

VOCERA COMMUNICATIONS, INC.
Form DEF 14A
April 16, 2013
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

SCHEDULE 14A INFORMATION

**Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

VOCERA COMMUNICATIONS, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

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

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

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

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

- 4) Proposed maximum aggregate value of transaction:

- 5) Total fee paid:

Fee paid previously with preliminary materials.

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

1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

April 16, 2013

Dear Stockholders:

You are cordially invited to attend the 2013 Annual Meeting of Stockholders of Vocera Communications, Inc. to be held at our offices located at 525 Race Street, San Jose, CA 95126 on Wednesday, May 29, 2013 at 9:00am (Pacific Time).

Under the Securities and Exchange Commission rules that allow companies to furnish proxy materials to stockholders over the Internet, we have elected to deliver our proxy materials to our stockholders over the Internet. We believe that this delivery process reduces our environmental impact and lowers the costs of printing and distributing our proxy materials without impacting our stockholders' timely access to this important information. On or about April 16, 2013, we expect to mail to our stockholders a Notice of Internet Availability of Proxy Materials (the "Notice") containing instructions on how to access our proxy statement for our 2013 Annual Meeting of Stockholders and 2013 annual report to stockholders. The Notice also provides instructions on how to vote by telephone or through the Internet and includes instructions on how to receive a paper copy of the proxy materials by mail.

The matters to be acted upon are described in the accompanying notice of annual meeting and proxy statement.

Whether or not you plan to attend the meeting, please vote on the Internet or by telephone or request, sign and return a proxy card to ensure your representation at the meeting. Your vote is important.

Sincerely,

Robert J. Zollars
Chairman and Chief Executive Officer

VOCERA COMMUNICATIONS, INC.

525 Race Street

San Jose, CA 95126

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Our Stockholders:

NOTICE IS HEREBY GIVEN that the 2013 Annual Meeting of Stockholders of Vocera Communications, Inc. will be held at our offices located at 525 Race Street, San Jose, CA 95126 on Wednesday, May 29, 2013, at 9:00am (Pacific Time).

We are holding the meeting for the following purposes, which are more fully described in the accompanying proxy statement:

1. To elect three Class I directors of Vocera Communications, Inc. each to serve until the third annual meeting of stockholders following this meeting and until his successor has been elected and qualified or until his earlier resignation or removal.
2. To ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2013.

In addition, stockholders may be asked to consider and vote upon such other business as may properly come before the meeting or any adjournment or postponement thereof.

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Only stockholders of record at the close of business on April 9, 2013, are entitled to notice of, and to vote at, the meeting and any adjournments thereof. For ten days prior to the meeting, a complete list of the stockholders entitled to vote at the meeting will be available for examination by any stockholder for any purpose relating to the meeting during ordinary business hours at our headquarters.

Your vote as a Vocera Communications, Inc. stockholder is very important. Each share of stock that you own represents one vote. For questions regarding your stock ownership, you may contact Loretta Miller at (408) 882-5996 or lmiller@vocera.com or, if you are a registered holder, our transfer agent, Computershare Trust Company, N.A., by email through their website at www.computershare.com/contactus or by phone at (800) 962-4284.

By Order of the Board of Directors,

Robert J. Zollars
Chairman and Chief Executive Officer

San Jose, California

April 16, 2013

Whether or not you expect to attend the meeting, we encourage you to read the proxy statement and vote by telephone or through the Internet or request, sign and return your proxy card as soon as possible, so that your shares may be represented at the meeting. For specific instructions on how to vote your shares, please refer to the section entitled “General Information About the Meeting” beginning on page 1 of the proxy statement and the instructions on the enclosed Notice of Internet Availability of Proxy Materials.

VOCERA COMMUNICATIONS, INC.

PROXY STATEMENT FOR 2013 ANNUAL MEETING OF STOCKHOLDERS

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The information in the Report of the Audit Committee contained in this proxy statement shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or under the Securities Exchange Act of 1934, as amended, except to the extent that we specifically incorporate this information by reference into such filings. In addition, this information shall not otherwise be deemed to be “soliciting material” or to be filed under those Acts.

Please note that information on Vocera's website is not incorporated by reference in this proxy statement.

VOCERA COMMUNICATIONS, INC.

525 Race Street

San Jose, CA 95126

PROXY STATEMENT FOR THE 2013 ANNUAL MEETING OF STOCKHOLDERS

May 29, 2013

Information About Solicitation and Voting

The accompanying proxy is solicited on behalf of Vocera Communication, Inc.'s board of directors for use at Vocera's 2013 Annual Meeting of Stockholders (the "meeting") to be held on May 29, 2013, at 9:00am (Pacific Time), and any adjournment or postponement thereof.

Internet Availability of Proxy Materials

Under rules adopted by the U.S. Securities and Exchange Commission (the "SEC"), we are furnishing proxy materials to our stockholders primarily via the Internet, instead of mailing printed copies of those materials to each stockholder. On or about April 16, 2013, we expect to send to our stockholders a Notice of Internet Availability of Proxy Materials ("Notice of Internet Availability") containing instructions on how to access our proxy materials, including our proxy statement and our annual report. The Notice of Internet Availability also provides instructions on how to vote by telephone or through the Internet and includes instructions on how to receive a paper copy of the proxy materials by mail or an electronic copy of the proxy materials by email.

This process is designed to reduce our environmental impact and lowers the costs of printing and distributing our proxy materials without impacting our stockholders' timely access to this important information. However, if you would prefer to receive printed proxy materials, please follow the instructions included in the Notice of Internet Availability.

General Information About the Meeting

Purpose of the Meeting

At the meeting, stockholders will act upon the proposals described in this proxy statement. In addition, we will consider any other matters that are properly presented for a vote at the meeting. As of April 16, 2013, we are not aware of any other matters to be submitted for consideration at the meeting. If any other matters are properly presented for a vote at the meeting, the persons named in the proxy, who are officers of the company, have the authority in their discretion to vote the shares represented by the proxy.

Record Date; Quorum

Only holders of record of common stock at the close of business on April 9, 2013, the record date, will be entitled to vote at the meeting. At the close of business on April 9, 2013, we had 24,494,213 shares of common stock outstanding and entitled to vote.

The holders of a majority of the voting power of the shares of stock entitled to vote at the meeting as of the record date must be present at the meeting in order to hold the meeting and conduct business. This presence is called a quorum. Your shares are counted as present at the meeting if you are present and vote in person at the meeting or if you have properly submitted a proxy.

Voting Rights; Required Vote

Each holder of shares of common stock is entitled to one vote for each share of common stock held as of the close of business on April 9, 2013, the record date. You may vote all shares owned by you as of April 9, 2013, including (1) shares held directly in your name as the stockholder of record, and (2) shares held for you as the beneficial owner in street name through a broker, bank, trustee, or other nominee.

Stockholder of Record: Shares Registered in Your Name. If on April 9, 2013, your shares were registered directly in your name with our transfer agent, Computershare Trust Company, N.A., then you are considered the stockholder of record with respect to those

shares. As a stockholder of record, you may vote at the meeting or vote by telephone or through the Internet, or if you request or receive paper proxy materials by mail, by filling out and returning the proxy card.

Beneficial Owner: Shares Registered in the Name of a Broker or Nominee. If on April 9, 2013, your shares were held in an account with a brokerage firm, bank or other nominee, then you are the beneficial owner of the shares held in street name. As a beneficial owner, you have the right to direct your broker on how to vote the shares held in your account, and your broker has enclosed or provided voting instructions for you to use in directing it on how to vote your shares. However, the brokerage firm, bank or other nominee that holds your shares is considered the stockholder of record for purposes of voting at the meeting. Because you are not the stockholder of record, you may not vote your shares at the meeting unless you request and obtain a valid proxy from the firm that holds your shares giving you the right to vote the shares at the meeting.

Each director will be elected by a plurality of the votes cast, which means that the three individuals nominated for election to the Board of Directors at the meeting receiving the highest number of “FOR” votes will be elected. You may either vote “FOR” one, two or all nominees or “WITHHOLD” your vote with respect to one, two or all nominees. You may not cumulate votes in the election of directors. Approval of Proposal 2 will be obtained if the number of votes cast “FOR” the proposal at the meeting exceeds the number of votes “AGAINST” the proposal. Abstentions (shares present at the meeting and voted “abstain”) are counted for purposes of determining whether a quorum is present, and have no effect on the outcome of the matters voted upon. Broker non-votes occur when shares held by a broker for a beneficial owner are not voted either because (i) the broker did not receive voting instructions from the beneficial owner, or (ii) the broker lacked discretionary authority to vote the shares. Broker non-votes are counted for purposes of determining whether a quorum is present, and have no effect on the outcome of the matters voted upon. Note that if you are a beneficial holder and do not provide specific voting instructions to your broker, the broker that holds your shares will not be authorized to vote on the election of directors. Accordingly, we encourage you to provide voting instructions to your broker, whether or not you plan to attend the meeting.

Recommendations of the Board of Directors on Each of the Proposals Scheduled to be Voted on at the Meeting

The board of directors recommends that you vote **FOR** each of the Class I directors named in this proxy statement (Proposal 1) and **FOR** the ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2013 (Proposal 2).

Voting Instructions; Voting of Proxies

If you are a stockholder of record, you may:

- vote in person — we will provide a ballot to stockholders who attend the meeting and wish to vote in person;
- vote via telephone or via the Internet — in order to do so, please follow the instructions shown on your Notice of Internet Availability or proxy card; or
- vote by mail — if you request or receive a paper proxy card and voting instructions by mail, simply complete, sign and date the proxy card and return it before the meeting in the envelope provided.

Votes submitted by telephone or through the Internet must be received by 11:59 p.m., Eastern Time, on May 28, 2013. Submitting your proxy, whether by telephone, through the Internet or by mail if you request or received a paper proxy card, will not affect your right to vote in person should you decide to attend the meeting. If you are not the stockholder of record, please refer to the voting instructions provided by your nominee to direct it how to vote your shares. You may either vote “FOR” all of the nominees to the board of directors, or you may withhold your vote from any nominee you specify. For Proposal 2, you may vote “FOR” or “AGAINST” or “ABSTAIN” from voting. Your vote is important. Whether or not you plan to attend the meeting, we urge you to vote by proxy to ensure that your vote is counted.

All proxies will be voted in accordance with the instructions specified on the proxy card. If you sign a physical proxy card and return it without instructions as to how your shares should be voted on a particular proposal at the meeting, your shares will be voted in accordance with the recommendations of our board of directors stated above.

If you received a Notice of Internet Availability, please follow the instructions included on the notice on how to access your proxy card and vote by telephone or through the Internet. If you do not vote and you hold your shares in street name, and your broker does

not have discretionary power to vote your shares, your shares may constitute “broker non-votes” (as described above) and will not be counted in determining the number of shares necessary for approval of the proposals. However, shares that constitute broker non-votes will be counted for the purpose of establishing a quorum for the meeting.

If you receive more than one proxy card or Notice of Internet Availability, your shares are registered in more than one name or are registered in different accounts. To make certain all of your shares are voted, please follow the instructions included on the Notice of Internet Availability on how to access each proxy card and vote each proxy card by telephone or through the Internet. If you requested or received paper proxy materials by mail, please complete, sign and return each proxy card to ensure that all of your shares are voted.

Expenses of Soliciting Proxies

The expenses of soliciting proxies will be paid by us. Following the original mailing of the soliciting materials, we and our agents may solicit proxies by mail, electronic mail, telephone, facsimile, by other similar means, or in person. Our directors, officers, and other employees, without additional compensation, may solicit proxies personally or in writing, by telephone, e-mail, or otherwise. Following the original mailing of the soliciting materials, we will request brokers, custodians, nominees and other record holders to forward copies of the soliciting materials to persons for whom they hold shares and to request authority for the exercise of proxies. In such cases, we, upon the request of the record holders, will reimburse such holders for their reasonable expenses. If you choose to access the proxy materials and/or vote through the Internet, you are responsible for any Internet access charges you may incur.

Revocability of Proxies

A stockholder who has given a proxy may revoke it at any time before it is exercised at the meeting by:

· delivering to the Corporate Secretary (by any means, including facsimile) a written notice stating that the proxy is revoked;

· signing and delivering a proxy bearing a later date;

· voting again by telephone or through the Internet; or

· attending and voting at the meeting (although attendance at the meeting will not, by itself, revoke a proxy).

Please note, however, that if your shares are held of record by a brokerage firm, bank or other nominee and you wish to revoke a proxy, you must contact that firm to revoke any prior voting instructions.

Electronic Access to the Proxy Materials

The Notice of Internet Availability will provide you with instructions regarding how to:

- view our proxy materials for the meeting through the Internet;
- instruct us to mail paper copies of our future proxy materials to you; and
- instruct us to send our future proxy materials to you electronically by email.

Choosing to receive your future proxy materials by email will reduce the impact of our annual meetings of stockholders on the environment and lower the costs of printing and distributing our proxy materials. If you choose to receive future proxy materials by email, you will receive an email next year with instructions containing a link to those materials and a link to the proxy voting site. Your election to receive proxy materials by email will remain in effect until you terminate it.

Voting Results

Voting results will be tabulated and certified by the inspector of elections appointed for the meeting. The preliminary voting results will be announced at the meeting and posted on our website at <http://investors.vocera.com>. The final results will be tallied by the inspector of elections and filed with the SEC in a current report on Form 8-K within four business days of the meeting.

Annual Meeting Location

We will hold the meeting at our offices located at 525 Race Street, San Jose, CA 95126 on Wednesday, May 29, 2013, at 9:00am (Pacific Time).

CORPORATE GOVERNANCE STANDARDS AND DIRECTOR INDEPENDENCE

We are strongly committed to good corporate governance practices. These practices provide an important framework within which our board of directors and management pursue our strategic objectives for the benefit of our stockholders.

Corporate Governance Guidelines

Our board of directors has adopted Corporate Governance Guidelines that set forth expectations for directors, director independence standards, board committee structure and functions, stock ownership guidelines and other policies for the governance of the company. Our Corporate Governance Guidelines are available without charge on the investor relations section of our website at www.vocera.com.

Stock Ownership Guidelines

Our board of directors has adopted stock ownership guidelines. With respect to non-executive directors, not later than five years from the later of (i) July 30, 2012 or (ii) the date that an individual is initially elected as a non-employee director, such individual should beneficially own a number of shares of our common stock and vested equity awards with a value of not less than five times the then annual cash retainer for general board service paid by us to such non-employee director. With respect to our Chief Executive Officer, not later than five years from the later of (i) July 30, 2012 or (ii) the date that the individual is hired or promoted to serve as our Chief Executive Officer, such individual should beneficially own a number of shares of our common stock and vested equity awards with a value of not less than six times the then annual base salary paid to such individual. We measure compliance with these stock ownership guidelines at the end of each fiscal year.

Board Leadership Structure and Risk Oversight

Our board of directors does not have a policy on whether the role of the chairman and chief executive officer should be separate and believes that it should maintain flexibility in determining a board leadership structure appropriate for the company from time to time.

Since June 2007, Robert J. Zollars has served as Chairman and Chief Executive Officer of our company, which the board of directors has believed to be in the best interest of our company and our stockholders in light of his knowledge of our company and industry. Because Mr. Zollars is our Chairman and Chief Executive Officer, our board of directors appointed Mr. Brian D. Ascher to serve as our lead independent director. As lead independent director, Mr. Ascher, among other responsibilities, attends most of the regularly scheduled meetings at which only our independent directors are present, serves as a liaison between the chairperson and the independent directors, and performs such additional duties as our board of directors may otherwise determine and delegate.

In February 2013, our board of directors determined to separate the roles of chairman and chief executive officer in connection with a management transition effective June 1, 2013, through which Mr. Zollars will serve as our Executive Chairman and Mr. Brent D. Lang will serve as our Chief Executive Officer. Our board of directors believes this change serves our company's needs at this time by allowing our Chief Executive Officer to focus on our day-to-day business and setting the strategic direction for our company, and allowing our Executive Chairman to lead our board of directors in its fundamental role of providing independent advice to and oversight of management.

Our board of directors is primarily responsible for overseeing our risk management processes. Our board exercises its risk oversight function both directly and indirectly through its various committees. Our board, as a whole, determines the appropriate level of risk for our company, assesses the specific risks that we face and reviews management's strategies for adequately mitigating and managing the identified risks. Our audit committee, governance and nominating committee and compensation committee support our board in discharging its risk oversight duties and address risks inherent in their respective areas. We believe this division of responsibilities is an effective approach for addressing the risks we face and that our board leadership structure supports this approach.

Director Independence

Our common stock is listed on the New York Stock Exchange. The listing rules of the New York Stock Exchange require that a majority of the members of our board of directors be independent. In April 2013, our board of directors confirmed that a majority of the members of our board of directors is independent and that each of our non-employee directors is independent. Our non-employee directors are Brian D. Ascher, John B. Grotting, Jeffrey H. Hillebrand, Howard E. Janzen, John N. McMullen, Hany M. Nada and Sharon L. O'Keefe. Based upon information requested from and provided by each director concerning his background, employment

and affiliations, our board of directors determined that none of our non-employee directors has a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and that each of these directors is “independent” as that term is defined under the rules of the New York Stock Exchange and the Securities and Exchange Commission. In making this determination, our board of directors considered the relationships that each non-employee director has with our company and all other facts and circumstances our board of directors deemed relevant in determining their independence. Our board also consults with our company's legal counsel to ensure that its determinations are consistent with all relevant laws, rules and regulations regarding the definition of “independent” director. The independence of our board committee members is discussed below.

Committees of the Board of Directors

Our board of directors has established an audit committee, a compensation committee and a governance and nominating committee. The composition and responsibilities of each committee are described below. Copies of the charters for each committee are available without charge on the investor relations section of our website at www.vocera.com. Members serve on these committees until their resignations or until otherwise determined by the board of directors.

Audit committee. Our audit committee is comprised of John N. McMullen, who is the chair of the audit committee, Howard E. Janzen and Hany M. Nada, each of whom, our board of directors has determined, meets the requirements for independence under the current New York Stock Exchange and SEC rules and regulations. Each member of our audit committee is financially literate. In addition, our board of directors has determined that Mr. McMullen is an audit committee financial expert within the meaning of Item 407(d) of Regulation S-K of the Securities Act.

All audit services to be provided to us and all permissible non-audit services, other than de minimis non-audit services, to be provided to us by our independent registered public accounting firm will be approved in advance by our audit committee. Our audit committee recommended, and our board of directors adopted, a charter for our audit committee. Our audit committee, among other things:

- oversees the accounting and financial reporting processes of our company, the audits of our company's financial statements by our company's independent registered public accounting firm and our company's internal audit function

- monitors the periodic reviews of the adequacy of the accounting and financial reporting processes and systems of internal control that are conducted by our company's independent registered public accounting firm and our company's financial and senior management, and internal audit function

-

appoints our company's independent registered public accounting firm, determines and approves the fees paid to our independent accounting firm and reviews and evaluates the qualifications, independence and performance of our independent accounting firm

- reviews and evaluates the organization and performance of our company's internal audit function
- facilitates communications among our company's independent registered public accounting firm, financial and senior management, and internal audit function, and our board of directors
- assists our board of directors in oversight of our company's compliance with legal and regulatory requirements

Compensation committee. Our compensation committee is comprised of Jeffrey H. Hillebrand, who is the chair of the compensation committee, and Brian D. Ascher and John B. Grotting. Our board of directors has determined that each member of our compensation committee meets the requirements for independence under the current New York Stock Exchange rules, a non-employee director within the meaning of Section 16 of the Securities Exchange Act of 1934, and an outside director within the meaning of Section 162(m) of the Internal Revenue Code. Our compensation committee recommended, and our board of directors adopted, an amended and restated charter for our compensation committee. Our compensation committee, among other things:

- reviews and determines the compensation of our executive officers
- administers our cash-based and equity-based compensation plans, policies and programs
- reviews and makes recommendations to our board with respect to non-employee director compensation
- reviews general plans, policies and programs relating to compensation and benefits of our employees

Our executive compensation program is administered by our compensation committee. In determining the compensation of each of our named executive officers, other than our Chief Executive Officer, our compensation committee considers the performance evaluations and compensation recommendations of our Chief Executive Officer. In the case of the Chief Executive Officer, our compensation committee evaluates his performance and independently determines whether to make any adjustments to his compensation.

Our compensation committee retained an independent compensation consultant, Compensia, Inc., to assist in structuring our executive officer compensation for 2012. Compensia provided our compensation committee with market data and analyses from a peer group of similarly-sized technology companies with similar business and financial characteristics. Compensia also provided the compensation committee with data and analyses related to competitive executive severance and change of control practices, director compensation and competitive equity compensation practices. Other than the services described above, Compensia has not provided our company or our compensation committee with any other services. No work performed by Compensia during fiscal year 2012 raised a conflict of interest.

The compensation committee has delegated in accordance with applicable law, rules and regulations, and our certificate of incorporation and bylaws, authority to an equity awards committee comprised of certain executive officers of our company the authority to make certain types of equity awards to any employee who is not an executive officer or director under our company's 2012 Equity Incentive Plan pursuant to the terms of such plan and the equity award guidelines approved by our compensation committee.

Governance and nominating committee. The governance and nominating committee is comprised of John B. Grotting, who is the chair of the governance and nominating committee, and Sharon L. O'Keefe. Our board of directors has determined that each member of our governance and nominating committee meets the requirements for independence under the current New York Stock Exchange rules and regulations. The governance and nominating committee recommended, and our board of directors adopted, an amended and restated charter for our governance and nominating committee. Our governance and nominating committee, among other things:

- identifies, evaluates and recommends nominees to our board of directors and its committees
- conducts searches for directors who have qualifications advisable for our company
- oversees the evaluation of the performance of our board of directors and its committees
- considers and makes recommendations to the board of directors regarding the composition of the board and its committees
- reviews our corporate policies and proposed waivers of the policies
- reviews developments in corporate governance practices

- evaluates the adequacy of our corporate governance practices
- oversees continuing education for our directors
- makes recommendations to our board of directors concerning corporate governance matters

Codes of Business Conduct and Ethics and other Corporate Policies

Our board of directors has adopted codes of business conduct and ethics that apply to all of our employees, officers and directors. We intend to disclose future amendments to certain provisions of our codes of business conduct and ethics, or waivers of these provisions, on our website and/or in public filings. Our employees, officers and directors are also subject to our Policy Prohibiting Insider Trading and our Related Person Transactions Policy. We provide training to our employees regarding our codes and various company policies, which all employees are required to complete. In addition, we have adopted a Whistleblower and Complaint Policy that is designed to provide a forum to which our employees, officers and directors may report violations or suspected violations of our company policies without fear of harassment, retaliation or adverse employment consequences. The full text of our policies is posted on the investor relations section of our website at www.vocera.com.

Compensation Committee Interlocks and Insider Participation

Since January 1, 2012, the following directors have been members of our compensation committee: Messrs. Ascher, Grotting and Hillebrand. None of them has at any time been one of our officers or employees. None of our executive officers serves or in the past has served as a member of the board of directors or compensation committee of any entity that has one or more of its executive officers serving on our board of directors or our compensation committee.

Board and Committee Meetings and Attendance

The board of directors and its committees meet throughout the year on a pre-determined schedule, and also hold special meetings and act by written consent from time to time. During 2012, the board of directors held 8 meetings, including telephonic meetings, the audit committee held 11 meetings, the compensation committee held 5 meetings and the governance and nominating committee did not hold any meetings as our board of directors oversaw the establishment of our company's corporate governance practices in 2011 and 2012 in connection with our initial public offering. Our governance and nominating committee plans to meet on a quarterly basis in 2013 and going forward. None of the directors attended fewer than 75% of the aggregate of the total number of meetings held by the board

of directors during his or her tenure and the total number of meetings held by all committees of the board of directors on which such director served during his or her tenure.

Typically, in conjunction with the regularly scheduled meetings of the board, the independent directors meet regularly in executive sessions outside the presence of management.

Board Attendance at Annual Stockholders' Meeting

We encourage each member of our board of directors to attend our annual meetings of stockholders. We do not have a formal policy regarding attendance of annual meetings by the members of our board of directors. We may consider in the future whether our company should adopt a more formal policy regarding director attendance at our company's annual meetings. We completed our initial public offering in April 2012 and did not have an annual meeting of our stockholders in 2012.

Presiding Director of Independent Director Meetings

The independent directors meet in regularly scheduled executive sessions without management to promote open and honest discussion. Our lead independent director is currently Mr. Ascher.

Communication with Directors

Stockholders and interested parties who wish to communicate with our board of directors, non-management member of our board of directors as a group, a committee of the board of directors or a specific member of our board of directors (including our chairman or lead independent director, if any) may do so by letters addressed to the attention of our Corporate Secretary.

All communications are reviewed by the Corporate Secretary and provided to the members of the board of directors consistent with a screening policy providing that unsolicited items, sales materials, and other routine items and items unrelated to the duties and responsibilities of the board of directors not be relayed on to directors. Any communication that is not relayed is recorded in a log and made available to our board of directors.

The address for these communications is:

Corporate Secretary
Vocera Communications, Inc.
525 Race Street

San Jose, CA 95126

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NOMINATIONS PROCESS AND DIRECTOR QUALIFICATIONS

Nomination to the Board of Directors

Candidates for nomination to our board of directors are selected by our board of directors based on the recommendation of the governance and nominating committee, our certificate of incorporation and bylaws, our Corporate Governance Guidelines, and the criteria adopted by our board of directors regarding director qualifications. In recommending candidates for nomination, the governance and nominating committee considers candidates recommended by directors, officers, employees, stockholders and outside consultants, using the same criteria to evaluate all candidates. Evaluations of candidates generally involve a review of background materials, internal discussions and interviews with selected candidates as appropriate and, in addition, the committee may engage consultants or third-party search firms to assist in identifying and evaluating potential nominees.

Additional information regarding the process for properly submitting stockholder nominations for candidates for membership on our board of directors is set forth below under “Stockholder Proposals to be Presented at Next Annual Meeting.”

Director Qualifications

With the goal of developing a diverse, experienced and highly-qualified board of directors, the governance and nominating committee is responsible for developing and recommending to the board of directors the desired qualifications, expertise and characteristics of members of our board of directors, including the specific minimum qualifications that the committee believes must be met by a committee-recommended nominee for membership on our board of directors and any specific qualities or skills that the committee believes are necessary for one or more of the members of our board of directors to possess.

Since the identification, evaluation and selection of qualified directors is a complex and subjective process that requires consideration of many intangible factors, and will be significantly influenced by the particular needs of our board of directors from time to time, our board of directors has not adopted a specific set of minimum qualifications, qualities or skills that are necessary for a nominee to possess, other than those that are necessary to meet U.S. legal, regulatory and NYSE listing requirements and the provisions of our certificate of incorporation, bylaws, Corporate Governance Guidelines, and charters of our board committees. In addition, neither our board of directors nor our governance and nominating committee has a formal policy with regard to the consideration of diversity in identifying nominees. When considering nominees, our governance and nominating committee may take into consideration many factors including, among other things, a candidate’s independence, integrity, skills, financial and other expertise, breadth of experience, soundness of judgment, diversity of viewpoints and experience and knowledge about our

business or industry and ability to devote adequate time and effort to responsibilities of our board of directors in the context of its existing composition. Through the nomination process, the governance and nominating committee seeks to promote board membership that reflects a diversity of business experience, expertise, viewpoints, personal backgrounds and other characteristics that are expected to contribute to the board of directors' overall effectiveness. The brief biographical description of each director set forth in Proposal 1 below includes the primary individual experience, qualifications, attributes and skills of each of our directors that led to the conclusion that each director should serve as a member of our board of directors at this time.

PROPOSAL NO. 1

ELECTION OF CLASS I DIRECTORS

PROPOSAL NO. 1 — ELECTION OF CLASS I DIRECTORS

Our board of directors is divided into three classes. Each class serves for three years, with the terms of office of the respective classes expiring in successive years. Directors and director nominees in Class I will stand for election at this meeting. The terms of office of directors in Class II and Class III do not expire until the annual meetings of stockholders to be held in 2014 and 2015, respectively. Our governance and nominating committee nominated Mr. Hillebrand and Mr. Nada, our two incumbent Class I directors, and Mr. Lang, a new Class I director, for election as Class I directors at the 2013 annual meeting. At the recommendation of our governance and nominating committee, our board of directors proposes that each of the three Class I nominees be elected as a Class I director for a three-year term expiring at the 2016 Annual Meeting of Stockholders and until such director’s successor is duly elected and qualified or until such director’s earlier resignation or removal.

Shares represented by proxies will be voted “FOR” the election of each of the three Class I nominees, unless the proxy is marked to withhold authority to so vote. If any nominee for any reason is unable to serve or for good cause will not serve, the proxies may be voted for such substitute nominee as the proxy holders, who are officers of our company, might determine. Each nominee has consented to being named in this proxy statement and to serve if elected. Proxies may not be voted for more than three directors. Stockholders may not cumulate votes in the election of directors.

Nominees to the Board of Directors

The nominees, and their ages, occupations and length of board service are provided in the table below. Additional biographical descriptions of each nominee are set forth in the text below the table. These descriptions include the primary individual experience, qualifications, qualities and skills of each of our nominees that led to the conclusion that each director should serve as a member of our board of directors at this time.

Name of Director/Nominee	Age	Principal Occupation	Director Since
Jeffrey H. Hillebrand ⁽¹⁾	59	Managing Director,	February 2010

Hany M. Nada ⁽²⁾	43	JNH Consulting Managing Director, GGV Capital Chief Operating Officer (Chief Executive Officer effective June 1, 2013)	May 2003
Brent D. Lang	45	Executive Officer effective June 1, 2013)	New Nominee

(1)	Member of the compensation committee
(2)	Member of the audit committee

Jeffrey H. Hillebrand has served on our board of directors since February 2010. Mr. Hillebrand worked at NorthShore University HealthSystem from 1979 to October 2012, including as chief operating officer from 1995 to 2012. Mr. Hillebrand is a fellow of the American College of Healthcare Executives, where he previously served as a regent. He has also served as a commissioner of the Certification Commission of Healthcare Information Technology. Currently, Mr. Hillebrand serves on the board of directors of VHA, Provista, Sage Medical Products LLC and SilkRoad, Inc., and previously served as a board member of the National Association of Healthcare Information Technology and of Neoforma, Inc.. He is a member of the Madison Dearborn Healthcare RoundTable. Mr. Hillebrand earned a B.A. degree from Dartmouth College and an M.H.S.A. degree in Health Services Administration from the University of Michigan. We believe Mr. Hillebrand should continue to serve as a member of our board of directors based on his extensive corporate experience with other healthcare technology companies.

Hany M. Nada has served on our board of directors since May 2003. Since 2000, Mr. Nada has served as managing director of GGV Capital (formerly Granite Global Ventures), a fund management company, which he co-founded. From 1991 to 2000, Mr. Nada was a managing director and a senior research analyst at Piper Jaffray & Co., an investment banking firm, specializing in software and e-Infrastructure. Since April 2005, Mr. Nada has served on the board of directors of publicly held Glu Mobile Inc., a mobile gaming

company. Since June 2010, Mr. Nada has served on the board of directors and the compensation committee of the board of directors of publicly held Tudou Holdings Limited, an online video company in China. Mr. Nada earned a B.S. degree in Economics and a B.A. degree in political science from the University of Minnesota. We believe Mr. Nada should serve as a member of our board of directors based on his extensive experience in venture capital as well as his relationship with GGV Capital, one of our largest stockholders.

Brent D. Lang has served as our President and Chief Operating Officer since October 2007 and, effective June 1, 2013, will serve as our Chief Executive Officer. From February 2007 to October 2007, he served as our Executive Vice President, from January 2007 to June 2007, he served as our Acting Chief Executive Officer accordance with Statement of Financial Accounting Standards ("SFAS") No. 123 (revised 2004), "SHARE-BASED PAYMENT," using the modified prospective transition method and therefore, has not restated results for prior periods. Under the modified prospective transition method, share-based compensation expense includes, (1) compensation expense for all share-based awards granted on or after January 1, 2006 as determined based on the grant-date fair value estimated in accordance with the provisions of SFAS 123R and, (2) compensation expense for share-based compensation awards granted prior to, but not yet vested as of January 1, 2006, based on the grant date fair value estimated in accordance with the original provisions of SFAS 123. The Company recognizes compensation expense on a straight-line basis over the requisite service period of the award. 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. FAIR VALUE OF FINANCIAL INSTRUMENTS - In the opinion of management, the carrying value of all financial instruments, consisting primarily of cash and cash equivalents, accounts receivables and accounts payable, reflected in the accompanying balance sheet, approximates fair value as of December 31, 2008 and 2007, due to their short-term nature. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS - On September 15, 2006, the Financial Accounting Standards Board ("FASB") issued Statement No. 157, "FAIR VALUE MEASUREMENTS" ("SFAS 157"). SFAS 157 provides guidance for using fair value to measure assets and liabilities. This statement references fair value as the price that would be received to sell an asset or paid to transfer a liability, in an orderly transaction, between market participants in the market in which the reporting entity transacts. The statement applies whenever other standards require (or permit) assets or liabilities to be measured at fair value. The statement does not expand the use of fair value in any new circumstances. SFAS 157 was effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The adoption of this statement did not have a material effect on the Company's financial position or results of operation.

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 ACE MARKETING & PROMOTIONS, INC. NOTES TO FINANCIAL STATEMENTS
 =====
 YEARS ENDED DECEMBER 31, 2008 AND 2007

----- In September 2006, the FASB issued Statement of Financial Accounting Standards No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans" ("SFAS 158"). SFAS 158 requires an employer to recognize the over-funded or under-funded status of a defined benefit postretirement plan as an asset or liability in its balance sheet, and to recognize changes in funded status in the year in which the changes occur through comprehensive income. SFAS 158 did not have an impact on the Company's financial position or results of operation. In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141R, "Business Combinations" ("SFAS 141R"), which establishes principles and requirements for the reporting entity in a business combination, including recognition and measurement in the financial statements of the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the

acquiree. This statement also establishes disclosure requirements to enable financial statement users to evaluate the nature and financial effects of the business combination. SFAS 141R applies prospectively to business combinations for which the acquisition date is on or after fiscal years beginning after December 15, 2008. The Company is currently evaluating the effect that the adoption of SFAS 141R will have on its financial statements. In December 2007, the FASB issued Statement of Financial Accounting Standards No. 160, "Noncontrolling Interests in Consolidated Financial Statements, an Amendment of ARB No. 51" ("SFAS 160"). SFAS 160 establishes accounting and reporting standards pertaining to ownership interests in subsidiaries held by parties other than the parent; the amount of net income attributable to the parent and to the noncontrolling interest; changes in a parent's ownership interest; and the valuation of any retained noncontrolling equity investment when a subsidiary is deconsolidated. SFAS 160 also establishes disclosure requirements that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. SFAS 160 is required to be adopted prospectively for the first annual reporting period beginning after December 15, 2008. The Company is currently reviewing the effect that the adoption of this statement will have on its financial statements.

2. NOTES RECEIVABLE ----- In February 2008, the Company entered into an agreement with Blue Bite, LLC ("Blue Bite"), a distributor of wireless networking solutions, to become an authorized provider and reseller in the United States of mobile advertising solutions. In connection with the agreement, the Company loaned Blue Bite \$50,000 (the "Note"). The Note bears interest at 10% per annum and is due June 1, 2009. The Note is convertible, at the Company's option, into a 10% ownership interest of Blue Bite. Upon conversion, the Company would also have to deliver to Blue Bite, \$75,000 in restricted Common Stock of the Company as additional consideration. On September 17, 2008, the company loaned Blue Bite an additional \$50,000 pursuant to the terms of a one year convertible promissory note (the "Second Note"). The Second Note provides for interest at 10% per annum, payable with any outstanding principal on September 17, 2009. The Company has the option to convert the Second Note plus \$75,000 worth of shares of restricted Common Stock of the Company into an additional 10% interest in Blue Bite.

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 ACE MARKETING & PROMOTIONS, INC. NOTES TO FINANCIAL STATEMENTS
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YEARS ENDED DECEMBER 31, 2008 AND 2007

----- 3. PROPERTY AND EQUIPMENT, NET
 ----- Property and equipment, net, consist of the following at December 31: USEFUL LIVES 2008
 2007 ----- Furniture and Fixtures 5 years \$
 169,848 \$ 70,715 Leasehold Improvements 5 years 8,919 8,919 ----- 178,767 79,634 Less
 Accumulated Depreciation 63,433 45,569 ----- \$ 115,334 \$ 34,065

----- Depreciation expense for the years ended December 31, 2008 and
 2007 was \$17,865 and \$5,705, respectively. 4. INCOME TAXES ----- The provision for income taxes for the
 years ended December 31, 2008 and 2007 is summarized as follows: 2008 2007

----- Current: Federal \$ - \$ - State - -
 ----- Deferred: Federal - - State - -
 ----- \$ - \$ - -----

----- The Company has federal and
 state net operating loss carryforwards of approximately \$1,898,000, which can be used to reduce future taxable
 income through 2028. The tax effects of temporary differences which give rise to deferred tax assets (liabilities) are
 summarized as follows: DECEMBER 31, 2008 2007

----- Deferred Tax Assets: Net operating loss
 carryforwards \$ 759,000 \$ 507,000 Stock based compensation 650,000 420,000 Preferred stock dividend 39,000
 420,000 Allowance for doubtful accounts 8,000 4,000 ----- Deferred Tax Assets 1,456,000
 931,000 Less Valuation Allowance 1,456,000 931,000 ----- Net Deferred Tax Asset \$ - \$ -

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 ACE MARKETING & PROMOTIONS, INC. NOTES TO FINANCIAL STATEMENTS
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YEARS ENDED DECEMBER 31, 2008 AND 2007

----- A reconciliation of the federal statutory rate to the

Company's effective tax rate is as follows: YEARS ENDED DECEMBER 31, 2008 2007

----- 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% =====

5. STOCKHOLDERS' EQUITY
 CAPITALIZATION - On February 9, 2005, the stockholders approved an amendment to the Company's Certificate of Incorporation to (i) increase the authorized shares of common stock from 22,000,000 shares to 25,000,000; (par value \$.0001); and (ii) create 5,000,000 shares of preferred stock (par value \$.0001). The Board of Directors has the authority to issue shares of preferred stock from time to time and to fix such rights, preferences and privileges of such issuances. 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 has 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. 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 has 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. 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. 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 expire on June 29, 2011. During the year ended December 31, 2007, the Placement Agent exercised 8,671 warrants using the cashless exercise provision, and received 4,086 shares of the Company's common stock. In addition, pursuant to the Offering, the Company issued options to purchase 50,000 shares of the Company's common stock at an exercise price of \$.10 per share to a law firm in connection with legal services for the Offering. The options were valued at \$95,000 and have been recorded as a cost of the Offering. PRIVATE PLACEMENT OF SERIES A CONVERTIBLE PREFERRED STOCK - During Fiscal 2008, through a private placement, the Company sold 445,000 shares of Series A Convertible Preferred Stock, par value \$.01 per share, for an issue price of \$1.00 per share (the "Preferred Stock"). The shares of Preferred Stock are convertible at the holders option, at any time, based upon a conversion price equal to the lower of \$.50 per share or the average closing sales price over the ten trading dates preceding December 15, 2008, with a floor of \$.25.

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 ACE MARKETING & PROMOTIONS, INC. NOTES TO FINANCIAL STATEMENTS

===== YEARS ENDED DECEMBER 31, 2008 AND 2007

----- On December 15, 2008 the Preferred Stock automatically converted into common stock based upon the same conversion rate. As a result of the conversion option and that the Company's stock was trading above \$.50 upon the issuance of certain of the Preferred Stock, this resulted in a non-cash beneficial conversion feature of \$96,500 which was recognized as a non-cash dividend as of December 31, 2008. An individual related to one of the Company's officers purchased 250,000 shares of the Preferred Stock. 6. SHARE-BASED COMPENSATION ----- WARRANTS - On September 26, 2005, the Company entered into a consulting agreement with a financial advisory firm. In connection with this agreement, the Company granted a warrant for the purchase of 100,000 shares of the Company's common stock. The warrant has an exercise price of \$2.50 per share and expires on August 14, 2010. On June 26, 2008 the Company issued to an investment advisor 133,500 common stock purchase warrants for the purpose of providing investor awareness and business advisory services. The services were recorded equal to the value of the warrants and an expense of \$30,488 is included in operating expenses for the year ended December 31, 2008. On July 1, 2008, the Company issued to investor and public relations company 250,000 common stock purchase warrants for the purpose of providing investor awareness and public relations advisory services. The warrants are immediately exercisable and expire on June 30, 2011. 150,000 of the warrants are exercisable at \$.50 per share and contain a cashless exercise provision, and 100,000 of the warrants are exercisable at \$.80 per share. The services were recorded equal to the value of the warrants and an

expense of \$139,177 is included in operating expenses for the year ended December 31, 2008. On October 10, 2008, the Company entered into a one year agreement with a consulting firm to provide investor relations services, which agreement would terminate by December 31, 2008 in the event the Company did not raise additional financing from the sale of common stock of at least \$1,250,000. The agreement provided for guaranteed monthly cash payments of \$5,000 for a minimum period of three months plus the grant of 125,000 stock purchase warrants. The warrants are immediately exercisable, have an exercise price of \$.90, contain a cashless exercise provision and expire on October 14, 2011. The services were recorded equal to the value of the warrants and an expense of \$103,670 is included in operating expenses for the year ended December 31, 2008. The remaining provisions of the agreement were canceled since the Company was unable to raise the additional financing. PURCHASE OF LISTS AND SEARCH ENGINE - On April 10, 2006, the Company granted 40,000 non-statutory stock options to an entity controlled by two of the officers of the Company, for the purchase of an email list of promotional products professionals and an industry specific search engine. The officers of the Company have waived their right to receive any benefit from the option grant, and the options were granted in the name of the minority shareholders of the related entity. The options have an exercise price of \$2.50 per share and expire on April 10, 2011. RESTRICTED STOCK GRANTS - On January 16, 2008, the Company issued 20,000 shares of common stock to an employee in exchange for marketing and training services. The services were recorded equal to the value of the shares and an expense of \$17,000 included in operating expenses for the year ended December 31, 2008.

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 ACE MARKETING & PROMOTIONS, INC. NOTES TO FINANCIAL STATEMENTS
 =====
 YEARS ENDED DECEMBER 31, 2008 AND 2007

----- On June 10, 2008, the Company issued 200,000 shares of common stock to two independent sales agents. The services were recorded equal to the value of the stock at the date of grant and an expense of \$60,000 is included in operating expenses for the year ended December 31, 2008. SHARE BASED COMPENSATION PLAN - During fiscal 2005, the Company established, and the stockholders approved, an Employee Benefit and Consulting Services Compensation Plan (the "Plan") for the granting of up to 4,000,000 non-statutory and incentive stock options and stock awards to directors, officers, consultants and key employees of the Company. 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 of Statement of Financial Accounting Standards ("SFAS") No. 123 (revised 2004), "Share-Based Payment" ("SFAS 123(R)"). SFAS 123(R) 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 ("SEC") Staff Accounting Bulletin ("SAB") No. 107, which provides the staff's views regarding the interaction between SFAS No. 123(R) and certain SEC rules and regulations and provides interpretations with respect to the valuation of share-based payments for public companies. The Company's results for the years ended December 31, 2008 and 2007 include employee share-based compensation expense totaling approximately \$234,000 and \$317,000, respectively. Such amounts have been included in the statement 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. The fair value of options at the date of grant was estimated using the Black-Scholes option pricing model. The Company took into consideration guidance under SFAS 123(R) and SEC SAB 107 when reviewing and updating assumptions. 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. The estimated fair value of each option award granted was determined on the date of grant using the following weighted-average assumptions for option grants during the years ended December 31, 2008 and 2007: 2008 2007 ----- Dividend Yield 0.00% 0.00% Volatility 115.0% 58.23% Risk-Free Interest Rate 3.13% 4.15% Expected Life 5.00 YEARS 10.00 years

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 ACE MARKETING & PROMOTIONS, INC. NOTES TO FINANCIAL STATEMENTS

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YEARS ENDED DECEMBER 31, 2008 AND 2007

----- A summary of option activity under the Plan as of December 31, 2008, and changes during the year then ended is as follows: Weighted Average Remaining Aggregate Exercise Contractual Intrinsic OPTIONS Shares Price Term (Years) Value

----- Outstanding, beginning of year 2,221,222 \$ 1.18 5.74 \$ - Granted 1,110,000 .98 8.58 - ----- Outstanding, end of year 3,331,222 1.11 6.02 -

===== Exercisable, end of year 2,219,600 \$ 1.15 4.76 \$ -

===== For the years ended December 31, 2008 and 2007, total share-based compensation expense related to stock options was approximately \$286,000 and \$360,000, respectively. The weighted-average grant-date fair value of options granted during the years ended December 31, 2008 and 2007 was \$.53 and \$.86, respectively. The aggregate intrinsic value of options outstanding and options exercisable at December 31, 2008 is \$0, and was 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 \$0.77 closing price of the Company's common stock on December 31, 2008. The Company received no cash proceeds from options exercised in the years ended December 31, 2008 and 2007. A summary of the status of the Company's non-vested shares as of December 31, 2008 and the changes during the year ended December 31, 2008, is as follows: Weighted Average Grant-Date NON-VESTED SHARES Shares Fair Value -----

Non-Vested, at January 1, 2008 597,934 \$.36 Granted 1,110,000 .52 Vested (668,312) .40

----- Non-Vested, at December 31, 2008 1,039,622 \$.50

===== As of December 31, 2008 and 2007, the fair value of unamortized compensation cost related to unvested stock option awards was approximately \$405,000 and \$108,000, respectively. Unamortized compensation cost as of December 31, 2008 is expected to be recognized over a remaining weighted-average vesting period of 3.2 years. COMMON SHARES RESERVED

----- Class A Warrants 737,000 Class B Warrants 100,000 Class C Warrants 475,788 Placement Agent Warrants 86,489 2005 Stock Option Plan 3,962,222 Warrants - Series 1 - 3 375,000

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F-13 ACE MARKETING & PROMOTIONS, INC. NOTES TO FINANCIAL STATEMENTS

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YEARS ENDED DECEMBER 31, 2008 AND 2007

----- 7. COMMITMENTS AND CONTINGENCIES

----- LEASE COMMITMENTS - The Company leases office space under non-cancelable operating leases, which expire in November 2011. 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, ----- 2009 \$ 27,000 2010 31,000 2011 29,000 Rent and real estate tax expense was approximately \$92,000 and \$85,000 for the years December 31, 2008 and 2007, 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. 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. Minimum aggregate future commitments under the employment contracts is as follows: YEARS ENDING DECEMBER 31,

----- 2009 \$ 472,000 2010 520,000 2011 88,000 8.

CONCENTRATIONS ----- 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, 2008 two customers accounted for approximately 26% of net revenues and for the year ended December 31, 2007 a customer accounted for approximately 20% of net revenues.

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ACE MARKETING & PROMOTIONS, INC. NOTES TO FINANCIAL STATEMENTS

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YEARS ENDED DECEMBER 31, 2008 AND 2007

----- 9. RELATED PARTY TRANSACTIONS

----- The Company purchased merchandise with a cost of approximately \$3,000 and \$5,000 for the years ended December 31, 2008 and 2007, respectively, from an entity that is owned by an individual related to one of the officers of the Company. 10. SUPPLEMENTARY INFORMATION - STATEMENT OF CASH FLOWS

----- Cash paid during the years for: YEARS ENDED DECEMBER 31, 2008
2007 ----- Interest \$ 1,042 \$ -

----- Income Taxes \$ - \$ -

===== 11. JOINT MARKETING AND SALES AGREEMENT

----- In February 2007, the Company entered into a joint marketing and sales agreement with Atrium Enterprises Ltd. ("Atrium"). Atrium provides solutions to corporate customers through the design and application of performance improvement programs. The agreement provides for the Company to receive the exclusive rights to market and sell Atrium's products and services to its customers and provides Atrium the exclusive right to sell and market the Company's promotional services to its customers. The Company will receive a 50% commission on gross profit (as defined) from all sales of Atrium's products and services generated by the Company. Atrium will receive a 50% commission on gross profit (as defined) from all sales of the Company's promotional services generated by Atrium. In addition, Atrium was granted an option to purchase 70,000 shares of the Company's common stock at an exercise price of \$2.50 per share. The options vest in three equal installments commencing on February 15, 2008, and expire four years after the date of grant. Services were recorded equal to the value of the options and an expense of approximately \$16,000 and \$14,000 is included in operating expenses for the year ended December 31, 2008 and 2007, respectively. 12. SUBSEQUENT EVENT ----- PRIVATE PLACEMENT - On February 3, 2009, the Company sold 500,000 shares of its common stock at \$.50 per share to investors in a private transaction.

CONSULTING AGREEMENT - In February 2009, the Company entered into an agreement with a consulting firm to provide investor relations services. The agreement provides for the issuance of 350,000 common stock purchase warrants, with an exercise price of \$.80 and expires in February 2014. The warrants have a vesting period of 25% immediately and the remaining ratably on a monthly basis through January 2010. In addition, the consultant would be entitled to an additional advisory fee, subject to the Company completing a successful capital raise through the sale of its common stock of at least \$1,250,000

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

----- Financial Disclosure. ----- Not Applicable.

Item 9.A(T) Controls and Procedures. ----- Evaluation of Disclosure Controls and Procedures. -----

As of the end of the period covered by this annual report, we carried out an evaluation, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in the Exchange Act Rules 13a-15(e) and 15d-15(e)). Based upon the foregoing evaluation, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures are not effective, for the reasons discussed below, to ensure that information required to be disclosed

by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission ("SEC").

MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Exchange Act. Internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, and effected by the board of directors, management, and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with US GAAP including those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company, (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with US GAAP and that receipts and expenditures are being made only in accordance with authorizations of management and directors of the company, and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies and procedures may deteriorate. Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we have assessed the effectiveness of our internal control over financial reporting as of December 31, 2008. In making this assessment, our management used the criteria described in INTERNAL CONTROL -- INTEGRATED FRAMEWORK issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Due to the inherent issue of segregation of duties in a small company, we have relied heavily on entity or management review controls to lessen the issue of segregation of duties. Based on this assessment and those criteria, our management concluded that the Company did not maintain effective internal control over financial reporting as of December 31, 2008. 30 A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. Management identified the following material weaknesses as of December 31, 2008 that also existed at December 31, 2007.

INDEPENDENT BOARD OF DIRECTORS OR AUDIT COMMITTEE We do not have an independent board of directors or audit committee to oversee our internal control over financial reporting.

INFORMATION TECHNOLOGY Management identified certain control procedures that were not sufficiently documented relating to a) Entity Level management of the IT function b) Logical access to financial applications and company wide networks c) the managing of operations for application and technology platforms.

REVENUE RECOGNITION AND COST OF REVENUE Revenue is recognized upon shipment of merchandise to customers and when title and risk of loss transfers to the customer. The verification of drop shipments to customers is not a centralized function, and we lack an effective process of timely identifying shipping dates and accurately matching revenue and related expenses. As such there is a potential of a misstatement as a result of a period cutoff error.

FINANCIAL REPORTING Management identified the following significant deficiencies that when aggregated give rise to a material weakness. These deficiencies include a) lack of review or evidence of review in the financial reporting process and the inability to understand and apply complex equity transactions b) manual processes and dual databases creating the need for excessive journal entries. Management identified the following additional material weaknesses as of December 31, 2008.

ACCOUNTS PAYABLE AND CASH DISBURSEMENTS As a result of our year end audit process a deficiency was noted in the application of payments to accounts payable which resulted in the recording of duplicate invoices and expense. The deficiency was a result of improper setting of access rights for a user of the accounts payable module which resulted in the payment of open invoices without relief of the liability.

MANAGEMENT'S PLAN OF REMEDIATION INDEPENDENT BOARD OF DIRECTORS OR AUDIT COMMITTEE Due to the current size of the Company it does not intend to add independent board members at this time. This deficiency will be addressed if the Company shows substantial growth moving forward. 31

INFORMATION TECHNOLOGY a) Management will create and implement a weekly and monthly checklist of IT required function to assure all necessary actives are completed and documented. b) Management will limit access to all financial application to the Companies CEO, President and CFO. In addition all passwords will be changed on a

quarterly basis. c) Management will review all software at least annually. Proper updates, patches, and licenses will be reviewed by IT and reported to CEO. In addition all changes will be tested and documented by IT and reported to CEO. All software quotes will be reviewed by management and IT. The review of alternative sourcing and products will be verified by IT and all confirmation emails will be sent to CEO for review. REVENUE RECOGNITION AND COST OF REVENUE As of January 2009, management has implemented a change to address its deficiencies. The Company has centralized the verification of delivery to the tracking department. Orders can no longer move forward to the billing department until proof of delivery has been verified by the tracking department. FINANCIAL REPORTING a) Management plans to address the lack of review or evidence of review in the financial reporting process and the inability to understand and apply complex equity transactions, by engaging a financial reporting consultant. b) Management is in the process of resolving the issue of manual processes and dual databases creating the need for excessive journal entries, by engaging a software company to create a link between the dual systems so that information flows back and forth dynamically, thus creating a single operating system. ACCOUNTS PAYABLE AND CASH DISBURSEMENTS As of February 2009, management has implemented a change to address its deficiencies. The Company has granted access rights for the user of the accounts payable module which now results in the payment of open invoices to relieve the corresponding liability. This annual report does not include an attestation report of the Company's independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's independent registered public accounting firm pursuant to temporary rules of the SEC that permit the Company to provide only management's report on internal control in this annual report. CHANGES IN INTERNAL CONTROLS There have been no changes in our internal control over financial reporting during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. 32 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. FIRST BECAME DIRECTOR NAME (1) AGE AND/OR OFFICER POSITION ----- Dean Julia 41 1998 Chief Executive Officer/ Secretary/ Treasurer/Director/Co-Founder Michael Trepeta 37 1998 President/Director/Co-Founder Scott Novack 41 1998 Director/Co-Founder Sean McDonnell 46 2005 Chief Financial Officer (1) Directors are elected at the annual meeting of stockholders and hold office until the following annual meeting. 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. Since that time, Mr. Julia has been associated with various broker/dealers as a stockbroker where he was involved in the funding of numerous development stage and growth companies. From 1991 to 1996, Mr. Julia served as a Vice President for Reich & Co. From 1993 to 1994, he was Vice President for D. Blech & Co. From 1994 to 1995, he served as a Vice President for GKN Securities; and from 1995 to 1996 he served as Vice President for Rickel & Associates. 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 us and became an officer, director and principal stockholder of our company and a full time employee. 33 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. Since that time, Mr. Trepeta has been associated with various broker/dealers as a stockbroker where he was involved in the funding of numerous development stage and growth companies. Mr. Trepeta was a Vice President of Investments at Joseph Roberts & Co. in 1994 and a Vice President of Investments at Rickel & Associates from 1995-1996. From September of 1996 through February 1998, he has served as President of MDT Consulting Group, Inc., a corporation contracted by publicly traded 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 us and he became an officer, director and principal owner of our company and a full time employee. SCOTT J. NOVACK Mr. Novack holds a Bachelor of Business Administration from Hofstra University received in 1990. From 1993-1994, Mr. Novack was a Vice President at D. Blech & Co., a New York investment bank specializing in raising venture capital money for early

stage companies. From 1994-1995, Mr. Novack was a Vice President at GKN Securities, a New York based investment bank. From 1995-1996, Mr. Novack was a Vice President at Rickel Associates, a New York based investment bank. Mr. Novack was the President of SJN Consulting Group, Inc., a privately held company, from 1996 to 2003. SJN was a corporation contracted by publicly traded companies to serve as a financial intermediary to investment bankers and to assist in developing products, services, and business strategies. Since 2003, Mr. Novack is a private investor who invests for his own account. In 1998, Mr. Novack co-founded us and became a director of our company. 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. LACK OF COMMITTEES ----- Our Company has no audit, compensation or nominating committees of our board of directors or committees performing similar functions. We are currently seeking to nominate and appoint to the board two independent directors and to form an audit committee consisting of the two independent directors. It is our goal that at least, one of the two independent directors would be deemed a "Financial Expert" within the meaning of Sarbanes-Oxley Act of 2002, as amended. 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 organizations 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 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. We can provide no assurances that our board's efforts to select two persons to serve as independent directors on the Board of Directors (at least one of which is a "Financial Expert") and on the proposed audit committee will be successful. In the event an audit committee is established, its first responsibility would be to adopt a written charter. Such charter would be expected to include, among other things: o 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; o annually reviewing and reassessing the adequacy of the committee's formal charter; o reviewing the annual audited financial statements with our management and the independent auditors and the adequacy of our internal accounting controls; o 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; o reviewing the independence of the independent auditors; o 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; o reviewing all related party transactions on an ongoing basis for potential conflict of interest situations; and o 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. 35 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 2008, 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 for certain Form 4 filings of Glenwood Capital and Peter Chung. Item 11. Executive Compensation.

----- SUMMARY COMPENSATION TABLE The following table sets forth the overall compensation earned over the fiscal year ended December 31, 2007 and 2008 by (1) each person who served as the principal executive officer of the Company during fiscal year 2008; (2) the Company's most highly compensated (up to a maximum of two) executive officers as of December 31, 2008 with compensation during fiscal year 2008 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, 2008. SALARY COMPENSATION ----- NON-EQUITY NONQUALIFIED NAME AND OPTIONS INCENTIVE PLAN DEFERRED ALL OTHER PRINCIPAL FISCAL BONUS STOCK AWARDS COMPENSATION COMPENSATION COMPENSATION POSITION YEAR SALARY(\$)(1) (\$) AWARDS (\$)(1) (\$) EARNINGS (\$) (\$)(2)(3) TOTAL (\$) -----

----- Dean L. Julia 2007 \$188,000 -- -- \$145,667 -- -- \$ 15,112 \$ 348,779 Chief Executive 2008 \$216,000 -- -- \$ 32,648 -- -- \$ 13,368 \$ 262,016 Officer Michael D. Trepeta 2007 \$188,000 -- -- \$145,667 -- -- \$ 15,112 \$ 348,779 President 2008 \$216,000 -- -- \$ 32,648 -- -- \$ 12,447 \$ 261,095

----- (1) Reflects dollar amount expensed by the company during applicable fiscal year for financial statement reporting purposes pursuant to FAS 123R. FAS 123R requires the company to determine the overall value of the options as of the date of grant based upon the Black-Scholes method of valuation, and to then expense that value over the service period over which the options become exercisable (vest). 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. For a description FAS 123 R and the assumptions used in determining the value of the options under the Black-Scholes model of valuation, see the notes to the financial statements included with this Form 10-K. (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. 36 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 2008 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, 2008. OPTION AWARDS STOCK AWARDS

		EQUITY INCENTIVE PLAN AWARDS:		NUMBER EQUITY EQUITY OF INCENTIVE PLAN INCENTIVE PLAN UN-EARNED AWARDS:		MARKET SHARES, MARKET OR NUMBER OF NUMBER OF NUMBER OF NUMBER OF VALUE OF UNITS OR PAYOUT VALUE OF SECURITIES SECURITIES SECURITIES SHARES OR SHARES OR OTHER UN-EARNED UNDERLYING UNDERLYING UNDERLYING UNITS OF UNITS OF RIGHTS SHARES, UNITS OR UNEXERCISED UNEXERCISED UNEXERCISED OPTION OPTION STOCK THAT STOCK THAT THAT HAVE OTHER RIGHTS OPTIONS(#) OPTIONS(#) UN-EARNED EXERCISE EXPIRATION HAVE NOT HAVE NOT NOT THAT HAVE NOT NAME EXERCISABLE UNEXERCISABLE OPTIONS (#) PRICE (\$) DATE VESTED (#) VESTED VESTED 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	Michael D. Trepeta	250,000	--	--	\$ 1.00	1/03/15	--	--	--	(1)	200,000	--	\$ 1.20	12/28/15	150,000	--	--	\$ 1.20	08/22/17	--	--	--	50,000	\$ 1.20	03/01/13	-----	(1)	Common Stock purchase options to acquire 250,000 shares of common stock at \$1.00 per share were granted on January 3, 2005. These options were fully exercisable (vested) upon grant. Options granted on December 28, 2005 vest and are exercisable immediately as to one-half of the options and the balance vested and became exercisable on December 28, 2008. Common Stock purchase options to acquire 150,000 shares of Common Stock were granted on August 23, 2007, exercisable at \$1.20 per share and fully vested at the date of grant. All options contain cashless exercise provisions.

and severance pay. 38 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 also entitled to the following additional benefits: o \$2,000 per month pay raise on each March 1 during the term of the Agreement and any extension thereof; o The annual grant on March 1 of each year of ten-year stock options to purchase 50,000 shares at an exercise price equal to the then fair market value of our common stock as determined by the Board. On December 28, 2005, Messrs. Trepeta and Julia each agreed to amend their employment contracts to eliminate the automatic annual grant of options in consideration of the grant of ten year options to purchase 200,000 shares exercisable at \$1.20 per share, with one-half immediately vested and the other half vested on December 28, 2008 irrespective of employment or termination thereof; Pursuant to a three-year extension of their employment agreements, the automatic grant of 50,000 options at fair market value on each anniversary date of the contract recommenced on March 1, 2008. A signing bonus was paid to each executive consisting of options to purchase 150,000 shares, fully vested at the date of grant and exercisable at \$1.20 per share at any time through August 22, 1017; o Election to the Board of Directors and during the term of employment, the Board's nomination for re-election to the Board; o 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; o Use of company automobile with all related costs paid for by us; o Health insurance; o Right to participate in any pensions of our company; o 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; o Health insurance; and o Right to participate in any pensions of our company. CORPORATE GOVERNANCE BOARD OF DIRECTORS BOARD MEMBERS WHO ARE DEEMED INDEPENDENT Our board of directors has determined that none of our directors are "independent" as that term is defined by the National Association of Securities Dealers Automated Quotations ("NASDAQ"). See "Lack of Committees" for the NASDAQ definition of "Independent Director." 39 DIRECTOR COMPENSATION STOCK OPTIONS Stock options and equity compensation awards to our non-employee / non-executive director are at the discretion of the Board. To date, no options or equity awards have been made to our non-employee / non-executive director. 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 2008. TRAVEL EXPENSES All directors shall be reimbursed for their reasonable out of pocket expenses associated with attending the meeting. DIRECTOR COMPENSATION The following table shows the overall compensation earned for the 2008 fiscal year with respect to each non-employee and non-executive director as of December 31, 2008. DIRECTOR

DIRECTOR	FEES EARNED	NON-EQUITY NONQUALIFIED NAME AND OR PAID OPTION INCENTIVE PLAN DEFERRED ALL OTHER PRINCIPAL IN CASH STOCK AWARDS COMPENSATION COMPENSATION (\$)	POSITION (\$)	AWARDS (\$)	(1)	(\$)(2)	EARNINGS(\$)	(3)	TOTAL (\$)
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----- Scott Novack, Director ----- (1)
 Reflects dollar amount expensed by the company during applicable fiscal year for financial statement reporting purposes pursuant to FAS 123R. FAS 123R requires the company to determine the overall value of the options as of the date of grant based upon the Black-Scholes method of valuation, and to then expense that value over the service period over which the options become exercisable (vest). 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. For a description FAS 123 R and the assumptions used in determining the value of the options under the Black-Scholes model of valuation, see the notes to the financial statements included with this Form 10-K. (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 40 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. 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 41 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, 2008, the Company has granted non-statutory stock options to purchase 3,331,222 shares of the Company's Common Stock which are currently outstanding at exercise prices ranging from \$.80 per share to \$ 2.50 per share, exclusive of options which have been cancelled since the date of grant. The board has granted options with

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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, 2008 on the known benefits provided to certain persons and group of persons under the Plan.

 ----- NUMBER OF RANGE OF VALUE OF UNEXERCISED SHARES SUBJECT EXERCISE
 PRICE OPTIONS AT TO OPTIONS (\$) PER SHARE DECEMBER 31, 2008 (1)

----- Dean L. Julia, Chief
 Executive Officer (2) 650,000 \$.80 - \$1.20 \$-0- -----
 ----- Michael D. Trepeta, President (2) 650,000 \$.80 - \$1.20 \$-0-
 ----- Sean McDonnell, Chief
 Financial officer 50,000 \$1.00 \$-0- -----
 ----- Three Executive Officers As a group 1,350,000 \$.80 - \$1.20 \$-0-
 ----- Non-Executive Officer,
 Employees and Consultants 1,981,222 \$.80-\$ 2.50 \$-0- -----

----- (1) Value is normally calculated by multiplying (a) the difference between the market value per share at period end (i.e. \$.77 based upon a last sale on December 31, 2008) and the option exercise price by (b) the number of shares of Common Stock underlying the option. (2) Excludes options to purchase 50,000 shares, exercisable at \$.65 per share granted on March 1, 2009. 42 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. Item 12. Security Ownership of Certain Beneficial Owners and Management and ----- Related Stockholder Matters. ----- As of March 25, 2009, the Company had outstanding 9,717,615 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. -----

----- NAME AND ADDRESS OF BENEFICIAL OWNER (1) NUMBER
 OF COMMON APPROXIMATE SHARES PERCENTAGE

----- OFFICERS AND
 DIRECTORS: -----

----- Scott Novack
 1,052,402 10.8 457 Rockaway Avenue Valley Stream, NY 11583 -----

----- Michael D. Trepeta 457 Rockaway Avenue Valley Stream, NY
 11583(2) 1,716,402 16.5 -----

----- Dean L. Julia 457 Rockaway Avenue Valley Stream, NY 11583 (2) 1,686,901 16.2

----- Sean McDonnell
 50,000 .5 457 Rockaway Avenue Valley Stream, NY 11583 (3) -----

----- All Directors and Officers as a Group (four persons) (4) 4,505,705 40.5

----- Domenico Iannucci
 989,660 9.5 One Windsor Drive Muttontown, NY 11753 (5) -----

----- 43 ----- (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 700,000 shares. (3) Includes options to purchase 50,000 shares. (4) Includes options to purchase 1,150,000 shares. (5) Includes 539,660 shares of Common Stock, Class A Warrants to purchase 300,000 shares and Class B Warrants to purchase 50,000 shares and includes options to purchase 100,000 shares. SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS.

----- The following summary information is as of December 31, 2008 and relates to our 2005 Plan described elsewhere herein pursuant to which we have granted options to purchase our common stock: -----

(a)	(b)	(c)	-----	Number of securities remaining available for	Number of shares of common	Weighted average future issuance under	stock to be
-----	-----	-----	-----	issued upon exercise	price of equity compensation plans	exercise outstanding (excluding shares	Plan category of
-----	-----	-----	-----	outstanding options	options reflected in column (a)	-----	-----

-----	Equity compensation	3,331,222	1.11	2,215,814	Plans	(1)	-----
-----	(1) Options	-----	-----	-----	-----	-----	-----

exercisable at December 31, 2008 include 3,331,222 shares with a weighted average exercise price of \$.80 to \$2.50 per share and aggregate intrinsic value of \$0.00. 44 Item 13. Certain Relationships and Related Transactions and Director ----- Independence. ----- Related Party

Transactions ----- Michael Trepeta's wife has a company which is a candle supplier. From time-to-time, we have in the past and may in the future purchase candle supplies from her company. During 2004, 2005, 2006, 2007 and 2008 we purchased a total of \$20,471, \$10,313, \$8,657, \$4,934 and \$3,165, respectively, from her company. The transactions above were approved by the Board of Directors based upon obtaining at least three competitive quotes and Mr. Trepeta's wife being the best price. Accordingly, the transactions described above were believed by Management to be on terms that are at least as favorable to us as the terms we could have obtained from an unaffiliated third party. In the future, we expect to have one or more members of our Board be independent directors of our company. It is anticipated that future transactions between us and our executive officers and directors and other affiliated parties will be approved by the then disinterested members of the Board and, if not a majority of the Board, then by our independent director(s) through a committee appointed by the Board. Director Independence

----- 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 organizations 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. Our board of directors has determined that none of our directors are "independent" as that term is defined by the National Association of Securities Dealers Automated Quotations ("NASDAQ"). Other Recent Transactions ----- On February 24, 2009, the Company entered into an Agreement with Legend Securities, Inc. for a term of one (1) year (the "Term"). Legend has agreed to provide services

outlined below to increase investor awareness. The services include the following: o assistance with investor presentations such as, but not limited to, PowerPoint slide presentations, broker/dealer fact sheets, financial projections and budgets; 45 o sponsorship to capital conferences; o identification and evaluation of financing transactions; o identification and evaluation of acquisition and/or merger candidates; o introductions to broker dealers, research analysts, and investment companies that Legend believes could be helpful to the Company. For their services Legend shall receive warrants to purchase 350,000 shares of the Company's restricted Common Stock, exercisable at \$.80 per share, over a term of five (5) years, with the warrants investing 25% immediately and the balance in monthly incremental amounts through January 2010. Also, in consideration for the services described herein and subject to the completion of the Company's successful raise of net proceeds of at least \$1,250,000 from the sale of its common stock, excluding common stock sold pursuant to commitments obtained prior to the date of this agreement (hereinafter referred to the "CAPITAL TRANSACTION"), the Company shall accrue a monthly advisory fee of ten thousand dollars (\$10,000.00) per month (the "MONTHLY ADVISORY FEE"). All accrued monthly advisory fees shall be paid to Legend on the Closing Date of the Capital Transaction and thereafter the Monthly Advisory Fee shall be paid no later than the fifteenth (15th) day of each monthly anniversary of the Effective Date during the Term of this Agreement. On March 25, 2009, the Board of Directors extended the expiration date of the Company's Class A and Class B Warrants to the close of business on July 1, 2009. Item 14. Principal Accountant Fees and Services.

----- AUDIT FEES For the fiscal year ended December 31, 2008 and 2007, the aggregate fees billed or expected to be billed for professional services rendered by Holtz Rubenstein Reminick LLP ("independent auditors") for the audit of the Company's annual financial statements and the reviews of its financial statements included in the Company's quarterly reports and filings under the Securities Act of 1933 totaled approximately \$69,000 and \$54,000, respectively. FINANCIAL INFORMATION SYSTEMS DESIGN AND IMPLEMENTATION FEES For the fiscal years ended December 31, 2008 and 2007, there were \$-0- in fees billed for professional services by the Company's independent auditors rendered in connection with, directly or indirectly, operating or supervising the operation of its information system or managing its local area network. ALL OTHER FEES For the fiscal years ended December 31, 2008 and 2007, there were no fees paid or billed for preparation of corporate tax returns, tax research and other professional services rendered by the Company's independent auditors. 46 AUDIT COMMITTEE - PRE-APPROVAL The Company does not have a standing audit committee. Therefore, all services provided to the Company by Holtz Rubenstein Reminick LLP as detailed above, were pre-approved by the board of Directors and all work of said firm was performed solely by their permanent employees. Item 15. Exhibits and Financial Statement Schedules ----- (a) FINANCIAL STATEMENTS The following documents are filed under "ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA," beginning on page F-1 through page F-15 and are included as part of this Form 10-K as the financial statements of the Company for the years ended December 31, 2008 and 2007: Reports of Independent Registered Public Accounting Firms Balance Sheets Statements of Operations Statement of Stockholders' Equity Notes to Financial Statements (b) EXHIBITS Exhibit Description ----- No. --- 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) 11.1 Statement 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 - None in 2007 23.1 Consent of by Holtz Rubenstein Reminick LLP (3) 31.1 Chief Executive Officer Rule 13a-14(a)/15d-14(a) Certification (3) 31.2 Chief Financial Officer Rule 13a-14(a)/15d-14(a) Certification (3) 32.1 Chief Executive Officer Section 1350 Certification (3) 32.2 Chief Financial Officer Section 1350 Certification (3) 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 Release of Earnings - 2008 (3) 99.7 March 26, 2009 Press Release (3) ----- 47 (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 as filed with the Commission March 18, 2005. (3) Filed herewith. (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. (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. 48 **SIGNATURES** Pursuant to the requirements Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has caused this Report to be signed on its behalf by the undersigned, thereunto

duly authorized. **ACE MARKETING & PROMOTIONS, INC.** By: /s/ Dean L. Julia -----
Dean L. Julia, Chairman of the Board and Chief Executive Officer Dated: Valley Stream, New York March 27, 2009

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated: Signatures Title Date

----- /s/ Dean L. Julia Chairman of the Board March 27, 2009 ----- Chief Executive
Officer Dean L. Julia /s/ Sean McDonnell Chief Financial Officer March 27, 2009 ----- Sean

McDonnell /s/ Michael D. Trepeta President, Director March 27, 2009 ----- Michael D. Trepeta /s/
Scott Novack Director March 27, 2009 ----- Scott Novack Dean L. Julia, Michael D. Trepeta and

Scott Novack represent all the current members of the Board of Directors. 49