orders with the top suppliers-around the world, we attempt to ensure prompt product availability, competitive pricing and failsafe results.

When customers use Ace as their Importing Partner, they get:

- Established relationships with premium factories throughout the world
- Factory Direct Pricing
- Prototyping and Pre-Production Samples
- Overseas Inspection of finished goods
- Letter of intent provided for overseas orders
- Customized product development and design service
- Detailed Import Proposals F.O.B. USA
- Detailed correspondence and foreign translation
- On-site inspections – as needed

### **Fulfillment & Warehousing**

At Ace, we can streamline the supply chain to take advantage of the economies of scale that result from large orders. We can fulfill orders and distribute customers items to one location or multiple locations across the country.

Ace Offers:

- Cost Center Analysis
- Credit Card Authorization
- Drop shipping Inventory World-Wide
- Inventory Storage
- Inventory Consolidation
- Invoice Consolidation
- Mailing Services
- Pick & Pack Services
- Assembly
- Product Fulfillment
- Shipping Manifest
- Customized Reporting

### **INTERACTIVE SOLUTIONS**

#### **Website Development**

**AcePlace CMS** - Ace has developed a proprietary Website Development Platform & Content Management System (CMS) that will quite simply changes the way a customer's presence on the web is designed and managed. The recent addition of database-driven E-Mail, SMS Text & Newsletter capabilities make it a special Client Relationship Management Platform.

**Mobile Websites** - Increasing numbers of web searches are originating from mobile devices as "smart phones" continue to dominate new phone sales. Most existing websites do not display properly on the much smaller mobile screens, and in many cases, cannot display at all. Search engines like Google give higher priority to WAP sites when the search originates from a mobile device. Having a Mobile Website running in parallel with a primary website solves this problem. Our solution recognizes the type of device (computer or mobile) and directs the information request to the appropriate format. AcePlace is:

- Optimized to display Web content effectively;
- Optimized for search engines used by mobile devices;
- Optimized for easy data-field entry from mobile devices;
- Customized High Quality and Visually pleasing design; and
- Strategically developed to deliver vital content.

#### **E-Commerce**

When our customer needs a new web site built from the ground up or a complete overhaul of our customers existing design, we can expand our customers' capabilities to include e-commerce or database management. Our solution provides:

- Retail E-Commerce;
- Online Company Stores;
- Enable customers to sell products and services to their clients and fans; and
- Seamless integration with customer websites.

## Email Marketing

Email Marketing is one of the least expensive methods of Ace's customers reaching out to large masses of potential clients. Ace can help our customers develop programs for building their email database, assist with the graphic design of their email templates and even provide a platform for individually personalized emails including variable data fields that can be tracked and reported in real-time. Supporting services include:

- Database Building;
- Easy-to-use Newsletter creation;
- Effective tracking & reporting; and
- Integration with client website.

## Reward & Incentive Programs

After potential customers meet with one of our Incentive and Rewards Consultants, Ace will tailor a custom "solution" for our customers' organization that will:

- Fit our customers' Price Point;
- Engage our customers' Target Audience; and
- Deliver Measurable Results.

Ace's custom Incentive Manager solution provides everything our customers needs to run an incentive program for their clients, channel partners, salespeople, and employees. Incentive Manager is award neutral: it can plug into almost any incentive award choices including:

- Brand Name Merchandise;
- Gift Cards;
- Travel Incentives; and
- Debit Cards.

Or, simply link our customers' newly customized Rewards program with any product offered on Amazon! Through our exclusive technology agreement with Atrium Enterprises, we have secured the rights to offer Amazon product through seamless integration bringing award winning fulfillment and distribution along with an unparalleled array of quality product for our customer's Incentive Program.

## Interactive Message Video (IMV)

Our interactive message video solution is a great way to engage our customers' audience and build their online database. IMV's bring variable personalization to short, online video presentations. Through progressive tracking programming, names or messages can be variably placed inside existing video, personalizing the video for each consumer who views it. The variable message looks like it was actually live on set when the video was shot, and moves in real time. IMV's are shot in high definition either on location or in-studio. They are a truly innovative, cutting-edge means of conveying our customers marketing message through entertainment, and to personalize the experience to each prospect with dynamic content without the time or expense of video re-shoots or re-editing. It will seem like we custom-created each video specifically for each client.

IMV's Include:

- A dynamic, personalized, online video designed to uniquely engage consumers, while gathering data to build and enhance our customers targeted consumer database.
- An Integrated Enrollment Page allows individuals to enter personal information and participate in the personalized video experience.
- Consumer's personal information (name, age, sex, phone number, and favorite song) can be dynamically incorporated to personalize the video for them and their favorite store, product, celebrity, and sports team.
  - Personalized data can also be incorporated in the video or to a live action, pre-recorded phone call from their favorite celebrity, artist, athlete.

- Our Customers are immersed into a new and innovative video experience.
- Web based video with flexibility to reside anywhere on the internet
  - Websites, social media sites and blogs .

## **RELATIONSHIP MARKETING**

Ace utilizes a wealth of direct marketing programs (“DRM”) that integrate flawlessly, resulting in stronger messages and superior results. By blending state-of-the-art technology with innovative, award-winning design, Ace delivers a comprehensive, interactive, and targeted direct marketing system.

Ace’s relationship marketing campaigns embrace data-driven personalization – using customer database information to target the marketing message to every recipient. These integrated programs build brand awareness, customer loyalty, and most importantly, increased response. Relationship marketing is the solution to attract new customers and keep existing ones: target the right group, use the proper combination of print, web, email and video to get a customer’s message across, and track the results.

DRM provides a dynamic, personalized turn-key marketing program for our customers business. DRM targets prospects that are most likely to buy our customers’ products/services, in addition to helping them reconnect with and reacquire their existing customers.

### **Relationship Marketing:**

- **Data** - First, we’ll help our customers to analyze their customer data to develop an Ideal Customer Profile. Second, we’ll use the Ideal Customer Profile to identify “most likely prospects” within their target market.
- **Offer** - We’ll help our customers to develop offers that will get the attention of their existing and target customers.
- **Delivery** - We’ll use multiple delivery methods: Direct Mail, Email, SMS Text & Personal Websites to communicate our customer offer to their target audience.

### **The Key Benefits to Personalized Cross-Media Marketing:**

#### **Market to Truly Qualified Leads**

- Target consumers based on geographic, demographic, and psychographic data.
- Pre-screen the consumers’ financial ability to purchase a customer’s product or service.
- Target consumers who are more likely to purchase a customer’s product or service.
- Achieve a lower per-customer acquisition cost than traditional media.

#### **Impact Each & Every Target** – Send the Right Message to the Right Target at the Right time using the Right Delivery Method:

- Flexible message format – change the content based on the demographic profile.
- Grabs the attention of a customer’s potential clients with personalized, relevant information.
- Our customer’s will have a greater understanding of their product/service because they’ll be more likely to engage with a clients message.
- Variable graphics and offer: deliver relevancy to a customer’s target; increasing response rates by increasing the perceived value to the consumer.

## The Acquisition/Reactivation Model:

### Identify Our Customer's Target

- **Acquisition:** Find clients that resemble our customer's current client and targeted client base by age, income, gender or lifestyle interest, eliminating those who are unlikely to respond to messages sent by our customer's business
- **Retention:** Create specific messages for our customer's current client base to deliver relevant offers to increase their loyalty and referrals. Attraction Marketing can help our customer append their current data to fill in gaps in their customer list, such as most recent address, income, presence of children in household, lifestyle interest and much more.

### Modeled Data

We can also work with our customers to improve their existing database through a cleansing (eliminating bad/outdated data) and appending (acquiring additional demographic data) process. From an enhanced database, we can model our customer's current database to build a mailing list of prospective clients that share the closest statistical similarity to their existing customer base. This new list will have the highest propensity to become our customer's new clients. Finally, Ace can utilize the additional data to personalize the message and delivery method to maximize response rates.

### Delivery Methods for Delivering Personal, Relevant Marketing Messages

#### Direct Mail

##### Our direct mail is intended to:

- Be personalized to the recipient; thereby increasing response rates by approximately 35%;
- Contain variable message, graphics and offer, all in the same press run; and
- Drive responders to personal VIP web site for data collection and increased response rates.

#### Broadcast E-Mail

Our Broadcast E-mail are anticipated to:

- Personalize variable messaging and graphics
- Increase response rates
- Provide immediate Feedback; and
- Obtain Response reporting.

**Personalized VIP Websites (P-URL's)** - A personalized URL provides an additional media channel to expand on our customer's marketing message. The web page look and feel is designed to match the branding established in the direct mail campaign. The VIP page allows our customers business to:

- Build or refine their database of leads by collecting data from responders;
- Offer unique time based incentives to drive response;
- Drive qualified traffic to our customer's website; and
- Expand message outside target through viral refer-a-friend feature.

**Call Tracking** - Toll free or local numbers are assigned to each mail campaign and list segment to track call response. Each prospect call "invisibly" routes through our system and rings to our customer's direct dial lines. From our customer's reporting site, they can review recordings of the phone calls for response analysis and training purposes.

- All missed calls are tracked, a message is immediately sent to our customer's designated e-mail address with the information about the caller, ensuring our customer never loses a prospect call; and
- Valuable information about the caller is tracked (when and where the call was originated, how many times it rang before it was picked up, call outcomes, and much more).

## Track Customers' Campaign Results with Online, Real-Time Reporting

- Our proprietary web-based reporting system combines all of the gathered information into one reporting engine for easy analysis.
- We deliver analytics for our customer's to learn what campaigns were successful, and which ones need improvement; all to ensure future success.
- Our reporting systems can also track the effectiveness of our customer's other media investments.

## MOBILE MARKETING

**SMS Text Platform.** SMS Messaging provides a cost-effective and highly interactive way for our customers to communicate with their clients via their mobile phones. Ace can help the customers design and implement programs that will allow our customers to cut through the clutter of traditional advertising and *reach their clients via their most-personal device*

**Mobile Websites.** With the rise of the "smart-phone", the number of web-searches originating from mobile devices is skyrocketing. Ace can ensure that our customer's website is capable of formatting for display on these much-smaller screens, which will dramatically improve both functionality and Search Engine Optimization.

**QR Codes.** Ace brings our customer's print media and promotional products to life with QR Codes. These unique codes can be placed on static media to create a dynamic point of interaction by engaging their consumers via their smart phones. QR Codes are an inexpensive way to automatically link our customers to their clients to a mobile website, initiate a text, app download or youtube video.

**Location-Based Mobile Marketing.** Ace is one of the leading national providers of location-based Proximity Marketing services through its wholly-owned subsidiary, Mobiquity Networks. Proximity Marketing utilizes local Bluetooth & Wi-Fi networks to reach out to mobile devices that have entered "the Zone" to deliver rich digital-media content such as ringtones, wallpapers, videos, music, games, applications and coupons. Systems can be installed on a campaign-basis, or our customer can utilize Ace's ever-expanding national network to deliver their message. Mobiquity Networks currently covers 75 of the nation's premier mall properties and is represented in each of the top 10 DMA's. The malls covered by this proprietary network have average monthly visits from 96 million shoppers. [www.mobiquitynetworks.com](http://www.mobiquitynetworks.com)

On January 5, 2011, we formed Mobiquity Networks, Inc. ("Mobiquity") for the purpose of attempting to develop a proximity marketing network and to derive revenues from same. Ace has assigned certain contracts described below (i.e. those contracts with Blue Bite LLC. and Eye Corp Pty Ltd.) pertaining to these start-up operations to Mobiquity.

The **Mobile Marketing** advertising medium continues to gain momentum in marketing spending. Technology allows advertisers to target and deliver rich media content to specific locations and times where it is most relevant. It gives advertisers the ability to reach consumers with their message as they are ready to make their purchasing decision.

**Mobiquity** provides location-based mobile marketing services via Bluetooth and Wi-Fi that requires no GPS tracking and no need to download an application. Mobiquity utilizes a targeted, location-based approach to reach audiences on their mobile devices when it matters most. Mobiquity employs a combination of leading-edge mobile technologies to deliver virtually any digital media content including images, videos, audio mp3s, maps, games, applications and coupons to mobile phones within targeted geographic locations.

The Company has built an extensive location based mobile marketing mall network which currently enables access to over 96 million mobile customer visits per month while they are shopping. Our network allows brands to engage their potential customers with the right offer at the right place at the right time....when they are about to make a purchasing decision.

Mobiquity currently has over 600 zones throughout 75 malls with over 96 million monthly visits to those malls. These zones create a cloud of coverage so that visitors do not need to go directly to one of these zone access points. Some of our land mark malls include, but are not limited to:

- Roosevelt Field - NY
- The Galleria – Houston
- Lenox Square – Atlanta
- Northbridge – Chicago
- Santa Monica Place – LA
- Copley Place – Boston

**How it Works:** A proximity broadcast station is set up in a location that is frequented by the target audience – a shopping mall, museum, bus stop, concert hall, etc. If an enabled device is in discoverable mode (which should be prompted by "call-to-action" signage) and comes within range, the Proximity Unit will ping the device and provide an opportunity for the user to accept or decline relevant content. This content can include text, still images, videos, audio files and more. If the user accepts, the Proximity Unit transfers the content to the device.

Proximity Marketing is being embraced by all kinds of organizations, including transportation services, sports arenas, financial institutions, malls and retail stores. Because the content is only limited to what can be stored on a file, virtually anything is possible, from free ringtones and travel updates to sales promotions and event information.

The advantages of Proximity Marketing include free transmission for both the sending and receiving parties; the ability to send rich content such as video, music and even Java applications; the ability to target an audience very locally; as well as the relative novelty of the application.

### **Step 1: Device Detection**

Creative “Call to Action” instructs consumers to enable their Bluetooth/Wi-Fi to receive promotional offers



### **Step 2: The Permission Request**

A non-invasive request is made to consumers  
“Would you like to receive a FREE offer?”



### **Step 3: Content Upload**

The user accepts the Permission Request then the Content Upload process is initiated and instantly delivers FREE rich media content directly to the consumer’s enabled device



Because we control the network remotely, each location and campaign can be monitored whether they are down the block or across the country. With its precise statistical reporting as to how many consumers engaged in the campaign, advertisers now have an exciting new and measurable medium to communicate with consumers.

The Mobiqurity AP Suite is a desktop software program used to manage and control all access points throughout the entire network from a remote location. The content management tool adapts multimedia content like videos, audios, images, animations, vouchers, links, text, etc. to the screen size and technical requirements of each mobile device. The integrated software tool tracks information pertaining to the success or failure of message delivery, message open rates, and conversion rates. The Suite allows a Sequential Content Schedule to program the sending of content to the same user when detected in the same place at a different time or day. Automated Creation of applications (JAVA and Windows Mobile), allows the creation and modification of text, images, WAP links, menus, etc. using templates. All of this can be done remotely and in real time. The content manager programs in advance, multiple campaigns and creates grids of content. It offers the ability to set up to 20 campaigns simultaneously per access point with 10 sequential pieces of content per campaign and provides real time statistics and charts of detected devices, content downloads, and model of mobile devices that interact with the network.

Mobiqurity's is currently in 75 malls representing over 96 million visits per month. Fifty of the malls that MObiqurity currently operates are owned by Simon Property Group (NYSE: SPG). The remaining 17 mall locations are owned by Macerich (NYSE: MAC). Simon Property Group is the largest and Macerich is the third largest mall operators in the U.S.

For the exclusive use of Bluetooth throughout the common areas of their top 50 malls until December, 2015, the Company paid Simon Property Group a one-time \$250,000 rights fee and pays \$1,000 per month per mall. The agreement with Simon also allows for non-exclusive use of Wi-Fi.

The Company is currently installed in 25 Macerich malls throughout the US. Macerich currently has 76 shopping malls in the US and had over 650 million shopping visits in 2010. Ace is currently discussing expanding throughout the Macerich mall portfolio.

### Growth Strategy

Location-Based Mobile Marketing combined with Out-Of-Home Advertising results in strong opt-in rates due to proximity of the Network. Management believes that we have the first Location-Based Mobile Marketing Company focused on US shopping malls and we have built and control the only national proximity marketing mall network. Our exclusive contract with leading Out-Of-Home advertising company, Eye Corp. enables us to remain a leader in US malls. According to the agreement, Eye Corp. is exclusive to us for five years. Eye Corp. is a subsidiary of Ten Network Holdings, a public company with its headquarters in Australia. Eye Corp. has an exclusive agreement with Simon Malls to manage their non-digital assets in all mall properties and has a full-time sales force of 26 individuals that maintain relationships with over 800 brands. The sales team of Eye Corp. will be paid a commission on MObiqurity proximity products. Discussions have begun between Eye Corp. and Ace about expanding their exclusive relationship to global malls and airports.

### Business Partners

We have partnered with Blue Bite LLC. ("Blue Bite"), a premier provider of Proximity Marketing hardware and software solutions, and Eye Corp Pty Ltd., ("EyeCorp") an out-of-home media company which operates the largest mall advertising display network in the United States, to roll-out an expansive network which comprises of retail, dining, transportation, sporting, music, and other high traffic venues.

### Agreement with Simon Property Group, L.P.

In April 2011, we signed an exclusive rights agreement with a top mall developer (the "Simon Property Group") to create a location-based mobile marketing network called **MObiqurity Networks**. The 50 mall agreement runs through December of 2015 and includes top malls in the Simon Mall portfolio. (Note: A list of these malls can be found by going to [www.mobiquitynetworks.com](http://www.mobiquitynetworks.com) website under the network tab). This new alliance will give advertisers the opportunity to reach millions of mall visitors per month with mobile digital content and offers when they are most receptive to advertising messages.

In connection with Eye Corp., MObiqurity Networks will deliver digital content and offers to shoppers on their mobile devices through Eye Corp's extensive mall advertising network. Eye Corp and MObiqurity Networks have an exclusive agreement to build a location-based mobile marketing network throughout Eye Corp's Mall Advertising network. New properties to be added to the MObiqurity Networks portfolio will include iconic malls in the top designated market area in the US. These prestigious malls further complement MObiqurity Networks' portfolio of prominent malls including Queens Center Mall in New York City, Northbridge in Chicago, and Santa Monica Place in Los Angeles.

Our location-based mobile advertising medium is designed to reach on-the-go shoppers via their mobile devices with free rich media content delivered using Bluetooth or Wi-Fi. This advertising medium offers extremely targeted messaging engineered to engage and influence shoppers as they move about the mall environment. Eye Corp. and our company will jointly create mobile marketing programs for existing clients in conjunction with their already active in mall advertising programs. Mobiquity Networks proximity marketing units will be strategically positioned in shopping malls near entrances, anchor stores, escalators and other high-traffic, and high dwell-time areas. Mobiquity Networks proximity marketing unit placement takes advantage of the opportunity to provide a reminder to consumers and touch them just before making a purchase decision. These units generate high awareness and brand recognition at the right time and place. When combined with the impact of other visual advertising mediums (in mall assets) or as a stand-alone medium, Mobiquity Networks is a great mobile solution to promote a brand on a local or national level.

## **Our Distribution and Marketing Strategy**

Key elements of our distribution and marketing strategy are as follows:

- *We have created a suite of solutions for one stop shopping.* With its newly developed suite of solutions in place, Ace now offer its clients and potential clients the ability to work smarter in addressing their marketing needs by leveraging technology platforms. The services and technology platforms assembled within each of our four business verticals allow Ace to provide its clients with an exceptional mix of solutions for reaching their customers in ways that were previously impossible. Clients have the ability to choose a single solution within a vertical or a complete package of solutions working together seamlessly. By offering the entire suite of solutions, the need for multiple vendors has been eliminated, and Ace can be a single source provider of Branding, Interactive, Direct Relationship Marketing and Mobile Marketing Solutions.
- *We have partnered with leading companies for our proximity marketing business.* We have partnered with Blue Bite LLC. ("Blue Bite"), a premier provider of Proximity Marketing hardware and software solutions, and Eye Corp Pty Ltd., ("EyeCorp") an out-of-home media company which operates the largest mall advertising display network in the United States, to roll-out an expansive network which comprises of retail, dining, transportation, sporting, music, and other high traffic venues. As a result of these relationships, in April 2011, we were able to enter into an exclusive rights agreement with the Simon Property Group to create a location-based mobile marketing network in top malls across the United States in the Simon Mall portfolio. This new alliance will give advertisers the opportunity to reach millions of mall visitors a month with mobile digital content and offers when they are most receptive to advertising messages.
- *Creating awareness of our products, services and facilities.* We have been in business since March 1998. Our revenues are derived from existing customers and new customers through word of mouth recommendations, attendance at trade shows, our sales representatives and advertising and promotion in trade journals.
- *Our company was built as a platform that could grow easily.* Scalability is the key and we have separate departments with defined roles which will allow this to occur and for our salesperson to sell. Our sales persons receive helpful support from us. In many other distributorships, the salesperson is often responsible for everything from answering phones, doing all their own research, processing orders, billing, tracking and collections. At our company, we provide complete backup to allow our sales persons to just sell. Since our technology is currently up to date, including in house servers to allow access to our systems from off-site, we have the ability to pick up salespeople from any location in the United States.
- *Providing generous incentives to our sales people to increase performance levels.* We offer competitive commissions in addition to back office support and research assistance to allow our independent sales representatives to optimize their sales time and to provide them with adequate incentives to sell promotional products to our customers rather than for our competitors. In the future, we may offer a stock option program for additional incentives.
- *Maintain a competitive gross profit percentage on all sales orders.* For the years ended December 31, 2011 and 2010, our gross profit percentage was 25.5% and 29.4%, respectively.
- *Provide research, consulting, design and fulfillment services to our customers to increase profitability.* We design promotional products for our customers and provide consulting services in connection therewith. We utilize licensed research software technology and order entry systems that are available to anyone in the industry for license to provide the best services to our customers in the timeliest fashion possible.

## Sales and Marketing

Our revenues for branding, interactive and direct relationship marketing are derived from existing customers and new customers through word of mouth recommendations, attendance at trade shows, our sales representatives and advertising and promotion in trade journals. Our Ace Marketing website is utilized for multiple purposes, including providing information to potential customers who want to learn about us and research our available product line. Except primarily our two executive officers, our sales representatives receive commissions and are not paid a salary. They work at their own location or at our facility and may sell products on behalf of other companies. We encourage our sales representatives to sell promotion products for us on the basis of sales incentives which include competitive commissions and appropriate sales support and research which are provided in-house by our employees. In the future, we intend to offer stock and/or stock options as part of their incentive programs. Our revenues for mobile marketing are derived through our relationship with Eye Corp. and our own sales marketing representatives. Eye Corp. has an exclusive agreement with Simon Malls to manage their non-digital assets in all mall properties and has a full-time sales force of about 25 individuals that maintain relationships with over 800 brands. The sales team of Eye Corp. will be paid a commission on Mobiquity proximity products. Discussions have begun between Eye Corp. and Ace about expanding their exclusive relationship to global malls and airports.

### **Proximity Marketing Business is new and unproven/Competition will likely enter the market place and we may be unable to compete**

In 2008, we became an authorized distributor, provider and reseller in the United States of mobile advertising solutions, in the mobile advertising and proximity marketing industry. As of December 31, 2011, we have not generated any significant revenue from this new and unproven segment of our business. A primary business focus of Ace is to attempt to place our proximity marketing units into businesses on a local, regional and potentially on a national scale, and to then generate revenues through advertisers seeking new measurable media channels that can accurately target and engage key consumer segments and deliver compelling relevant content that can be enjoyed for what it is, shared with friends, interactively engage with or commercially acted upon instantaneously. It is our intent to enable advertisers to promote their business by sending animated images, audio files, video clips, text files, promotional or discount contents, bar codes, mobile games and java applications and business card files. We can also send live data such as news and sports updates to targeted mobile phones. The ABI Research report published in January 2008 on mobile marketing refers to the industry as still being in its "wild west" years but forecasts it will settle down and become a \$24 billion slice of the worldwide marketing and advertising pie by 2013. While Management intends to market the proximity boxes as a premier mobile technology, we can provide no assurances that Ace will successfully establish a local, regional and/or national network containing its proximity marketing boxes or that sufficient advertising revenues and profits (if any) will result to justify the expenditures thereof. We also can provide no assurances that we will be able to compete with large and small competitors that are in (or may enter) the Proximity Marketing industry with substantially larger resources and management experience.

### **Competition**

Our interactive solutions (website development) and direct relationship marketing (database management) verticals compete against thousands of small, medium and large companies throughout the United States. We can provide no assurances that our business will be able to compete in these business verticals against other companies that may have more financial resources and greater experience than the Company.

With respect to our branding and branded merchandise (promotional products vertical), while our competition in this business vertical is extensive with over 20,000 distributors, we believe that there are no companies that dominate the market in which we operate. Our company competes within the industry on the basis of service, competitive prices, personnel relationships and competitive commissions to our sales representatives to sell promotional products for us rather than our competitors. Competitors' advantages over us may include better financing, greater experience and better service, cheaper prices and personal relationships than us.

According to the Promotional Products Association International, with no single company dominating the market, the promotional products industry is highly fragmented with 21,150 distributors in the industry with revenues of less than \$2.5 million and 857 distributors with revenues of \$2.5 million or more. According to The Counselor – State of the Industry 2010 Survey, the top ten distributors in our industry are believed to have 2009 North American sales of over \$1.6 billion. Staples, Pro Forma Inc., Group II Communications/IMS, BDA, and 4 Imprint were the top five distributors of 2009 with estimated sales of \$360 million, \$234 million, \$207 million, \$198 million and \$165 million, respectively. Nearly 80% of the distributors surveyed are reported to be privately owned family businesses. Management believes that control of sales lies predominantly with the independent sales representatives, as there is little brand recognition at this time.

We believe that in the promotional products industry, sales people typically have a large amount of autonomy and control the relationships with their customers. This works both for and against us. To avoid losing customers, we must provide the appropriate incentives to keep sales people. At the same time, while there can be no assurances, management believes our company will be able to obtain new customers by luring sales people away from competitors. The offering of stock incentives and health care benefits are ways to retain sales people, especially in an industry where these types of benefits are rare.

## Employees

As of February 29, 2012, we had 12 full time employees, including three executive officers who provide in-house sales, our Chief Financial Officer and 6 support staff employees. We utilize 8 sales representatives of which two are employees who provide services on an exclusive basis and six additional persons who provide services to us on a non-exclusive basis as independent consultants.

## Legal Proceedings

We are currently not subject to any threatened or pending legal proceedings. Nevertheless, we may from time-to-time become a party to various legal proceedings arising in the ordinary course of our business.

## PART I

### Item 1.A. Risk Factors

YOU SHOULD CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS, IN ADDITION TO THE OTHER INFORMATION PRESENTED IN THIS FORM 10-K, IN EVALUATING US AND OUR BUSINESS. ANY OF THE FOLLOWING RISKS, AS WELL AS OTHER RISKS AND UNCERTAINTIES, COULD HARM OUR BUSINESS AND FINANCIAL RESULTS AND CAUSE THE VALUE OF OUR SECURITIES TO DECLINE, WHICH IN TURN COULD CAUSE YOU TO LOSE ALL OR PART OF YOUR INVESTMENT.

#### RISKS RELATING TO OUR BUSINESS

**History of operating losses.** Since we went public in 2005, we have experienced a continued history of operating losses. For the years ended December 31, 2011, 2010, and 2009 we incurred a net loss of \$2,209,508, \$1,762,256 and \$1,577,010, respectively. Our operating losses for the past three years are attributable to the general state of the economy. We can provide no assurances that our operations will be profitable in the future. During the fiscal years ended December 31, 2011, 2010 and 2009, we have completed financings totaling \$2,222,727, \$1,124,250 and \$1,628,300, respectively. We can provide no assurances that we will be able to continue to raise additional financing to supplement our liquidity and capital resource needs on terms satisfactory to us if at all.

**Our proximity marketing business is new, unproven and the establishment of this business may not result in sufficient revenues and profitability to justify the expenditures thereof. Also there are no assurances that we will be able to successfully compete in the proximity marketing business.** In 2008, we became an authorized distributor, provider and reseller in the United States of mobile advertising solutions, in the mobile advertising and proximity marketing industry. As of December 31, 2011, we have not generated any significant revenue from this new and unproven segment of our business. A primary business focus of Ace is to attempt to place our proximity marketing units into businesses on a local, regional and potentially on a national scale, and to then generate revenues through advertisers seeking new measurable media channels that can accurately target and engage key consumer segments and deliver compelling relevant content that can be enjoyed for what it is, shared with friends, interactively engage with or commercially acted upon instantaneously. It is our intent to enable advertisers to promote their business by sending animated images, audio files, video clips, text files, promotional or discount contents, bar codes, mobile games and java applications and business card files. We can also send live data such as news and sports updates to targeted mobile phones. The ABI Research report published in January 2008 on mobile marketing refers to the industry as still being in its "wild west" years but forecasts it will settle down and become a \$24 billion slice of the worldwide marketing and advertising pie by 2013. It estimates there was about \$1.8 billion spent in 2007 on all forms of mobile marketing. While Management intends to market the proximity boxes as a premier mobile technology, we can provide no assurances that Ace will successfully establish a local, regional and/or national network containing its proximity marketing boxes or that sufficient advertising revenues and profits (if any) will result to justify the expenditures thereof. We also can provide no assurances that we will be able to compete with large and small competitors that are in (or may enter) the Proximity Marketing industry with substantially larger resources and management experience.

**Dependence upon our agreements with our business partners, Blue Bite LLC and Eye Corp. Pty Ltd. to execute on our proximity marketing plans as well as our dependence upon our agreement with Simon Property Group, L.L.P.** We have partnered with Blue Bite LLC. ("Blue Bite"), a premier provider of Proximity Marketing hardware and software solutions, and Eye Corp Pty Ltd., ("EyeCorp") an out-of-home media company which operates the largest mall advertising display network in the United States, to roll-out an expansive network which comprises of retail, dining, transportation, sporting, music, and other high traffic venues. In April 2011, we signed an exclusive rights agreement with a Top Mall Developer (the "Simon Property Group") to create a location-based mobile marketing network called Mobiquity Networks. The 50 mall agreement runs through December of 2015. We are dependent upon our agreements with Blue Bite, Eye Corp. and Simon Property Group to execute on the development of our Proximity Marketing business and to attempt to achieve profitable operations. We can provide no assurances that our operations will be profitable.

**We cannot predict our future capital needs and we may not be able to secure additional financing.** As of January 31, 2012, we will need to raise additional financing to support our Proximity Marketing operations and for general business operations. We can provide no assurances that additional equity or debt financings will be available to us on mutually satisfactory terms, if at all. Such additional financings may involve substantial dilution of our stockholders or may require that we relinquish rights to certain of our technologies or products. In addition, we may experience operational difficulties and delays due to working capital restrictions. Failure to secure additional financing on favorable terms could have severe adverse consequences to us.

**The promotional products distribution industry is highly competitive and we may not be able to compete successfully.** We compete with over 20,000 distributor companies. Some of our competitors have greater financial and other resources than we do which could allow them to compete more successfully. Most of our promotional products are available from several sources and our customers tend to have relationships with several distributors. Competitors could obtain exclusive rights to market particular products which we would then be unable to market and may provide business solutions related to promotional products competitive with those provided by us. Industry consolidation among promotional products distributors, the unavailability of products, whether due to our inability to gain access to products or interruptions in supply from manufacturers, or the emergence of new competitors could also increase competition. In the future, we may be unable to compete successfully and competitive pressures may reduce our revenues.

**We experience fluctuations in quarterly earnings. As a result, we may fail to meet or exceed the expectations of securities analysts and investors, which could cause our stock price to decline.** Our business has been subject to seasonal and other quarterly fluctuations. Net sales and operating profits generally have been higher in the third and fourth quarters, particularly in the months of September through November, due to the timing of sales of promotional products and year-end promotions. Net sales and operating profits have been lower in the first quarter, primarily due to increased sales in the prior two quarters. Quarterly results may also be adversely affected by a variety of other factors, including:

- costs of developing new promotions and services;
- costs related to acquisitions of businesses;
- the timing and amount of sales and marketing expenditures;
- general economic conditions, as well as those specific to the promotional product industry; and
- our success in establishing additional business relationships.

Any change in one or more of these or other factors could cause our annual or quarterly operating results to fluctuate. If our operating results do not meet market expectations, our stock price may decline in the event a market should develop.

**Because we do not manufacture the promotional products we distribute, we are dependent upon third parties for the manufacture and supply of our promotional products.** We obtain all of our promotional products from third-party suppliers, both domestically and overseas primarily in China. We submit purchase orders to our suppliers who are not committed to supply products to us. Therefore, suppliers may be unable to provide the products we need in the quantities we request. Because we lack control of the actual production of the promotional products we sell, we may be subject to delays caused by interruption in production based on conditions outside of our control. In the event that any of our third-party suppliers were to become unable or unwilling to continue to provide the products in required volumes, we would need to identify and obtain acceptable replacement sources on a timely cost effective basis. There is no guarantee that we will be able to obtain such alternative sources of supply on a timely basis, if at all. An extended interruption in the supply of our products would have an adverse effect on our results of operations, which most likely would adversely affect the value of our common stock.

**We may not be able to expand through internal growth and meet changes in the industry.** Our plans for internal growth include hiring in-house sales representatives from our competitors and offering stock incentives and generous commissions to keep them. Additionally, we have room for growth by building direct relationships with advertising agencies and major corporations. Because of potential industry changes, our products and promotions must continue to evolve to meet changes in the industry. Our future expansion plans may not be successful due to competition, competitive pressures and changes in the industry.

**Our limited cash resources and lack of a line of credit may restrict our expansion opportunities.** An economic issue that can limit our growth is lack of extensive cash resources and lack of a working capital line of credit. Any lack of cash resources would limit our ability to take orders from customers and to place Proximity Marketing Units in malls across the country. We can provide no assurances that we will obtain additional resources and/or an adequate line of credit in the future, if at all.

**Our revenues depend on our relationships with capable independent sales personnel over whom we have no control as well as key customers, vendors and manufacturers of the products we distribute.** Our future operating results depend on our ability to maintain satisfactory relationships with qualified independent Sales personnel as well as key customers, vendors and manufacturers. We are dependent upon our independent sales representatives to sell our products and services and do not have any direct control over these third parties. If we fail to maintain our existing relationships with our independent sales representatives, key customers, vendors and manufacturers or fail to acquire new relationships with such key persons in the future, our business may suffer.

**Our future performance is materially dependent upon our management and their ability to manage our growth**Our future success is substantially dependent upon the efforts and abilities of members of our existing management, particularly Dean L. Julia, Chief Executive Officer, Michael Trepeta, President and Sean Trepeta, President of Mobiquity Networks. The loss of the services of these persons could have a material adverse effect on our business. We have an employment agreement with each of Messrs. Julia and M. Trepeta expiring March 1, 2015. However, we lack "key man" life insurance policies on any of our officers or employees. Competition for additional qualified management is intense, and we may be unable to attract and retain additional key personnel. The number of management personnel is currently limited and they may be unable to manage our expansion successfully and the failure to do so could have a material adverse effect on our business, results of operations and financial condition.

#### RISKS RELATING TO AN INVESTMENT IN OUR COMMON STOCK

**We lack an established trading market for our common stock, and you may be unable to sell your common stock at attractive prices or at all.** There is currently a limited trading market for our common stock in the OTC electronic bulletin board under the symbol "AMKT." There can be no assurances given that an established public market will be obtained for our common stock or that any public market will last. The trading price of the common stock depends on many factors, including:

- costs of developing new promotions and services;
- costs related to acquisitions of businesses;
- the timing and amount of sales and marketing expenditures;
- general economic conditions, as well as those specific to the promotional product industry; and
- our success in establishing additional business relationships.

As a result, we cannot assure you that you will be able to sell your common stock at attractive prices or at all.

**The market price for our common stock may be highly volatile.** The market price for our common stock may be highly volatile. A variety of factors may have a significant impact on the market price of our common stock, including:

- the publication of earnings estimates or other research reports and speculation in the press or investment community;
- changes in our industry and competitors;
- our financial condition, results of operations and prospects;
- any future issuances of our common stock, which may include primary offerings for cash, and the grant or exercise of stock options from time to time;
- general market and economic conditions; and
- any outbreak or escalation of hostilities, which could cause a recession or downturn in our economy.

In addition, the markets in general can experience extreme price and volume fluctuations that can be unrelated or disproportionate to the operating performance of the companies listed or quoted. Broad market and industry factors may negatively affect the market price of our common stock, regardless of actual operating performance. In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been instituted against companies. This type of litigation, if instituted, could result in substantial costs and a diversion of management's attention and resources, which would harm our business.

**We do not anticipate paying cash dividends in the future.** No cash dividends have been paid by the Company on our common stock. The future payment by us of cash dividends on our common stock, if any, rests within the discretion of our board of directors and will depend, among other things, upon our earnings, our capital requirements and our financial condition as well as other relevant factors. We do not intend to pay cash dividends upon our common stock for the foreseeable future.

**Provisions of our Articles of Incorporation and agreements could delay or prevent a change in control of our Company.** Certain provisions of our articles of incorporation may discourage, delay, or prevent a merger or acquisition that a shareholder may consider favorable. These provisions include:

- Authority of the board of directors to issue preferred stock; and
- Prohibition on cumulative voting in the election of directors.

**Our future sales of Common Stock by management and other stockholders may have an adverse effect on the then prevailing market price of our Common Stock.** In the event a public market for our common stock is sustained in the future, sales of our common stock may be made by holders of our public float or by holders of restricted securities in compliance with the provisions of Rule 144 of the Securities Act of 1933. In general, under Rule 144, a non-affiliated person who has satisfied a six-month holding period in a fully reporting company under the Securities Exchange Act of 1934, as amended, may, sell their restricted Common Stock without volume limitation, so long as the issuer is current with all reports under the Exchange Act in order for there to be adequate common public information. Affiliated persons may also sell their common shares held for at least six months, but affiliated persons will be required to meet certain other requirements, including manner of sale, notice requirements and volume limitations. Non-affiliated persons who hold their common shares for at least one year will be able to sell their common stock without the need for there to be current public information in the hands of the public. Future sales of shares of our public float or by restricted common stock made in compliance with Rule 144 may have an adverse effect on the then prevailing market price, if any, of our common stock.

**Lack of Audit Committee.** The Sarbanes-Oxley Act of 2002 requires us as a public corporation to have an audit committee composed solely of independent directors. Currently, we have two independent directors but lack having an Audit Committee of the Board of Directors. See "Item 10."

**Our Common Stock may be considered "penny stock" and may be difficult to trade** The SEC has adopted regulations that generally define "penny stock" to be an equity security that has a market or exercise price of less than \$5.00 per share, subject to specific exemptions. The market price of our Common Stock may be less than \$5.00 per share and, therefore, may be designated as a "penny stock" according to SEC rules. This designation requires any broker or dealer selling these securities to disclose certain information concerning the transaction, obtain a written agreement from the purchaser and determine that the purchaser is reasonably suitable to purchase the securities. These rules may restrict the ability of brokers or dealers to sell our Common Stock and may affect the ability of investors to sell their Shares. In addition, since our Common Stock is quoted on the OTCBB, investors may experience a lack of buyers to purchase such stock or a lack of market makers to support the stock price.

#### Item 1.B. Unresolved Staff Comments

Not Applicable.

#### Item 2. Properties

Our principal executive offices are located at 457 Rockaway Avenue, Valley Stream, NY 11581. We currently lease approximately 4,000 square feet of office space at this facility at an annual cost of approximately \$59,000 pursuant to a month-to-month lease. We also lease approximately 2,000 square feet of space, expiring in November 2012, at an annual cost of approximately \$28,000 (inclusive of taxes) at 1105 Portion Road, Farmingville, NY 11738.

In February 2012, the Company entered into a lease agreement for new executive office space of approximately 4,200 square feet located at 600 Old Country Road, Garden City, NY 11530. Not later than May 1, 2012, the Company will move its Valley Stream, NY office facilities into this space. The lease agreement is for 63 months. The annual rent under this office facility for the first year is estimated at \$127,000, including electricity, subject to an annual increase of 3%. In the event of a default in which the Company is evicted from the office space, Ace would be responsible to the landlord for an additional payment of rent of \$160,000 in the first year of the lease, an additional payment of \$106,667 in the second year of the lease and an additional payment of rent of \$53,333 in the third year of the lease. Such additional rent would be payable at the discretion of the Company in cash or in Common Stock of the Company.

#### Item 3. Legal Proceedings

We are currently not subject to any threatened or pending legal proceedings. Nevertheless, we may from time to time become a party to various legal proceedings arising in the ordinary course of our business.

#### Item 4. Reserved

## PART II

### Item 5. Market for Common Equity, Related Stockholder Matters, and Issuer

#### Purchases of Equity Securities.

Since June 9, 2005, our common stock has been traded on the OTC Bulletin Board under the symbol "AMKT." Our common stock trades on a limited basis on the OTC Electronic Bulletin Board in the Over-the-Counter Market. The following table sets forth the range of high and low sales prices of our Common Stock for the last two fiscal years.

| Quarters Ended     | High   | Low |
|--------------------|--------|-----|
| March 31, 2010     | \$ .65 | .40 |
| June 30, 2010      | .62    | .25 |
| September 30, 2010 | .65    | .11 |
| December 31, 2010  | .80    | .23 |
| March 31, 2011     | .40    | .17 |
| June 30, 2011      | .70    | .16 |
| September 30, 2011 | 1.85   | .50 |
| December 31, 2011  | 1.30   | .55 |

The closing sales price on February 29, 2012 was \$.61 per share. All quotations provided herein reflect inter-dealer prices, without retail mark-up, markdown or commissions.

In the event a public market for our common stock is sustained in the future, sales of our common stock may be made by holders of our public float or by holders of restricted securities in compliance with the provisions of Rule 144 of the Securities Act of 1933. In general, under Rule 144, a non-affiliated person who has satisfied a six-month holding period in a fully reporting company under the Securities Exchange Act of 1934, as amended, may, sell their restricted Common Stock without volume limitation, so long as the issuer is current with all reports under the Exchange Act in order for there to be adequate common public information. Affiliated persons may also sell their common shares held for at least six months, but affiliated persons will be required to meet certain other requirements, including manner of sale, notice requirements and volume limitations. Non-affiliated persons who hold their common shares for at least one year will be able to sell their common stock without the need for there to be current public information in the hands of the public. Future sales of shares of our public float or by restricted common stock made in compliance with Rule 144 may have an adverse effect on the then prevailing market price, if any, of our common stock. See "Risk Factors."

As of February 29, 2012, there were approximately 106 holders of record of our common stock, although we believe that there are other persons who are beneficial owners of our common stock held in street name. Our transfer agent is Continental Stock Transfer & Trust Company, 17 Battery Place, 8th Floor, New York, NY 10004.

#### DIVIDEND POLICY

We have never paid any cash dividends and intend, for the foreseeable future, to retain any future earnings for the development of our business. Our Board of Directors will determine our future dividend policy on the basis of various factors, including our results of operations, financial condition, capital requirements and investment opportunities.

RECENT SALES OF UNREGISTERED SECURITIES

For the period January 1, 2011 through February 29, 2012, there were no sales of unregistered securities, except as follows:

| <b>Date of Sale</b>    | <b>Title of Security</b>           | <b>Number Sold</b>   | <b>Consideration Received and Description of Underwriting or Other Discounts to Market Price or Convertible Security, Afforded to Purchasers</b> | <b>Exemption from Registration Claimed</b> | <b>If Option, Warrant or Convertible Security, terms of exercise or conversion</b>   |
|------------------------|------------------------------------|--|--|--|--|
| January 2011           | Common Stock                       | 150,000 shares and 200,000 Class E warrants  | Services rendered; no commissions paid   | Section 4(2)                               | Warrants exercisable at \$.30 per share through August 31, 2013  |
| March 2011             | Common Stock and Class E Warrants  | 2,516,666 shares and 2,516,666 warrants  | \$755,000; no commissions paid   | Rule 506                                   | Warrants exercisable at \$.30 per share through August 31, 2013  |
| April 2011             | Common Stock and Class E warrants  | 100,000 shares and Class E warrants to purchase 100,000 shares   | Services rendered; no commissions paid   | Rule 506                                   | Warrants exercisable at \$.30 per share through August 31, 2013  |
| May 1/ June 2011       | Common Stock and Class F Warrants  | 1,025,000 shares, Class F Warrants to purchase 1,025,000 shares and Class G Warrants to purchase 900,000 shares, respectively. | \$461,250; no commissions Paid   | Rule 506                                   | Class F Warrants exercisable at \$.50 per share through May 31, 2014, Class G Warrants exercisable at \$.60 per share through May 31, 2014 August 31, 2013 |
| July/August 2011       | Common Stock and Class H Warrants  | 1,950,000 shares, 1,980,000 Warrants (includes 30,000 Warrants issued to Placement Agent)                                      | \$975,000; \$15,000 commission paid  | Rule 506                                   | Class H Warrants exercisable at \$.60 per share through July 31, 2014  |
| September 2011         | Common Stock                       | 159,810 shares   | Cashless exercise of Warrants; no commissions paid   | Section 3(a)(9)                            | Warrants exercised on cashless basis   |
| August/ September 2011 | Common Stock                       | 325,000 shares   | Services rendered; no commissions paid   | Section 4(2)                               | Not applicable.  |
| August 2011            | Common Stock                       | 65,000 shares  | Services rendered; no commissions paid   | Section 4(2)                               | Not applicable.  |
| December 2011          | Common Stock                       | 66,000   | Services rendered; no Commissions paid   | Section 4(20)                              | Not applicable.  |
| January 2012           | Common Stock and Class AA Warrants | 958,338 shares, 191,671 Warrants (excludes 95,833 Warrants issued to Placement Agent)  | \$575,000; \$51,750 commission paid; \$25,000 advisory fee paid (exclusive of legal and due diligence costs)                                     | Rule 506                                   | Class AA Warrants exercisable at \$.60 per share through January 18, 2016  |
| February 2012          | Common Stock                       | 150,000 shares   | Services rendered; no Commissions paid   | Section 4(2)                               | Not applicable   |

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(b) Rule 463 of the Securities Act is not applicable to the Company.

(c) For the year ended December 31, 2011, there were no repurchases by the Company of its Common Stock.

RECENT PURCHASES OF SECURITIES

In 2011, we have had no repurchases of our common stock.

Item 6. Selected Financial Data

Not Applicable.

## Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with our financial statements and the notes thereto appearing elsewhere in this Form 10-K. All statements contained herein that are not historical facts, including, but not limited to, statements regarding anticipated future capital requirements, our future plan of operations, our ability to obtain debt, equity or other financing, and our ability to generate cash from operations, are based on current expectations. These statements are forward-looking in nature and involve a number of risks and uncertainties that may cause the Company's actual results in future periods to differ materially from forecasted results.

### Overview

Ace Marketing & Promotions, Inc. is a publicly traded company on the OTCBB under the ticker symbol: AMKT. The Company began as a promotional products company and has since evolved into an integrated marketing solutions company. Ace currently focuses on four business verticals; Branding, Interactive, Direct Relationship Marketing and Mobile Marketing.

The **Mobile Marketing** advertising medium continues to gain momentum in marketing spending. Technology allows advertisers to target and deliver rich media content to specific locations and times where it is most relevant. It gives advertisers the ability to reach consumers with their message as they are ready to make their purchasing decision.

Ace Marketing & Promotions' subsidiary **Mobiquity Networks** provides location-based mobile marketing services via Bluetooth and Wi-Fi that requires no GPS tracking and no need to download an application. Mobiquity utilizes a targeted, location-based approach to reach audiences on their mobile devices when it matters most. Mobiquity employs a combination of leading-edge mobile technologies to deliver virtually any digital media content including images, videos, audio mp3s, maps, games, applications and coupons to mobile phones within targeted geographic locations.

The Company has built an extensive location based mobile marketing mall network which currently enables access to over 96 million mobile customer visits per month while they are shopping. Our network allows brands to engage their potential customers with the right offer at the right place at the right time....when they are about to make a purchasing decision.

Mobiquity currently has over 600 zones throughout 75 malls with over 96 million monthly visits to those malls. These zones create a cloud of coverage so that visitors do not need to go directly to one of these zone access points. Some of our land mark malls include, but are not limited to:

- Roosevelt Field - NY
- The Galleria – Houston
- Lenox Square – Atlanta
- Northbridge – Chicago
- Santa Monica Place – LA
- Copley Place – Boston

Location-Based Mobile Marketing combined with Out-Of-Home Advertising results in strong opt-in rates due to proximity of the Network. Through its subsidiary Mobiquity Networks, Management believes that Ace is the first Location-Based Mobile Marketing Company focused on US shopping malls and has built and controls the only national proximity marketing mall network. An exclusive contract with leading Out-Of-Home advertising company, Eye Corp. will enable Ace to remain a leader in US malls. According to the agreement, Eye Corp. is exclusive to Ace for five years. Eye Corp. is a subsidiary of Ten Network Holdings, a public company with its headquarters in Australia. Eye Corp. has an exclusive agreement with Simon Malls to manage their non-digital assets in all mall properties and has a full-time sales force that maintains relationships with over 800 brands. The sales team of Eye Corp. will be paid a commission and will be required to fulfill a sales quota on Mobiquity proximity products. Discussions have begun between Eye Corp. and Ace about expanding their exclusive relationship to global malls and airports.

### CRITICAL ACCOUNTING POLICIES

Our discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with generally accepted accounting principles in the United States. The preparation of financial statements requires management to make estimates and disclosures on the date of the financial statements. On an on-going basis, we evaluate our estimates including, but not limited to, those related to revenue recognition. We use authoritative pronouncements, historical experience and other assumptions as the basis for making judgments. Actual results could differ from those estimates. We believe that the following critical accounting policies affect our more significant judgments and estimates in the preparation of our financial statements.

REVENUE RECOGNITION - Revenue is recognized when title and risk of loss transfers to the customer and the earnings process is complete. In general, title passes to our customers upon the customer's receipt of the merchandise. Revenue is recognized on a gross basis since the Company has the risks and rewards of ownership, latitude in selection of vendors and pricing, and bears all credit risk. Advance payments made by customers are included in customer deposits.

ALLOWANCE FOR DOUBTFUL ACCOUNTS. We are required to make judgments based on historical experience and future expectations, as to the realizability of our accounts receivable. We make these assessments based on the following factors: (a) historical experience, (b) customer concentrations, customer credit worthiness, (d) current economic conditions, and (e) changes in customer payment terms.

### Results of Operations

#### 2011 versus 2010

The following table sets forth certain selected condensed statement of operations data for the periods indicated in dollars. In addition, we note that the period-to-period comparison may not be indicative of future performance.

|  | Years Ended December 31 |              |
|--|-------------------------|--------------|
|  | 2011                    | 2010         |
| Revenue                                    | \$ 3,243,318            | \$ 3,170,035 |
| Cost of Revenues                           | 2,417,834               | 2,237,396    |
| Gross Profit                               | 825,484                 | 932,639      |
| Operating Expenses                         | 3,033,448               | 2,694,826    |
| Loss from operations                       | (2,207,964)             | (1,762,187)  |
| Net Loss                                   | (2,209,508)             | (1,762,256)  |
| Preferred Stock Dividend                   | --                      | --           |
| Net Loss Allocable to Common Stockholders  | (2,209,508)             | (1,762,256)  |
| Net (Loss) per common Share                | (.11)                   | (.13)        |
| Weighted average common Shares outstanding | 20,566,33               | 13,520,411   |

We generated revenues of \$3,243,318 for 2011 compared to \$3,170,035 in 2010. The increase in revenues of \$73,283 in 2011 compared to 2010 is due to the increased efforts of our sales force.

Cost of revenues was \$2,417,834 or 74.5% of revenues for 2011 compared to \$2,237,396 or 70.6% of revenues for 2010. Cost of revenues includes purchases and freight costs associated with the shipping of merchandise to our customers.

Gross profit was \$825,484 for 2011 or 25.5% of net revenues compared to \$932,639 in the same period of 2010 or 29.4% of revenues. Gross profits will vary period-to-period depending upon a number of factors including the mix of items sold, pricing of the items and the volume of product sold. Also, it is our practice to pass freight costs on to our customers.

Selling, general, and administrative expenses were \$3,033,448 for 2011 as compared to \$2,694,826 for 2010. Such costs include payroll and related expenses, commissions, insurance, rents, professional, consulting and public awareness fees. The overall increase of \$338,622 was primarily due to a \$244,062 increase in rents for our proximity marketing vertical and \$99,387 increase in payroll.

Net loss from operations was \$(2,207,964) for 2011 compared to a net loss of \$(1,762,187) for 2010. Our increase in net loss for 2011 as compared to the comparable period of the prior year was due to an increase in rents for our proximity marketing segment as described above. No benefit for income taxes is provided for 2011 and 2010 due to the full valuation allowance on the net deferred tax assets. Our ability to be profitable in the future is dependent upon both a turnaround in the United States economy and the successful introduction and usage of our proximity marketing services by our clients.

### Liquidity and Capital Resources

The Company had cash and cash equivalents of \$605,563 at December 31, 2011.

Cash used by operating activities for the year ended December 31, 2011 was \$(1,786,001). This resulted primarily from a net loss of \$2,209,508 and an increase in accounts payable and accrued expenses of \$179,680, partially offset by stock based compensation of \$474,556 and a increase in accounts receivable of \$236,032. Cash was used in investing activities of \$594,744, which funds were used to acquire property and equipment primarily for purchases of proximity marketing boxes. Cash provided by financing activities of \$2,222,727 was the result of the sale of our company common stock.

Cash used by operating activities for the year ended December 31, 2010 was \$(1,023,774). This resulted primarily from a net loss of \$1,762,256 and a decrease in accounts payable and accrued expenses of \$199,021, partially offset by stock based compensation of \$706,635 and a decrease in accounts receivable of \$234,663. Cash was used in investing activities of \$173,056, which funds were used to acquire property and equipment primarily for purchases of proximity marketing boxes. Cash provided by financing activities of \$1,364,800 was the result of the sale of our company common stock.

Our company commenced operations in 1998 and was initially funded by our three founders, each of whom has made demand loans to our Company that have been repaid. Since 1999, we have relied on equity financing and borrowings from outside investors to supplement our cash flow from operations.

We anticipate that our future liquidity requirements will arise from the need to finance our accounts receivable and inventories, hire additional sales persons and capital expenditures. The primary sources of funding for such requirements will be cash generated from operations, raising additional capital from the sale of equity or other securities and borrowings under debt facilities which currently do not exist. We believe that we can generate sufficient cash flow from these sources to fund our operations for at least the next fifteen months.

#### Recent Financings

In the past two fiscal years ended December 31, 2011 and the period January 1, 2012 through January 31, 2017, the Company completed the following private placement offerings with non-affiliated persons except as otherwise noted:

On December 8, 2009, Ace Marketing & Promotions, Inc. entered into an Introducing Agent Agreement with Legend Securities, Inc., a FINRA registered broker-dealer ("Legend"), to attempt to raise additional financing through the sale of its Common Stock and Warrants. Between December 8, 2009 and March 15, 2010, the Company closed on gross proceeds of \$1,025,000 before commissions of \$117,000. The planned use of proceeds is to primarily expand the Company's mobile and interactive divisions. The Company issued pursuant to the terms of the offering an aggregate of 2,050,000 shares of Common Stock at a per share price of \$.50 per share and 1,025,000 Warrants exercisable at \$1.00 per share to investors in the offering and placement agent warrants to purchase an amount equal to 10% of the number of shares and the number of warrants sold in the offering. All securities were issued pursuant to Rule 506 of Regulation D promulgated under Section 4(2) of the Securities Act of 1933, as amended.

In August 2010, the Company raised \$175,000 in gross proceeds from the sale of 437,500 shares and a like number of Warrants expiring in August 2013. The investor paid \$0.40 per Share and received Warrants exercisable at \$0.60 per Share. In November 2010, the Company commenced a plan of financing and raised an additional \$800,500 in financing from the sale of 2,934,999 Shares of its restricted Common Stock at \$0.30 per Share and Common Stock Purchase Warrants to purchase a like number of Shares, exercisable at \$0.30 per Share through August 31, 2013. Subsequent to the completion of the second financing, the Company agreed to adjust the terms of the August 2010 transaction and issue to the August 2010 investor Shares and Warrants on the same terms as those sold in November - December 2010. Accordingly, an additional 145,833 Shares and a like number of Warrants were issued to the August 2010 investor, with the exercise price of the Warrants being lowered from \$0.60 per Share to \$0.30 per Share. All securities will be issued pursuant to Section 4(2) and/or Rule 506 of Regulation D promulgated under Section 4(2) of the Securities Act of 1933, as amended.

In March 2011, the Company commenced a private placement offering. Pursuant to said offering between March 29, 2011 and April 19, 2011, the Company raised \$755,000 in gross proceeds from the sale of 2,516,666 shares of common stock and a like number of warrants, exercisable at \$.30 per share through August 31, 2013. Exemption is claimed for the sale of securities pursuant to Rule 506 and/or Section 4(2) of the Securities Act of 1933, as amended.

Between May 25, 2011 and June 3, 2011, the Company received gross proceeds of \$461,250 from the sale of 1,025,000 shares of Common Stock at a purchase price of \$.45 per share. The sale of stock was also accompanied by Warrants expiring on May 31, 2014. Exemption is claimed for the sale of securities pursuant to Rule 506 and/or Section 4(2) of the Securities Act of 1933, as amended.

In July 2011, the Company commenced a private placement offering. Pursuant to said offering between July 14, 2011 and August 1, 2011, the Company raised \$975,000 in gross proceeds from the sale of 1,950,000 shares of common stock and a like number of warrants, exercisable at \$.60 per share through July 31, 2014. Of the \$975,000, \$250,000 was invested by Thomas Arnost who later became a director of the Company in December 2011. Mr. Arnost received 500,000 shares of Common Stock and Warrants to purchase 500,000 shares in the offering. Exemption is claimed for the sale of securities pursuant to Rule 506 and/or Section 4(2) of the Securities Act of 1933, as amended.

On January 30, 2012, the Company's private placement offering was terminated. Rockwell Global Capital LLC acted as Placement Agent. The Company received gross proceeds of \$575,000 from the sale of 958,338 shares of Common Stock at a purchase price of \$.60 per share. The private placement offering also included the sale of Warrants to purchase 191,671 shares of Common Stock, exercisable at \$.60 per share and expiring on January 18, 2016. The Placement Agent received a \$25,000 advisory fee, \$51,750 in commissions and warrants to purchase 95,833 shares identical to the warrants sold to investors in the offering. Exemption is claimed for the sale of securities pursuant to Rule 506 and/or Section 4(2) of the Securities Act of 1933, as amended. The Company is required to file a Registration Statement with the Securities and Exchange Commission ("SEC") to register the resale of the shares of Common Stock sold in the private placement offering and the resale of the shares of Common Stock issuable upon exercise of the Class AA Warrants (collectively the "Registrable Shares"). If a Registration Statement covering the Registrable Shares is not filed with the SEC on or before March 15, 2012 or is not declared effective within 120 days of January 30, 2012 (subject to a 60 day extension in the event the SEC is performing a full review of the Registration Statement), the Company shall pay to each investor as liquidated damages, a payment equal to 1.5% of the aggregate amount invested by such investor in the offering, cumulative for every 30 day period until such Registration Statement has been filed or declared effective or a portion thereof. Such liquidated damages shall not exceed 15% per annum. The Company, at its sole discretion, shall pay the liquidated damage payment in cash and/or Common Stock of the Company based upon the closing sale price of the Company's Common Stock on the trading day preceding the date triggering the payment of the liquidated damages.

Item 7.A Qualitative and Qualitative Disclosures about Market Risk

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates, foreign currency exchange rates and commodity prices. Our primary exposure to market risk is interest rate risk associated with our short term money market investments. The Company does not have any financial instruments held for trading or other speculative purposes and does not invest in derivative financial instruments, interest rate swaps or other investments that alter interest rate exposure. The Company does not have any credit facilities with variable interest rates.

Item 8. Financial Statements

Financial Statements and Supplementary Data

The report of the Independent Registered Public Accounting Firm, Financial Statements and Schedules are set forth beginning on page F-1 of this Annual Report on Form 10-K, following this page.

ACE MARKETING &  
PROMOTIONS, INC.

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**Report of Independent Registered Public Accounting Firm**

Board of Directors and Stockholders  
Ace Marketing & Promotions, Inc.  
Valley Stream, New York

I have audited the accompanying consolidated balance sheets of Ace Marketing & Promotions, Inc. (the "Company") for the years ended December 31, 2011 and 2010 and the related consolidated statements of operations, stockholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these consolidated financial statements based on my audits.

I conducted my audit in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor was I engaged to perform, an audit of its internal control over financial reporting. My audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, I express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Ace Marketing & Promotions, Inc. as of December 31, 2011 and 2010 and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ Peter Messineo, CPA  
Peter Messineo, CPA  
Palm Harbor, Florida  
February 27, 2012

# ACE MARKETING & PROMOTIONS, INC.

## Condensed Balance Sheets

December 31,

|  | 2011                | 2010                |
|--|---------------------|---------------------|
| <b>Assets</b>  |                     |                     |
| Current Assets:  |                     |                     |
| Cash and cash equivalents  | \$ 605,563          | \$ 763,581          |
| Accounts receivable, net of allowance for doubtful accounts of \$20,000 at December 31, 2010 and December 31, 2011   | 534,924             | 298,892             |
| Prepaid expenses and other current assets  | 342,641             | 218,336             |
| <b>Total Current Assets</b>  | <b>1,483,128</b>    | <b>1,280,809</b>    |
| Property and Equipment, net  | 714,865             | 249,726             |
| Other Assets   | 7,745               | 7,745               |
| <b>Total Assets</b>  | <b>\$ 2,205,738</b> | <b>\$ 1,538,280</b> |
| <b>Liabilities and Stockholders' Equity</b>  |                     |                     |
| Current Liabilities:   |                     |                     |
| Accounts payable   | \$ 399,924          | \$ 243,795          |
| Accrued expenses   | 121,821             | 98,270              |
| <b>Total Current Liabilities</b>   | <b>521,745</b>      | <b>342,065</b>      |
| Commitments and Contingencies  |                     |                     |
| Stockholders' Equity:  |                     |                     |
| Preferred Stock, \$.0001 par value; 5,000,000 shares authorized, none issued   |                     |                     |
| Common stock, \$.0001 par value; 100,000,000 shares authorized; 23,284,236 and 16,834,260 shares issued and outstanding at December 31, 2011 and December 31, 2010, respectively | 2,328               | 1,683               |
| Additional paid-in capital   | 10,997,407          | 8,300,766           |
| Accumulated deficit  | (9,284,241)         | (7,074,733)         |
|  | <b>1,715,494</b>    | <b>1,227,716</b>    |
| Less: Treasury Stock, at cost, 23,334 shares   | (31,501)            | (31,501)            |
| <b>Total Stockholders' Equity</b>  | <b>1,683,993</b>    | <b>1,196,215</b>    |
| <b>Total Liabilities and Stockholders' Equity</b>  | <b>\$ 2,205,738</b> | <b>\$ 1,538,280</b> |

See notes to condensed financial statements.

# ACE MARKETING & PROMOTIONS, INC.

## Condensed Statements of Operations

Years Ended December 31,

|  | 2011           | 2010           |
|--|----------------|----------------|
| Revenues, net                                | \$ 3,243,318   | \$ 3,170,035   |
| Cost of Revenues                             | 2,417,834      | 2,237,396      |
| Gross Profit                                 | 825,484        | 932,639        |
| Operating Expenses:                          |                |                |
| Selling, general and administrative expenses | 3,033,448      | 2,694,826      |
| Total Operating Expenses                     | 3,033,448      | 2,694,826      |
| Loss from Operations                         | (2,207,964)    | (1,762,187)    |
| Other Income (Expense):                      |                |                |
| Interest expense                             | (2,177)        | (818)          |
| Interest income                              | 633            | 749            |
| Total Other Income (Expense)                 | (1,544)        | (69)           |
| Net Loss                                     | \$ (2,209,508) | \$ (1,762,256) |
| Net Loss Per Common Share:                   |                |                |
| Basic  | \$ (0.11)      | \$ (0.13)      |
| Diluted                                      | \$ (0.11)      | \$ (0.13)      |
| Weighted Average Common Shares Outstanding:  |                |                |
| Basic  | 20,566,338     | 13,520,411     |
| Diluted                                      | 20,566,338     | 13,520,411     |

*See notes to condensed financial statements.*

# ACE MARKETING & PROMOTIONS, INC.

## Statement of Stockholders' Equity

Years Ended December 31, 2010 and 2011

|                               | Total<br>Stockholders'<br>Equity | Common Stock |          | Additional<br>Paid-in<br>Capital | (Deficit)     | Treasury Stock |             |
|-------------------------------|----------------------------------|--------------|----------|----------------------------------|---------------|----------------|-------------|
|                               |                                  | Shares       | Amount   |                                  |               | Shares         | Amount      |
| Balance, at December 31, 2009 | \$ 887,036                       | 11,615,703   | \$ 1,163 | \$ 6,229,851                     | \$(5,312,477) | 23,334         | \$ (31,501) |
| Stock Purchase                | 1,364,800                        | 4,672,499    | 467      | 1,364,333                        |               |                |             |
| Stock Warrant                 | 15,064                           |              |          | 15,064                           |               |                |             |
| Stock Grant                   | 155,649                          | 546,058      | 53       | 155,596                          |               |                |             |
| Stock Compensation            | 535,922                          |              |          | 535,922                          |               |                |             |
| Net Loss                      | (1,762,256)                      |              |          |                                  | (1,762,256)   |                |             |
| Balance, at December 31, 2010 | \$ 1,196,215                     | 16,834,260   | \$ 1,683 | \$ 8,300,766                     | \$(7,074,733) | 23,334         | \$ (31,501) |
| Stock Purchase                | 2,222,727                        | 5,616,666    | \$ 562   | \$ 2,222,165                     |               |                |             |
| Stock Warrant                 | 25,522                           | 134,810      | \$ 13    | \$ 25,509                        |               |                |             |
| Stock Grant                   | 141,153                          | 698,500      | 70       | 141,083                          |               |                |             |
| Stock Compensation            | 307,884                          |              |          | 307,884                          |               |                |             |
| Net Loss                      | (2,209,508)                      |              |          |                                  | \$(2,209,508) |                |             |
| Balance, at December 31, 2011 | \$ 1,683,993                     | 23,284,236   | \$ 2,328 | \$ 10,997,407                    | \$(9,284,241) | 23,334         | \$ (31,501) |

See notes to condensed financial statements.

# ACE MARKETING & PROMOTIONS, INC.

## Condensed Statements of Cash Flows

Years Ended December 31,

|   | 2011               | 2010               |
|---|--------------------|--------------------|
| <b>Cash Flows from Operating Activities:</b>                                |                    |                    |
| Net loss  | \$ (2,209,508)     | \$ (1,762,256)     |
| Adjustments to reconcile net loss to net cash used in operating activities: |                    |                    |
| Depreciation and amortization   | 129,607            | 56,961             |
| Stock-based compensation  | 474,556            | 706,635            |
| Changes in operating assets and liabilities:                                |                    |                    |
| (Increase) decrease in operating assets:                                    |                    |                    |
| Accounts receivable   | (236,032)          | 234,663            |
| Prepaid expenses and other assets   | (124,304)          | (60,756)           |
| Increase (Decrease) in operating liabilities:                               |                    |                    |
| Accounts payable and accrued expenses                                       | 179,680            | (199,021)          |
| Total adjustments   | 423,507            | 738,482            |
| <b>Net Cash Used in Operating Activities</b>                                | <b>(1,786,001)</b> | <b>(1,023,774)</b> |
| <b>Cash Flows from Investing Activities:</b>                                |                    |                    |
| Acquisition of property and equipment                                       | (594,744)          | (173,056)          |
| <b>Net Cash (Used) in Provided by Investing Activities</b>                  | <b>(594,744)</b>   | <b>(173,056)</b>   |
| <b>Cash Flows from Financing Activities:</b>                                |                    |                    |
| Proceeds from issuance of common stock                                      | 2,222,727          | 1,364,800          |
| <b>Net Cash Provided by Financing Activities</b>                            | <b>2,222,727</b>   | <b>1,364,800</b>   |
| <b>Net Increase (decrease) in Cash and Cash Equivalents</b>                 | <b>(158,018)</b>   | <b>167,970</b>     |
| Cash and Cash Equivalents, beginning of period                              | 763,581            | 595,611            |
| <b>Cash and Cash Equivalents, end of period</b>                             | <b>\$ 605,563</b>  | <b>\$ 763,581</b>  |

*See notes to condensed financial statements.*

**ACE MARKETING & PROMOTIONS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**NATURE OF OPERATIONS** - Ace Marketing & Promotions, Inc. (the "Company") is a full service advertising specialties and promotional products company that distributes items typically with logos to large corporations, schools and universities, financial institutions and not-for-profit organizations. Specific categories of promotional products include advertising specialties, business gifts, incentives and awards, and premiums.

In Fiscal 2008, the Company became an authorized distributor, provider and reseller of mobile advertising solutions. To date, the Company has not generated any significant revenue from this segment.

**PRINCIPLES OF CONSOLIDATION** - The accompanying consolidated financial statements include the accounts of Ace Marketing & Promotions, Inc. and its wholly owned subsidiary, Mobiquity Networks, Inc. All intercompany accounts and transactions have been eliminated in consolidation.

**REVENUE RECOGNITION** - Revenue is recognized when title and risk of loss transfers to the customer and the earnings process is complete. In general, title passes to our customers upon the customer's receipt of the merchandise. Revenue is recognized on a gross basis since the Company has the risks and rewards of ownership, latitude in selection of vendors and pricing, and bears all credit risk. Advance payments made by customers are included in customer deposits.

The Company records all shipping and handling fees billed to customers as revenues, and related costs as cost of goods sold, when incurred.

**ALLOWANCE FOR DOUBTFUL ACCOUNTS** - Management must make estimates of the uncollectability of accounts receivable. Management specifically analyzes accounts receivable and analyzes historical bad debts, customer concentrations, customer credit-worthiness, current economic trends and changes in customer payment terms when evaluating the adequacy of the allowance for doubtful accounts.

**PROPERTY AND EQUIPMENT** - Property and equipment are stated at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets. Leasehold improvements are being amortized using the straight-line method over the estimated useful lives of the related assets or the remaining term of the lease. The costs of additions and improvements, which substantially extend the useful life of a particular asset, are capitalized. Repair and maintenance costs are charged to expense. When assets are sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the account and the gain or loss on disposition is reflected in operating income.

**ACE MARKETING & PROMOTIONS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2011 AND 2010**

**CONCENTRATION OF CREDIT RISK** - Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of trade receivables and cash and cash equivalents.

Concentration of credit risk with respect to trade receivables is generally diversified due to the large number of entities comprising the Company's customer base and their dispersion across geographic areas principally within the United States. The Company routinely addresses the financial strength of its customers and, as a consequence, believes that its receivable credit risk exposure is limited.

The Company places its temporary cash investments with high credit quality financial institutions. At times, the Company maintains bank account balances, which exceed FDIC limits. The Company has not experienced any losses in such accounts and believes that it is not exposed to any significant credit risk on cash. Management does not believe significant credit risk exists at December 31, 2011 and 2010.

**CASH AND CASH EQUIVALENTS** - The Company considers all highly liquid debt instruments with a maturity of three months or less, as well as bank money market accounts, to be cash equivalents.

**ESTIMATES** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NET INCOME PER SHARE** - Basic net income per share is computed by dividing income available to common shareholders by the weighted-average number of common shares outstanding. Diluted earnings per share reflect, in periods in which they have a dilutive effect, the impact of common shares issuable upon exercise of stock options. The number of common shares potentially issuable upon the exercise of certain options and warrants that were excluded from the diluted loss per common share calculation was approximately 16,100,000 and 9,364,000 because they are anti-dilutive, as a result of a net loss for the years ended December 31, 2011 and 2010, respectively.

**ACE MARKETING & PROMOTIONS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2011 AND 2010**

**ADVERTISING COSTS** - Advertising costs are expensed as incurred. For the year ended December 31, 2011 there were no expenses, in 2010 there were \$2,850 in costs.

**ACCOUNTING FOR STOCK BASED COMPENSATION.** Stock based compensation cost is measured at the grant date fair value of the award and is recognized as expense over the requisite service period. The Company uses the Black-Sholes option-pricing model to determine fair value of the awards, which involves certain subjective assumptions. These assumptions include estimating the length of time employees will retain their vested stock options before excising them ("expected term"), the estimated volatility of the Company's common stock price over the expected term ("volatility") and the number of options for which vesting requirements will not be completed ("forefitures"). Changes in the subjective assumptions can materially affect estimates of fair value stock-based compensation, and the related amount recognized on the consolidated statements of operations. Refer to Note 8 "Stock Option Plans" in the Notes to Consolidated Financial Statements in this report for a more detailed discussion.

**INCOME TAXES** - Deferred income taxes are recognized for temporary differences between financial statement and income tax basis of assets and liabilities for which income tax or tax benefits are expected to be realized in future years. A valuation allowance is established to reduce deferred tax assets, if it is more likely than not, that all or some portion of such deferred tax assets will not be realized. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date.

**RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS**

In June 2009, the FASB issued new accounting guidance that established the FASB Accounting Standards Codification ("Codification"), as the single source of authoritative GAAP to be applied by nongovernmental entities, except for the rules and interpretive releases of the SEC under authority of federal securities laws, which are sources of authoritative GAAP for SEC registrants. The FASB will no longer issue new standards in the form of Statements, FASB Staff Positions, or Emerging Issues Task Force Abstracts; instead the FASB will issue Accounting Standards Updates. Accounting Standards Updates will not be authoritative in their own right as they will only serve to update the Codification. These changes and the Codification itself do not change GAAP. This new guidance became effective for interim and annual periods ending after September 15, 2009. Other than the manner in which new accounting guidance is referenced, the Codification did not have an effect on the Company's financial statements.

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In January 2010, the FASB issued ASU No. 2010-06 regarding fair value measurements and disclosures and improvement in the disclosure about fair value measurements. This ASU requires additional disclosures regarding significant transfers in and out of Levels 1 and 2 of fair value measurements, including a description of the reasons for the transfers. Further, this ASU requires additional disclosures for the activity in Level 3 fair value measurements, requiring presentation of information about purchases, sales, issuances, and settlements in the reconciliation for fair value measurements. This ASU is effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. We are currently evaluating the impact of this ASU; however, we do not expect the adoption of this ASU to have a material impact on our financial statements.

In February 2010, the FASB issued ASU No. 2010-09 regarding subsequent events and amendments to certain recognition and disclosure requirements. Under this ASU, a public company that is a SEC filer, as defined, is not required to disclose the date through which subsequent events have been evaluated. This ASU is effective upon the issuance of this ASU. The adoption of this ASU did not have a material impact on our financial statements.

In April 2010, the FASB issued ASU No. 2010-18 regarding improving comparability by eliminating diversity in practice about the treatment of modifications of loans accounted for within pools under Subtopic 310-30 – Receivable – Loans and Debt Securities Acquired with Deteriorated Credit Quality (“Subtopic 310-30”). Furthermore, the amendments clarify guidance about maintaining the integrity of a pool as the unit of accounting for acquired loans with credit deterioration. Loans accounted for individually under Subtopic 310-30 continue to be subject to the troubled debt restructuring accounting provisions within Subtopic 310-40, Receivables—Troubled Debt Restructurings by Creditors. The amendments in this Update are effective for modifications of loans accounted for within pools under Subtopic 310-30 occurring in the first interim or annual period ending on or after July 15, 2010. The amendments are to be applied prospectively. Early adoption is permitted. We are currently evaluating the impact of this ASU; however, we do not expect the adoption of this ASU to have a material impact on our financial statements.

Except for rules and interpretive releases of the SEC under authority of federal securities laws and a limited number of grandfathered standards, the FASB Accounting Standards Codification™ (“ASC”) is the sole source of authoritative GAAP literature recognized by the FASB and applicable to the Company. Management has reviewed the aforementioned rules and releases and believes any effect will not have a material impact on the Company's present or future financial statements.

**ACE MARKETING & PROMOTIONS, INC.**  
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NOTE 2: PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consist of the following at December 31:

|                               | <u>USEFUL LIVES</u> | <u>2011</u>       | <u>2010</u>       |
|-------------------------------|---------------------|-------------------|-------------------|
| Furniture and Fixtures        | 5 years             | \$ 986,785        | \$ 392,039        |
| Leasehold Improvements        | 5 years             | 8,919             | 8,919             |
|                               |                     | <u>995,704</u>    | <u>400,958</u>    |
| Less Accumulated Depreciation |                     | 280,839           | 151,232           |
|                               |                     | <u>\$ 714,865</u> | <u>\$ 249,726</u> |

Depreciation expense for the years ended December 31, 2011 and 2010 was \$129,607 and \$56,961, respectively.

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NOTE 3: INCOME TAXES

The provision for income taxes for the years ended December 31, 2011 and 2010 is summarized as follows:

|           | <u>2011</u> | <u>2010</u> |
|-----------|-------------|-------------|
| Current:  |             |             |
| Federal   | \$ -        | -           |
| State     | -           | -           |
|           | <u>-</u>    | <u>-</u>    |
| Deferred: |             |             |
| Federal   | -           | -           |
| State     | -           | -           |
|           | <u>\$ -</u> | <u>\$ -</u> |

The Company has federal and state net operating loss carryforwards of approximately \$5,836,000, which can be used to reduce future taxable income through 2030.

The tax effects of temporary differences which give rise to deferred tax assets (liabilities) are summarized as follows:

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|                                  | YEARS ENDED DECEMBER 31, |              |
|----------------------------------|--------------------------|--------------|
|                                  | 2011                     | 2010         |
| Deferred Tax Assets:             |                          |              |
| Net operating loss carryforwards | \$ 2,808,000             | \$ 1,924,000 |
| Stock based compensation         | 1,276,000                | 1,086,000    |
| Allowance for doubtful accounts  | 8,000                    | 8,000        |
| Deferred Tax Assets              | 4,092,000                | 3,018,000    |
| Less Valuation Allowance         | 4,092,000                | 3,018,000    |
| Net Deferred Tax Asset           | \$ -                     | \$ -         |

A reconciliation of the federal statutory rate to the Company's effective tax rate is as follows:

|                                     | YEARS ENDED DECEMBER 31, |          |
|-------------------------------------|--------------------------|----------|
|                                     | 2011                     | 2010     |
| Federal Statutory Tax Rate          | 34.00%                   | 34.00%   |
| State Taxes, net of Federal benefit | 6.00%                    | 6.00%    |
| Change in Valuation Allowance       | (40.00%)                 | (40.00%) |
| Total Tax Expense                   | 0.00%                    | 0.00%    |

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NOTE 4: STOCKHOLDERS' EQUITY

PRIVATE PLACEMENT OF SECURITIES - During fiscal 2004, the Company sold through a private placement, 14.74 units (each consisting of 50,000 common shares and 50,000 Class A Warrants). Each Class A Warrant had an exercise price of \$2.00 and was to expire on January 3, 2007. The Company extended the expiration date of the Class A Warrants to July 1, 2009. The Class A Warrants expired on September 30, 2009.

During fiscal 2005, the Company completed a private placement through the sale of 10 units (each consisting of 10,000 common shares and 10,000 Class B Warrants) at a purchase price of \$10,000 per unit for net proceeds of \$95,000, net of transaction cost of approximately \$5,000. Each Class B Warrant had an exercise price of \$2.00 and expires on January 2, 2008. Subsequent to December 31, 2007, the Company extended the expiration date of the Class B Warrants to July 1, 2009. The Class B Warrants expired on September 30, 2009.

During fiscal 2006, the Company completed a private placement (the "Offering") through the sale of 15.859 units (each consisting of 60,000 common shares and 30,000 Class C Warrants) at a purchase price of \$105,000 per unit for net proceeds of \$1,420,937, net of transaction costs of approximately \$244,000. Each Class C Warrant has an exercise price of \$1.75 per share and expires on June 30, 2009. The Class C Warrants expired on September 30, 2009.

Pursuant to the Offering, the Placement Agent was issued 139,680 shares of the Company's common stock and a warrant to purchase 95,160 shares of common stock at an exercise price of \$1.00 per share. The Placement Agent warrants expired on June 29, 2011.

In February 2009, we sold 500,000 shares of our Common Stock at an exercise price of \$.50 per share, payable one-half immediately and the balance in March 2009 through the retirement of a \$125,000 Note.

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On July 14, 2009, the Company entered into a Placement Agent Agreement with Sierra Equity Group LLC, a FINRA registered broker-dealer ("Sierra"), to attempt to raise additional financing through the sale of its Common Stock and Warrants. Between August 21, 2009 and October 15, 2009, the Company closed on gross proceeds of \$499,250 and received net cash proceeds of approximately \$403,000, after commissions of approximately \$50,000, legal expenses of \$40,000 and blue sky, escrow and printing expenses of approximately \$7,000. The planned use of proceeds is to primarily expand the Company's mobile and interactive divisions. In connection with the offering, the Company entered into a Financial Advisory Agreement with Sierra pursuant to which Sierra would receive 300,000 shares of

Common Stock and an additional 10% of the number of shares sold in the offering. The Company issued pursuant to the terms of the offering and the Financial Advisory Agreement an aggregate of 717,253 shares of Common Stock at an average per share price of \$.696 per share and 358,627 Warrants exercisable at \$1.00 per share to investors in the offering and an aggregate of 371,725 shares and 35,863 Warrants to Sierra.

On December 8, 2009, Ace Marketing & Promotions, Inc. entered into an Introducing Agent Agreement with Legend Securities, Inc., a FINRA registered broker-dealer ("Legend"), to attempt to raise additional financing through the sale of its Common Stock and Warrants. Between December 8, 2009 and March 15, 2010, the Company closed on gross proceeds of \$1,025,000 before commissions of \$117,000. The planned use of proceeds is to primarily expand the Company's mobile and interactive divisions. The Company issued pursuant to the terms of the offering an aggregate of 2,050,000 shares of Common Stock at a per share price of \$.50 per share and 1,025,000 Warrants exercisable at \$1.00 per share to investors in the offering and placement agent warrants to purchase an amount equal to 10% of the number of shares and the number of warrants sold in the offering.

In August 2010, the Company raised \$175,000 in gross proceeds from the sale of 437,500 shares and a like number of Warrants expiring in August 2013. The investor paid \$0.40 per Share and received Warrants exercisable at \$0.60 per Share. In November 2010, the Company commenced a plan of financing and raised an additional \$800,500 in financing from the sale of 2,934,999 Shares of its restricted Common Stock at \$0.30 per Share and Class E Common Stock Purchase Warrants to purchase a like number of Shares, exercisable at \$0.30 per Share through August 31, 2013. Subsequent to the completion of the second financing, the Company agreed to adjust the terms of the August 2010 transaction and issue to the August 2010 investor Shares and Class E Warrants on the same terms as those sold in November - December 2010. Accordingly, an additional 145,833 Shares and a like number of Warrants were issued to the August 2010 investor, with the exercise price of the Warrants being lowered from \$0.60 per Share to \$0.30 per Share.

In March 2011, the Company commenced a private placement offering. Pursuant to said offering between March 29, 2011 and April 19, 2011, the Company raised \$755,000 in gross proceeds from the sale of 2,516,666 shares of common stock and a like number of warrants, exercisable at \$.30 per share through August 31, 2013. Exemption is claimed for the sale of securities pursuant to Rule 506 and/or Section 4(2) of the Securities Act of 1933, as amended.

Between May 25, 2011 and June 3, 2011, the Company received gross proceeds of \$461,250 from the sale of 1,025,000 shares of Common Stock at a purchase price of \$.45 per share. The sale of stock was also accompanied by Warrants expiring on May 31, 2014. Exemption is claimed for the sale of securities pursuant to Rule 506 and/or Section 4(2) of the Securities Act of 1933, as amended.

In July 2011, the Company commenced a private placement offering. Pursuant to said offering between July 14, 2011 and August 1, 2011, the Company raised \$975,000 in gross proceeds from the sale of 1,950,000 shares of common stock and a like number of warrants, exercisable at \$.60 per share through July 31, 2014. Of the \$975,000, \$250,000 was invested by Thomas Arnost who later became a director of the Company in December 2011. Mr. Arnost received 500,000 shares of Common Stock and Warrants to purchase 500,000 shares in the offering. Exemption is claimed for the sale of securities pursuant to Rule 506 and/or Section 4(2) of the Securities Act of 1933, as amended.

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NOTE 5: SHARE-BASED COMPENSATION

WARRANTS - On January 4, 2010, the Company issued 6,000 Warrants to purchase Common Stock to an independent consultant to manage sales relationships. The services were recorded equal to the value of the shares at the date of grant and an expense of \$3,051 is included in the operating expenses for the year ended December 31, 2010.

On August 17, 2010, the Company issued 145,600 Warrants to purchase Common Stock to franchisee owners of a chain store for the purpose of placing proximity marketing units in their business locations.

On January 20, 2011, the Company issued 100,000 shares of restricted Common Stock and Warrants to purchase 200,000 shares of Common Stock for the business development agreement.

RESTRICTED STOCK GRANTS - In January 2010, the Company entered into an agreement with a consulting firm to provide services over the next twelve months. The agreement provides for the issuance of 100,000 restricted Common Stock.

In January 2010, the Company also entered into an agreement with two individuals to provide services over the next twelve months. The agreement provides for the issuance of 57,500 shares and 52,500 restricted common shares of Common Stock which vest immediately.

In December 2010, the Company entered into an agreement with a consulting firm to provide services to the Corporation. 50,000 shares of stock were granted to the consultant during the fourth quarter of 2010.

On January 20, 2011, the Company issued to an independent contractor 50,000 shares of common stock in exchange for consulting services rendered.

On May 25, 2011, the Company issued 100,000 shares of Common Stock as a consulting fee to an independent contractor assisting the Company structure a stock deal.

On August 17, 2011, the Company issued 65,000 shares of Corporation's Common Stock to retain the services of two outside representatives for an additional three years.

On August 17, 2011, the Company issued 175,000 shares of the Corporation's Common Stock in exchange for consulting services rendered.

On September 7, 2011, the Company issued 150,000 shares of restricted Common Stock to an independent contractor for investor relations and public relations.

On December 20, 2011, the Company approved the grant of 200,000 options to purchase Company stock options to an individual who accepted the position on the board of directors.

On December 29, 2011, the Company issued 66,000 restricted Common Stock in exchange for computer consulting services.

During the past three years, the Company has granted under our 2005 Plan certain employees and consultants restricted stock awards for services for the prior year with vesting to occur after the passage of an additional 12 months. These awards totaled 51,000 Shares for 2009, subject to continued services with the Company through December 31, 2009. These awards totaled 105,000 Shares for 2010 subject to continued services with the Company through December 31, 2010. These awards totaled 45,000 Shares for 2011 subject to continued services with the Company through December 31, 2012.

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All stock options under the Plan are granted at or above the fair market value of the common stock at the grant date. Employee and non-employee stock options generally vest over periods ranging from one to three years and generally expire either five or ten years from the grant date.

The Company's Plan is accounted for, in accordance with the recognition and measurement provisions requires compensation costs related to share-based payment transactions, including employee stock options, to be recognized in the financial statements. In addition, the Company adheres to the guidance set forth within Securities and Exchange Commission which provides the staff's views regarding the interaction between certain SEC rules and regulations and provides interpretations with respect to the valuation of share-based payments for public companies.

The fair value of options at the date of grant was estimated using the Black-Scholes option pricing model. The expected volatility is based upon historical volatility of the Company's stock and other contributing factors. The expected term is based upon observation of actual time elapsed between date of grant and exercise of options for all employees. Previously such assumptions were determined based on historical data.

**NOTE 6: STOCK COMPENSATION**

The Company's results for the years ended December 31, 2011 and 2010 include employee share-based compensation expense totaling approximately \$118,000 and \$282,000 respectively. Such amounts have been included in the Statements of Operations within selling, general and administrative expenses. No income tax benefit has been recognized in the statement of operations for share-based compensation arrangements due to a history of operating losses.

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The following table summarizes stock-based compensation expense for the years ended December 31, 2011 and 2010:

|   | Years Ended December 31, |                   |
|---|--------------------------|-------------------|
|   | 2011                     | 2010              |
| Employee stock based compensation-option grants     | \$ 89,963                | \$ 267,180        |
| Employee stock based compensation-stock grants      | 28,500                   | 42,514            |
| Non-Employee stock based compensation-option grants | 252,378                  | 175,122           |
| Non-Employee stock based compensation-stock grants  | 65,454                   | 170,900           |
| Non-Employee stock based compensation-stock warrant | 38,264                   | 50,921            |
|   | <u>\$ 474,559</u>        | <u>\$ 706,635</u> |

**NOTE 7: LOSS PER SHARE**

Authoritative guidance requires dual presentation of basic and diluted earnings per share ("EPS") with a reconciliation of the numerator and denominator of the basis EPS computation to the numerator and denominator of the diluted EPS computation. Basic EPS excludes dilution. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity.

**NOTE 8: STOCK OPTION PLANS**

During Fiscal 2005, the Company established, and the stockholders approved, an Employee Benefit and Consulting Services Compensation Plan (the "2005 Plan") for the granting of up to 2,000,000 non-statutory and incentive stock options and stock awards to directors, officers, consultants and key employees of the Company. On June 9, 2005, the Board of Directors amended the Plan to increase the number of stock options and awards to be granted under the Plan to 4,000,000. During Fiscal 2009, the Company established a plan of long-term stock-based compensation incentives for selected Eligible Participants of the Company covering 4,000,000 shares. This plan was adopted by the Board of Directors and approved by stockholders in October 2009 and shall be known as the 2009 Employee Benefit and Consulting Services Compensation Plan (the "2009 Plan"). (The 2005 and 2009 Plans are collectively referred to as the "Plans.")

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All stock options under the Plans are granted at or above the fair market value of the common stock at the grant date. Employee and non-employee stock options vest over varying periods and generally expire either 5 or 10 years from the grant date. The fair value of options at the date of grant was estimated using the Black-Scholes option pricing model. For option grants, the Company will take into consideration payments subject to the provisions of ASC 718 "Stock Compensation", previously Revised SFAS No. 123 "Share-Based Payment" ("SFAS 123 (R)"). The fair values of these restricted stock awards are equal to the market value of the Company's stock on the date of grant, after taking into certain discounts. The expected volatility is based upon historical volatility of our stock and other contributing factors. The expected term is based upon observation of actual time elapsed between date of grant and exercise of options for all employees. Previously, such assumptions were determined based on historical data.

The weighted average assumptions made in calculating the fair values of options granted during the years ended December 31, 2011 and 2010 are as follows:

|                          | Years Ended December 31, |         |
|--------------------------|--------------------------|---------|
|                          | 2011                     | 2010    |
| Expected volatility      | 203.04%                  | 123.48% |
| Expected dividend yield  | -                        | -       |
| Risk-free interest rate  | 1.88%                    | 3.01%   |
| Expected term (in years) | 6.54                     | 4.00    |

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|  | Share            | Weighted<br>Average<br>Exercise<br>Price | Weighted<br>Average<br>Remaining<br>Contractual<br>Term | Aggregate<br>Intrinsic<br>Value |
|--|------------------|--|---|---------------------------------|
| Outstanding, January 1, 2011           | 3,120,000        | \$ .97                                   | 5.23  |                                 |
| Granted                                | 515,000          | \$ 1.00                                  |   |                                 |
| Exercised                              | -                | -  |   |                                 |
| Cancelled / Expired                    | (130,000)        | \$ 2.50                                  |   |                                 |
| Outstanding, December 31, 2011         | <u>3,505,000</u> | <u>\$ .84</u>                            | <u>4.85</u>   | <u>171,600</u>                  |
| Options exercisable, December 31, 2011 | 3,455,000        | \$ .83                                   | 4.51  | -                               |

The weighted-average grant-date fair value of options granted during the years ended December 31, 2011 and 2010 was \$0.43 and \$0.51

The aggregate intrinsic value of options outstanding and options exercisable at December 31, 2011 is calculated as the difference between the exercise price of the underlying options and the market price of the Company's common stock for the shares that had exercise prices, that were lower than the \$.60 closing price of the Company's common stock on December 31, 2011.

As of December 31, 2011, the fair value of unamortized compensation cost related to unvested stock option awards was approximately \$31,200. Unamortized compensation cost as of December 31, 2011 is expected to be recognized over a remaining weighted-average vesting period of .25 years. As of December 31, 2010, the fair value of unamortized compensation cost related to unvested stock option awards was approximately \$156,000. Unamortized compensation cost as of December 31, 2010 was expected to be recognized over a remaining weighted-average vesting period of 1.25 years.

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The weighted average assumptions made in calculating the fair value of warrants granted during the years ended December 31, 2011 and 2010 are as follows:

|                          | Years Ended |         |
|--------------------------|-------------|---------|
|                          | 2011        | 2010    |
| Expected volatility      | 56.83%      | 132.18% |
| Expected dividend yield  | --          | --      |
| Risk-free interest rate  | 1.07%       | 2.65%   |
| Expected term (in years) | 3.00        | 5.00    |

|   | Share      | Weighted<br>Average<br>Exercise<br>Price | Weighted<br>Average<br>Remaining<br>Contractual<br>Term | Aggregate<br>Intrinsic<br>Value |
|---|------------|--|---|---------------------------------|
| Outstanding, January 1, 2011            | 6,243,965  | \$ .54                                   |   |                                 |
| Granted                                 | 7,021,666  | \$ .45                                   |   |                                 |
| Exercised                               | (395,000)  | --                                       |   |                                 |
| Cancelled/Expired                       | (299,989)  | --                                       |   |                                 |
| Outstanding, December 31, 2011          | 12,570,642 | \$ .48                                   | 1.84  | 1,943,000                       |
| Warrants exercisable, December 31, 2011 | 12,570,642 | \$ .48                                   | 1.84  | --                              |

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COMMON SHARES RESERVED

|                        |           |
|------------------------|-----------|
| 2005 Stock Option Plan | 3,355,000 |
| Non Statutory Options  | 150,000   |
| Warrants               | 551,600   |
| Class D Warrants       | 2,062,377 |
| Class E Warrants       | 5,851,665 |
| Class F Warrants       | 1,225,000 |
| Class G Warrants       | 900,000   |
| Class H Warrants       | 1,980,000 |

NOTE 9: COMMITMENTS AND CONTINGENCIES

LEASE COMMITMENTS - The Company leases office space under non-cancelable operating leases, which expires in November 2012. The Company is obligated for the payment of real estate taxes under these leases. The Company is also currently leasing additional office space on a month-to-month basis. Minimum future rentals under non-cancelable lease commitments are as follows:

YEARS ENDING DECEMBER 31,

2012 \$ 26,000

Rent and real estate tax expense was approximately \$337,500 and \$93,000 for the years December 31, 2011 and 2010, respectively.

EMPLOYMENT CONTRACTS - On March 1, 2005, the Company entered into employment contracts with two of its officers. The employment agreements provide for minimum annual salaries plus bonuses equal to 5% of pre-tax earnings (as defined) and other perquisites commonly found in such agreements. In addition, pursuant to the employment contracts, the Company granted the officers options to purchase up to an aggregate of 400,000 shares of common stock.

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On April 7, 2010, the Board of Directors approved a five-year extension of the employment contract of Dean L. Julia and Michael D. Trepeta to expire on March 1, 2015. The Board approved the continuation of each officer's current salary and scheduled salary increases which will next occur on March 1, 2011. The Board also approved a signing bonus of stock options to purchase 200,000 shares granted to each officer which is fully vested at the date of grant and exercisable at \$.50 per share through April 7, 2020; ten-year stock options to purchase 100,000 shares of Common Stock to be granted to each officer at fair market value on each anniversary date of the contract and extension thereof commencing March 1, 2011; and termination pay of one year base salary based upon the scheduled annual salary of each executive officer for the next contract year plus the amount of bonuses paid or entitled to be paid to the executive for the current fiscal year or the preceding fiscal year, whichever is higher. In the event of termination, the executives will continue to receive all benefits included in the employment agreement through the scheduled expiration date of said employment agreement prior to the acceleration of the termination date thereof.

On August 22, 2007, the Company approved a three year extension of the employment contracts with two of its officers expiring on February 28, 2011. The employment agreements provide for minimum annual salaries with scheduled increases per annum to occur on every anniversary date of the contract and extension commencing on March 1, 2008. A signing bonus of options to purchase 150,000 shares granted to each executive were fully vested at the date of the grant and exercisable at \$1.20 per share through August 22, 2017. Ten year options to purchase 50,000 shares of common stock are to be granted at fair market value on each anniversary date of the contract and extension commencing March 1, 2008. Termination pay of one year base salary based upon the scheduled annual salary of each executive officer for the next contract year, plus the amount of bonuses paid (or entitle to be paid) to the executive for the current fiscal year of the preceding fiscal year, whichever is higher. On April 7, 2010, the Board of Directors approved a five-year extension of the employment contracts of Dean L. Julia and Michael D. Trepeta to expire on March 1, 2015. The Board approved the continuation of each officer's current annual salary and scheduled salary increases. The Board also approved a signing bonus of stock options to purchase 200,000 shares granted to each officer which is fully vested at the date of grant and exercisable at \$.50 per share through April 7, 2020; ten-year stock options to purchase 100,000 shares of Common Stock to be granted to each officer at fair market value on each anniversary date of the contract and extension thereof commencing March 1, 2011; In the event of termination, the executives will continue to receive all benefits included in the employment agreement through the scheduled expiration date of said employment agreement prior to the acceleration of the termination date thereof.

TRANSACTIONS WITH MAJOR CUSTOMERS - The Company sells its products to a geographically diverse group of customers, performs ongoing credit evaluations of its customers and generally does not require collateral. During the year ended December 31, 2011 a customer accounted for approximately 7 % of net revenues and for the year ended December 31, 2010 a customer accounted for approximately 10 % of net revenues. The Company holds on hand certain items that are ordered on a regular basis.

NOTE 10: SUPPLEMENTARY INFORMATION - STATEMENT OF CASH FLOWS

Cash paid during the years for:

|              | YEARS ENDED DECEMBER 31, |        |
|--------------|--------------------------|--------|
|              | 2011                     | 2010   |
| Interest     | \$ 2,177                 | \$ 818 |
| Income Taxes | \$ -                     | \$ -   |

**ACE MARKETING & PROMOTIONS, INC.**  
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**YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 11: SEGMENT INFORMATION

Reportable operating segment is determined based on Ace Marketing & Promotion Inc.'s management approach. The management approach, as defined by accounting standards which have been codified into FASB ASC 280, "Segment Reporting," is based on the way that the chief operating decision-maker organizes the segments within an enterprise for making decisions about resources to be allocated and assessing their performance. Our chief operating decision-maker is our Chief Executive Officer and Chief Financial Officer.

While our results of operations are primarily reviewed on a consolidated basis, the chief operating decision-maker also manages the enterprise in two operating segments: (i) Branding & Branded Merchandise (ii) Mobil Marketing

Corporate management defines and reviews segment profitability based on the same allocation methodology as presented in the segment data tables below:

|                                   | Ace Marketing<br>& Promotions,<br>Inc. | Mobiquity<br>Networks<br>Inc. | Total        |
|-----------------------------------|--|-------------------------------|--------------|
| Net sales                         | \$ 3,239,951                           | 4,000                         | \$ 3,243,951 |
| Operating (loss)                  | (1,040,190)                            | (1,038,168)                   | (2,078,358)  |
| Interest income                   | 633                                    | -                             | 633          |
| Interest (expense)                | (2,177)                                | -                             | (2,177)      |
| Depreciation and amortization     | (6,442)                                | (123,164)                     | (129,606)    |
| Net Loss                          | (1,048,176)                            | (1,161,332)                   | (2,209,508)  |
| Total assets at December 31, 2011 | 1,452,276                              | 753,462                       | 2,205,738    |

All intersegment sales and expenses have been eliminated from the table above.

NOTE 12: SUBSEQUENT EVENTS

In January 2012, the Company approved the agreement with employees to issue 45,000 restricted shares of its Common Stock for services rendered over the last 12 months.

On January 30, 2012, the Company's private placement offering was terminated. Rockwell Global Capital LLC acted as Placement Agent. The Company received gross proceeds of \$575,000 from the sale of 958,338 shares of Common Stock at a purchase price of \$.60 per share. The private placement offering also included the sale of Warrants to purchase 191,671 shares of Common Stock, exercisable at \$.60 per share and expiring on January 18, 2016. The Placement Agent received a \$25,000 advisory fee, \$51,750 in commissions and warrants to purchase 95,833 shares identical to the warrants sold to investors in the offering. Exemption is claimed for the sale of securities pursuant to Rule 506 and/or Section 4(2) of the Securities Act of 1933, as amended.

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**ACE MARKETING & PROMOTIONS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2011 AND 2010**

Common Stock, exercisable at \$.60 per share and expiring on January 18, 2016. The Placement Agent received a \$25,000 advisory fee, \$51,750 in commissions and warrants to purchase 95,833 shares identical to the warrants sold to investors in the offering. Exemption is claimed for the sale of securities pursuant to Rule 506 and/or Section 4(2) of the Securities Act of 1933, as amended.

In February 2012, the Company entered into a lease agreement for new executive office space of approximately 4,200 square feet located at 600 Old Country Road, Garden City, NY 11530. Not later than May 1, 2012, the Company will move its Valley Stream, NY office facilities into this space. The lease agreement is for 63 months. The annual rent under this office facility for the first year is estimated at \$127,000, including electricity, subject to an annual increase of 3%. In the event of a default in which the Company is evicted from the office space, Ace would be responsible to the landlord for an additional payment of rent of \$160,000 in the first year of the lease, an additional payment of \$106,667 in the second year of the lease and an additional payment of rent of \$53,333 in the third year of the lease. Such additional rent would be payable at the discretion of the Company in cash or in Common Stock of the Company.

The Company has evaluated all subsequent events through the filing date of this form 10-K for appropriate accounting and disclosures.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not Applicable.

Item 9.A Controls and Procedures.

Under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures as required by Exchange Act Rule 13a-15(b) as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures are effective.

*Report of Management on Internal Control over Financial Reporting*

Our management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of our financial reporting for external purposes in accordance with accounting principles generally accepted in the United States of America. Internal control over financial reporting includes maintaining records that in reasonable detail accurately and fairly reflect our transactions; providing reasonable assurance that transactions are recorded as necessary for preparation of our financial statements; providing reasonable assurance that receipts and expenditures of company assets are made in accordance with management authorization; and providing reasonable assurance that unauthorized acquisition, use or disposition of company assets that could have a material effect on our financial statements would be prevented or detected on a timely basis. Because of its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that a misstatement of our financial statements would be prevented or detected.

Management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that the company's internal control over financial reporting was effective as of December 31, 2011. There were no significant changes in our internal control over financial reporting during the year ended December 31, 2011 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Our independent auditors have not audited and are not required to audit this assessment of our internal control over financial reporting for the fiscal year ended December 31, 2011.

MANAGEMENT'S PLAN OF REMEDIATION

INFORMATION TECHNOLOGY

- a) Management documented their policies and procedures as they related to the managing of operations for application and technology platforms. These policies were documented in 2010.

FINANCIAL REPORTING

- a) Managements addressed the lack of review or evidence of review in the financial reporting process by instituting a checklist process where the CEO or an outside consultant reviews transactions created by the CFO.
- b) The database link was created in mid 2009 and will continue to be monitored and tested. Management believes the process has improved considerably and believes any outstanding issues were fully resolved in 2010.

Item 9.B. Other Information.

None.

## PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The names, ages and principal occupations of the Company's present officers and directors are listed below.

| NAME (1)            | AGE | FIRST BECAME DIRECTOR<br>AND/OR OFFICER | POSITION  |
|---------------------|-----|---|---|
| Dean Julia (2)      | 44  | 1998                                    | Chief Executive Officer/Secretary/Treasurer/Director/Co-Founder |
| Michael Trepeta (2) | 40  | 1998                                    | President/Director/Co-Founder                                   |
| Sean McDonnell      | 51  | 2005                                    | Chief Financial Officer   |
| Domenico Iannucci   | 56  | 2009                                    | Director  |
| Thomas Arnost       | 65  | 2011                                    | Director  |
| Sean Trepeta        | 44  | 2011                                    | President of Mobiquity Networks                                 |

(1) Directors are elected at the annual meeting of stockholders and hold office until the following annual meeting.

(2) Michael Trepeta and Dean Julia will serve as Co-Chief Executive Officers of the Company effective on the day after filing of this Form 10-K.

The terms of all officers expire at the annual meeting of directors following the annual stockholders meeting. Officers serve at the pleasure of the Board and may be removed, either with or without cause, by the Board of Directors, and a successor elected by a majority vote of the Board of Directors, at any time.

#### MANAGEMENT TEAM

Our officers, directors and founders each have experience in the development of early stage companies including business strategies, products and services and financing.

#### DEAN L. JULIA

Mr. Julia holds a Bachelor of Business Administration from Hofstra University received in 1990. From 1991-1996, Mr. Julia worked at various Investment Banks where he was involved in the funding of numerous IPO's in the Bio Technology and Communications sectors. From September 1996 through February 1998, Mr. Julia served as President and Chief Executive Officer of DLJ Consulting, a financial intermediary consultant for public and private companies. In 1998, Mr. Julia co-founded Ace Marketing and became an officer, director and principal stockholder of the company. He continues to serve as CEO of Ace Marketing & Promotions where he sets overall strategy and continually fosters key relationships with technology partners and developers. Mr. Julia also serves as COO of Mobiquity (a wholly-owned subsidiary of Ace), where he is responsible for the integration of the sales and IT departments of Mobiquity with the creative, IT and database departments of Ace Marketing. He continues to set all operational strategies for scaling each department to meet the demands of managing and maintaining the aggressive expansion of the national proximity marketing network. Mr. Julia is a founder of the Company, has demonstrated his management ability at senior levels, he has served on the board since its inception and he is expected to continue to serve on the Board.

#### MICHAEL D. TREPETA

Mr. Trepeta received a Bachelor of Science Degree in Applied Economics and Business Management with a minor in Communications from Cornell University in 1993. From 1993-1996, Mr. Trepeta worked as a stockbroker and was involved in the funding of numerous development-stage and growth companies. From September of 1996 through February 1998, he served as President of MDT Consulting Group, Inc., a corporation contracted by various companies to serve as a financial intermediary to investment bankers and to assist in developing products, services, and business strategies. In 1998, Mr. Trepeta co-founded Ace Marketing & Promotions as an officer, director and principal owner of the company. He continues to set the strategy for all integrated marketing efforts at Ace Marketing through the development of models and solutions that leverage the attributes of cutting edge marketing technologies. As CEO of Mobiquity (a wholly-owned subsidiary of Ace), Mr. Trepeta is responsible for setting strategy for the continued roll-out of Mobiquity's national proximity marketing network by securing long term strategic partnerships with key property owners and management companies while simultaneously forming key partnerships with out of home agencies who control the media assets within those properties. Mr. Trepeta, a founder of the Company, has demonstrated his management ability at senior levels and he is expected to continue to serve on the board.

## SEAN MCDONNELL

Sean J. McDonnell, Certified Public Accountant, has been self employed and in private accounting practice since January 1990 handling many different types of business entities and associations. Mr. McDonnell has spent much of his time helping his customers grow their companies and acquire financing for the purchase of buildings and equipment. Prior to starting his own practice, he was employed from 1985 - 1990 as a senior staff member in the accounting firm of Breiner & Bodian CPA's. After graduating from Dowling College in 1984, he was employed by Kenneth Silver C.P.A. from 1984 - 1985. He is currently serving on the boards of the Police Athletic League, North East Youth Sports Association and Sound Beach Soccer Club, Inc. Mr. McDonnell has served as our Chief Financial Officer since January 3, 2005 and currently as an employee, he devotes such time to our affairs as is necessary for the performance of his duties.

## DOMINICO IANNUCCI

Mr. Iannucci has owned and managed a residential and commercial construction company for over 24 years. Mr. Iannucci is serving as an independent director of the Company. Mr. Iannucci brings to the Board experience in other industries that the two other board members do not process.

## TOM ARNOST

Mr. Thomas Arnost previously served as the Co-President of Univision Communications, Inc. Station Group, where he joined the company in 1994. He served as the Co-President of Univision Television Group, from 1997 to 2006, and prior to that as Executive Vice President of Univision ... Television Group from 1994 to 1996. In 2002, Mr. Arnost helped in successful launch of the Telefutura Station Group, which has since, significantly contributed to Univision's overall revenue growth and market value. During his tenure with Univision, total station group revenue grew from under \$120 million in 1993 to approximately \$700 million in 2006. Also during his tenure, the Company's market value grew from roughly \$500 million to over \$14 billion. Mr. Arnost's extensive business, financial, management and leadership experience in the telecommunications industry particularly qualifies him for serving on the Company's board as an independent director.

## SEAN TREPETA

Prior to joining the Mobiquity Networks team in May of 2011, Mr. Trepeta was President of Varsity Networks, a leading online portal dedicated to serving the High School sports market. While at Varsity Networks, Mr. Trepeta grew the network to include over 10,000 high school team websites and was responsible for growing web traffic to include millions of monthly visitors and registered users across the country allowing for additional revenue streams through the placement of online advertising by major national brands. Prior to this, Mr. Trepeta was the President & Co-Founder of OPEX Communications, Inc., a leading telecommunication service provider which was located in Chicago, specializing in traditional long-distance, wireless, and dedicated services. Mr. Trepeta increased sales and was able to grow the company through agents and the Internet to \$48 million in annual sales before selling OPEX in 2006. Before working for OPEX, Mr. Trepeta was the vice president of sales and marketing for the US Buying Group, Inc. responsible for developing a small business-buying program, which included value added services such as overnight shipping, office supplies, and computer software products, as well as a full line of telecommunications services. Mr. Trepeta also developed and implemented the agent and carrier divisions of USBG. Prior to joining USBG, he was with MCI Telecommunications and NYNEX in New York City. As President of Mobiquity Networks, Mr. Trepeta is responsible for once again setting all sales and marketing strategies internally as well as handling the relationship and training of the national sales force of Mobiquity's key out of home Mall Media partner, EYE Corp. He continues to foster strategic relationships with agencies and national brands. Mr. Trepeta holds a Bachelor of Science degree from the State University of New York at Cortland. Mr. Trepeta's extensive sales and marketing experience and management experience in the telecommunications industry qualifies him for serving on the Company's board of directors.

## Corporate Governance

Our business, property and affairs are managed by, or under the direction of, our Board, in accordance with the General Corporation Law of the State of New York and our By-Laws. Members of the Board are kept informed of our business through discussions with the Chief Executive Officer and other key members of management, by reviewing materials provided to them by management.

We continue to review our corporate governance policies and practices by comparing our policies and practices with those suggested by various groups or authorities active in evaluating or setting best practices for corporate governance of public companies. Based on this review, we have adopted, and will continue to adopt, changes that the Board believes are the appropriate corporate governance policies and practices for our Company. We have adopted changes and will continue to adopt changes, as appropriate, to comply with the Sarbanes-Oxley Act of 2002 and subsequent rule changes made by the SEC and any applicable securities exchange.

### **Director Qualifications and Diversity**

The board seeks independent directors who represent a diversity of backgrounds and experiences that will enhance the quality of the board's deliberations and decisions. Candidates shall have substantial experience with one or more publicly traded companies or shall have achieved a high level of distinction in their chosen fields. The board is particularly interested in maintaining a mix that includes individuals who are active or retired executive officers and senior executives, particularly those with experience in the finance and capital market industries.

In evaluating nominations to the Board of Directors, our Board also looks for certain personal attributes, such as integrity, ability and willingness to apply sound and independent business judgment, comprehensive understanding of a director's role in corporate governance, availability for meetings and consultation on Company matters, and the willingness to assume and carry out fiduciary responsibilities. Qualified candidates for membership on the Board will be considered without regard to race, color, religion, sex, ancestry, national origin or disability.

### **Risk Oversight**

Enterprise risks are identified and prioritized by management and each prioritized risk is assigned to the full board for oversight. These risks include, without limitation, the following:

Risks and exposures associated with strategic, financial and execution risks and other current matters that may present material risk to our operations, plans, prospects or reputation.

Risks and exposures associated with financial matters, particularly financial reporting, tax, accounting, disclosure, internal control over financial reporting, financial policies, investment guidelines and credit and liquidity matters.

Risks and exposures relating to corporate governance; and management and director succession planning.

Risks and exposures associated with leadership assessment, and compensation programs and arrangements, including incentive plans.

### **Board Leadership Structure**

In accordance with the Company's By-Laws, the Chairman of the Board presides at all meetings of the Board. Since the Company does not have a Chairman of the Board, the By-Laws of the Corporation require the President, Michael Trepeta, to serve as the Chairman of the Board and to preside at all meetings. Currently, the offices of President (who serves as Chairman of the Board and Chief Executive Officer) are separated. The Company has no fixed policy with respect to the separation of the offices of the Chairman of the Board and Chief Executive Officer. The Board believes that the separation of the offices of the Chairman of the Board and Chief Executive Officer is likely in the best interests of the Company.

### **Indemnification**

The New York Business Corporation Law contains provisions permitting and, in some situations, requiring New York corporations to provide indemnification to their officers and directors for losses and litigation expense incurred in connection with their service to the corporation. Our articles and bylaws contain provisions requiring our indemnification of our directors and officers and other persons acting in their corporate capacities.

In addition, we may enter into agreements with our directors providing contractually for indemnification consistent with the articles and bylaws. Currently, we have no such agreements. The New York Business Corporation Law also authorizes us to purchase insurance for our directors and officers insuring them against risks as to which we may be unable lawfully to indemnify them. We intend to obtain limited insurance coverage for our officers and directors as well as insurance coverage to reimburse us for potential costs of our corporate indemnification of officers and directors.

As far as exculpation or indemnification for liabilities arising under the Securities Act of 1933 may be permitted for directors and officers and controlling persons, we have been advised that in the opinion of the Securities and Exchange Commission such exculpation or indemnification is against public policy as expressed in the Act and is, therefore, unenforceable.

## LACK OF COMMITTEES

Our Company has no audit, compensation or nominating committees of our board of directors or committees performing similar functions. Domenico Iannucci and Thomas Arnost are the Company's "independent directors." Mr. Arnost is a "financial expert", but Mr. Iannucci is not deemed a "financial expert."

Under the National Association of Securities Dealers Automated Quotations definition, an "independent director" means a person other than an officer or employee of the Company or its subsidiaries or any other individuals having a relationship that, in the opinion of the Company's board of directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of the director. The board's discretion in determining director independence is not completely unfettered. Further, under the NASDAQ definition, an independent director is a person who (1) is not currently (or whose immediate family members are not currently), and has not been over the past three years (or whose immediate family members have not been over the past three years), employed by the company; (2) has not (or whose immediate family members have not) been paid more than \$60,000 during the current or past three fiscal years; (3) has not (or whose immediately family has not) been a partner in or controlling shareholder or executive officer of an organization which the company made, or from which the company received, payments in excess of the greater of \$200,000 or 5% of that organization's consolidated gross revenues, in any of the most recent three fiscal years; (4) has not (or whose immediate family members have not), over the past three years been employed as an executive officer of a company in which an executive officer of Ace has served on that company's compensation committee; or (5) is not currently (or whose immediate family members are not currently), and has not been over the past three years (or whose immediate family members have not been over the past three years) a partner of Ace's outside auditor.

The term "Financial Expert" is defined under the Sarbanes-Oxley Act of 2002, as amended, as a person who has the following attributes: an understanding of generally accepted accounting principles and financial statements; has the ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves; experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the company's financial statements, or experience actively supervising one or more persons engaged in such activities; an understanding of internal controls and procedures for financial reporting; and an understanding of audit committee functions.

In 2012, the Company intends to form an audit committee to consist of one or more independent directors. In the event an audit committee is established, of which there can be no assurances given, its first responsibility would be to adopt a written charter. Such charter would be expected to include, among other things:

- being directly responsible for the appointment, compensation and oversight of our independent auditor, which shall report directly to the audit committee, including resolution of disagreements between management and the auditors regarding financial reporting for the purpose of preparing or issuing an audit report or related work;
- annually reviewing and reassessing the adequacy of the committee's formal charter;
- reviewing the annual audited financial statements with our management and the independent auditors and the adequacy of our internal accounting controls;
- reviewing analyses prepared by our management and independent auditors concerning significant financial reporting issues and judgments made in connection with the preparation of our financial statements;
- reviewing the independence of the independent auditors;
- reviewing our auditing and accounting principles and practices with the independent auditors and reviewing major changes to our auditing and accounting principles and practices as suggested by the independent auditor or its management;
- reviewing all related party transactions on an ongoing basis for potential conflict of interest situations; and
- all responsibilities given to the audit committee by virtue of the Sarbanes-Oxley Act of 2002, which was signed into law by President George W. Bush on July 30, 2002.

CODE OF ETHICS

The Company has a code of ethics that applies to the Company's Chief Executive Officer and Chief Financial Officer which has been designed to deter wrongdoing and to promote:

- Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- Full, fair, accurate, timely and understandable disclosure in reports and documents that the Company files with, or submits to, the SEC and in other public communications made by the Company;
- Compliance with applicable governmental law, rules and regulations;
- The prompt internal reporting of violations of the code of ethics to an appropriate pre-identified person; and
- Accountability for adherence to the code of ethics.

COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our officers and directors, and persons who own more than ten percent of a registered class of our equity securities, to file reports of ownership and changes in ownership with the Securities and Exchange Commission (the "Commission"). Officers, directors and greater than ten percent stockholders are required by the Commission's regulations to furnish us with copies of all Section 16(a) forms they file. During fiscal 2011, none of our officers, directors or 10% or greater stockholders failed to file or filed any forms late to the best of our knowledge, except that Mr. Arnost's Form 4 was filed contemporaneously with the timely filing of his Form 3.

Item 11. Executive Compensation.

The following table sets forth the overall compensation earned over the fiscal year ended December 31, 2011 and 2010 by (1) each person who served as the principal executive officer of the Company during fiscal year 2011; (2) the Company's most highly compensated (up to a maximum of two) executive officers as of December 31, 2011 with compensation during fiscal year 2011 of \$100,000 or more; and (3) those two individuals, if any, who would have otherwise been included in section (2) above but for the fact that they were not serving as an executive of the Company as of December 31, 2011. (Note: Sean Trepeta has been included in the table below as it is expected that he will earn more than \$100,000 in cash compensation for 2012.)

| Name and Principal Position            | Fiscal Year | Salary Compensation |            |              |                      |   |  |           | All Other Compensation (\$)(2)(3) | Total (\$) |
|--|-------------|---------------------|------------|--------------|----------------------|---|--|-----------|-----------------------------------|------------|
|  |             | Salary (\$)         | Bonus (\$) | Stock Awards | Options Awards \$(1) | Non-Equity Incentive Plan Compensation (\$) | Nonqualified Deferred Compensation Earnings (\$) |           |                                   |            |
| Dean L. Julia                          | 2010        | \$ 256,000          | \$ 5,500   | --           | \$ 135,941           | --  | --   | \$ 9,900  | \$ 407,341                        |            |
| Chief Executive Officer of the Company | 2011        | \$ 282,986          | \$ 6,000   | --           | \$ 21,383            | --  | --   | \$ 24,993 | \$ 335,362                        |            |
| Michael D. Trepeta                     | 2010        | \$ 256,000          | \$ 5,500   | --           | \$ 135,941           | --  | --   | \$ 10,792 | \$ 408,233                        |            |
| President of The Company               | 2011        | \$ 282,986          | \$ 6,000   | --           | \$ 21,383            | --  | --   | \$ 21,728 | \$ 332,097                        |            |
| Sean Trepeta                           | 2010        | \$ --               | \$ --      | --           | \$ --                | --  | --   | \$ --     | \$ --                             |            |
| President of Mobiquity Networks        | 2011        | \$ 30,000           | \$ 5,300   | --           | \$ 14,789            | --  | --   | \$ 13,170 | \$ 63,259                         |            |

(1) The options and restricted stock awards presented in this table for 2011 and 2010 reflects the full grant date fair value, as if the total dollar amount were earned in the year of grant. The stock awards are valued based on the fair market value of such Shares on the date of grant and are charged to compensation expense over the related vesting period. The options are valued at the date of grant based upon the Black-Scholes method of valuation, which is expensed over the service period over which the options become vested. As a general rule, for time-in-service-based options, the Company will immediately expense any option or portion thereof which is vested upon grant, while expensing the balance on a pro rata basis over the remaining vesting term of the option.

(2) Includes all other compensation not reported in the preceding columns, including (i) perquisites and other personal benefits, or property, unless the aggregate amount of such compensation is less than \$10,000; (ii) any "gross-ups" or other amounts reimbursed during the fiscal year for the payment of taxes; (iii) discounts from market price with respect to securities purchased from the company except to the extent available generally to all security holders or to all salaried employees; (iv) any amounts paid or accrued in connection with any termination (including without limitation through retirement, resignation, severance or constructive termination, including change of responsibilities) or change in control; (v) contributions to vested and unvested defined contribution plans; (vi) any insurance premiums paid by, or on behalf of, the company relating to life insurance for the benefit of the named executive officer; and (vii) any dividends or other earnings paid on stock or option awards that are not factored into the grant date fair value required to be reported in a preceding column.

(3) Includes compensation for service as a director described under Director Compensation, below.

For a description of the material terms of each named executive officers' employment agreement, including the terms of the terms of any common share purchase option grants, see that section of this Form 10-K captioned "Employment Agreements."

No outstanding common share purchase option or other equity-based award granted to or held by any named executive officer in 2011 were repriced or otherwise materially modified, including extension of exercise periods, the change of vesting or forfeiture conditions, the change or elimination of applicable performance criteria, or the change of the bases upon which returns are determined, nor was there any waiver or modification of any specified performance target, goal or condition to payout.

For a description of the material terms of any contract, agreement, plan or other arrangement that provides for any payment to a named executive officer in connection with his or her resignation, retirement or other termination, or a change in control of the company see "Employment Agreements".

#### Executive Officer Outstanding Equity Awards at Fiscal Year-End

The following table provides certain information concerning any common share purchase options, stock awards or equity incentive plan awards held by each of our named executive officers that were outstanding as of December 31, 2011.

| Name               | Option Awards   |   |   |                            |                        | Stock Awards  |   |   |   |
|--------------------|---|---|---|----------------------------|------------------------|---|---|---|---|
|                    | Number of Securities Underlying Unexercised Options (#) Exercisable | Number of Securities Underlying Unexercised Options (#) Unexercisable | Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#) | Option Exercise Price (\$) | Option Expiration Date | Number of Shares or Units of Stock That Have Not Vested (#) | Market Value of Shares or Units of Stock That Have Not Vested | Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested | Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested |
| Dean L. Julia      | 250,000   | —   | —   | \$ 1.00                    | 01/03/15               | —   | —   | —   | —   |
| (1)                | 200,000   | —   | —   | \$ 1.20                    | 12/28/15               | —   | —   | —   | —   |
|                    | 150,000   | —   | —   | \$ 1.20                    | 08/22/17               | —   | —   | —   | —   |
|                    | 50,000  | —   | —   | \$ 1.20                    | 03/01/13               | —   | —   | —   | —   |
|                    | 50,000  | —   | —   | \$ .65                     | 03/02/19               | —   | —   | —   | —   |
|                    | 50,000  | —   | —   | \$ .54                     | 03/25/20               | —   | —   | —   | —   |
|                    | 200,000   | —   | —   | \$ .50                     | 04/07/20               | —   | —   | —   | —   |
|                    | 100,000   | —   | —   | \$ .26                     | 02/28/21               | —   | —   | —   | —   |
|                    | 100,000   | —   | —   | \$ .61                     | 02/28/22               | —   | —   | —   | —   |
| Michael D. Trepeta | 250,000   | —   | —   | \$ 1.00                    | 01/03/15               | —   | —   | —   | —   |
| (1)                | 200,000   | —   | —   | \$ 1.20                    | 12/28/15               | —   | —   | —   | —   |
|                    | 150,000   | —   | —   | \$ 1.20                    | 08/22/17               | —   | —   | —   | —   |
|                    | 50,000  | —   | —   | \$ 1.20                    | 03/01/13               | —   | —   | —   | —   |
|                    | 50,000  | —   | —   | \$ .65                     | 03/02/19               | —   | —   | —   | —   |
|                    | 50,000  | —   | —   | \$ .54                     | 03/25/20               | —   | —   | —   | —   |
|                    | 200,000   | —   | —   | \$ .50                     | 04.07/20               | —   | —   | —   | —   |
|                    | 100,000   | —   | —   | \$ .26                     | 02/28/21               | —   | —   | —   | —   |
|                    | 100,000   | —   | —   | \$ .61                     | 02/28/21               | —   | —   | —   | —   |
| Sean Trepeta       | 100,000   | —   | —   | \$ .30                     | 08/13/12               | —   | —   | —   | —   |
| (2)                |   |   |   |                            |                        |   |   |   |   |

- (1) All options contain cashless exercise provisions and are currently fully vested.
- (2) Sean Trepeta owns warrants issued on April 21, 2011 which are not granted under a compensation plan.

## Employment Agreements

Each of the following executive officers is a party to an employment agreement with the Company.

| <u>Name</u>     | <u>Position</u>         | <u>Monthly Salary (1)</u> | <u>Bonus (2)</u>                                |
|-----------------|-------------------------|---------------------------|---|
| Dean L. Julia   | Chief Executive Officer | \$ 24,000                 | Annual bonus of at least 5% of pre-tax earnings |
| Michael Trepeta | President               | \$ 24,000                 | Annual bonus of at least 5% of pre-tax earnings |

- (1) Compensation of each executive officer named in the table above has his monthly base salary increased by \$2,000 each subsequent March 1 during the term of the agreement and any extensions thereof. The next scheduled salary increase to \$26,000 per month is March 1, 2012.
- (2) Annual bonuses are paid by us by the last business day of March for the preceding calendar (fiscal) year, except in the event of termination prior to the end of any fiscal year (other than termination for cause), a pro rata portion of the annual bonus shall be paid within 30 days of termination.

A summary of each Executive's employment agreement, as amended, is as follows:

Each employment agreement, as amended, expires on March 1, 2015. The Agreement shall be automatically renewed for a period of two years thereafter unless the Executive gives 60 days prior written notice of his intention not to renew this Agreement prior to the end of the initial Term. Each employment agreement may not be terminated without cause. However, it may be terminated at any time by the Executive upon written three-month notice. In such event, the Company shall be relieved of all of its obligations under the Agreement, except for payment of the Executive's Base Salary and Annual Bonus earned and unpaid through the effective date of termination, those obligations with respect to indemnification and director and officer insurance and severance pay as described below.

We may terminate the Executive's employment for cause ("Cause") as defined in the Agreement. In the event this Agreement is terminated for cause, the Executive's Base Salary and any unearned Annual Bonus, severance pay and all benefits shall terminate immediately upon such discharge, and we shall have no further obligations to the Executive except for payment and reimbursement for any monies due which right to payment or reimbursement accrued prior to such termination.

We may terminate this Agreement upon the disability as defined in the Agreement or death of the Executive by giving written notice to the Executive. In the case of disability, such termination will become effective immediately upon the giving of such notice unless otherwise specified by us. Upon any such termination, we shall be relieved of all our obligations under the Executive's employment, except for payment of the Executive's Base Salary and Annual Bonus earned and unpaid through the effective date of termination and severance pay.

We have agreed to defend and indemnify each Executive in his capacity as an officer against all claims, judgments, damages, liabilities, costs and expenses (including reasonable attorney's fees) arising out of, based upon, or related to his performance of services to us, to the maximum extent permitted under law. We will also use our reasonable best efforts to include each Executive as an insured under all applicable directors' and officers' liability insurance policies maintained by us.

Each Executive is currently entitled to the following additional benefits:

- \$2,000 per month pay raise on each March 1 during the term of the Agreement and any extension thereof;
- The annual grant on March 1 of each year of ten-year stock options to purchase 100,000 shares at an exercise price equal to the then fair market value of our common stock as determined by the Board. ;
- Election to the Board of Directors and during the term of employment, the Board's nomination for re-election to the Board;
- Paid disability insurance and term life insurance for the benefit of each Executive's family in an amount fixed by the Board at a cost not to exceed \$10,000 per annum;
- Use of company automobile with all related costs paid for by us;
- Health insurance;
- Right to participate in any pensions of our company;
- Termination pay of one-year base salary based upon the scheduled annual salary of each executive officer for the next contract year, plus the amount of bonuses paid or entitled to be paid to the executive for the current fiscal year or the preceding fiscal year, whichever is higher. In the event of termination, the executives will continue to receive all benefits included in the employment agreement through the scheduled expiration date of said employment agreement prior to the acceleration of the termination date thereof;
- Health insurance; and
- Right to participate in any pensions of our company.

## Additional Compensation

In the event Mobiquity Networks, Inc. is successful in raising financing for its operations, Michael Trepeta agrees to serve as Chief Executive Officer of Mobiquity and Dean L. Julia agrees to serve as Chief Operating Officer of Mobiquity. As partial consideration for their services, each person shall receive ten year options to purchase 1,500,000 Shares of Mobiquity's Common Stock owned by Ace at an exercise price of \$.01 per Share.

## Employment Arrangements

Sean Trepeta became President of Mobiquity Networks in 2011. Mr. S. Trepeta is currently earning \$10,000 per month plus commissions as an employee of the Company. Mr. S. Trepeta received in April 2011 warrants to purchase 100,000 shares of the Company's Common Stock exercisable at \$.30 per share through August 13, 2013, plus 100,000 restricted shares of Common Stock.

## DIRECTOR COMPENSATION

### Stock Options

Stock options and equity compensation awards to our non-employee / non-executive director are at the discretion of the Board. As of December 31, 2011, no options or equity awards have been made to our non-employee / non-executive directors.

### Cash Compensation

Our non-employee / non-executive director is eligible to receive a fee of \$500 to be paid for attending each Board meeting; however, no fees were paid in 2011.

### Travel Expenses

All directors shall be reimbursed for their reasonable out of pocket expenses associated with attending the meeting.

The following table shows the overall compensation earned for the 2011 fiscal year with respect to each non-employee and non-executive director as of December 31, 2011.

| Name and Principal Position        | DIRECTOR COMPENSATION            |                   |                        |   |  |                                 | Total (\$) |
|------------------------------------|----------------------------------|-------------------|------------------------|---|--|---------------------------------|------------|
|                                    | Fees Earned or Paid in Cash (\$) | Stock Awards (\$) | Option Awards (\$ (1)) | Non-Equity Incentive Plan Compensation (\$ (2)) | Nonqualified Deferred Compensation Earnings (\$) | All Other Compensation (\$ (3)) |            |
| Thomas Arnost,<br>Director (4)     | —                                | —                 | —                      | —   | —  | —                               | —          |
| Domenico Iannucci,<br>Director (4) | —                                | \$ 10,692         | —                      | —   | —  | —                               | \$ 10,692  |

(1) The restricted stock awards and options presented in this table for 2011 reflect the full grant date fair value as if the total dollar amount were earned in the year of grant. As a general rule, for time-in-service-based options, the Company will immediately expense any restricted stock awards and option or portion thereof which is vested upon grant, while expensing the balance on a pro rata basis over the remaining vesting term of the restricted stock awards and options.

(2) Excludes awards or earnings reported in preceding columns.

(3) Includes all other compensation not reported in the preceding columns, including (i) perquisites and other personal benefits, or property, unless the aggregate amount of such compensation is less than \$10,000; (ii) any "gross-ups" or other amounts reimbursed during the fiscal year for the payment of taxes; (iii) discounts from market price with respect to securities purchased from the company except to the extent available generally to all security holders or to all salaried employees; (iv) any amounts paid or accrued in connection with any termination (including without limitation through retirement, resignation, severance or constructive termination, including change of responsibilities) or change in control; (v) contributions to vested and unvested defined contribution plans; (vi) any insurance premiums paid by, or on behalf of, the company relating to life insurance for the benefit of the director; (vii) any consulting fees earned, or paid or payable; (viii) any annual costs of payments and promises of payments pursuant to a director legacy program and similar charitable awards program; and (ix) any dividends or other earnings paid on stock or option awards that are not factored into the grant date fair value required to be reported in a preceding column.

(4) Mr. Arnost received options to purchase 200,000 shares of the Company's Common Stock exercisable at \$.60 per share from the date of issuance through December 20, 2016. Mr. Iannucci received options to purchase 50,000 shares of the Company's Common Stock, exercisable at any time from the date of issuance through February 28, 2021 at an exercise price of \$.26 per share.

#### 2005 Employee Benefit and Consulting Services Compensation Plan

On January 3, 2005, our company established an Employee Benefit and Consulting Services Compensation Plan (the "2005 Plan") covering 2,000,000 shares, which 2005 Plan was ratified by our stockholders on February 9, 2005. On August 12, 2005, the company's stockholders approved a 2,000,000 share increase in the 2005 Plan to 4,000,000 shares.

#### Administration

Our board of directors administers the 2005 Plan, has the authority to determine and designate officers, employees, directors and consultants to whom awards shall be made and the terms, conditions and restrictions applicable to each award (including, but not limited to, the option price, any restriction or limitation, any vesting schedule or acceleration thereof, and any forfeiture restrictions). The board may, in its sole discretion, accelerate the vesting of awards.

#### Types of Awards

The 2005 Plan is designed to enable us to offer certain officers, employees, directors and consultants of us and our subsidiaries equity interests in us and other incentive awards in order to attract, retain and reward such individuals and to strengthen the mutuality of interests between such individuals and our stockholders. In furtherance of this purpose, the 2005 Plan contains provisions for granting non-statutory stock options and incentive stock options and common stock awards.

*Stock Options.* A "stock option" is a contractual right to purchase a number of shares of common stock at a price determined on the date the option is granted. An incentive stock option is an option granted under the Internal Revenue Code of 1986 to our employees with certain tax advantages to the grantee over non-statutory stock options. The option price per share of common stock purchasable upon exercise of a stock option and the time or times at which such options shall be exercisable shall be determined by the Board at the time of grant. Such option price in the case of incentive stock options shall not be less than 100% of the fair market value of the common stock on the date of grant and may be granted below fair market value in the case of non-statutory stock options. Incentive stock options granted to owners of 10% or more of our common stock must be granted at an exercise price of at least 110% of the fair market value of our common stock and may not have a term greater than five years. Also, the value of incentive options vesting to any employee cannot exceed \$100,000 in any calendar year. The option price of our options must be paid in cash, money order, check or common stock of the company. The non-statutory stock options may also contain at the time of grant, at the discretion of the board, certain other cashless exercise provisions. These cashless exercise provisions are included in the currently outstanding non-statutory stock options granted by the board.

Options shall be exercisable at the times and subject to the conditions determined by the Board at the date of grant, but no option may be exercisable more than ten years after the date it is granted. If the optionee ceases to be an employee of our company for any reason other than death, any incentive stock option exercisable on the date of the termination of employment may be exercised for a period of thirty days or until the expiration of the stated term of the option, whichever period is shorter. In the event of the optionee's death, any incentive stock option exercisable at the date of death may be exercised by the legal heirs of the optionee from the date of death until the expiration of the stated term of the option or six months from the date of death, whichever event first occurs. In the event of disability of the optionee, any incentive stock options shall expire on the stated date that the Option would otherwise have expired or 12 months from the date of disability, whichever event first occurs. The termination and other provisions of a non-statutory stock option shall be fixed by the board of directors at the date of grant of each respective option.

*Common Stock Award.* Common stock awards are shares of common stock that will be issued to a recipient at the end of a restriction period, if any, specified by the board if he or she continues to be an employee, director or consultant of us. If the recipient remains an employee, director or consultant at the end of the restriction period, the applicable restrictions will lapse and we will issue a stock certificate representing such shares of common stock to the participant. If the recipient ceases to be an employee, director or consultant of us for any reason (including death, disability or retirement) before the end of the restriction period unless otherwise determined by the board, the restricted stock award will be terminated.

## Awards

As of December 31, 2011, the Company has granted options to purchase 3,505,000 shares of the Company's Common Stock with a weighted average exercise price of \$.84 per share. The board has granted options with varying terms.

It is not possible to predict the individuals who will receive future awards under the Plan or the number of shares of Common Stock covered by any future award because such awards are wholly within the discretion of the Board. The table below contains information as of December 31, 2011 on the known benefits provided to certain persons and group of persons under the Plan.

|  | <b>Number of<br/>Shares<br/>Subject to<br/>Options</b> | <b>Range of<br/>Exercise Price<br/>(\$)<br/>per Share</b> | <b>Value of<br/>Unexercised<br/>Options at<br/>Dec. 31, 2010 (1)</b> |
|--|--|---|--|
| Dean L. Julia,<br>Chief Executive Officer (2)                            | 1,050,000  | \$.26 - \$1.20  | \$ 57,000  |
| Michael D. Trepeta,<br>President (2)                                     | 1,050,000  | \$.26 - \$1.20  | \$ -0-   |
| Sean McDonnell,<br>Chief Financial officer<br>Sean Trepeta (2)           | 50,000   | \$ 1.00   | \$ -0-   |
| President, Mobiquity Networks<br>Three Executive Officers<br>as a group  | -0-  | N/A   | N/A  |
| Thomas Arnost  | 2,150,000  | \$.26 - \$1.20  | \$ 14,000  |
| Domenico Iannucci<br>Non-Executive Officer,<br>Employees and Consultants | 200,000  | \$.60   | -0-  |
|  | 200,000  | \$.26 - \$.50   | \$ 27,000  |
|  | 955,000  | \$.30-\$ 2.5  | \$ -0-   |

N/A - Not applicable.

(1) Value is normally calculated by multiplying (a) the difference between the market value per share at period end (i.e. \$.60 based upon a last sale on (or the last trade date before) December 31, 2011) and the option exercise price by (b) the number of shares of Common Stock underlying the option.

(2) Does not include warrants to purchase 100,000 shares granted outside of any compensation plan.

During the past three years, the Company has granted certain employees and consultants restricted stock awards for services for the prior year with vesting to occur after the passage of an additional 12 months. These awards totaled 45,000 Shares for 2008, subject to continued services with the Company through December 31, 2009. These awards totaled 51,000 Shares for 2009 subject to continued services with the Company through December 31, 2010. These awards totaled 105,000 Shares for 2010 subject to continued services with the Company through December 31, 2011. These awards totaled 45,000 shares for 2011, subject to continued services with the Company through December 31, 2012.

## Eligibility

Our officers, employees, directors and consultants of Ace and our subsidiaries are eligible to be granted stock options, and common stock awards.

## Termination or Amendment of the 2005 Plan

The board may at any time amend, discontinue, or terminate all or any part of the 2005 Plan, provided, however, that unless otherwise required by law, the rights of a participant may not be impaired without his or her consent, and provided that we will seek the approval of our stockholders for any amendment if such approval is necessary to comply with any applicable federal or state securities laws or rules or regulations.

## 2009 Employee Benefit and Consulting Compensation Plan

On August 28, 2009, the Board established and on October 7, 2009, the stockholders approved an Employee Benefit and Consulting Compensation Plan (the "2009 Plan") covering 4,000,000 shares with an effective date of October 7, 2009.

### Administration

Our Board of Directors, Compensation Committee or both, in the sole discretion of our Board, will administer the 2009 Plan. The Board, subject to the provisions of the 2009 Plan, has the authority to determine and designate employees and consultants to whom awards shall be made and the terms, conditions and restrictions applicable to each award (including, but not limited to, the option price, any restriction or limitation, any vesting schedule or acceleration thereof, and any forfeiture restrictions). The Board or Compensation Committee may, in its sole discretion, accelerate the vesting of awards. Our Compensation Committee must approve all grants of Options and Stock Awards issued to our executive officers or directors.

### Types of Awards

The 2009 Plan is designed to enable us to offer certain officers, employees, directors and consultants of us and our subsidiaries equity interests in us and other incentive awards in order to attract, retain and reward such individuals and to strengthen the mutuality of interests between such individuals and our stockholders. In furtherance of this purpose, the 2009 Plan contained provisions for granting incentive and non-statutory stock options and Common Stock Awards.

*Stock Options.* A "stock option" is a contractual right to purchase a number of shares of Common Stock at a price determined on the date the option is granted. The option price per share of Common Stock purchasable upon exercise of a stock option and the time or times at which such options shall be exercisable shall be determined by the Board at the time of grant. Such option price shall not be less than 100% of the fair market value of the Common Stock on the date of grant. The option price must be paid in cash, money order, check or Common Stock of the Company. The Options (excluding Incentive Stock Options) may also contain at the time of grant, at the discretion of the Board, certain cashless exercise provisions.

Options shall be exercisable at the times and subject to the conditions determined by the Board at the date of grant, but no option may be exercisable more than ten years after the date it is granted. If the Optionee ceases to be an employee of our company for any reason other than death, any option originally granted as an Incentive Stock Option exercisable on the date of the termination of employment may be exercised for a period of thirty days or until the expiration of the stated term of the option, whichever period is shorter. In the event of the Optionee's death, any originally granted Incentive Stock Option exercisable at the date of death may be exercised by the legal heirs of the Optionee from the date of death until the expiration of the stated term of the option or six months from the date of death, whichever event first occurs. In the event of disability of the Optionee, any originally granted Incentive Stock Options shall expire on the stated date that the Option would otherwise have expired or 12 months from the date of disability, whichever event first occurs. The termination and other provisions of a non-statutory stock option shall be fixed by the Board of Directors at the date of grant of each respective option.

*Common Stock Award.* "Common Stock Awards" are shares of Common Stock that will be issued to a recipient at the end of a restriction period, if any, specified by the Board if he or she continues to be an employee, director or consultant of us. If the recipient remains an employee, director or consultant at the end of the restriction period, the applicable restrictions will lapse and we will issue a stock certificate representing such shares of Common Stock to the participant. If the recipient ceases to be an employee, director or consultant of us for any reason (including death, disability or retirement) before the end of the restriction period unless otherwise determined by the Board, the restricted stock award will be terminated.

### Eligibility

The Company's officers, employees, directors and consultants of Ace and its subsidiaries are eligible to be granted stock options, and Common Stock Awards. Eligibility shall be determined by the Board or our Compensation Committee; however, all Options and Stock Awards granted to officers and directors must be approved by our Compensation Committee.

### Termination or Amendment of the 2009 Plan

The Board may at any time amend, discontinue, or terminate all or any part of the 2009 Plan, provided, however, that unless otherwise required by law, the rights of a participant may not be impaired without his or her consent, and provided that we will seek the approval of our stockholders for any amendment if such approval is necessary to comply with any applicable federal or state securities laws or rules or regulations.

## Awards

It is not possible to predict the individuals who will receive future awards under the 2009 Plan or the number of shares of Common Stock covered by any future award because such awards are wholly within the discretion of the Board or our Compensation Committee. Currently, there have been no awards granted under the 2009 Plan. The 2009 Plan will terminate and no awards may be granted after October 6, 2019.

## **Shares Subject to the Plan**

The maximum number of shares of Common Stock that may be issued pursuant to awards granted under the Plan is 4,000,000. Such shares may be either authorized and unissued shares or issued shares reacquired by the Company and held in treasury. The Plan does not limit the number of shares of Common Stock with respect to which options or Stock Awards may be granted to any individual during any calendar year, except there are limits in the case of Incentive stock Options to those established by the Internal Revenue Code of 1986, as amended. The aggregate number of shares issuable under the 2009 Plan and the number of shares subject to options and awards to be granted under the Plan are subject to adjustment in the event of certain mergers, reorganizations, consolidations, recapitalizations, dividends (other than a regular cash dividend), stock split or other change in corporate structure affecting the Common Stock. Shares subject to options that expire, terminate or are canceled unexercised, shares of stock that have been forfeited to the Company and shares that are not issued as a result of forfeiture or termination of an award may be reissued under the Plan.

## **Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.**

As of March 1, 2012, the Company had outstanding 24,369,239 shares of Common Stock. The only persons of record who presently hold or are known to own (or believed by the Company to own) beneficially more than 5% of the outstanding shares of such class of stock is listed below. The following table also sets forth certain information as to holdings of the Company's Common Stock of all officers and directors individually, and all officers and directors as a group.

| <b>Name and Address of Beneficial Owner (1)</b>                         | <b>Number of Common Shares</b> | <b>Percentage</b> |
|---|--------------------------------|-------------------|
| <i>Officers and Directors:</i>  |                                |                   |
| Michael D. Trepeta<br>457 Rockaway Avenue<br>Valley Stream, NY 11583(2) | 2,166,402                      | 8.5%              |
| Dean L. Julia<br>457 Rockaway Avenue<br>Valley Stream, NY 11583 (2)     | 2,136,901                      | 8.4%              |
| Sean McDonnell<br>457 Rockaway Avenue<br>Valley Stream, NY 11583 (3)    | 50,000                         | 0.2%              |
| Domenico Iannucci<br>One Windsor Drive<br>Muttontown, NY 11753 (4)      | 739,650                        | 3.0%              |
| Sean Trepeta (5)<br>457 Rockaway Avenue<br>Valley Stream, NY 11583      | 700,000                        | 2.9%              |
| Thomas Arnost (6)<br>457 Rockaway Avenue<br>Valley Stream, NY<br>11583  | 1,200,000                      | 4.8%              |
| All Directors and Officers as a<br>Group (six persons) (7)              | 6,992,953                      | 25.2%             |

(1) Beneficial ownership is determined in accordance with Rule 13d-3 under the Securities Exchange Act of 1934, as amended, and is generally determined by voting powers and/or investment powers with respect to securities. Unless otherwise noted, all of such shares of common stock listed above are owned of record by each individual named as beneficial owner and such individual has sole voting and dispositive power with respect to the shares of common stock owned by each of them. Such person or entity's percentage of ownership is determined by assuming that any options or convertible securities held by such person or entity, which are exercisable within sixty (60) days from the date hereof, have been exercised or converted as the case may be, but not for the purposes of determining the number of outstanding shares held by any other named beneficial owner.

(2) Includes options to purchase 1,150,000 shares.

(3) Includes options to purchase 50,000 shares.

(4) Consists of 539,660 shares of Common Stock and options to purchase 200,000 shares.

(5) Includes options to purchase 100,000 shares.

(6) Includes options to purchase 200,000 shares and warrants to purchase 500,000 shares.

(7) Includes options to purchase 2,850,000 shares and warrants to purchase 500,000 shares.

Securities Authorized for Issuance under Equity Compensation Plans.

The following summary information is as of December 31, 2011 and relates to our 2005 Plan and 2009 Plan described elsewhere herein pursuant to which we have granted options to purchase our common stock:

|                                    | (a)  | (b)  | (c)   |
|------------------------------------|--|--|---|
| Plan category                      | Number of shares of common stock to be issued upon exercise of outstanding options | Weighted average exercise price of outstanding options | Number of securities remaining available for future issuance under equity compensation plans (excluding shares reflected in column (a)) |
| 2005 Equity Compensation Plans (1) | 3,505,000  | \$.84  | 268,000   |
| 2009 Equity Compensation Plan      | -0-  | N/A  | 4,000,000   |

(1) Options are exercisable at a price range of \$.10 to \$2.50 per share. The foregoing table does not reflect 227,000 shares of Common Stock issued pursuant to the 2005 Plan as restricted stock awards.

**Item 13. Certain Relationships and Related Transactions and Director Independence.**

**Recent Securities Transactions**

In the past two fiscal years ended December 31, 2011 and the period January 1, 2012 through January 31, 2017, the Company completed the following private placement offerings with non-affiliated persons except as otherwise noted:

On December 8, 2009, Ace Marketing & Promotions, Inc. entered into an Introducing Agent Agreement with Legend Securities, Inc., a FINRA registered broker-dealer ("Legend"), to attempt to raise additional financing through the sale of its Common Stock and Warrants. Between December 8, 2009 and March 15, 2010, the Company closed on gross proceeds of \$1,025,000 before commissions of \$117,000. The planned use of proceeds is to primarily expand the Company's mobile and interactive divisions. The Company issued pursuant to the terms of the offering an aggregate of 2,050,000 shares of Common Stock at a per share price of \$.50 per share and 1,025,000 Warrants exercisable at \$1.00 per share to investors in the offering and placement agent warrants to purchase an amount equal to 10% of the number of shares and the number of warrants sold in the offering. All securities were issued pursuant to Rule 506 of Regulation D promulgated under Section 4(2) of the Securities Act of 1933, as amended.

In August 2010, the Company raised \$175,000 in gross proceeds from the sale of 437,500 shares and a like number of Warrants expiring in August 2013. The investor paid \$0.40 per Share and received Warrants exercisable at \$0.60 per Share. In November 2010, the Company commenced a plan of financing and raised an additional \$800,500 in financing from the sale of 2,934,999 Shares of its restricted Common Stock at \$0.30 per Share and Common Stock Purchase Warrants to purchase a like number of Shares, exercisable at \$0.30 per Share through August 31, 2013. Subsequent to the completion of the second financing, the Company agreed to adjust the terms of the August 2010 transaction and issue to the August 2010 investor Shares and Warrants on the same terms as those sold in November - December 2010. Accordingly, an additional 145,833 Shares and a like number of Warrants were issued to the August 2010 investor, with the exercise price of the Warrants being lowered from \$0.60 per Share to \$0.30 per Share. All securities will be issued pursuant to Section 4(2) and/or Rule 506 of Regulation D promulgated under Section 4(2) of the Securities Act of 1933, as amended.

In March 2011, the Company commenced a private placement offering. Pursuant to said offering between March 29, 2011 and April 19, 2011, the Company raised \$755,000 in gross proceeds from the sale of 2,516,666 shares of common stock and a like number of warrants, exercisable at \$.30 per share through August 31, 2013. Exemption is claimed for the sale of securities pursuant to Rule 506 and/or Section 4(2) of the Securities Act of 1933, as amended.

Between May 25, 2011 and June 3, 2011, the Company received gross proceeds of \$461,250 from the sale of 1,025,000 shares of Common Stock at a purchase price of \$.45 per share. The sale of stock was also accompanied by Warrants expiring on May 31, 2014. Exemption is claimed for the sale of securities pursuant to Rule 506 and/or Section 4(2) of the Securities Act of 1933, as amended.

In July 2011, the Company commenced a private placement offering. Pursuant to said offering between July 14, 2011 and August 1, 2011, the Company raised \$975,000 in gross proceeds from the sale of 1,950,000 shares of common stock and a like number of warrants, exercisable at \$.60 per share through July 31, 2014. Of the \$975,000, \$250,000 was invested by Thomas Arnost who later became a director of the Company in December 2011. Mr. Arnost received 500,000 shares of Common Stock and Warrants to purchase 500,000 shares in the offering. Exemption is claimed for the sale of securities pursuant to Rule 506 and/or Section 4(2) of the Securities Act of 1933, as amended.

On January 30, 2012, the Company's private placement offering was terminated. Rockwell Global Capital LLC acted as Placement Agent. The Company received gross proceeds of \$575,000 from the sale of 958,338 shares of Common Stock at a purchase price of \$.60 per share. The private placement offering also included the sale of Warrants to purchase 191,671 shares of Common Stock, exercisable at \$.60 per share and expiring on January 18, 2016. The Placement Agent received a \$25,000 advisory fee, \$51,750 in commissions and warrants to purchase 95,833 shares identical to the warrants sold to investors in the offering. Exemption is claimed for the sale of securities pursuant to Rule 506 and/or Section 4(2) of the Securities Act of 1933, as amended. See "Item 7."

### **Transactions with Officers and Directors**

The following describes transactions between the Company and its officers and directors for the past two fiscal years ended December 31, 2011 (except as noted above).

Reference is made to Item 11 of this Form 10-K for a description of compensation and employment agreements or arrangements paid to Dean Julia, Chief Executive Officer of the Company, Michael Trepeta, President of the Company, and Sean Trepeta, President of Mobyquity Networks. Sean McDonnell, Chief Executive Officer of the Company, also receives a salary below the amount required of disclosure under Item 11.

In March 2011, the Company granted to each of Dean Julia and Michael Trepeta options to purchase 100,000 shares of Common Stock, exercisable at \$.26 per share through February 28, 2021. On the same date, Domenico Iannucci received options to purchase 50,000 shares on the same terms as those granted to Messrs. Julia and Trepeta.

In April 2011, the Company issued to Sean Trepeta, 100,000 shares of Common Stock and Warrants to purchase 200,000 shares of Common Stock, exercisable at \$.30 per share through August 13, 2013 in exchange for services rendered in connection with a recently completed private placement offering.

In December 2011, the Company granted Thomas Arnost options to purchase 200,000 shares of Common Stock at an exercise price of \$.60 per share through December 20, 2016.

### **Director Independence**

Domenico Iannucci and Thomas Arnost are the Company's "independent directors." Mr. Arnost is a "financial expert", but Mr. Iannucci is not deemed a "financial expert."

Under the National Association of Securities Dealers Automated Quotations definition, an "independent director" means a person other than an officer or employee of the Company or its subsidiaries or any other individuals having a relationship that, in the opinion of the Company's board of directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of the director. The board's discretion in determining director independence is not completely unfettered. Further, under the NASDAQ definition, an independent director is a person who (1) is not currently (or whose immediate family members are not currently), and has not been over the past three years (or whose immediate family members have not been over the past three years), employed by the company; (2) has not (or whose immediate family members have not) been paid more than \$60,000 during the current or past three fiscal years; (3) has not (or whose immediate family has not) been a partner in or controlling shareholder or executive officer of an organization which the company made, or from which the company received, payments in excess of the greater of \$200,000 or 5% of that organization's consolidated gross revenues, in any of the most recent three fiscal years; (4) has not (or whose immediate family members have not), over the past three years been employed as an executive officer of a company in which an executive officer of Ace has served on that company's compensation committee; or (5) is not currently (or whose immediate family members are not currently), and has not been over the past three years (or whose immediate family members have not been over the past three years) a partner of Ace's outside auditor.

**Item 14. Principal Accountant Fees and Services.**

Peter Messineo has served as our independent auditors for the past two fiscal years.

The following table presents aggregate fees for professional services rendered by our independent registered public accounting firm, Peter Messineo for the audit of our annual consolidated financial statements for the years ended December 31, 2011 and 2010.

|                     | Year Ended December 31, |           |
|---------------------|-------------------------|-----------|
|                     | 2011                    | 2010      |
| Audit fees          | \$ 18,000               | \$ 18,000 |
| Audit- related fees | 6,000                   | -         |
| Tax fees            | -                       | -         |
| All other fees      | -                       | -         |
| Total fees          | \$ 24,000               | \$ 18,000 |

**Policy on Board Pre-Approval of Services of Independent Registered Public Accounting Firm**

Our Board has responsibility for appointing, setting compensation and overseeing the work of the independent registered public accounting firm. In recognition of this responsibility, the Board has established a policy to pre-approve all audit and permissible non-audit services provided by the independent registered public accounting firm. Prior to engagement of the independent registered public accounting firm for the following year's audit, management will submit to the Board for approval a description of services expected to be rendered during that year for each of following categories of services:

*Audit services* include audit work performed in the preparation and audit of the annual financial statements, review of quarterly financial statements, reading of annual, quarterly and current reports, as well as work that generally only the independent auditor can reasonably be expected to provide, such as the provision of consents and comfort letters in connection with the filing of registration statements.

*Audit-related services* are for assurance and related services that are traditionally performed by the independent auditor, including due diligence related to mergers and acquisitions and special procedures required to meet certain regulatory requirements.

*Tax services* consist principally of assistance with tax compliance and reporting, as well as certain tax planning consultations.

*Other services* are those associated with services not captured in the other categories. We generally do not request such services from our independent auditor.

Prior to the engagement, the Board pre-approves these services by category of service. The fees are budgeted, and the Board requires the independent registered public accounting firm and management to report actual fees versus the budget periodically throughout the year by category of service. During the year, circumstances may arise when it may become necessary to engage the independent registered public accounting firm for additional services not contemplated in the original pre-approval. In those instances, the Board requires specific pre-approval before engaging the independent registered public accounting firm.

The Board may delegate pre-approval authority to one or more of its members. The member to whom such authority is delegated must report, for informational purposes only, any pre-approval decisions to the audit Board at its next scheduled meeting.

None of the services described above for 2011 or 2010 provided by Peter Messineo CPA were approved by the Board pursuant to paragraph (c)(7)(i) (C) of Rule 2-01 of Regulation S-X.

## Item 15. Exhibits and Financial Statement Schedules

### (a) FINANCIAL STATEMENTS

The following documents are filed under "ITEM 7. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA," beginning on page F-1 and are included as part of this Form 10-K as the financial statements of the Company for the years ended December 31, 2011 and 2010:

Reports of Independent Registered Public Accounting Firms  
Balance Sheets  
Statements of Operations  
Statement of Stockholders' Equity  
Notes to Financial Statements

### (b) EXHIBITS

| <u>Exhibit No.</u> | <u>Description</u>   |
|--------------------|--|
| 3.1                | Articles of Incorporation filed March 26, 1998 (1)   |
| 3.2                | Amendment to Articles of Incorporation filed June 10, 1999 (1)   |
| 3.3                | Amendment to Articles of Incorporation approved by stockholders on February 9, 2005(1)                         |
| 3.4                | Amended By-Laws (1)  |
| 10.1               | Employment Agreement - Michael Trepeta (2)   |
| 10.2               | Employment Agreement - Dean Julia (2)  |
| 10.3               | Amendments to Employment Agreement - Michael Trepeta (5)(7)  |
| 10.4               | Amendments to Employment Agreement - Dean L. Julia (5)(7)  |
| 10.5               | Joint Venture Agreement with Atrium Enterprises Ltd. (6)   |
| 10.6               | Agreement with Aon Consulting (6)  |
| 10.7               | Amendment to Exhibits 10.3 and 10.4 dated April 7, 2010 (10)   |
| 10.8               | Office Lease for Garden City, NY (11)  |
| 11.1               | Statement re: Computation of per share earnings. See Statement of Operations and Notes to Financial Statements |
| 14.1               | Code of Ethics/Code of Conduct (5)   |
| 21.1               | Subsidiaries of the Issuer (11)  |
| 31.1               | Principal Executive Officer Rule 13a-14(a)/15d-14(a) Certification (11)  |
| 31.2               | Principal Financial Officer Rule 13a-14(a)/15d-14(a) Certification (11)  |
| 32.1               | Principal Executive Officer Section 1350 Certification (11)  |
| 32.2               | Principal Financial Officer Section 1350 Certification (11)  |
| 99.1               | 2005 Employee Benefit and Consulting Services Compensation Plan(2)   |
| 99.2               | Form of Class A Warrant (2)  |
| 99.3               | Form of Class B Warrant (2)  |
| 99.4               | Amendment to 2005 Plan (4)   |
| 99.5               | Form of Class C Warrant (8)  |
| 99.6               | 2009 Employee Benefit and Consulting Services Compensation Plan (3)  |
| 99.7               | Form of Class D Warrant (3)  |
| 99.8               | Form or Class E Warrant(9)   |
| 99.9               | Form of Class F Warrant (9)  |
| 99.10              | Form of Class G Warrant (9)  |
| 99.11              | Form of Class H Warrant (9)  |
| 99.12              | Form of Class AA Warrant (11)  |
| 99.13              | Press Release dated February 21, 2012 (11)   |
| 101.SCH            | Document, XBRL Taxonomy Extension (11)   |
| 101.CAL            | Calculation Linkbase, XBRL Taxonomy Extension Definition (11)  |
| 101.DEF            | Linkbase, XBRL Taxonomy Extension Labels (11)  |
| 101.LAB            | Linkbase, XBRL Taxonomy Extension (11)   |
| 101.PRE            | Presentation Linkbase (11)   |

- (1) Incorporated by reference to Registrant's Registration Statement on Form 10-SB as filed with the Commission on February 10, 2005.  
(2) Incorporated by reference to Registrant's Registration Statement on Form 10-SB/A filed with the Commission March 18, 2005.  
(3) Incorporated by reference to Form 10-K filed for the fiscal year ended December 31, 2009.  
(4) Incorporated by reference to the Registrant's Form 10-QSB/A filed with the Commission on August 18, 2005.  
(5) Incorporated by reference to the Registrant's Form 10-KSB for its fiscal year ended December 31, 2005.  
(6) Incorporated by reference to the Registrant's Form 10-KSB for its fiscal year ended December 31, 2006.  
(7) Incorporated by reference to the Registrant's Form 8-K dated September 21, 2007.  
(8) Incorporated by reference to the Registrant's Form 10-QSB for its quarter ended September 30, 2006.  
(9) Incorporated by reference to the Registrant's Form 10-K for its fiscal year ended December 31, 2010.  
(10) Incorporated by reference to the Registrant's Form 10-Q for the quarter ended March 31, 2011.  
(11) Filed herewith.

### (c) FINANCIAL STATEMENT SCHEDULES

We are not filing any financial statement schedules as part of this Form 10-K because such schedules are either not applicable or the required information is included in the financial statements or notes thereto.



STANDARD FORM OF OFFICE LEASE  
The Real Estate Board of New York, Inc.

**Agreement of Lease**, made as of this 21<sup>st</sup> day of February in the year 2012, between SHELVIN PLAZA ASSOCIATES LLC with offices at 600 Old Country Road, Suite 425, Garden City, NY 11530, party of the first part, hereinafter referred to as OWNER/LANDLORD and ACE MARKETING & PROMOTIONS, INC. with offices at 457 Rockaway Avenue, Valley Stream, NY 11581, and party of the second part, hereinafter referred to as TENANT,

**Witnesseth:** Owner hereby leases to Tenant and Tenant hereby hires from Owner a portion of the Fifth Floor known as Suite 541 which the parties agree contains 4,243 square feet in a Building which the parties agree contains 183,022 square feet which constitutes 2.4% of the rentable area (Demised Premises), in the building known as 600 Old Country Road, Garden City, NY 11530 in the County of Nassau, for the term of Five (5) years & Three (3) Months, (or until such term shall sooner cease and expire as hereinafter provided) to commence on the 1st day of April in the year 2012, and to the end on the 30th day of June in the year 2017, and both dates inclusive, at the annual rental rate of Base Rent as set forth on Schedule "A" attached hereto, which Tenant agrees to pay in lawful money of the United States, which shall be legal tender in payment of all debt and dues, public and private, at the time of payment, in equal monthly installments in advance on the first day of each month, during said term, at the Office of Owner or such other place as Owner may designate, without any setoff or deduction whatsoever, except that Tenant shall pay the first monthly installment(s) on the execution hereof (unless this lease be a renewal).

In the event that, at the commencement of the term of this lease, or thereafter, Tenant shall be in default in the payment of rent to Owner pursuant to the terms of another lease with Owner or with Owner's predecessor interest, Owner may at Owner's option and without notice to Tenant add the amount of such arrears to any monthly installment of rent payable hereunder and the same shall be payable to Owner as additional rent.

The parties hereto, for themselves, their heirs, distributees, executors, administrators, legal representatives, successors and assigns, hereby covenant as follows:

- Rent:** 1. Tenant shall pay the rent as above and as hereinafter provided.
- Occupancy:** 2. Tenant shall use and occupy the demised premises for general, executive and for no other purpose.
- Tenant Alterations:** 3. Tenant shall make no changes in or to the demised premises of any nature without Owner's prior written consent. Subject to the prior written consent of Owner, and to the provisions of this article, Tenant, at Tenant's expense, may make alterations, installations, additions or improvements which are non-structural and which do not affect utility services or plumbing and electrical lines, in or to the interior of the demised premises, by using contractors or mechanics first approved in each instance by Owner. Tenant shall, before making any alterations, additions, installations or improvements, at its expense, obtain all permits, approval and certificates required by any governmental or quasi-governmental bodies and (upon completion) certificates of final approval thereof, and shall deliver promptly duplicates of all such permits, approvals and certificates to Owner and Tenant agrees to carry, and will cause Tenant's contractors and sub-contractors to carry, such worker's compensation, commercial general liability, personal and property damage insurance as Owner may require. If any mechanic's lien is filed against the demised premises, or the building of which the same forms a part, for work claimed to have been done for, or materials furnished to, Tenant, whether or not done pursuant to this article, the same shall be discharged by Tenant within thirty days thereafter, at Tenant's expense, by payment or filing a bond as permitted by law. All fixtures and all paneling, partitions, railings and like installations, installed in the demised premises at any time, either by Tenant or by Owner on Tenant's behalf shall, upon installation, become the property of Owner and shall remain upon and be surrendered with the demised premises as the termination of this lease, elects to relinquish Owner's right thereto and to have them removed by Tenant, in which event the same shall be removed to the demised premises by Tenant prior to the expiration of the lease, at Tenant's expense. Nothing in this article shall be construed to give Owner title to, or to prevent Tenant's removal of, trade fixtures, moveable office furniture and equipment, but upon removal of, same from the demised premises. Or upon removal, of other installations as may be required by Owner, Tenant shall immediately, and at its expense, repair and restore the demised premises to the condition existing prior to any such installations, and repair any damage to the demised premises or the building due to such removal. All property permitted or required to be removed by Tenant at the end of the term remaining in the demised premises after Tenant's removal shall be deemed abandoned and may, at the election of Owner either be retained as Owner's property or may be removed from the demised premises by Owner, at Tenant's expense.

**Maintenance  
and  
Repairs:**

4. Tenant shall, throughout the term of this lease, take good care of the demised premises and the fixtures and appurtenances therein. Tenant shall be responsible injury to the demised premises or any other part of the building and the systems and equipment thereof, whether requiring structural or nonstructural repairs caused by or resulting from, carelessness, omission, neglect or improper conduct of Tenant, Tenant's subtenants, agents, employees, invitees or licensees, or which arise out of any work, labor, service or equipment done for, or supplied to, Tenant or any subtenant, or arising out of the installation, use or operation of the property or equipment of Tenant or any subtenant. Tenant shall also repair all damage to the building and the demised premises caused by the moving of Tenant's fixtures, furniture and, equipment Tenant shall promptly make, at Tenant's expense, all repairs in ' and to the demised premises for which Tenant is responsible, using only the contractor for the trade or trades in question, selected from a list of at least two contractors per trade submitted by Owner. Any other repairs in or to the building or the facilities and systems thereof, for which Tenant is responsible, shall be performed by Owner at the Tenant's expense. Owner shall maintain in good working order and repair the exterior and the structural portions of the building, including the structural portions of the demised premises and the public portions of the building interior and the building plumbing, electrical, heating and ventilating systems (to the extent such systems presently exist) serving the demised premises. Tenant agrees to give prompt notice of any defective condition in the demised premises for which Owner may be responsible hereunder. There shall be no allowance to Tenant for diminution of rental value and no liability on the part of Owner by reason of inconvenience, annoyance or injury to business arising from Owner or others making repairs, alterations, additions or improvements in or to any portion of the building or the demised premises, or in and to the fixtures, appurtenances or equipment thereof. It is specifically agreed that Tenant shall not be entitled to any setoff or reduction of rent by reason of any failure of Owner to comply with the covenants of this or any other article of this lease. Tenant agrees that Tenant's sole remedy at law in such instance will be by way of an action for damages for breach of contract. The provisions of this Article 4 shall not apply in the case of fire or other casualty, which are dealt with in Article 9 hereof.

**Window  
Cleaning:**

5. Tenant will not clean nor require, permit, suffer or allow any window in the demised premises to be cleaned from the outside in violation of Section 202 of the Labor Law or any other applicable law, or of the Rules of the Board of Standards and Appeals, or of any other Board or body having or asserting jurisdiction.

**Requirements  
of Law  
Fire Insurance,  
Floor Loads:**

6. Prior to the commencement of the lease term, if Tenant is then in possession, and at all times thereafter, Tenant, at Tenant's sole cost and expense, shall promptly comply with all present and future laws, orders and regulations of all state, federal municipal and local governments, departments, commissions and boards and any direction of any public officer pursuant to law, and all orders, rules and regulations of the New York Board of Fire Underwriters, Insurance Services Office, or any similar body which shall impose any premises, whether or not arising out of Tenant's use or manner of use thereof, (including Tenant's permitted use) or, with respect to the building if arising out of Tenant's use or manner of use of the demised premises or the building (including the use permitted under the ease). Nothing herein shall require Tenant to make structural repairs or alterations unless Tenant has, by its manner of use of the demised premises or method of operation therein, violated any such laws, ordinances, orders, rules, regulations or requirements with respect thereto. Tenant may, after securing Owner to Owner's satisfaction against all damages, interest, penalties and expenses, including, but not limited to, reasonable attorney's fees, by cash deposit or by surety bond in an amount and in a company satisfactory to Owner. contest and appeal any such laws, ordinances, orders, rules, regulations or requirements provided same is done with all reasonable promptness and provided such appeal shall not subject Owner to prosecution for a criminal offense, or constitute a default under any lease or mortgage under which Owner may be obligated, or cause the demised premises or any part thereof to be condemned or vacated. Tenant shall not do or permit any act or thing to be done in or to the demised premises which is contrary to law, or which will invalidate or be in conflict with public liability, fire or other policies of insurance at any time carried by or for the benefit of Owner with respect to the demised premises or the building of which the demised premises form a part, or which shall or might subject Owner to any liability or responsibility to any person, or for property damage. Tenant shall not keep anything in the demised premises, except as now or hereafter permitted by the Fire Department, Board of Fire Underwriters, Fire Insurance Rating Organization or other authority having jurisdiction, and then only in such manner and such, quantify so as not to increase the rate for fire insurance applicable to the building, nor use the demised premises in a manner which will increase the insurance rate for the building or any properly located therein over that in effect prior to the commencement of Tenant's occupancy. Tenant shall pay all costs, expenses, fines, penalties, or damages, which may be imposed upon Owner by reason of Tenant's failure to comply with the provisions of this article, and if by reason of such failure me fire insurance rate shall, at the beginning of this lease, or at any time thereafter, be higher than it otherwise would be, then, Tenant shall reimburse Owner, as additional rent hereunder, for that portion of all fire insurance premiums thereafter paid by Owner which shall have been charged because of such failure by Tenant. In any action or proceeding wherein Owner and Tenant are parties, a schedule or "make-up" of rate for the building or the demised premises issued by the New York Fire Insurance Exchange, or other body making fire insurance rates applicable to said premises shall be conclusive evidence of the facts therein stated and of the several items and charges in the fire insurance rates then applicable to said premises. Tenant shall not place a load upon any floor of the demised premises exceeding the floor load per square foot area which it was designed to carry and which is allowed by law. Owner reserves the right to prescribe the weight and position of all safes, business machines and mechanical equipment. Such installations shall be placed and maintained by Tenant at Tenant's expense, in settings sufficient in Owner's judgment to absorb and prevent vibration, noise and annoyance.

**Subordination:**

7. This lease is subject and subordinate to all ground or underlying leases and to all mortgages which may now or hereafter affect such leases or the real property of which the demised premises are a part, and to all renewals, modifications, consolidations, replacements and extensions of any such underlying leases and mortgages. This clause shall be self-operative and no further instrument of subordination shall be required by any ground or underlying lessor or by any mortgagee, affecting any lease or real property of which the demised premises are a part. In confirmation of such subordination, Tenant shall from time to time execute promptly any certificate that Owner may request.

**Property Loss  
Damage  
Reimbursement  
Indemnity:**

8. Owner or its agents shall not be liable for any damage to property of Tenant or of others entrusted to employees of the building, nor for loss of or damage to any property of Tenant by damage to persons or property resulting from any cause of whatsoever nature, unless caused by, or due to, the negligence of Owner, its agents, servants or employees. Owner or its agents will not be liable for any such damage caused by other tenants or persons in, upon or about said building, or caused by operations in construction of any private, public or quasi-public work. If at any time any windows of the demised premises are temporarily closed, darkened or bricked up (or permanently closed, darkened or bricked up, if required by law) for any reason whatsoever including, but not limited to, Owner's own acts, Owner shall not be liable for any damage Tenant may sustain thereby, and Tenant shall not be entitled to any compensation therefore, nor abatement or diminution of rent nor shall the same release Tenant from its obligations hereunder, nor constitute an eviction. Tenant shall indemnify and save harmless Owner against and from all liabilities, obligations, damages, penalties, claims; costs and expenses for which Owner shall not be reimbursed by insurance, including reasonable attorneys' fees, paid, suffered or incurred as a result of any breach by Tenant, Tenant's agents, contractors, employees, invitees, or licensees, of any covenant or condition of this lease, or the carelessness, negligence or improper conduct of the Tenant Tenant's agents, contractors, employees, invitees or licensees. Tenant's liability under this lease extends to the acts and omissions of any subtenant and any agent, contractor, employee, invitee or licensee of any subtenant In case any action or proceeding is brought against Owner by reason of any such claim, Tenant, upon written notice from Owner, will, at Tenant's expense, resist or defend such action or proceeding by counsel approved by Owner in writing, such approval not to be unreasonably withheld.

**Destruction,  
Fire and Other  
Casualty:**

9. (a) If the demised premises or any part thereof shall be damaged by fire or other casualty, Tenant shall give immediate notice thereof to Owner, and this lease shall continue in full force and effect except as hereinafter set form, (b) If the demised premises are partially damaged or rendered partially unusable by fire or other casualty, the damages thereto shall be repaired by, and at the expense of, Owner, and the rent and other items of additional rent until such repair shall be substantially completed, shall be apportioned from the day following the casualty, according to the part of the demised premises which is usable. (c) If the demised premises are totally damaged or rendered wholly unusable by fire or other casualty, then the rent and other items of additional rent, as hereinafter expressly provided, shall be proportionately paid up to the time of the casualty, and thenceforth shall cease until the date when the demised premises shall have been repaired and restored by Owner (or if sooner reoccupied in part by the Tenant then rent shall be apportioned as provided in subsection (b) above), subject to Owner's right to elect not to restore the same as hereinafter provided. (d) If the demised premises are rendered wholly unusable or (whether or not the demised premises are damaged in whole or in part) if the building shall be so damaged that Owner shall decide to demolish it or to rebuild it then, in any of such events, Owner may elect to terminate this lease by written notice to Tenant given within ninety (90) days after such fire or casualty, or thirty (30) days after adjustment of the insurance claim for such fire or casualty, whichever is sooner, specifying a date for the expiration of the lease, which date shall not be more than sixty (60) days after the giving of such notice, and upon the date specified in such notice the term of this lease shall expire as fully and completely as if such date were the date set forth above for the termination of this lease, and Tenant shall forthwith quit surrender and vacate the demised premises without prejudice however, to Landlord's rights and remedies against Tenant under the lease provisions in effect prior to such termination, and any rent owing shall be paid up to such date, and any payments of rent made by Tenant which were on account of any period subsequent to such date shall be returned to Tenant. Unless Owner shall serve a termination notice as provided for herein, Owner shall make the repairs and restorations under the conditions of (b) and (c) hereof, with all reasonable expedition, subject to delays due to adjustment of insurance claims, labor troubles and causes beyond Owner's control. After any such casualty, Tenant shall cooperate with Owner's restoration by removing from the demised premises as promptly as reasonably possible, all of Tenant's salvageable inventory and movable equipment furniture, and other property. Tenant's liability for rent shall resume five (5) days after written notice from Owner that the demised premises are substantially ready for Tenant's occupancy. (e) Nothing contained hereinabove shall relieve Tenant from liability that may exist as a result of damage from fire or other casualty. Notwithstanding anything contained to the contrary in subdivisions (a) through (e) hereof, including Owner's obligation to restore under subparagraph (b) above, each party shall look first to any insurance in its favor before making any claim against the other party for recovery for loss or damage resulting from fire or other casualty, and to the extent that such insurance is in force and collectible, and to the extent permitted by law, Owner and Tenant each hereby releases and waives all right of recovery with respect to subparagraphs (b), (d), and (e) above, against the other, or any one claiming through or under each of them by way of subrogation or otherwise. The release and waiver herein referred to shall be deemed to include any loss or damage to the demised premises and/or to any personal property, equipment trade fixtures, goods and merchandise located therein. The foregoing release and waiver shall be in force only if both releasors' insurance policies contain a clause providing that such a release or waiver shall not invalidate the insurance. If, and to the extent that such waiver can be obtained only by the payment of additional premiums, then the party benefiting from the waiver shall pay such premium within ten days after written demand or shall be deemed to have agreed that the party obtaining insurance coverage shall be free of any further obligation under the provisions hereof with respect to waiver of subrogation. Tenant acknowledges that Owner will not carry insurance on Tenant's furniture and/or furnishings or any fixtures or equipment improvements, or appurtenances removable by Tenant and agrees that Owner will not be obligated to repair any damage thereto or replace the same, (f) Tenant hereby waives the provisions of section 227 of the Real Property Law and agrees that the provisions of this article shall govern and control in lieu thereof.



**Eminent  
Domain:**

10. If the whole or any part of the demised premises shall be acquired or condemned by Eminent Domain for any public or quasi public use or purpose, then, and in that event the term of this lease shall cease and terminate from the date of title vesting in such proceeding, and Tenant shall have no claim for the value of any unexpired term of said lease, and assigns to Owner, Tenant's entire interest in any such award. Tenant shall have the right to make an independent claim to the condemning authority for the value of Tenant's moving expenses and personal property, trade fixtures and equipment provided Tenant is entitled pursuant to the terms of the lease to remove such property, trade fixtures and equipment at the end of the term, and provided further such claim does not reduce Owner's award.

**Assignment,  
Mortgage,  
Etc.:**

11. Tenant, for itself, its heirs, distributees, executors, administrators, legal representatives, successors and assigns, expressly covenants that it shall not assign, mortgage or encumber this agreement nor underlet or suffer or permit the demised premises or any part thereof to be used by others, without the prior written consent of Owner in each instance. Transfer of the majority of the stock of a corporate Tenant or the majority interest in any partnership or other legal entity which is Tenant shall be deemed an assignment. If this lease be assigned, or if the demised premises or any part thereof be underlet or occupied by anybody other than Tenant Owner may, after default by Tenant collect rent from the assignee, under-tenant or occupant and apply the net amount collected to "the rent herein reserved, but no such assignment, underletting, occupancy or collection shall be deemed a waiver of this covenant, or the acceptance of the assignee, undertenant or occupant as tenant or a release of Tenant from the further performance by Tenant of covenants on the part of Tenant herein contained. The consent by Owner to an assignment or underletting shall not in any way be construed to relieve Tenant from obtaining the express consent in writing of Owner to any further assignment or underletting. Tenant may assign or sublet the Lease to a related entity, but shall remain liable under the Lease.

**Electric  
Current:  
F**

12. Rates and conditions in respect to submetering or rent inclusion, as the case may be, to be added in RIDER attached hereto. Tenant covenants and agrees that at all times its use of electric current shall not exceed the capacity of existing feeders to the building or the risers or wiring installation, and Tenant may not use any electrical equipment which, in Owner's opinion, reasonably exercised, will overload such installations or interfere with the use thereof by other tenants of the building. The change at any time of the character of electric service shall in no way make Owner liable or responsible to Tenant for any loss, damages or expenses which Tenant may sustain.

**Access to  
Premises:**

13. Owner or Owner's agents shall have the right (but shall not be obligated) to enter the demised premises in any emergency at any time, and, at other reasonable times, to examine the same and to make such repairs, replacements and improvements as Owner may deem necessary and reasonably desirable to the demised premises or to any other portion of the building or which Owner may elect to perform. Tenant shall permit Owner to use and maintain and replace pipes, ducts, and conduits in and through the demised premises and to erect new pipes, ducts, and conduits therein, provided they are concealed within the walls, floor, or ceiling. Owner may, during the progress of any work in the demised premises, take all necessary materials and equipment into said premises without the same constituting an eviction, nor shall the Tenant be entitled to any abatement of rent while such work is in progress, nor to any damages by reason of loss or interruption of business or otherwise. Throughout the term hereof, Owner shall have the right to enter the demised premises at reasonable hours for the purpose of showing the same to prospective purchasers or mortgagees of the building, and during the last six months of the term, for the purpose of showing the same to prospective tenants. If Tenant is not present to open and permit an entry into the demised premises, Owner or Owner's agents may enter the same whenever such entry may be necessary or permissible by master key or forcibly, and provided reasonable care is exercised to safeguard Tenant's property, such entry shall not render Owner or its agents liable therefore, nor in any event shall the obligations of Tenant hereunder be affected. If during the last month of the term Tenant shall have removed all or substantially all of Tenant's property therefrom, Owner may immediately enter, alter, renovate or redecorate the demised premises without limitation or abatement of rent, or incurring liability to Tenant for any compensation, and such act shall have no effect on this lease or Tenant's obligations hereunder.

**Vault,  
Vault Space,  
Area:**

14. No vaults, vault space or area, whether or not enclosed or covered, not within the property line of the building, is leased hereunder, anything contained in or indicated on any sketch, blue print or plan, or anything contained elsewhere in this lease to the contrary notwithstanding. Owner makes no representation as to the location of the property line of the building. All vaults and vault space and all such areas not within the property line of the building, which Tenant may be permitted to use and/or occupy, is to be used and/or occupied under a revocable license, and if any such license be revoked, or if the amount of such space or area be diminished or required by any federal, state or municipal authority or public utility, Owner shall not be subject to any liability, nor shall Tenant be entitled to any compensation or diminution or abatement of rent, nor shall such revocation, diminution or requisition be deemed constructive or actual eviction. Any tax, the or charge of municipal authorities for such vault or area shall be paid by Tenant.

**Occupancy:**

15. Tenant will not at any time use or occupy the demised premises in violation of the certificate of occupancy issued for the building of which the demised premises are apart. Tenant has inspected the demised premises and accepts them as is, subject to the riders annexed hereto with respect to Owner's work, if any. In any event, Owner makes no representation as to the condition of the demised premises, and Tenant agrees to accept the same subject to violations, whether or not of record.



**Bankruptcy:**

16. (a) Anything elsewhere in this lease to the contrary notwithstanding, this lease may be cancelled by Owner by the sending of a written notice to Tenant within a reasonable time after the happening of any one or more of the following events: (1) the commencement of a case in bankruptcy or under the laws of any state naming Tenant (or a guarantor of any of Tenant's obligations under this lease) as the debtor; or (2) the making by Tenant (or a guarantor of any of Tenant's obligations under this lease) of an assignment or any other arrangement for the benefit of creditors under any state statute. Neither Tenant nor any person claiming through or under Tenant or by reason of any statute or order of court, shall thereafter be entitled to possession of the premises demised but shall forthwith quit and surrender the demised premises. If this lease shall be assigned in accordance with its terms, the provisions of this Article 16 shall be applicable only to the party then owning Tenant's interest in this lease.

(b) It is stipulated and agreed that in the event of the termination of this lease pursuant to (a) hereof, Owner shall forthwith, notwithstanding any other provisions of this lease to the contrary, be entitled to recover from Tenant as and for liquidated damages, an amount equal to the difference between the rent reserved hereunder for the unexpired portion of the term demised and the fair and reasonable rental value of the demised premises for the same period. In the computation of such damages the difference between any installment of rent becoming due hereunder after the date of termination, and the fair and reasonable rental value of the demised premises for the period for which such installment was payable, shall be discounted to the date of termination at the rate of four percent (4%) per annum. If such demised premises or any part thereof be re-let by the Owner for the unexpired term of said lease, or any part thereof; before presentation of proof of such liquidated damages to any court, commission or tribunal, the amount of rent reserved upon such re-letting shall be deemed to be the fair and reasonable rental value for the part or the whole of the demised premises so re-let during the term of the re-letting. Nothing herein contained shall limit or prejudice the right of the Owner to prove for and obtain as liquidated damages, by reason of such termination, an amount equal to the maximum allowed by any statute or rule of law in effect at the time when, and governing the proceedings in which, such damages are to be proved, whether or not such amount be greater; equal to, or less than, the amount of the difference referred to above.

**Default:**

17. (1) If Tenant defaults in fulfilling any of the covenants of this lease other than the covenants for the payment of rent or additional rent; or if the demised premises become vacant or deserted; or if any execution or attachment shall be issued against Tenant or any of Tenant's property, whereupon the demised premises shall be taken or occupied by someone other than Tenant; or if this lease be rejected under §365 of Title 11 of the U.S. Code (Bankruptcy Code); or if Tenant shall have failed, after five (5) days written notice, to redeposit with Owner any portion of the security deposit hereunder which Owner has applied to the payment of any rent and additional rent due and payable hereunder, or if Tenant shall be in default with respect to any other lease between Owner and Tenant; or if Tenant shall fail to move into or take possession of the demised premises within thirty (30) days after the commencement of the term of this lease, then, in any one or more of such events, upon Owner serving a written fifteen (15) days notice upon Tenant specifying the nature of said default, and upon the expiration of said fifteen days, if Tenant shall have failed to comply with or remedy such default, or if the said default or omission complained of shall be of a nature that, the same cannot be completely cured or remedied within said fifteen (15) day period, and if Tenant shall not have diligently commenced curing such default within such fifteen (15) day period, and shall not thereafter with reasonable diligence and in good faith, proceed to remedy or cure such default, then Owner may serve a written five (5) days notice of cancellation of this lease upon Tenant and upon the expiration of said five (5) days this lease and the term thereunder shall end and expire as fully and completely as if the expiration of such five (5) day period were the day herein definitely fixed for the end and expiration of this lease and the term thereof, and Tenant shall then quit and surrender the demised premises to Owner, but Tenant shall remain liable as hereinafter provided.

(2) If the notice provided for in (1) hereof shall have been given, and the term shall expire as aforesaid; or if Tenant shall make default in the payment of the rent reserved herein, or any item of additional rent, herein mentioned, or any part of either, or in making any other payment herein required; then, and in any of such events, Owner may without notice re-enter the demised premises either by force or otherwise, and dispossess Tenant by summary proceedings or otherwise, and the legal representative of Tenant or other occupant of the demised premises, and remove their effects and hold the demised premises as if this lease had not been made, and Tenant hereby waives the service of notice of intention to re-enter or to institute legal proceedings to that end. If Tenant shall make default hereunder prior to the date fixed as the commencement of any renewal or extension of this lease, Owner may cancel and terminate such renewal or extension agreement by written notice.

**Remedies of  
Owner and  
Waiver of  
Redemption:**

18. In case of any such default re-entry, expiration and/or dispossession by summary proceedings or otherwise, (a) the rent shall become due thereupon and be paid up to the time of such re-entry, dispossession and/or expiration, (b) Owner may re-let the demised premises or any part or parts thereof, either in the name of Owner or otherwise, for a term or terms, which may at Owner's option be less than or exceed the period which would otherwise have constituted the balance of the term of this lease, and may grant concessions or free rent or charge a higher rental than that in this lease, and/or (c) Tenant or the legal representatives of Tenant shall also pay to Owner as liquidated damages for the failure of Tenant to observe and perform said Tenant's covenants herein contained, any deficiency between the rent hereby reserved and/or covenanted to be paid and the net amount if any, of the rents collected on account of the lease or leases of the demised premises for each month of the period which would otherwise have constituted the balance of the term of this lease. The failure of Owner to re-let the demised premises, or any part or parts thereof, shall not release or affect Tenant's liability for damages. In computing such liquidated damages there shall be added to the said deficiency such expenses as Owner may incur in connection with re-letting, such as legal expenses, reasonable attorney's fees, brokerage, advertising and for keeping the demised premises in good order or for preparing the same for re-letting. Any such liquidated damages shall be paid in monthly installments by Tenant on the rent day specified in this lease, and any suit brought to collect the amount of the deficiency for any month shall not prejudice in any way the rights of Owner to collect the deficiency for any subsequent month by a similar proceeding. Owner, in putting the demised premises in good order or preparing the same for re-rental may, at Owner's option, make such alterations, repairs, replacements, and/or decorations in the demised premises as Owner, in Owner's sole judgment considers advisable and necessary for the purpose of re-letting the demised premises, and the making of such alterations, repairs, replacements, and/or decorations shall not operate or be construed to release Tenant from liability hereunder as aforesaid. "Owner shall in no event be liable in any way whatsoever for failure to re-let the demised premises, or in the event that the demised premises are re-let for failure to collect the rent thereof under such re-letting, and in no event shall Tenant be entitled to receive any excess, if any, of such net rents collected over the sums payable by Tenant to Owner hereunder. In the event of a breach or threatened breach by Tenant of any of the covenants or provisions hereof, Owner shall have the right of injunction and the right to invoke any remedy allowed at law or in equity as if re-entry, summary proceedings and other remedies were not herein provided for. Mention in this lease of any particular remedy, shall not preclude Owner from any other remedy, in law or in equity. Tenant hereby expressly waives any and all rights of redemption granted by or under any present or future laws in the event of Tenant being evicted or dispossessed for any cause, or in the event of Owner obtaining possession of the demised premises, by reason of the violation by Tenant of any of the covenants and conditions of this lease, or otherwise.

**Fees and  
Expenses:**

19. If Tenant shall default in the observance or performance of any term or covenant on Tenant's part to be observed or performed under, or by virtue of, any of the terms or provisions in any article of this lease, after notice, if required, and upon expiration of any applicable grace period, if any, (except in an emergency), then, unless otherwise provided elsewhere in this lease, Owner may immediately, or at any time thereafter and without notice, perform the obligation of Tenant thereunder. If Owner, in connection with the foregoing, or in connection with any default by Tenant in the covenant to pay rent hereunder, makes any expenditures or incurs any obligations for the payment of money, including but not limited to reasonable attorneys fees, in instituting, prosecuting or defending any action or proceeding, and prevails in any such action or proceeding, then Tenant will reimburse Owner for such sums so paid, or obligations incurred, with interest and costs. The foregoing expenses incurred by reason of Tenant's default shall be deemed to be additional rent hereunder, and shall be paid by Tenant to Owner within ten (10) days of rendition of any bill or statement to Tenant therefore. If Tenant's lease term shall have expired at the time of making of such expenditures or incurring of such obligations, such sums shall be recoverable by Owner, as damages.

**Building  
Alterations  
and  
Management:**

20. Owner shall have the right at any time without the same constituting an eviction and without incurring liability to Tenant therefore, to change the arrangement and/or location of public entrances, passageways, doors, doorways, corridors, elevators, stairs, toilets or other public parts of the building, and to change the name, number or designation by which the building may be known. There shall be no allowance to Tenant for diminution of rental value and no liability on the part of Owner by reason of inconvenience, annoyance or injury to business arising from Owner or other Tenants making any repairs in the building or any such alterations, additions and improvements. Furthermore, Tenant shall not have any claim against Owner by reason of Owner's imposition of such Controls of the manner of access to the building by Tenant's social or business visitors as the Owner may deem necessary for the security of the building and its occupants.

**No Repre-  
sentations  
Owner:**

21. Neither Owner nor Owner's agents have made any representations or promises with respect to the physical condition of the building, the land upon which it is erected or the demised premises, the rents, leases, expenses of operation or any other matter or thing affecting or related to the demised premises, except as herein expressly set forth, and no rights, easements or licenses are acquired by Tenant by implication or otherwise, except as expressly set forth in the provisions of this lease. Tenant has inspected the building and the demised premises and is thoroughly acquainted with their condition and agrees to take the same "as-is", and acknowledges that the taking of possession of the demised premises by Tenant shall be conclusive evidence that the said premises and the building of which the same form a part were in good and satisfactory condition at the time such possession was so taken, except as to latent defects. All understandings and agreements heretofore made between the parties hereto are merged in this contract, which alone fully and completely expresses the agreement between Owner and Tenant, and any executory agreement hereafter made shall be ineffective to change, modify, discharge or effect an abandonment of it in whole or in part, unless such executory agreement is in writing and signed by the party against whom enforcement of the change, modification, discharge or abandonment is sought.



**End of Term:** 22. Upon the expiration or other termination of the term of this lease, Tenant shall quit and surrender to Owner the demised premises, "broom-clean", in good order and condition, ordinary wear and damages which Tenant is not required to repair as provided elsewhere in this lease excepted, and Tenant shall remove all its property. Tenant's obligation to observe or perform this covenant shall survive the expiration or other termination of this lease. If the last day of the term of this lease or any renewal thereof, falls on Sunday, this lease shall expire at noon on the preceding Saturday, unless it be a legal holiday, in which case it shall expire at noon on the preceding business day.

**Quiet Enjoyment:** 23. Owner covenants and agrees with Tenant that upon Tenant paying the rent and additional rent and observing and performing all the terms, covenants and conditions, on Tenant's part to be observed and performed, Tenant may peaceably and quietly enjoy the premises hereby demised, subject, nevertheless, to the terms and conditions of this lease including, but not limited to, Article 31 hereof; and to the ground leases, underlying leases and mortgages hereinbefore mentioned.

**Failure to Give Possession:** 24. If Owner is unable to give possession of the demised premises on the date of the commencement of the term hereof because of the holding-over or retention of possession of any tenant, undertenant or occupants, or if the demised premises are located in a building being constructed, because such building has not been sufficiently completed to make the demised premises ready for occupancy, or because of the fact that a certificate of occupancy has not been procured, or for any other reason, Owner shall not be subject to any liability for failure to give possession on said date and the validity of the lease shall not be impaired under such circumstances, nor shall the same be construed in any way to extend the term of this lease, but the rent payable hereunder shall be abated (provided Tenant is not responsible for Owner's inability to obtain possession or complete construction) until after Owner shall have given Tenant written notice that the Owner is able to deliver possession in condition required by this lease. If permission is given to Tenant to enter into possession of the demised premises, or to occupy premises other than the demised premises, prior to the date specified as the commencement of the term of this lease, Tenant covenants and agrees that such possession and/or occupancy shall be deemed to be under all the terms, covenants, conditions and provisions of this lease, except the obligation to pay the fixed annual rent, set forth in the preamble to this lease. The provisions of this article are intended to constitute "an express provision to the contrary" within the meaning of Section 223-a of the New York Real Property Law.

**No Waiver:** 25. The failure of Owner to seek redress for violation of, or to insist upon the strict performance of, any covenant or condition of this lease or of any of the Rules or Regulations, set forth or hereafter adopted by Owner, shall not prevent a subsequent act which would have originally constituted a violation from having all the force and effect of an original violation. The receipt by Owner of rent and/or additional rent with knowledge of the breach of any covenant of this lease shall not be deemed a waiver of such breach, and no provision of this lease shall be deemed to have been waived by Owner unless such waiver be in writing signed by Owner. No payment by Tenant or receipt by Owner of a lesser amount than the monthly rent herein stipulated shall be deemed to be other than on account of the earliest stipulated rent, nor shall any endorsement or statement of any check or any letter accompanying any check or payment as rent be deemed an accord and satisfaction, and Owner may accept such check or payment without prejudice to Owner's right to recover the balance of such rent or pursue any other remedy in this lease provided. No act or thing done by Owner or Owner's agents during the term hereby demised shall be deemed an acceptance of a surrender of the demised premises, and no agreement to accept such surrender shall be valid unless in writing signed by Owner. No employee of Owner or Owner's agent shall have any power to accept the keys of said premises prior to the termination of the lease, and the delivery of keys to any such agent or employee shall not operate as a termination of the lease or a surrender of the demised premises.

**Waiver of Trial by Jury:** 26. It is mutually agreed by and between Owner and Tenant that the respective parties hereto shall, and they hereby do, waive trial by jury in any action proceeding or counterclaim brought by either of the parties hereto against the other (except for personal injury or property damage) on any matters whatsoever arising out of or in any way connected with, this lease, the relationship of Owner and Tenant, Tenant's use of, or occupancy of, the demised premises, and any emergency statutory or any other statutory remedy. It is further mutually agreed that in the event Owner commences any proceeding or action for possession, including a summary proceeding for possession of the demised premises, Tenant will not interpose any counterclaim of whatever nature or description in any such proceeding, including a counterclaim under Article 4, except for statutory mandatory counterclaims.

**Inability to Perform:** 27. This lease and the obligation of Tenant to pay rent hereunder and perform all of the other covenants and agreements hereunder on part of Tenant to be performed shall in no way be affected, impaired or excused because Owner is unable to fulfill any of its obligations under this lease, or to supply, or is delayed in supplying, any service expressly or impliedly to be supplied, or is unable to make, or is delayed in making any repair, additions, alterations, or decorations, or is unable to supply, or is delayed in supplying, any equipment, fixtures, or other materials, if Owner is prevented or delayed from so doing by reason of strike or labor troubles or any cause whatsoever including, but not limited to, government preemption or restrictions, or by reason of any rule, order or regulation of any department or subdivision thereof of any government agency, or by reason of the conditions which have been or are affected, either directly or indirectly, by war or other emergency.

**Bills and****Notices:**

28. Except as otherwise in this lease provided, any notice, statement, demand or other communication required or permitted to be given, rendered or made by either party to the other, pursuant to this lease or pursuant to any applicable law or requirement of public authority, shall be in writing (whether or not so stated elsewhere in this lease) and shall be deemed to have been properly given, rendered or made, if sent by registered or certified mail (express mail, if available), return receipt requested, or by courier guaranteeing overnight delivery and furnishing a receipt in evidence thereof; addressed to the other party at the address hereinabove set forth (except feat after the date specified as the commencement of the term of this lease, Tenant's address, unless Tenant shall give notice to the contrary, shall be the building), and shall be deemed to have been given, rendered or made (a) on the date delivered, if delivered to Tenant personally, (b) on the date delivered, if delivered by overnight courier or (c) on the date which is two (2) days after being mailed. Either party may, by notice as aforesaid, designate a different address or addresses for notices, statements, demand or other communications intended for it Notices given by Owner's managing agent shall be deemed a valid notice if addressed and set in accordance with the provisions of this Article. At Owner's option, notices and bills to Tenant may be sent by hand delivery.

**Services****Provided by****Owner:**

29. Owner shall provide; (a) necessary elevator facilities on business days from 8 a.m. to 6 p.m. and have one elevator subject to call at all other times; (b) heat to the demised premises when and as required by law, on business days from 8 a.m. to 6 p.m.; (c) water for ordinary lavatory purposes, but if Tenant uses or consumes water for any other purposes or in unusual quantities (of which fact Owner shall be the sole judge), Owner may install a water meter at Tenant's expense, which Tenant shall thereafter maintain at Tenant's expense in good working order and repair, to register such water consumption, and Tenant shall pay for water consumed as shown on said meter as additional rent as and when bills are rendered. If, however, said premises are to be kept clean by Tenant, it shall be done at Tenant's sole expense, in a manner reasonably satisfactory to Owner, and no one other than persons approved by Owner shall be permitted to enter said premises or the building of which they are a part for such purpose. Tenant shall pay Owner the cost of removal of any of Tenant's refuse and rubbish from the building; (e) if the demised premises are serviced by Owner's air conditioning/cooling and ventilating system, air conditioning/cooling will be furnished to Tenant from May 15th through September 30th on business days (Mondays through Fridays, holidays excepted) from 8:00 a.m. to 6:00 pm., and ventilation will be furnished on business days during the aforesaid hours except when air conditioning/cooling is being furnished as aforesaid. If Tenant requires air conditioning/cooling or ventilation for more extended hours on Saturdays, Sundays or on holidays, as defined under Owner's contract with the applicable Operating Engineers contract Owner will furnish the same at Tenant's expense. F RIDER to be added in respect to rates and conditions for such additional service; (f) Owner reserves the right to stop services of the heating, elevators, plumbing, air-conditioning, electric, power systems or cleaning or other services, if any, when necessary by reason of accident or for repairs, alterations, replacements or improvements necessary or desirable in the judgment of Owner, for as long as may be reasonably required by reason thereof. If the building of which the demised premises are a part supplies manually operated elevator service, Owner at any time may substitute automatic control elevator service and proceed diligently with alterations necessary therefor without in any way affecting this lease or the obligations of Tenant hereunder.

**Captions:**

30. The Captions are inserted only as a matter of convenience and for reference, and in no way define, limit or describe the scope of this lease nor the intent of any provisions thereof.

**Definitions:**

31. The term "office", or "offices", wherever used in this lease, shall not be construed to mean premises used as a store or stores, for the sale or display, at any time, of goods, wares or merchandise, of any kind, or as a restaurant, shop, booth, bootblack or other stand, barber shop, or for other similar purposes, or for manufacturing. The term "Owner" means a landlord or lessor, and as used in this lease means only the owner, or the mortgagee in possession for the time being, of the land and building (or the owner of a lease of the building or of the land and building) of which the demised premises form a part, so that in the event of any sale or sales or conveyance, assignment or transfer of said land and building, or of said lease, or in the event of a lease of said building, or of the land and building, the said Owner shall be, and hereby is, entirely freed and relieved of all covenants and obligations of Owner hereunder, and it shall be deemed and construed without further agreement between the parties or their successors in interest or between the parties and the purchaser, at any such sale, or the said lessee of the building, or of the land and building, that the purchaser, grantee, assignee or transferee or the lessee of the building has assumed and agreed to carry out any and all covenants and obligations of Owner, hereunder. The words "re-enter" and "re-entry" as used in this lease are not restricted to their technical legal meaning. The term "business days" as used in this lease shall exclude Saturdays, Sundays and all days as observed by the State or Federal Government as legal holidays and those designated as holidays by the applicable building service union employees service contract or by the applicable Operating Engineers contract with respect to HVAC service. Wherever it is expressly provided in this lease that consent shall not be unreasonably withheld, such consent shall not be unreasonably delayed.

**Adjacent****Excavation-****Shoring:**

32. If an excavation shall be made upon land adjacent to the demised premises, or shall be authorized to be made, Tenant shall afford to the person causing or authorized to cause such excavation, a license to enter upon the demised premises for the purpose of doing such work as said person shall deem necessary to preserve the wall or the building, of which demised premises form, a part, from injury or damage, and to support the same by proper foundations, without any claim for damages or indemnity against Owner, or diminution or abatement of rent.

**Rules and**

**Regulations:**

33. Tenant and Tenant's servants, employees, agents, visitors, and licensees shall observe faithfully, and comply strictly with, the Rules and Regulations and such other and further reasonable Rules and Regulations as Owner and Owner's agents may from time to time adopt Notice of any additional Rules or Regulations shall be given in such manner as Owner may elect In case Tenant disputes the reasonableness of any additional Rules or Regulations hereafter made or adopted by Owner or Owner's agents, the parties hereto agree to submit the question of the reasonableness of such Rules or Regulations for decision to the New York office of the American Arbitration Association, whose determination shall be final and conclusive upon the parties hereto, The right to dispute the reasonableness of any additional Rules or Regulations upon Tenant's part shall be deemed waived unless the same shall be asserted by service of a notice, in writing, upon Owner, within fifteen (15) days after the giving of notice thereof. Nothing in this lease contained shall be construed to impose upon Owner any duty or obligation to enforce the Rules and Regulations or terms, covenants or conditions in any other lease, as against any other tenant, and Owner shall not be liable to Tenant for violation of the same by any other tenant, its servants, employees, agents, visitors or licensees.

**F Security:**

34. Tenant has deposited with Owner the sum \$22,891.00 as security for the faithful performance and observance by Tenant of the terms, provisions and conditions of this lease; it is agreed that in the event Tenant defaults in respect of any of the terms, provisions and conditions of this lease, including, but not limited to, the payment of rent and additional rent, Owner may use, apply or retain the whole or any part of the security so deposited to the extent required for the payment of any rent and additional rent, or any other sum as to which Tenant is in default or for any sum which Owner may expend or may be required to expend by reason of Tenant's default in respect of any of the terms, covenants and conditions of this lease, including but not limited to, any damages or deficiency in the re- letting of the demised premises, whether such damages or deficiency accrued before or after summary proceedings or other re-entry by Owner. In the case of every such use, application or retention, Tenant shall, within five (5) days after demand, pay to Owner the sum so used, applied or retained which shall be added to the security deposit so that the same shall be replenished to its former amount. In the event that Tenant<sup>23</sup> the security shall be returned to Tenant after the date fixed as the end of the lease and after delivery of entire possession of the demised premises to Owner. In the event of a sale of the land and building, or leasing of the building of which the demised premises form a part, Owner shall have the right to transfer the security to the vendee or lessee, and Owner shall thereupon be released by Tenant from all liability for the return of such security; and Tenant agrees to look to the new Owner solely for the return of said security, and it is agreed mat the provisions hereof shall apply to every transfer or assignment made of the security to a new Owner. Tenant further covenants that it will not assign or encumber, or attempt to assign or encumber, the monies deposited herein as security, and that neither Owner nor its successors or assigns shall be bound by any such assignment encumbrance, attempted assignment or attempted encumbrance.

**Estoppel  
Certificate:**

35. Tenant, at any time, and from time to time, upon at least ten (10) days prior notice by Owner, shall execute, acknowledge and deliver to Owner, and/or to any other person, firm or corporation specified by Owner, a statement certifying that this lease is unmodified and in full force and effect (or, if mere have been modifications, that the same is in full force and effect as modified and stating the modifications), stating the dates to which the rent and additional rent have been paid, and stating whether or not there exists any default by Owner under this lease, and, if so, specifying each such default and such other information as shall be required of Tenant.

**Successors  
and Assigns:**

36. The covenants, conditions and agreements contained in this lease shall bind and inure to the benefit of Owner and Tenant and their respective heirs, distributees, executors, administrators, successors, and except as otherwise provided in this lease, their assigns. Tenant shall look only to Owner's estate and interest id the land and building, for the satisfaction of Tenant's remedies for the collection of a judgment (or other judicial process) against Owner in the event of any default by Owner hereunder, and no other property or assets of such Owner (or any partner, member, officer or director thereof, disclosed or undisclosed), shall be subject to levy, execution or other enforcement procedure for me satisfaction of Tenant's remedies under, or with respect to, this lease, the relationship of . Owner and Tenant hereunder, or Tenant's use and occupancy of the demised premises.

For additional provisions to this Lease, see Rider attached hereto & made a part hereof.

**In Witness Whereof.** Owner and Tenant have respectively signed and sealed this lease as of the day and year first above written.

Witness for Owner:

/s/ Angela Ronan

Witness for Tenant:

\_\_\_\_\_

SHELVIN PLAZA ASSOCIATES LLC

By: /s/ Vincent Polimeni  
Vincent Polimeni, Managing Member

ACE MARKETING & PROMOTIONS, INC.

By /s/ Sean Trepeta  
Sean Trepeta Director

**ACKNOWLEDGEMENT**

**STATE OF NEW YORK,**

**SS.:**

**COUNTY OF NEW YORK**

On the \_\_\_\_\_ day of \_\_\_\_\_ in the year \_\_\_\_\_, before me, the undersigned, a Notary Public in and for said State, personally appeared \_\_\_\_\_ personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies), and that by his/her/their signature(s) on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the instrument.

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NOTARY PUBLIC

**IMPORTANT – PLEASE READ**

**RULES AND REGULATIONS ATTACHED TO AND  
MADE A PART OF THIS LEASE  
IN ACCORDANCE WITH ARTICLE 33.**

1. The sidewalks, entrances, driveways, passages, courts, elevators, vestibules, stairways, corridors or halls shall not be obstructed or encumbered by Tenant or used for any purpose other than for ingress or egress from the demised premises, and for delivery of merchandise and equipment in a prompt and efficient manner using elevators and passageways designated for such delivery by Owner. There shall not be used in any space, or in the public hall of the building, either by any tenant or by jobbers or others in the delivery or receipt of merchandise, any hand trucks, except those equipped with rubber tires and safeguards. If said premises are situated on the ground floor of the building, Tenant thereof shall further, at Tenant's expense, keep the sidewalk and curb in front of said premises clean and free from ice, snow, dirt and rubbish.
2. The water and wash closets and plumbing fixtures shall not be used for any purposes other than those for which they designed or constructed, and no sweepings, rubbish, rags, acids or other substances shall be deposited therein, and the expense of any breakage, stoppage, or damage resulting from the violation of this rule shall be borne by the Tenant, whether or not caused by the Tenant, or its clerks, agents, employees or visitors.
3. No carpet, rug or other article shall be hang or shaken out of any window of the building and Tenant shall not sweep or throw, or permit to be swept or thrown, from the demised premises any dirt or other substances into any of the corridors or halls, elevators, or out of the doors or windows or stairways of the building, and Tenant shall not use, keep or permit to be used or kept, any foul or noxious gas or substance in the demised premises, or permit or suffer the demised premises to be occupied or used in a manner offensive or objectionable to Owner or other occupants of the building by reason of noise, odors, and/or vibrations, or interfere in any way with other tenants or those having business therein, nor shall any bicycles, vehicles, animals, fish, or birds be kept in or about the building. Smoking or carrying lighted cigars or cigarettes in the elevators of the building is prohibited.
4. No awnings or other projections shall be attached to the outside walls of the building without the prior written consent of Owner.
5. No sign, advertisement, notice or other lettering shall be exhibited, inscribed, printed or affixed by Tenant on any part of the outside of the demised premises or the building, or on the inside of the demised premise if the same is visible from the outside of the demised premises, without the prior written consent of Owner, except that the name of Tenant may appear on the entrance door of the demised premises. In the event of the violation of the foregoing by Tenant, Owner may remove same without any liability, and may charge the expense incurred by such removal to Tenant, Interior signs on door and directory tablet shall be inscribed, painted or affixed for Tenant by Owner at the expense of Tenant, and shall be of a size, color and style acceptable to Owner.
6. Tenant shall not mark, paint, drill into, or in any way deface, any part of the demised premises or the building of which they form a part. No boring, cutting or stringing of wires shall be permitted, except with the prior written consent of Owner, and as Owner may direct. Tenant shall not lay linoleum, or other similar floor covering, so that the same shall come in direct contact with the floor of the demised premises, and, if linoleum or other similar floor covering is desired to be used, an interlining of builder's deadening felt shall be first affixed to the floor, by a paste or other material, soluble in water, the use of cement or other similar adhesive material being expressly prohibited.
7. No additional locks or bolts of any kind shall be placed upon any of the doors or windows by Tenant, nor shall any changes be made in existing locks or mechanism thereof. Tenant must, upon the termination of his tenancy, restore to Owner all keys of stores, offices and toilet rooms, either furnished to, or otherwise procured by Tenant, and in the event of the loss of any keys so furnished, Tenant shall pay to Owner the cost thereof.
8. Freight, furniture, business equipment, merchandise and bulky matter of any description shall be delivered to and removed from the demised premises only on the freight elevators and through the service entrances and corridors, and only during hours and in a manner approved by Owner. Owner reserves the right to inspect all freight to be brought into the building and to exclude from the building all freight which violates any of these Rules and Regulations of the lease, or which these Rules and Regulations are a part.
9. Canvassing, soliciting and peddling in the building is prohibited and Tenant shall cooperate to prevent the same.
10. Owner reserves the right to exclude from the building all persons who do not present it pass to the building signed by Owner. Owner will furnish passes to persons for whom Tenant requests same in writing. Tenant shall be responsible for all persons for whom be requests such pass, and shall be liable to Owner for all acts of such persons. Tenant shall not have a claim against Owner by reason of Owner excluding from the building any person who does not present such pass.
11. Owner shall have the right to prohibit any advertising by Tenant which is Owner's opinion, tends to impair the reputation of the building or its desirability as a building for offices, and upon written notice from Owner. Tenant shall refrain from or discontinue such advertising.
12. Tenant shall not bring or permit to be brought or kept in or on the demised premises, any inflammable, combustible, explosive, or hazardous fluid, material, chemical or substance, or cause or permit any odors of cooking or other processes or any unusual or other objectionable odors, to penetrate in, or entrance from, the demised premises.
13. If the building contains central air conditioning and ventilation, Tenant agrees to keep all windows closed at all times and to abide by all rules and regulations issued by Owner with respect to such services. If Tenant requires air conditioning or ventilation after the usual hours, Tenant shall give notice in writing to the building superintendent prior to 3:00 p.m. in the case of services required on weekdays, and prior to 3:00 p.m. on the day prior in case of after hours services required on weekdays or on holidays. Tenant shall cooperate with Owner in obtaining maximum effectiveness of the cooling system by lowering and closing venetian blinds and/or leaps and curtains when the sun's rays fall directly on the windows of the demised premises.
14. Tenant shall not move any safe, heavy machinery, heavy equipment, bulky matter, or fixtures into or out of the building without Owner's prior written consent. If such safe, machinery, equipment, bulky matter or fixtures requires special handling, all work in connection therewith shall comply with the

Administrative Code of the City of New York and all other laws and regulations applicable thereto, and shall be done during such hours as Owner may designate.

15. Refuse and Trash. (1) Compliance by Tenant. Tenant covenants and agrees, at its sole cost and expense, to comply with all present and future laws, orders, and regulations, of all state, federal, municipal, and local governments, departments, commissions and bounds regarding the collection, sorting, separation and recycling of waste products, garbage, refuse and trash. Tenant shall sort and separate such waste products, garbage, refuse and trash into such categories as provided by law. Each separately sorted category of waste products, garbage, refuse and trash shall be placed in separate receptacles reasonably approved by Owner. Such separate receptacle may, at Owner's option, be removed from the demised premises in accordance with a collection schedule prescribed by law. Tenant shall remove, or cause to be removed by a contractor acceptable to Owner, at Owner's sole discretion, such items as Owner may expressly designate. (2) Owner's Rights in Event of Noncompliance. Owner has the option to refuse to collect or accept from Tenant waste products, garbage, refuse or trash (a) that is not separated and sorted as required by law or (b) which consists of such items as Owner may expressly designate for Tenant's removal, and to require Tenant to arrange for such collection at Tenant's sole cost and expense, utilizing a contractor satisfactory to Owner. Tenant shall pay all costs, expenses, fines, penalties, or damages that may be imposed on Owner or Tenant by reason of Tenant's failure to comply with the provisions of this Building Rule 15, and, at Tenant's sole cost and expense, shall indemnify, defend and hold Owner harmless (including reasonable legal fees and expenses) from and against any actions, claims and suits arising from such noncompliance, utilizing counsel reasonably satisfactory to Owner.

**Address**

**Premises**

**TO**

**STANDARD FORM OF**

**Office  
Lease**

**The Real Estate Board of New York, Inc.**

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**Dated**

**in the year**

**Rent Per Year**

**Rent Per Month**

**Term**

**From**

**To**

**Drawn by**

\_\_\_\_\_

**Checked by**

\_\_\_\_\_

**Entered by**

\_\_\_\_\_

**Approved by**

\_\_\_\_\_

**RIDER TO A LEASE BETWEEN  
SHELVIN PLAZA ASSOCIATES LLC- "LANDLORD"  
AND  
ACE MARKETING & PROMOTIONS, INC. - "TENANT"**

In the event of a conflict between the terms, covenants, conditions, and provisions of this Rider with those of the Standard Form of Office Lease or any of the Exhibits or Schedules attached hereto, the terms, covenants, conditions and provisions of this Rider shall govern and control the rights and obligations of the parties hereto.

**SECTION I  
Indemnity, Liability, Insurance**

(a) Tenant covenants and agrees to indemnify and save Landlord and its designees harmless from and against any and all claims arising during the term of this lease for damages or injuries to goods, wares, merchandise and property and/or for any personal injury or loss of life, except such claims as may be the result of the negligence of Landlord, its agents, employees or contractors. Tenant covenants and agrees to indemnify and save Landlord and its designees harmless from and against any and all claims arising during the term of this lease for damages or injuries to goods, wares, merchandise and property and/or for any personal injury or loss of life in or about the building or on the sidewalks as a result of Tenant's negligence.

(b) Tenant covenants to provide on or before the commencement date of the term hereof and to keep in force during the term hereof for the benefit of Landlord and Tenant a comprehensive policy of liability insurance protecting Landlord and Tenant and any designee of Landlord against any liability whatsoever occasioned by accident on or about the demised premises or the building in which the demised premises is a part, or any appurtenances thereto. Such policy is to be written by good and solvent insurance companies satisfactory to Landlord, in which the limits of public liability shall be not less than Two Million Dollars (\$2,000,000) per occurrence and Two Million Dollars (\$2,000,000) General Aggregate and in which the property damage liability shall be not less than Two Hundred Fifty Thousand Dollars (\$250,000). Tenant shall also maintain such Worker's Compensation coverage in full force and effect as may be required by the State of New York. Such insurance may be carried under a blanket policy covering the demised premises and other locations of Tenant, if any. Prior to the time such insurance is first required to be carried by Tenant, and thereafter, at least thirty (30) days prior to the expiration of any such policy, Tenant agrees to deliver to Landlord either a duplicate original of the aforesaid policy or a certificate evidencing such insurance (which certificates shall evidence the insurer's respective waivers of subrogation) provided said certificate contains an endorsement that such insurance may not be cancelled or modified except upon thirty (30) days notice to Landlord together with evidence of payment for the policy, and upon renewal of any such policy, not less than thirty (30) days prior to the expiration of the term of such coverage. Tenant's failure to provide and keep in force the aforementioned insurance shall be regarded as a material default hereunder entitling Landlord to exercise any or all of the remedies as provided in this lease in the event of Tenant's default.

**SECTION 2  
Tax Increases**

Within the meaning of this Section, the expression "Impositions" shall mean the aggregate of all taxes, special or otherwise, charges, transfer taxes, excises, levies, assessments and other government charges of any kind or nature, general or special, ordinary or extraordinary presently existing or created hereafter, foreseen and unforeseen, and any personal property taxes imposed upon the fixtures, machinery, equipment, apparatus, system appurtenances in, upon or used in connection with the building of which the demised premises is a part for the operation thereof, which in any fiscal tax year may be assessed, levied, confirmed, imposed upon or become due and payable out of or become a lien upon the land and building (herein collectively called the "Property") of which the demised premises are a part or any appurtenances thereto, provided that if because of any change in the method of taxation of real estate any other or additional tax or assessment is imposed upon Landlord and/or the owner of the land and /or building, or upon or with respect to the building and/or land or the rents or income therefrom, or are substituted for or in lieu of or in addition to any taxes or assessments which would otherwise be a real estate tax of the type referred to above, such other tax or assessment shall also be deemed an Imposition. The expression "Base Impositions" means the Impositions levied or imposed against the Property for the Base Year (as maybe adjusted) General Tax 2012; School Tax 2011/2012.

Tenant agrees to pay Landlord, throughout the term of this lease as additional rental, a sum equal to 2.4percent (as used in this Section 2, the foregoing percent shall be referred to as Tenant's "Proportionate Share") of the amount by which the Impositions levied against the Property in each fiscal tax year exceeds the Base Impositions.

Tenant shall pay to Landlord within ten (10) days after Landlord's rendition to Tenant of the bill, pursuant to this Section, the entire amount of Tenant's Proportionate Share of the Impositions for the fiscal tax year as set forth above. Any increase in Impositions for the fiscal tax year in which this lease commences or ends shall be apportioned so that Tenant shall pay its proportionate share of only that portion of the increase for such tax year which corresponds with that portion of the tax year as falls within the term. The Impositions for any fiscal tax year in respect to which Tenant is obligated to pay a portion of the increase as above set forth in this Section shall be the amount of such Impositions as set forth on the tax bill issued by the municipality. In no event shall Tenant be obligated to pay any interest or penalties imposed upon Landlord for late payment. Landlord shall, at the written request of Tenant, submit to Tenant a copy of the tax bill from the taxing authorities or an electrostatic copy thereof as conclusive evidence of the Impositions for the prior fiscal year. In no event shall Tenant be obligated to pay any interest or penalties imposed upon Landlord for late payment.

The Landlord reserves the sole right, through available legal remedies, to contest the validity of any Impositions or the amount of the assessed valuation of the property for any fiscal tax year. If Landlord shall receive any tax refund, remission or abatement in respect to the Impositions for any fiscal tax year which the Tenant has paid its Proportionate Share of the Impositions as herein provided, then Landlord shall reimburse Tenant for its Proportionate Share thereof, after first deducting therefrom the share of Landlord's cost and expense in procuring such refund, remission or abatement proportionately attributed to the reimbursement due to Tenant. If Landlord shall receive an abatement, reduction or remission for any then current year of the term, then Tenant shall reimburse Landlord its pro-rata share of such abatement, reduction or remission. If Landlord shall be required to pay any increase in Impositions for any fiscal tax year after Landlord shall have rendered a bill to Tenant for such fiscal tax year, the amount of Tenant's Proportionate Share of Impositions for such fiscal tax year shall be increased, and Tenant, on Landlord's demand, shall pay its Proportionate Share of the increase within ten (10) days from the date of notice therefore.

### SECTION 3 Authority

This lease is presented to the Tenant for signature by Landlord's designee's solely in said designee's capacity as representative of Landlord and is hereby made expressly subject to the Landlord's acceptance and approval by execution by Landlord and delivery to Tenant. This lease is not to be construed as an offer to lease and shall not in any way bind the Landlord or its designee until such time as the Landlord has executed and delivered the lease as aforesaid.

### SECTION 4 Commencement of Term

If Landlord's work in the demised premises to be occupied is in progress as of the date of commencement of this lease as elsewhere set forth in this lease the term of this lease shall commence on date which shall be the earlier of (a) the date that the demised premises are Substantially Completed (the term "Substantially Completed" as used herein shall be deemed to mean so complete as to allow Tenant to enter the Premises and conduct its business operations therein, even though there may be minor items of decoration or construction to be completed) by Landlord or (b) the date that Tenant shall occupy or take possession of any portion of the demised premises. Regardless of any delay in the commencement of this lease because of Landlord's work, this lease will terminate on the last day of the month, Five (5) Years & Three (3) Months after the new commencement date in accordance with this paragraph. In the event the Commencement Date shall be a date other than the first day of a calendar month, the first monthly installment of Base Rent due after the Commencement Date shall be pro-rated accordingly. In the event the Commencement Date shall be a date other than the first day of a calendar month, the lease shall terminate on the last day of the month in which Fifth (5th) Year & Three (3) Month anniversary occurs.

SECTION 5  
Overtime Charges

Intentionally omitted.

SECTION 6  
Brokerage

Tenant represents that there was no broker instrumental in consummating this lease other than Skyline Management Corp. Tenant agrees to hold Landlord harmless from and against any and all claims or demands for brokerage commissions arising out of or in connection with the execution of this lease or any conversations or negotiations thereto with any broker other than the above named broker.

SECTION  
7 Addenda to Article 29

Except for the supply of heat or any other utility or service expressly provided herein to be supplied by Landlord, nothing in Article 29 or any other portion of this lease shall be deemed to require Landlord to supply any service or utility to the demised premises.

SECTION 8  
Definition of Landlord

As used in this lease, the term "Landlord" shall mean only the owner or the mortgagee in possession for the time being of the building in which the demised premises are located or the holder of a lease on both said building and the land thereunder so that in the event of any sale of said building or an assignment of this lease or any underlying lease or a demise of both said building and land, Landlord shall be and hereby is entirely released and discharged from any and all further liability and obligations of Landlord hereunder, except any that may have theretofore accrued.

Notwithstanding anything to the contrary provided in this lease, it is specifically understood and agreed, such agreement being a primary consideration of this lease by Landlord, that there shall be absolutely no personal liability on the part of Landlord, its successors, assigns or any mortgagee in possession (for the purposes of this paragraph collectively referred to as "Landlord"), with respect to any of the terms, covenants and conditions of this lease, and that Tenant shall look solely to the equity of Landlord in the demised premises for the satisfaction of each and every remedy of Tenant in the event of any breach by Landlord of any of the terms, covenants and conditions of this lease to be performed by Landlord, such exculpation of liability to be absolute and without exceptions whatsoever.

SECTION 9  
Ownership

Intentionally deleted.

SECTION 10  
Tenant's Certificate/Subordination

Tenant shall, without charge at any time and from time to time, within ten (10) days after request by Landlord, certify by written instrument, duly executed, acknowledge and delivered, to any mortgagee, assignee of any mortgage or purchaser, or any proposed mortgagee, assignee of any mortgage or purchaser, or any other person, firm or corporation specified by Landlord:

- (a) That this lease is unmodified and in full force and effect (or, if there has been modification, that the same is in full force and effect as modified and stating the modifications);
- (b) Whether or not there are then existing any set-offs or defenses against the enforcement of any of the agreements, terms, covenants or conditions hereof upon the part of Tenant to be performed or complied with (and, if so, specifying the same); and
- (c) The dates, if any, to which the rental and other charges hereunder have been paid in advance and/or to which Landlord may have consented, released or relieved Tenant from Tenant's obligations fully to perform all of the terms, covenants and conditions of the lease on Tenant's part to be performed; and
- (d) Any other information requested by Landlord, any mortgagee or purchaser.

Failure to provide Landlord with a written acceptance or estoppel certificate within the aforesaid ten (10) day period shall constitute a material default under this lease, and subject Tenant to a \$50.00 charge for each day beyond the said ten (10) day period.

Subordination and Attornment Supplementing Article 7 of the Standard Form of Office Lease this lease is subject and subordinate to every mortgage, deed of trust, protective land covenants and ground or master lease now or hereafter affecting the Demised Premises and the real property of which the Demised Premises are a part, or any part of such real property, and to all advances made or hereafter to be made upon the security thereof. Tenant agrees to attorn to any underlying ground lessor or mortgagee who shall succeed to Landlord's interest in this lease upon request of such ground lessor or mortgagee. Such subordination and attornment is self-executing and effective upon execution of this Lease; notwithstanding the foregoing, however, at any time and from time to time at the request of the Landlord or the holder of any such mortgage, deed of trust, protective land covenants, and ground or master lease, the Tenant shall execute and deliver within ten (10) days of receipt thereof any instrument or further assurance reasonably requested whereby the Tenant shall:

(a) acknowledge the subordinate status of this Lease with respect to the lien of any such mortgage or deed of trust, or the interest of any lessor under any such ground lease, with the intent and effect that this lease and all the rights of the Tenant are and will be subject to the rights of the holder or beneficiary of any such mortgage or deed of trust or ground lessor as fully as if such mortgage or deed of trust had been made and recorded in the appropriate land records and all monies had been advanced thereunder before the making of this lease; or

(b) acknowledge Tenant's attornment to such holder or ground lessor and agree to be bound to it as its tenant of the Leased Premises for the then unexpired residue of the term of this Lease and upon the terms and conditions herein contained.

Upon request of any mortgagee of record, Tenant shall give prompt written notice of any default of Landlord hereunder, and Tenant shall allow such mortgagee a reasonable length of time (in any event, not less than sixty (60) days from the date of such notice) in which to cure any default. Any such notice shall be sent to the Mortgage Loan Department of any such mortgagee at its home office address.

#### SECTION 11 Electricity

- A. In addition to the Base Rent and any other additional rent as set forth herein, the Tenant shall pay as additional rent the sum of \$13,789.75 per annum payable in equal monthly installments on the first of each month of \$1,149.15 for the electricity which the Landlord supplies to the Tenant for HVAC and for normal office consumption. Landlord shall not be liable in any way to Tenant for any failure or defect in the supply or character of electric energy furnished to the Demised Premises by reason of any requirement, act or omission of the Public Utility serving the Building with electricity or for any other reason not attributable to Landlord. Landlord shall furnish and install all replacement lighting tubes, lamps, bulbs and ballasts required in the Demised Premises, at Tenant's expense.
- B. Tenant covenants and agrees that, at all times, its use of electric current shall never exceed the capacity of the feeders to the Demised Premises or the risers or wiring installation thereof.

In connection therewith, Tenant expressly agrees that all installations, alterations and additions of and to the electrical fixtures, appliances, or equipment within the Demised Premises which might result in an electrical demand load in excess of 6 watts per rentable square foot shall be subject to Landlord's prior written approval, and, if such approval shall be given, rigid conduit only shall be permitted. As a condition to granting such approval, Landlord may require Tenant to agree to an increase in the per annum rate which will reflect the value to Tenant of the additional service to be furnished to Landlord, that is, the potential additional electrical energy to be made available to Tenant based upon the estimated additional capacity of such additional risers or other equipment. If, in connection with any request for such approval, Landlord shall, in its sole judgment, determine that the risers of the commercial unit servicing the Premises shall be insufficient to supply Tenant's electrical requirements with respect thereto, Landlord shall at the sole cost and expense of Tenant, install any additional feeder(s) that Landlord shall deem necessary with respect thereto, provided, however, that if Landlord shall determine, in its sole judgment, that the same will cause permanent damage or injury to the Demised Premises or cause or create a dangerous or hazardous condition, or entail excessive or unreasonable alterations, repairs, or expense, or interfere with, or disturb, the other tenants or occupants of the Building, then Landlord shall not be obligated to make such installation, and Tenant shall not make the installation, alternation, or addition to the installation of such rise or risers, Landlord will also, at the sole cost and expense of Tenant, install all other equipment necessary and proper in connection therewith, subject to the aforesaid terms and conditions. In the event Landlord in its sole judgment determines that the installation of an electric meter is necessary to measure Tenant's consumption of electricity in the Demised Premises, the cost of the installation of such meter and all charges accruing therefrom shall be paid by Tenant. All of the aforesaid costs and expenses are chargeable and collectible as Additional Rent, and shall be paid by Tenant to Landlord within fifteen (15) days after rendition of any bill or statement to Tenant therefore in which event the electric charge provided in this lease shall be omitted.

- C. The Tenant shall also pay as additional rent any percentage increase in the electric charged by the Public Utility to the Landlord subsequent to the rate established and used by the Public Utility for the within building in the calendar year 2012, i.e. if the current rate plus fuel surcharge is \$.05 per kilowatt hour for 2012 and increases to \$.07 per kilowatt hour for 2013, the Tenant shall pay 40 percent increase over the per annum amount of \$13,789.75. If there is more than one rate increase during a calendar year, said increase shall be pro-rated accordingly. Notwithstanding the foregoing, the electric charge shall be not less than \$13,789.75 per annum at any time.
- D. The following occupancies for the Demised Premises shall not be exceeded: seven (7) occupants per every 1,000 rentable square feet. In the event the foregoing occupancy levels are exceeded, it shall be deemed a material default under this lease. Landlord shall notify Tenant of any such default and in the event Tenant does not cure same within ten (10) days, Landlord shall have the right to terminate this lease upon fifteen (15) days' written notice to Tenant.
- E. Notwithstanding anything to the contrary contained in this Section 11, or elsewhere in this lease, Tenant agrees that Landlord shall not in any wise be liable or responsible to Tenant for any loss, damage, or expense that Tenant may sustain or incur if either the quantity or character of electrical service is changed, is no longer available, or is unsuitable for Tenant's requirements.
- F. Landlord shall not be responsible for the proper performance of any heating, ventilating and airconditioning (HVAC) system if the Demised Premises (or any room or area thereof) shall be subjected to a greater population density than that set forth in paragraph D hereof.

#### SECTION 12 Holding Over

If the Tenant retains possession of the demised premises or any part thereof after the termination of the term by lapse of time or otherwise, without prior written approval by Landlord, the Tenant shall pay the Landlord for use and occupancy rent at 110% of the Base Rent set forth herein for the time the Tenant thus remains in possession, and in addition thereto, shall pay the Landlord all damages, consequential as well as direct, sustained by reason of the Tenant's retention of possession. If the Tenant remains in possession of the demised premises, or any part thereof, after the termination of the term by lapse of time or otherwise, such holding over shall not constitute an extension of this lease, however, all the other terms and conditions of the Lease shall apply, except as provided herein. The provisions of this Section do not exclude the Landlord's right of re-entry or any other right hereunder.

#### SECTION 13 Additional Rent

All costs, charges, adjustments and expenses which Tenant assumes or agrees to pay pursuant to this lease shall at Landlord's election be treated as additional rent and, in the event of nonpayment, Landlord shall have the rights and remedies herein provided for in the case of nonpayment of rent or breach of condition. If Tenant shall default in making any payment required to be made by Tenant (other than the payment of rent required pursuant to this lease) or shall default in performing any term, covenant or condition of this lease on the part of Tenant to be performed hereunder, Landlord at Landlord's option, may (but shall not be obligated to) immediately or at any time thereafter on five (5) days' notice make such payment or, on behalf of Tenant, cause the same to be performed for the account of Tenant and expend such sum as may be necessary to perform and fulfill such term, covenant or condition, and any and all sums so expended by Landlord, with interest thereon at the highest legal rate per annum from the date of such expenditure, shall be and be deemed to be additional rent, in addition to the Base Rent, and shall be repaid by Tenant to Landlord on demand, but no such payment or expenditure by Landlord shall be deemed a waiver of Tenant's default nor shall it affect any other remedy of Landlord by reason of such default. Tenant's obligation to pay additional rent shall survive any termination of this lease. In addition thereto, in the event Landlord is required to institute suit against Tenant by reason of Tenant's default or to recover possession of premises, then Tenant shall pay Landlord's reasonable attorney's fees, expenses and costs. In the event of a dispute as to any payment made in accordance with this paragraph, the disputed amount shall be deposited in escrow with Landlord's attorney until the disputed amount is resolved.

SECTION 14  
Mechanics Liens

If, because of any act or omission of Tenant or anyone claiming through or under Tenant, any mechanics' or other lien or order for the payment of money shall be filed against the demised premises or the building, or against Landlord (whether or not such lien or order is valid or enforceable as such), Tenant shall, at Tenant's own cost and expense, cause the same to be cancelled and discharged of record within ten (10) days after the date of filing thereof, and shall also indemnify and save harmless Landlord from and against any and all costs, expenses, claims, losses or damages, including reasonable counsel fees, resulting therefrom or by reason thereof.

SECTION 15  
Rights Reserved by Landlord

Without abatement or diminution in rent, Landlord reserves and shall have the following additional rights:

- (a) Intentionally omitted.
- (b) To approve in writing all signs and all sources furnishing sign painting and lettering, drinking water, towels and toilet supplies or other like service used in the demised premises and to approve all sources furnishing cleaning services, construction work, painting, decorating, repairing, maintenance and any other work in or about the demised premises.
- (c) To enter the demised premises at all reasonable times for any purpose whatsoever relating thereto or to the safety, protection or preservation of the demised premises or of the building or of Landlord's interest.
- (d) At any time or times, Landlord either voluntarily or pursuant to governmental requirement, may, at Landlord's own expense, make repairs, alterations or improvements in or to the building or any part thereof and during alterations, may close entrances, doors, windows, corridors, elevators or other facilities, provided that such acts shall not unreasonably interfere with Tenant's use and occupancy of the premises as a whole.
- (e) Intentionally omitted.
- (f) To charge to Tenant any expense including overtime cost incurred by Landlord in the event that repairs, alterations, decorating or other work in the premises are made or done after ordinary business hours at Tenant's request.
- (g) If during the last six months of the term or of a renewal term, Tenant shall have removed all or substantially all of Tenant's property therefrom, Landlord may immediately enter and alter, renovate, and redecorate the premises without reduction or abatement of rent or incurring any liability to Tenant for compensation.
- (h) Intentionally omitted.

Landlord may exercise any or all of the foregoing rights hereby reserved to Landlord without being deemed guilty of an eviction, actual or constructive, or disturbance or interruption of Tenant's use or possession and without being liable in any manner toward Tenant and without limitation or abatement of rent or other compensation, and such acts shall have no effect on this lease.

SECTION 16  
Sprinklers

If there now is or shall be installed in the building a "sprinkler system" and such system or any of its appliances shall be damaged or injured, or not in proper working order by reason of any act or omission of Tenant, or Tenant's agents, servants, employees, licensees or visitors, Tenant shall forthwith restore the same to good working condition at its own expense; and if the Board of Fire Underwriters or any bureau, department or official of the state or city government having jurisdiction shall require or recommend that any changes, modifications, alterations or additional sprinkler heads or other equipment be made or supplied by reason of Tenant's business, or the location of partition, trade fixtures, or other contents of the demised premises, or for any such changes, modifications, alterations, additional sprinkler heads or other equipment become necessary to prevent the imposition of a penalty or charge against the full allowance for a sprinkler system in the fire insurance rate as fixed by said Board, or by any Fire Insurance Company, Tenant shall, at Tenant's expense, promptly make and supply such changes, modifications, alterations, additional sprinkler heads or other equipment.

SECTION 17  
Tenant's Work

Tenant shall submit to Landlord for its approval final plans and specifications for construction and other Tenant's work, if any, which shall substantially conform to Exhibit 2 attached hereto and made a part hereof (the work to be performed by Tenant is hereinafter referred to as "Tenant's Work".) Should Landlord have any objection thereto, such objection(s) shall be made in writing within thirty (30) days after receipt by Landlord thereof. The failure of Landlord to object to such plans and specifications within thirty (30) days after receipt thereof shall constitute an approval by Landlord of Tenant's final plans and specifications. In the event of any objection(s) by Landlord, Tenant shall revise the plans and/or specifications and promptly submit revised plans and/or specifications to Landlord in accordance with the terms of this section.

Any noncompliance or violation of Sections B through C of Exhibit 2 by Tenant, or Tenant's agents, employees, assigns, subtenants, or invitees shall be deemed a material breach of this lease and shall entitle Landlord, in addition to any other remedies contained in this lease, to liquidated damages to be paid by Tenant in the amount of \$1,000.00 per day for every day any violation is outstanding and unremedied. Such \$1,000.00 per day liquidated damages shall be deemed additional rent and shall be in addition to any and all damages caused by Tenant, Tenant's agents, employees, assigns, subtenants, or invitees to the Premises or Building system(s).

SECTION 18  
Landlord's Work

Landlord shall, at its sole cost and expense, perform Landlord's Work as described on Exhibit I attached hereto. Landlord shall make the demised premises available to Tenant for the performance of Tenant's Work after the performance of Landlord's Work has proceeded to the point where Tenant's Work can, in accordance with generally accepted good construction practice, be commenced. Prior to the commencement date of the lease, Tenant covenants and agrees, at Tenant's sole cost, to [perform all of Tenant's Work and to comply in so doing with all the terms and conditions of Exhibit 2, to move fixtures and merchandise into the demised premises, and perform such other work as is necessary to prepare the demised premises for business with the public.

SECTION 19  
Estimated Charges

Intentionally omitted.

SECTION 20  
Late Payment Fees

If Tenant fails to pay any installment of Base Rent or additional rent by the 5th day of any month, Tenant shall pay a late charge of \$0.05 for each \$1.00 which remains unpaid per month, in compensation for the additional expenses incurred by Landlord in processing such late payments. In addition, Tenant shall pay to Landlord interest in the amount of .05% per day for a total of 1.5% per month. This interest shall be calculated from the first day of the month until payment is received by Landlord. In the event any check tendered by Tenant should not be honored for any reason, Tenant shall pay to Landlord immediately upon demand a service fee of Fifty and xx/100 (\$50.00) Dollars.

SECTION 21  
Plate Glass

Landlord shall replace, at the expense of Tenant, any and all plate and other glass damaged or broken from any cause whatsoever in and about the leased premises. Owner may insure, and keep insured, at Tenant's expense, all plate and other glass in the lease premises for and in the name of Landlord. Bills for the premises therefor shall be rendered by Landlord to Tenant at such times as Landlord may elect, and shall be due from, and payable by Tenant when rendered, and the amount thereof shall be deemed to be, and be paid as, additional rent.

SECTION 22  
Annual Increase

The Base Rent as indicated in Schedule A attached hereto reflects three (3%) percent increases in lieu of operationals on each anniversary date of the commencement of the within Lease, on a cumulative basis.

SECTION 23  
Additional Default

In addition to the default provisions set forth in paragraph 17 of the pre-printed form, if Tenant shall default in the payment of the rent reserved herein, or any item of additional rent herein mentioned, or any part of either, during any three months, whether or not consecutive, in any twelve (12) month period, and (i) such default continued for more than ten (10) days after written notice of such default by Landlord to Tenant, and (ii) Landlord, after the expiration of such ten (10) day grace day grace period, served upon Tenant petitions and notices of petition to dispossess Tenant by summary proceedings in each such instance, then, notwithstanding that such defaults may have been cured prior to the entry of a judgement against Tenant, any further default in the payment of any money due Landlord hereunder which shall continue for more than five (5) days after Landlord shall give a written notice of such default shall be deemed to be deliberate and Landlord may thereafter serve a written three (3) days notice of cancellation of this Lease and the term hereunder shall end and expire as fully and completely as if the expiration of such three (3) day period were the day herein definitely fixed for the end and expiration of this Lease and the term thereof, and Tenant shall then quit and surrender the Demised Premises to Landlord, but Tenant shall remain liable as elsewhere provided in this Lease. If Landlord accepts the rent, Tenant shall not be deemed in default.

In addition, if Tenant shall have defaulted in the performance of the same or a substantially similar covenant hereunder, other than a covenant for the payment of rent or additional rent, three times during any consecutive twelve (12) month period and Landlord, in each case, shall have given a default notice in respect of such default, then, regardless of whether Tenant shall have cured such defaults within any applicable grace period, if Tenant shall again default in respect of the same or a substantially similar covenant hereunder within a twelve (12) month period after Landlord gave the third such default notice, Landlord, at its option, and without further notice to Tenant or opportunity for Tenant to cure such default, may elect to cancel this Lease by serving a written three (3) days notice of cancellation of this Lease and the term hereunder shall end and expire as fully and completely as if the expiration of such three (3) day period were the day herein definitely fixed for the end and expiration of this Lease and the term hereof, and Tenant shall then quit and surrender the Demised Premises to Landlord, but Tenant shall remain liable as elsewhere provided in this Lease.

SECTION 24  
Parking

Tenant's right to use the parking areas will be in common with other tenants of the property and with other parties permitted by Landlord to use the parking areas. Landlord reserves the right to assign and reassign, from time to time, particular parking spaces for use by persons selected by Landlord. Landlord will not be liable to Tenant for any unavailability of spaces, if any, nor will any unavailability entitle Tenant to any refund, deduction or allowance. Tenant will not park in any numbered space or any space designated as: RESERVED, HANDICAPPED, VISITORS ONLY, or LIMITED TIME PARKING (or similar designation).

If the parking areas are damaged, or if the use of the parking areas is limited or prohibited by any governmental authority, or the use or operation of the parking areas is limited or prevented by strikes or other labor difficulties or other causes beyond Landlord's control, Tenant's inability to use the parking spaces will not subject Landlord or any operator of the parking areas to any liability to Tenant and will not relieve Tenant of any of its obligations under the Lease and the Lease will remain in full force and effect. If for any reason a designated parking lot becomes unavailable Landlord shall have the right to substitute another parking facility.

Neither Landlord nor any operator of the parking areas within the property, as the same are designated and modified by Landlord, in its sole discretion, from time to time (the "parking areas") will be liable for loss or damage to any vehicle or any contents of such vehicle or accessories to any such vehicle, or any property left in any of the parking areas, resulting from fire, theft, vandalism, accident, conduct of other users of the parking areas and other persons, or any other casualty or cause. Further, Tenant understands and agrees that: (a) Landlord will not be obligated to provide any traffic control, security protection or operator for the parking areas; (b) Tenant uses the parking areas at its own risk; and (c) Landlord will not be liable for personal injury or death, or theft, loss of, or damage to property. Tenant waives and releases Landlord from any and all liability arising out of the use of the parking areas by Tenant, its employees, agents, invitees, and visitors, whether brought by any of such persons or any other person.

Tenant hereby agrees that Landlord shall have no liability whatsoever with respect to vehicles parked in each respective location. Landlord shall have the right to impose a validation system, barriers or gates, permits, stickers, or other system in connection with the operation of any said parking areas. Upon ten (10) days written notice from Landlord, Tenant shall furnish Landlord or its authorized agent with the state automobile license numbers assigned to the motor vehicles designated by the Tenant utilizing the said parking areas.

SECTION 25  
Building Directory

Landlord shall furnish and install, at Tenant's sole cost and expense, a listing for Tenant in the Building directory in the ground floor lobby. Tenant shall submit its Building directory listing(s) to the Property Manager. Tenant shall be entitled to one (1) name listing. Any additional listings shall be subject to space availability on the Building directory, in Landlord's sole discretion. At Tenant's sole cost and expense, Landlord shall install an identification sign on Tenant's entrance door in keeping with all other Building standard door signs. Landlord's acceptance of any name for listing on the Building directory or Tenant's entrance door will not be deemed, nor will it substitute for, Landlord's consent, as required by this lease, to any sublease, assignment or other occupancy of the Premises.

SECTION 26

Notwithstanding anything contained herein to the contrary, if Tenant shall at any time be in default under any of the covenants and conditions of this Lease, and if Landlord shall commence any proceedings against the Tenant on the basis of such default, then Tenant shall, in addition to normal costs and disbursements, pay Landlord's reasonable attorney's fees. It is specifically agreed that reasonable attorney's fees shall be no less than seven hundred dollars (\$700.00) for the commencement in any court of any action or proceeding and one hundred dollars (\$100.00) for the preparation and service of a "three day notice."

SECTION 27  
REMOVAL OF ELECTRICAL & TELECOMMUNICATIONS WIRES

a. Landlord May Elect to Either Remove or Keep Wires. Within 30 days after the expiration or sooner termination of the Lease or at any time that any of the Wires (as defined below) are no longer in active use by Tenant, Landlord may elect ("Election Right") by written notice to Tenant to:

- (i) Retain any or all wires, cables, and similar installations appurtenant thereto ("Wires") installed by Tenant within the Premises or anywhere in the Building outside the Premises, including, without limitation, the plenums or risers of the Building;
- (ii) Remove any or all of the Wires and restore the Premises or the Building, as the case may be, to their condition existing prior to the installation of the Wires ("Wire Restoration Work"). Landlord, at its option, may perform such Wire Restoration Work at Tenant's sole cost and expense; or
- (iii) Require Tenant to perform all or part of the Wire Restoration Work at Tenant's sole cost and expense.

b. Compliance with Laws and Discontinuance of Wire Use. Tenant shall comply with all applicable laws with respect to the Wires, subject to Landlord's right to elect to retain the Wires. In the event that Tenant discontinues the use of all or any part of the Wires or is no longer using all or any part of the Wires, Tenant shall within 30 days thereafter notify Landlord of same in writing, accompanied by a plan or other reasonable description of the current type, quantity, points of commencement and termination, and routes of reasonable description of the current type, quantity, points of commencement and termination, and routes of the Wires to allow Landlord to determine if Landlord desires to retain same.

c. Condition of Wires. In the event Landlord elects to retain any or all of the Wires (pursuant to

Paragraph a(i) hereof), Tenant covenants that:

- (i) Tenant shall be the sole owner of the Wires, Tenant shall have the sole right to surrender the Wires, and the Wires shall be free of all liens and encumbrances; and
- (ii) All Wires shall be left in good condition, working order, properly labeled and capped or sealed at each end and in each telecommunications/electrical closet and junction box, and in safe condition.

d. Landlord Retains Security Deposit. Notwithstanding anything to the contrary in Section 34, Landlord may retain Tenant's Security Deposit after the expiration or sooner termination of the Lease until one of the following events has occurred with respect to all of the Wires:

- (i) Landlord elects to retain the Wires pursuant to paragraph a(i)
- (ii) Landlord elects to perform the Wire Restoration Work pursuant to Paragraph a(ii) and the Wire Restoration Work is complete and Tenant has fully reimbursed Landlord for all costs related thereto; or
- (iii) Landlord elects to require Tenant to perform the Wire Restoration Work pursuant to Paragraph a(iii) and the Wire Restoration Work is complete and Tenant has paid for all costs related thereto.

e. Landlord Can Apply Security Deposit. In the event that Tenant fails or refuses to pay all costs of the Wire Restoration Work within 30 days of Tenant's receipt of Landlord's notice requesting Tenant's reimbursement for or payment of such costs or otherwise fails to comply with the provisions of this Clause, Landlord may apply all or any portion of Tenant's Security Deposit toward the payment of any costs or expenses relative to the Wire Restoration Work or Tenant's obligations under this Clause.

f. No Limit on Right to Sue. The retention or application of such Security Deposit by Landlord pursuant to this Clause does not constitute a limitation on or waiver of Landlord's right to seek further remedy under law or equity.

g. Survival. The provisions of this Clause shall survive the expiration or sooner termination of the Lease.

SECTION 28  
ANTI-TERRORISM AND MONEY LAUNDERING  
REPRESENTATION AND INDEMNIFICATION

Tenant certified that:

- (i) neither it, nor its officers, directors, or controlling owners is acting, directly or indirectly, for or on behalf of any person, group, entity, or nation named by any Executive Order, the United States Department of Justice, or the United States Treasury Department as a terrorist, "Specifically Designated National or Blocked Person," or other banned or blocked person, entity, nation, or transaction pursuant to any law, order, rule or regulation that is enforced or administered by the Office of Foreign Assets Control ("SDN");

- (ii) neither it nor its officers, directors or controlling owners is engaged in this transaction, directly or indirectly on behalf of, or instigating or facilitating this transaction, directly or indirectly on behalf of, any such person, group, entity, or nation; and
- (iii) neither it nor its officers, directors or controlling owners is in violation of Presidential Executive Order 13224, the USA Patriot Act, the Bank Secrecy Act, the Money Laundering Control Act or any regulations promulgated pursuant thereto.

Tenant hereby agrees to defend, indemnify, and hold harmless Landlord from and against any and all claims, damages, losses, risks, liabilities and expenses (including attorneys fees and costs) arising from or related to any breach of the foregoing certification. Should Tenant, during the term of this Lease, be designated an SDN, Landlord may, at its sole option, terminate this Lease.

SECTION 29  
RENT CONCESSION

Notwithstanding anything to the contrary contained herein, Tenant shall not pay rent for the months of April 2012, April 2013, and April 2014.

SECTION 30  
ADDITIONAL PAYMENT UPON DEFAULT

In addition to all of Landlord's other remedies under this Lease, if Tenant defaults in performance of its obligations under this Lease, Tenant shall pay Landlord the following additional amounts in either (i) cash, or (ii) in shares equaling the amount due in Tenant's publicly traded entity, Ace Marketing & Promotions, Inc. (stock symbol: AMKT), said payment to become due and payable immediately at time of Tenant's default and removal from the Demised Premises:

- If Tenant defaults in Year One of the Lease, Tenant shall pay to Landlord the amount of \$160,000.00;
- If Tenant defaults in Year Two of the Lease, Tenant shall pay to Landlord the amount of \$106,666.67;
- If Tenant defaults in Year Three of the Lease, Tenant shall pay to Landlord the amount of \$53,333.33.

WITNESS FOR LANDLORD:

/s/ ANGELA RONAN

WITNESS FOR TENANT:

\_\_\_\_\_

SHELVIN PLAZA ASSOCIATES LLC

By: /s/Vincent Polimeni  
Managing Member

ACE MARKETING & PROMOTIONS, INC.

BY: /s/ Sean Trepeta  
Director

**SCHEDULE A**

From April 1, 2012 through March 31, 2013, the Base Rent shall be the annual sum of \$123,556.20, payable in equal monthly installments on the first of each month of \$10,296.35.

From April 1, 2013 through March 31, 2014, the Base Rent shall be the annual sum of \$127,262.88, payable in equal monthly installments of \$10,605.24.

From April 1, 2014 through March 31, 2015, the Base Rent shall be the annual sum of \$131,080.68, payable in equal monthly installments on the first of each month of \$10,923.39.

From April 1, 2015 through March 31, 2016, the Base Rent shall be the annual sum of \$135,013.20, payable in equal monthly installments on the first of each month of \$11,251.10.

From April 1, 2016 through March 31, 2017, the Base Rent shall be the annual sum of \$139,063.56, payable in equal monthly installments on the first of each month of \$11,588.63.

From April 1, 2017 through June 30, 2017, the Base Rent shall be the monthly sum of \$11,936.29, payable in equal monthly installments on the first of each month.

EXHIBIT I  
DESCRIPTION OF LANDLORD'S WORK

Tenant has inspected the Demised Premises and is thoroughly acquainted with its condition and agrees to take same "as is", subject to Landlord's Work described below. Tenant acknowledges that the taking of possession of the Demised Premises by Tenant shall be conclusive evidence that the Premises were in good and satisfactory condition at the time possession was so taken.

Landlord's Work will be limited to that explicitly specified in this schedule. Exhibit "A"- Plan of Tenant Area

Exhibit "B"- Description of Landlord's Work

All materials unless otherwise indicated shall be Landlord's Building Standard.

Notwithstanding anything contained in Exhibit "A" and Exhibit "B", Landlord, at its own cost and expense, will construct the following additional improvements in and to the demised premises:

**A. General:**

Furnish and install all partitions, door, door bucks, 2' x 4' acoustic ceiling and grid, 18 cell parabolic lighting fixture (placement designated in accordance with building code), window treatments, electrical outlets (placement designated in accordance with building code), VCT Cove base, carpeting, HVAC (placement designated in accordance with building code), and wall finishes

**B. Reception/Room 'N':**

- a. Furnish and install building upgrade Vinyl Wall Covering;
- b. Furnish and install building upgrade carpeting

**C. Vision Panels:**

- a. Furnish and install Vision Panels in the following rooms: A, B, C, E, E-1, and F

**D. IT room/Room 'O':**

- a. Furnish and install VCT Flooring

**E. Cubicles:**

- a. Furnish and install one 'quad' receptacle per every one work station

**F. Conference Room/Room 'E':**

- a. Furnish and install building upgrade Vinyl Wall Covering b. Furnish and install building upgrade carpeting

**G. Pantry:**

- a. Furnish and install building standard sink, hardware, and lower built-in cabinet.

EXHIBIT 2  
DESCRIPTION OF TENANT'S WORK

A. Procedure:

All Tenant's Work shall be strictly in accordance with the requirements of all applicable codes and ordinances, Landlord's insurance rating organization, the National Board of Fire Underwriters, the American Society of Heating & Air Conditioning Engineers, all public utility companies serving the Building and Landlord's mortgage lender. Tenant shall obtain approvals from governing authorities for its work including, but not limited to the following: Building Permit, Plumbing Permit, U.L. Certificates, Certificate of Occupancy.

B. Definition of Work:

Tenant's Work is defined to be all work (other than work specifically designated as Landlord's Work in Exhibit D). All construction to be in accordance with plans to be approved by Landlord in writing prior to any commencement of Tenant's work.

C. All contractors utilized for any for any Tenant's Work and/or alteration or addition to any building systems including, but not limited to, electric, plumbing and HVAC systems must be approved in writing by Skyline Management Corp. prior to any commencement of Tenant's work. All contractors performing any work for Tenant shall be licensed and shall furnish Landlord with Certificates of Insurance evidencing coverage for Liability in the amount of one million (\$1,000,000) dollars single limit and Worker's Compensation naming SHELVIN PLAZA ASSOCIATES LLC (Landlord) and SKYLINE MANAGEMENT CORP., as managing agent, as additional insureds.

D. Any noncompliance or violation of Sections B through C of this Exhibit 2 by Tenant, or Tenant's agents, employees, assigns, subtenants, or invitees shall be deemed a material breach of this lease and shall entitle Landlord, in addition to any other remedies contained in this lease, to liquidated damages to be paid by Tenant in the amount of \$1,000.00 per day for every day any violation is outstanding and unremedied. Such \$1,000.00 per day liquidated damages shall be deemed additional rent and shall be in addition to any and all damages caused by Tenant, Tenant's agents, employees, assigns, subtenants, or invitees to the Premises or Building system(s).

EXHIBIT 3  
Cleaning Specifications

1. The Landlord shall perform the following general office cleaning services between the hours of 6:00 p.m.. and 7:00 a.m. from Monday through Friday of each week.
    - a. Empty all waste paper baskets.
    - b. Sweep and/or dustmop all hard surfaced flooring.
    - c. Carpet sweep all areas requiring same. Said areas to be vacuumed clean twice weekly.
    - d. Deposit all waste paper and other such rubbish in plastic bags (to be supplied by Contractor)
    - e. Dust all desks and working surfaces which are free of clutter.
    - f. Hand dust quarterly ventilating louvers.
    - g. After cleaning, all electric lamps are to be extinguished and office doors securely locked.
    - h. Do high dusting once per month.
  
  2. No cleaning services shall be rendered on any legal and/or union holidays as specified in the following:
    - a. New Year's Day
    - b. Martin Luther King, Jr.'s Birthday
    - c. President's Day
    - d. Memorial Day
    - e. Independence Day
    - f. Labor Day
    - g. Columbus Day
    - h. Election day
    - i. Thanksgiving Day
    - j. Christmas Day
  
  3. Interior and exterior window cleaning shall be performed once each year.
-

# EXHIBIT A

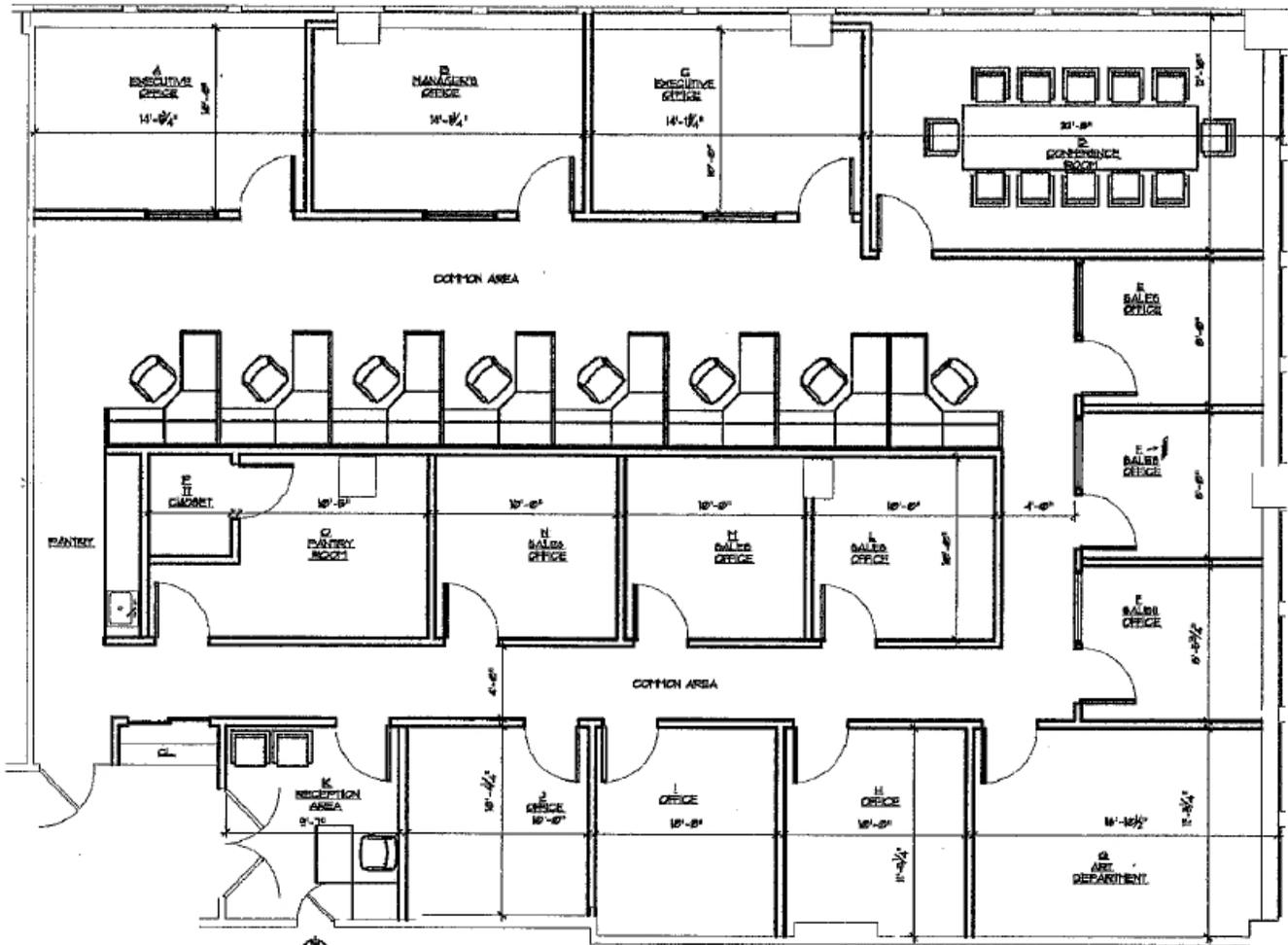


EXHIBIT A

PROPOSED LAYOUT  
 11/21/11  
 SUITE 541  
 600 OLD COUNTRY ROAD  
 GARDEN CITY, NY

ALL FURNITURE AND FIXTURES  
 DEPICTED ARE FOR  
 INFORMATIONAL PURPOSES ONLY  
 AND DO NOT DEPICT LANDLORD  
 RESPONSIBILITY.

R6F 4243 SF

EXHIBIT "B"  
LANDLORD'S BUILDING STANDARD SPECIFICATIONS

Landlord, at its own cost and expense, will construct the following improvements in and to the demised premises.

Landlord's work will be limited to that explicitly specified in this schedule.

I. PARTITIONS:

Landlord shall supply ceiling-high metal stud drywall partitions one (1) linear foot per 20 square feet of usable space with 5/8" sheet rock on both sides.

II. CLOSETS:

Landlord shall supply closets as per tenant's plan. Closets will contain one (1) hat shelf, and one (1) coat rod. Maximum of one (1) closet for every 1,500 square feet of usable space.

III. DOORS:

Landlord shall supply all necessary doors as per tenant's plan, in accordance with the following: corridor door to be 3'0" x 7'0". All doors to be set in 16 gauge pressed steel bucks. Maximum doors three (3) for every 1000 square feet of usable space.

IV. HARDWARE:

Landlord shall supply all necessary building standard hardware such as brushed aluminum lever handles, latch sets, hinges, door stops and bucks where required.

V. CEILINGS:

Landlord shall supply a 2'0" x 4'0" acoustical tile ceiling laid in exposed white tees throughout all tenant areas.

VI. ELECTRICAL:

A. Lighting

Landlord shall supply in perimeter and interior working areas, recessed building standard 2' x 4' fluorescent light fixtures (except where conditions necessitate a surface mounted fixture). Initial bulbs supplied by Landlord; all subsequent replacements by tenant. Maximum one (1) fixture for each 72 square feet of net usable space.

B. Outlets

Supply duplex wall convenience outlets. Maximum of one (1) duplex outlet for every 10 linear feet of wall.

C. Switches

Supply single pole switches as per tenant's plan. Maximum one (1) per room.

D. Telephone

Tenant shall make arrangements with any pay telephone company for installation of telephone service.

E. Circuits and Service

The building will contain sufficient electrical facilities to provide for all normal installations. The design capacity is based on a combined lighting and receptacle load of 4 watts per square foot of office area at 208/120 volts.

VII. FLOORING:

Landlord shall supply Landlord's Building Standard carpeting. Colors and textures to be selected from samples submitted by Landlord. Maximum three (3) colors per suite and one (1) per room. In all other non-carpeted areas, Landlord to supply and install 1/8" vinyl composition tile to be selected by Tenant but limited to a maximum of 200 sq. ft. Landlord to supply and install 4" vinyl cove base.

VIII. PAINTING:

Landlord shall paint the entire premises (excluding the acoustical ceiling) in a good workman-like manner with two (2) coats of paint in colors to be selected by Tenant from building color chart, consisting of 29 colors. Tenant will be permitted four (4) of the standard colors per suite and one (1) per room.

IX. HEATING AND AIR CONDITIONING:

Landlord will provide heating, ventilation and air conditioning to the Tenant in accordance with AMERICAN SOCIETY OF HEATING, REFRIGERATION AND AIR CONDITIONING ENGINEER (ASHRAE) standards.

Interior ceiling diffusers and return grilles shall be furnished free on a basis not to exceed one for each 300 square feet of usable area.

X. SIGNS:

No signs shall be permitted on the exterior of the building or window except signs designating the building street number and signs identifying the name of the building. All interior signs shall be in a form, size and design as approved by Landlord.

XI. SUBSTITUTIONS:

Tenant may substitute like items for Building Standard items, but no credits for Building Standard items will be given against the cost of items so substituted. No credit will be given for Building Standard items not utilized by Tenant.

The Landlord's Work outlined above is limited to and only applicable to the areas set forth on Exhibit "A".

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**Exhibit 21.1 - Subsidiaries of the Issuer**

Mobiquity Networks, Inc. – Incorporated in the State of New York

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**Exhibit 23.1**

**Consent of Independent Registered Public Accounting Firm**

We hereby consent to the incorporation by reference into the Registration Statements on Form S-8 (Registration No. 333-124185 and No. 333-128673) of Ace Marketing & Promotions, Inc., of our report dated February 27, 2012 with respect to the financial statements of Ace Marketing & Promotions, Inc. appearing in this Annual Report on Form 10-K of Ace Marketing & Promotions, Inc. for the year ended December 31, 2011.

/s/ Peter Messineo, CPA

Peter Messineo, CPA  
Palm Harbor, FL 34685

March 5, 2012

**CERTIFICATION PURSUANT TO  
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED**

I, Dean L. Julia certifies that:

1. I have reviewed this annual report on Form 10-K of Ace Marketing & Promotions, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the consolidated financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors:
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 5, 2012

/s/ Dean L. Julia

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Dean L. Julia

Principal Executive Officer

**CERTIFICATION PURSUANT TO  
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED**

I, Sean McDonnell certifies that:

1. I have reviewed this annual report on Form 10-K of Ace Marketing & Promotions, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the consolidated financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors:
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 5, 2012

/s/ Sean McDonnell

Sean McDonnell

Principal Financial Officer

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350**

In connection with the Annual Report of Ace Marketing & Promotions, Inc. (the "registrant") on Form 10-K for the year ended December 31, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "report"), I, Dean L. Julia, Principal Executive Officer of the registrant, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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

March 5, 2012

/s/ Dean L. Julia

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Dean L. Julia

Principal Executive Officer

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350**

In connection with the Annual Report of Ace Marketing & Promotions, Inc. (the "registrant") on Form 10-K for the year ended December 31, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "report"), I, Sean McDonnell, Principal Financial Officer of the registrant, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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

March 5, 2012

/s/ Dean L. Julia

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Dean L. Julia

Principal Financial Officer

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**Exhibit 99.12**

THE WARRANTS REPRESENTED BY THIS CERTIFICATE AND THE SECURITIES ISSUABLE UPON EXERCISE THEREOF HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), AND MAY NOT BE OFFERED OR SOLD EXCEPT (i) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT, (ii) TO THE EXTENT APPLICABLE, PURSUANT TO RULE 144 UNDER SUCH ACT (OR ANY SIMILAR RULE UNDER SUCH ACT RELATING TO THE DISPOSITION OF SECURITIES), OR (iii) UPON THE DELIVERY BY THE HOLDER TO THE COMPANY OF AN OPINION OF COUNSEL, REASONABLY SATISFACTORY TO COUNSEL FOR THE COMPANY, STATING THAT AN EXEMPTION FROM REGISTRATION UNDER SUCH ACT IS AVAILABLE.

EXERCISABLE UNTIL ON OR BEFORE January 18, 2016, 5:00 P.M., NEW YORK TIME (i.e. Fourth Anniversary Date of First Closing Date) or through the Redemption Date

**Warrant No.**\_\_\_

**Class AA Warrants**

**ACE MARKETING & PROMOTIONS, INC.**

This warrant certificate (the "Warrant Certificate") certifies that \_\_\_\_\_ or registered assigns, with a mailing address of \_\_\_\_\_ is the registered holder (the "Holder") of Warrants to purchase, at any time until 5:00 P.M. New York time on January 18, 2016, (the "Expiration Date"), dependent upon the Company's right of redemption as described in Section 4 herein, up to \_\_\_\_\_ fully-paid and non-assessable shares, subject to adjustment in accordance with Article 6 hereof (the "Warrant Shares"), of the common stock, par value \$.0001 per share (the "Common Stock"), of ACE MARKETING & PROMOTIONS, INC., a New York corporation (the "Company"), and further subject to the terms and conditions set forth herein. The warrants represented by this Warrant Certificate and any warrants resulting from a transfer or subdivision of the warrants represented by this Warrant Certificate shall sometimes hereinafter be referred to, individually, as a "Warrant" and, collectively, as the "Warrants."

This Warrant is one of a series of Class AA Warrants of like tenor being issued in connection with the Company's Confidential Private Placement Memorandum dated October 26, 2011, as supplemented on January, 3, 2012, which is issued in connection with the Company's Private Offering (the "Private Placement Offering").

The term "**Warrant**" as used herein, shall include this Warrant, and any warrants delivered in substitution or exchange therefor as provided herein.

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1. Exercise of Warrants. This Warrant is initially exercisable to purchase one Warrant Share at an initial exercise price of \$.60 per share, subject to adjustment as set forth in Article 6 hereof, payable in cash or by check to the order of the Company, or any combination of cash or check. Upon surrender of this Warrant Certificate with the annexed Form of Election to Purchase duly executed, together with payment of the Exercise Price (as hereinafter defined) for the Warrant Shares purchased, at the Company's principal offices (presently located at 457 Rockaway Avenue, Valley Stream, NY 11587), the registered holder of the Warrant Certificate (the "Holder" or "Holders") shall be entitled to receive a certificate or certificates for the Warrant Shares so purchased. The purchase rights represented by this Warrant Certificate are exercisable at the option of the Holder hereof, in whole or in part (but not as to fractional shares). In the case of the purchase of less than all the Warrant Shares purchasable under this Warrant Certificate, the Company shall cancel this Warrant Certificate upon its surrender and shall execute and deliver a new Warrant Certificate of like tenor for the balance of the Warrant Shares purchasable hereunder.

1A. Net Issuance. In addition to exercise of this Warrant as provided in Section 1 above, if, at any time after one year from the final Closing Date of the Private Placement Offering, a Registration Statement covering the resale of the Warrant Shares is not then effective or no current prospectus under such Registration Statement is available, the Holder may satisfy its obligation to pay the Exercise Price through a "cashless exercise," in which event the Company shall issue to the Holder the number of Warrant Shares determined as follows:

$$X = Y [(A-B)/A]$$

where:

X = the number of Warrant Shares to be issued to the Holder pursuant to the cashless exercise.

Y = the number of Warrant Shares with respect to which this Warrant is being exercised (at the time of such calculation).

A = the average of the Closing Prices for the five Trading Days immediately prior to (but not including) the Exercise Date.

B = the Exercise Price (as adjusted to the date of such calculation).

For purposes of this Section 1A, "Closing Prices" for any date, shall mean the closing price per share of the Common Stock for such date (or the nearest preceding date) on the primary trading market on which the Common Stock is then listed or quoted.

For purposes of Rule 144 promulgated under the Act (as defined herein), it is intended, understood and acknowledged that the Warrant Shares issued in a cashless exercise transaction shall be deemed to have been acquired by the Holder, and the holding period for the Warrant Shares shall be deemed to have commenced, on the date this Warrant was originally issued.

This Warrant shall be deemed to have been exercised immediately prior to the close of business on the date of its surrender for exercise as provided above, and the person entitled to receive the Warrant Shares issuable upon such exercise shall be treated for all purposes as the holder of record of such securities as of the close of business on such date. As promptly as practicable on or after such date and in any event within five (5) business days after such date, the Company at its expense shall issue and deliver, to the person or persons entitled to receive them, certificates and/or instruments representing the Warrant Shares as to which the Holder has so exercised this Warrant in the name of the Holder or its designee. In the event that this Warrant is exercised in part, the Company at its expense will execute and deliver a new Warrant of like tenor exercisable for the number of Warrant Shares for which this Warrant has not been exercised.

The Company hereby represents and warrants that the Warrant Shares issuable upon the exercise of this Warrant, when issued, sold and delivered, will be duly and validly authorized and issued, fully paid and nonassessable and free from all taxes, liens and charges in respect of the issuance thereof (other than liens or charges created by or imposed upon the recipient of the Warrant Shares).

2 . Issuance of Certificates. Upon the exercise of the Warrants, the issuance of certificates for the Warrant Shares purchased pursuant to such exercise shall be made forthwith without charge to the Holder thereof including, without limitation, any tax which may be payable in respect of the issuance thereof, and such certificates shall (subject to the provisions of Article 3 hereof) be issued in the name of, or in such names as may be directed by, the Holder thereof; provided, however, that the Company shall not be required to pay any tax which may be payable in respect of any transfer involved in the issuance and delivery of any such certificates in a name other than that of the Holder and the Company shall not be required to issue or deliver such certificates unless or until the person or persons requesting the issuance thereof shall have paid to the Company the amount of such tax or shall have established to the satisfaction of the Company that such tax has been paid.

The Warrant Certificates and, upon exercise of the Warrants, the certificates representing the Warrant Shares shall be executed on behalf of the Company by the manual or facsimile signature of those officers required to sign such certificates under applicable law.

This Warrant Certificate and, upon exercise of the Warrants, in part or in whole, certificates representing the Warrant Shares shall bear a legend substantially similar to the following:

The securities represented by this certificate have not been registered under the Securities Act of 1933, as amended ("Act"), and may not be offered or sold except (i) pursuant to an effective registration statement under the Act, (ii) to the extent applicable, pursuant to Rule 144 under the Act (or any similar rule under such Act relating to the disposition of securities), or (iii) upon the delivery by the holder to the Company of an opinion of counsel, reasonably satisfactory to counsel to the issuer, stating that an exemption from registration under such Act is available.

3. Restriction on Transfer of Warrants and Warrant Shares. The Holder of this Warrant Certificate, by its acceptance thereof, represents and warrants to, and covenants and agrees with the Company that the Warrants and the Warrant Shares issuable upon exercise of the Warrants are being acquired for the Holder's own account as an investment and not with a view to the resale or distribution thereof and that the Warrants and the Warrant Shares are not registered under the Act or any state securities or blue sky laws and, therefore, may not be transferred unless such securities are either registered under the Act and any applicable state securities law or an exemption from such registration is available. The Holder of this Warrant Certificate acknowledges that the Holder is an "accredited investor" within the meaning of Regulation D promulgated under the Act who has been provided with an opportunity to ask questions of representatives of the Company concerning the Company and that all such questions were answered to the satisfaction of the Holder. In connection with any purchase of Warrant Shares the Holder agrees to execute any documents which may be reasonably required by counsel to the Company to comply with the provisions of the Act and applicable state securities laws.

4. Redemption Rights

In the event that the exercise of the Class AA Warrants by an investor would result in the delivery of Warrant Shares free of restrictive legend, the Company may call the Class AA Warrants for redemption at any time after the Class AA Warrants shall become exercisable (i) upon no less than 30 days' prior written notice of redemption to each Class AA Warrant holder; and (ii) if, and only if, the last sale price of the Common Stock equals or exceeds 200% of the Exercise Price for any twenty (20) trading days within a thirty (30) consecutive trading day period ending on the third business day prior to the notice of redemption to each Class AA Warrant holder, and the Average Daily Trading Volume of the Common Stock is no less than 100,000 shares per day.

5. Exercise Price

5.1 Initial and Adjusted Exercise Price. The initial exercise price of each Warrant shall be \$.60 per Warrant Share. The adjusted exercise price shall be the price which shall result from time to time from any and all adjustments of the initial exercise price in accordance with the provisions of Article 6 hereof.

5.2 Exercise Price. The term "Exercise Price" herein shall mean the initial exercise price or the adjusted exercise price, depending upon the context.

6. Adjustments of Exercise Price and Number of Warrant Shares

6.1 Dividends and Distributions. If at any time prior to the Expiration Date, the Company shall pay a dividend in shares of Common Stock or make a distribution in shares of Common Stock, then upon such dividend or distribution, the Exercise Price in effect immediately prior to such dividend or distribution shall be reduced to a price determined by dividing an amount equal to the total number of shares of Common Stock outstanding immediately prior to such dividend or distribution multiplied by the Exercise Price in effect immediately prior to such dividend or distribution, by the total number of shares of Common Stock outstanding immediately after such dividend or distribution. For purposes of any computation to be made in accordance with the provisions of this Section 6.1, the Common Stock issuable by way of dividend or distribution shall be deemed to have been issued immediately after the opening of business on the date following the date fixed for determination of shareholders entitled to receive such dividend or distribution. Upon each adjustment of the Exercise Price pursuant to the provisions of this Article 6.1, the number of Warrant Shares issuable upon the exercise of each Warrant shall be adjusted to the nearest full share of Common Stock by multiplying a number equal to the Exercise Price in effect immediately prior to such adjustment by the number of Warrant Shares issuable upon exercise of the Warrants immediately prior to such adjustment and dividing the product so obtained by the adjusted Exercise Price.

6 . 2 Subdivision and Combination. If at any time prior to the Expiration Date, the Company shall subdivide (by any stock split, stock dividend, recapitalization, reorganization, reclassification or otherwise) the shares of Common Stock subject to acquisition hereunder into a greater number of shares, then, after the date of record for effecting such subdivision, the Exercise Price in effect immediately prior to such subdivision will be proportionately reduced and the number of shares of Common Stock subject to acquisition upon exercise of this Warrant will be proportionately increased. If the Company at any time combines (by reverse stock split, recapitalization, reorganization, reclassification or otherwise) the shares of Common Stock subject to acquisition hereunder into a lesser number of shares, then, after the date of record for effecting such combination, the Exercise Price in effect immediately prior to such combination will be proportionately increased and the number of shares of Common Stock subject to acquisition upon exercise of this Warrant will be proportionately decreased.

6 . 3 Reorganization, Merger or Sale of Assets If, at any time prior to the Expiration Date, there shall be (i) a reorganization (other than a combination, reclassification, exchange or subdivision of shares otherwise provided for herein), (ii) a merger or consolidation of the Company with or into another corporation in which the Company is not the surviving entity, or (iii) a sale or transfer of the Company's properties and assets in, or substantially in, their entirety to any other person, then, as a part of such reorganization, merger, consolidation, sale or transfer, lawful provision shall be made so that the Holder shall thereafter be entitled to receive upon payment of the Exercise Price then in effect, the number of shares of stock or other securities or property of the successor or corporation resulting from such reorganization, merger, consolidation, sale or transfer that a holder of the shares of Common Stock deliverable upon exercise of this Warrant would have been entitled to receive in such reorganization, consolidation, merger, sale or transfer if this Warrant had been exercised immediately before such reorganization, merger, consolidation, sale or transfer. If the per-share consideration payable to the Holder for shares in connection with any such transaction is in a form other than cash or marketable securities, then the value of such consideration shall be determined in good faith by the Company's Board of Directors. In all events, appropriate adjustment (as determined in good faith by the Company's Board of Directors) shall be made in the application of the provisions of this Warrant with respect to the rights and interests of the Holder after the transaction, to the end that the provisions of this Warrant shall be applicable after that event, as near as reasonably may be, in relation to any shares or other property deliverable after that event upon exercise of this Warrant. Notwithstanding the above, in the event the sale or merger of the Company is consummated by means of an all cash transaction whereby the Company's Common Stock will cease to be outstanding, this Warrant must be exercised prior to the close of such transaction or it will be cashed out for the consideration paid to holders of Common Stock in the transaction less the Exercise Price.

6.4 Notice of Adjustments. Upon any adjustment of the Exercise Price, then and in each such case the Company shall give notice thereof to the Holder, which notice shall state the Exercise Price resulting from such adjustment and the increase or decrease, if any, in the number of Warrant Shares purchasable at such price upon the exercise of this Warrant, setting forth in reasonable detail the method of calculation and the facts upon which such calculation is based.

6.5 Determination of Outstanding Shares. The number of shares of Common Stock at any one time outstanding shall include the aggregate number of shares issued or issuable upon the exercise of outstanding options, rights, warrants and upon the conversion or exchange of outstanding convertible or exchangeable securities.

7. Exchange and Replacement of Warrant Certificates. This Warrant Certificate is exchangeable without expense, upon the surrender hereof by the registered Holder at the principal executive office of the Company, for a new Warrant Certificate of like tenor and date representing in the aggregate the right to purchase the same number of Warrant Shares in such denominations as shall be designated by the Holder thereof at the time of such surrender.

Upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Warrant Certificate, and, in case of loss, theft or destruction, of indemnity or security reasonably satisfactory to it, and reimbursement to the Company of all reasonable expenses incidental thereto, and upon surrender and cancellation of the Warrants, if mutilated, the Company will make and deliver a new Warrant of like tenor, in lieu thereof.

8. Elimination of Fractional Interests. The Company shall not be required to issue certificates representing fractions of shares of Common Stock and shall not be required to issue scrip or pay cash in lieu of fractional interests, it being the intent of the parties that all fractional interests shall be eliminated by rounding any fraction up to the nearest whole number of shares of Common Stock.

9. Reservation of Shares. The Company covenants and agrees that it will at all times reserve and keep available out of its authorized share capital, solely for the purpose of issuance upon the exercise of the Warrants, such number of shares of Common Stock as shall be equal to the number of Warrant Shares issuable upon the exercise of the Warrants, for issuance upon such exercise, and that, upon exercise of the Warrants and payment of the Exercise Price therefor, all Warrant Shares issuable upon such exercise shall be duly and validly issued, fully paid, nonassessable and not subject to the preemptive rights of any shareholder.

10. Notices to Warrant Holders. Nothing contained in this Agreement shall be construed as conferring upon the Holder or Holders the right to vote or to consent or to receive notice as a stockholder in respect of any meetings of stockholders for the election of directors or any other matter, or as having any rights whatsoever as a shareholder of the Company. If, however, at any time prior to the expiration of the Warrants and their exercise, any of the following events shall occur:

- (a) the Company shall take a record of the holders of its Common Stock for the purpose of entitling them to receive a dividend or distribution payable otherwise than in cash, or a cash dividend or distribution payable otherwise than out of current or retained earnings, as indicated by the accounting treatment of such dividend or distribution on the books of the Company; or
- (b) the Company shall offer to all the holders of its Common Stock any additional shares of Common Stock or other shares of capital stock of the Company or securities convertible into or exchangeable for shares of Common Stock or other shares of capital stock of the Company, or any option, right or warrant to subscribe therefor;
- (c) a dissolution, liquidation or winding up of the Company (other than in connection with a consolidation or merger) or a sale of all or substantially all of its property, assets and business as an entirety shall be proposed; or
- (d) the Company or an affiliate of the Company shall propose to issue any rights to subscribe for shares of Common Stock or any other securities of the Company or of such affiliate to all the stockholders of the Company;

then, in any one or more of said events, the Company shall give written notice of such event at least twenty (20) days prior to the date fixed as a record date or the date of closing the transfer books for the determination of the stockholders entitled to such dividend, distribution, convertible or exchangeable securities or subscription rights, options or warrants, or entitled to vote on such proposed dissolution, liquidation, winding up or sale. Such notice shall specify such record date or the date of closing the transfer books, as the case may be. Failure to give such notice or any defect therein shall not affect the validity of any action taken in connection with the declaration or payment of any such dividend or distribution, or the issuance of any convertible or exchangeable securities or subscription rights, options or warrants, or any proposed dissolution, liquidation, winding up or sale.

11. Notices. All notices, requests, consents and other communications hereunder shall be in writing and shall be deemed to have been duly made when delivered, or mailed by registered or certified mail, return receipt requested:

- (a) If to a registered Holder of the Warrants, to the address of such Holder as shown on the books of the Company; or
- (b) If to the Company, to the address set forth in Article 1 of this Agreement or to such other address as the Company may designate by notice to the Holders.

12. Successors. All the covenants and provisions of this Agreement by or for the benefit of the Company and the Holders inure to the benefit of their respective successors and assigns hereunder.

13. Governing Law.

13.1 Choice of Law. This Agreement shall be deemed to have been made and delivered in the State of New York and shall be governed as to validity, interpretation, construction, effect and in all other respects by the internal laws of the State of New York.

13.2 Jurisdiction and Service of Process. The Company and the Holder each (a) agrees that any legal suit, action or proceeding arising out of or relating to this Warrant Certificate shall be instituted exclusively in the Supreme Court of New York, New York, New York, or in the United States District Court for the Southern District of New York, New York (b) waives any objection which the Company or such Holder may have now or hereafter based upon *forum non conveniens* or to the venue of any such suit, action or proceeding, and (c) irrevocably consents to the jurisdiction of the Supreme Court of New York, New York, New York, or in the United States District Court for the Southern District of New York, New York in any such suit, action or proceeding. The Company and the Holder each further agrees (a) to accept and acknowledge service of any and all process which may be served in any such suit, action or proceeding in the Supreme Court of New York, New York, New York, or in the United States District Court for the Southern District of New York, New York and (b) agrees that service of process upon the Company or the Holder mailed by certified mail to their respective addresses shall be deemed in every respect effective service of process upon the Company or the Holder, as the case may be, in any suit, action or proceeding. FURTHER, BOTH THE COMPANY AND HOLDER HEREBY WAIVE TRIAL BY JURY IN ANY ACTION TO ENFORCE THE TERMS OF THIS WARRANT CERTIFICATE AND IN CONNECTION WITH ANY DEFENSE, COUNTERCLAIM OR CROSS-CLAIM ASSERTED IN ANY SUCH ACTION.

IN WITNESS WHEREOF, the Company has caused this Warrant to be duly executed, as of the 18<sup>th</sup> day of January, 2012.

ACE MARKETING & PROMOTIONS, INC.

By: /s/ Dean L. Julia  
Dean L. Julia, Chief Executive Officer

(Corporate Seal)

[FORM OF ELECTION TO PURCHASE]

(1) The undersigned hereby elects to purchase \_\_\_\_\_ Warrant Shares of the Company pursuant to the terms of the attached Warrant (only if exercised in full), and tenders herewith payment of the exercise price in full, together with all applicable transfer taxes, if any.

(2) Payment shall take the form of (check applicable box):

in lawful money of the United States; or

[if permitted] the cancellation of such number of Warrant Shares as is necessary, in accordance with the formula set forth in subsection 1A, to exercise this Warrant with respect to the maximum number of Warrant Shares purchasable pursuant to the cashless exercise procedure set forth in subsection 1A.

(3) Please issue a certificate or certificates representing said Warrant Shares in the name of the undersigned or in such other name as is specified below:

\_\_\_\_\_, whose address is \_\_\_\_\_,  
\_\_\_\_\_ and that such certificate be delivered to \_\_\_\_\_, whose  
address is \_\_\_\_\_.

Dated:

Signature: \_\_\_\_\_

(Signature must conform in all respects to  
name of holder as specified on the face of  
the Warrant Certificate.)

\_\_\_\_\_  
\_\_\_\_\_  
(Insert Social Security or Other  
Identifying Number of Holder)

ASSIGNMENT FORM

The undersigned, being the true and lawful owner of Holder Warrants to purchase shares of Common Stock of Ace Marketing & Promotions, Inc. hereby assigns and transfers unto:

Name: \_\_\_\_\_  
(Please typewrite or print in block letters)

Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Social Security Number/ Federal ID: \_\_\_\_\_

the right to purchase Common Stock of \_\_\_\_\_ represented by this Warrant to the extent of \_\_\_\_\_ shares of Common Stock as to which such right is exercisable and does hereby irrevocably constitute and appoint \_\_\_\_\_ Attorney, to transfer the same on the books of Ace Marketing & Promotions, Inc. with full power of substitution in the premises.

Dated: \_\_\_\_\_

\_\_\_\_\_  
Name of Registered Holder

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature, if held jointly

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## **Ace Marketing & EYE expand Mobiquity Networks to 8 more Shopping Malls**

### **Mobiquity Networks grows to 75 Shopping Malls across the US**

NEW YORK, February 21, 2012 /PRNewswire/ -- Ace Marketing & Promotions, Inc. (OTC.BB: AMKT) announced today that through its agreement with leading mall media provider EYE, the expansion of its Location-Based Mobile Marketing Network, (Mobiquity Networks) to an additional 8 mall properties bringing the total network to 75 malls across the US. The new locations include malls in California, Texas and Washington. To see a full list of Mobiquity Networks malls, please visit [www.mobiquitynetworks.com](http://www.mobiquitynetworks.com).

Ace continues to add major shopping malls to its current portfolio in its pursuit to build the Nation's largest location-based Proximity Marketing network. Ace's Mobiquity Network currently offers advertisers the ability to deliver advertising content to approximately 96 million mall visitors per month. Its mobile technology allows advertisers to deliver mobile coupons and other rich media content via Bluetooth or Wi-Fi to on-the-go shoppers' mobile devices. This advertising medium targets shoppers with engaging content as they move about the mall environment and does not require them to check-in, download apps or be tracked by GPS, eliminating all three major barriers in mobile marketing. Ace's Mobiquity Network units are strategically positioned near entrances, anchor stores, escalators and other high-traffic and high dwell-time areas throughout each mall creating a "cloud" to maximize advertising messaging reach and frequency.

Ace's mobile technology allows advertisers to interact with shoppers through either Bluetooth (push) or Wi-Fi (pull). Mobile devices with enabled Bluetooth are detected and prompted with an opt-in message to receive rich media content from the advertiser; those answering "Yes" receive the content. The users can also access the content by connecting to Mobiquity's Wi-Fi network throughout the mall.

Some popular campaign elements delivered through this medium include coupons, movie trailers, calendar reminders, mobile applications, ring tones, wallpaper and special event offers.

Ace Marketing CEO, Dean Julia said, "We are excited to continue our mobile network's expansion within the EYE portfolio. They have outstanding properties and a management team dedicated to enhancing the mall visitor's experience. We are also extremely pleased with the outstanding campaign results Mobiquity Networks continues to deliver. We look forward to working with EYE to continue growing the network through both awareness and additional locations."

EYE's SVP, Jeff Gunderman added, "The expansion of this mobile proximity solution is part of EYE's commitment to connecting advertisers and mall goers. Mobile proximity is exciting as it delivers a new metric of success."

### **ABOUT ACE MARKETING & PROMOTIONS, INC. (OTC.BB: AMKT)**

Established in 1998, Ace Marketing & Promotions, Inc. is a full-service integrated marketing solutions company that leverages technology. Ace offers a wide array of business solutions, which include: Branding and Branded Merchandise, Website Development (CMS), Direct Relationship Marketing and Mobile Marketing Solutions. Ace's wholly owned subsidiary, Mobiquity Networks is a leader in Proximity Marketing with proprietary Bluetooth and Wi-Fi integrated technology that establishes the benchmark for how multimedia messages are being delivered to mobile devices. Ace's Corporate Overview is available at [www.acemarketing.net](http://www.acemarketing.net) on the "About Us" tab. For a demo of Mobiquity Networks you can visit <http://www.mobiquitynetworks.com>.

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## **ABOUT EYE**

EYE is an international Out-of-Home advertising company specializing in retail, airport, roadside and university media. Connecting leading brands with active consumers, EYE's media reaches large-scale audiences throughout their daily journeys. EYE is America's number one mall media network with media in over 300 malls across the country and over 100 of these properties sitting in the top 10 DMAs. EYE's digital network includes 10 malls across the country. Eye Corp Pty Ltd is a wholly owned subsidiary of Ten Network Holdings Limited, a publicly listed company which also operates Network Ten, the broadcaster of Australian free-to-air channels TEN, ONE and ELEVEN. For more information about EYE please visit [@EYE\\_OutofHome](http://www.eyecorp.com).

### ***SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995.***

Certain statements in this press release constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the company to be materially different from any future results, performances or achievements express or implied by such forward-looking statements. The forward-looking statements are subject to risks and uncertainties including, without limitation, changes in levels of competition, possible loss of customers, and the company's ability to attract and retain key personnel.

### **Contact Information:**

#### **Ace Marketing & Promotions, Inc.**

Legend Securities, Inc.

Thomas Wagner

800-385-5790 800-385-5790

718-233-2627 718-233-2627

E: [twagner@legendsecuritiesinc.com](mailto:twagner@legendsecuritiesinc.com)