

ACE MARKETING & PROMOTIONS INC
Form 10-K
March 05, 2012

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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.

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

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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.
- o 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
 - o 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 client's 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:

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- 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

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.

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 Mobiquity 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.

Mobiquity's is currently in 75 malls representing over 96 million visits per month. Fifty of the malls that Mobiquity 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 Mobiquity 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 Mobiquity 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 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., Mobiquity Networks will deliver digital content and offers to shoppers on their mobile devices through Eye Corp's extensive mall advertising network. Eye Corp and Mobiquity 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 Mobiquity Networks portfolio will include iconic malls in the top designated market area in the US. These prestigious malls further complement Mobiquity 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

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