ACE MARKETING & PROMOTIONS INC
Form 10-Q
May 11, 2012

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2012

COMMISSION FILE NUMBER: 000-51160

ACE MARKETING & PROMOTIONS, INC.
(Exact name of registrant as specified in its charter)

NEW YORK	11-3427886
(State of jurisdiction of Incorporation)	(I.R.S. Employer Identification No.)

600 OLD COUNTRY ROAD, SUITE 541
GARDEN CITY, NY 11530
(Address of principal executive offices)

(516) 256-7766
(Registrant's telephone number)

457 ROCKAWAY AVE.
VALLEY STREAM, NY 11581
(Former name, address and fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes x No o

Indicate by checkmark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the 12 preceding months (or such shorter period that the registrant was required to submit and post such file).

Yes x No o

Indicate by checkmark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer o	Accelerated Filer o
Accelerated Filer o	Smaller Reporting Company x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No x

As of March 31, 2012, the registrant had a total of 24,382,112 shares of Common Stock outstanding.

ACE MARKETING & PROMOTIONS, INC.

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ACE MARKETING & PROMOTIONS, INC.

Condensed Balance Sheets	March 31, 2012 Unaudited	December 31, 2011 Audited
Assets		
Current Assets:		
Cash and cash equivalents	$493,908	$605,563
Accounts receivable, net of allowance for doubtful accounts of $20,000 at March 31, 2012 and December 31, 2011	287,010	534,924
Prepaid expenses and other current assets	373,726	342,641
Total Current Assets	1,154,644	1,483,128
Property and Equipment, net	692,127	714,865
Other Assets	30,636	7,745
Total Assets	$1,877,407	$2,205,738
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable	$277,532	$399,924
Accrued expenses	84,035	121,821
Total Current Liabilities	361,567	521,745
Commitments and Contingencies		
Stockholders' Equity:		
Preferred Stock, $.0001 par value; 5,000,000 shares authorized, none issued		
Common stock, $.0001 par value; 100,000,000 shares authorized; 24,405,447 and 23,284,236 shares issued and outstanding at March 31, 2012 and December 31, 2011, respectively	2,440	2,328
Additional paid-in capital	11,733,212	10,997,407
Accumulated deficit	(10,188,311)	(9,284,241)
	1,547,341	1,715,494
Less: Treasury Stock, at cost, 23,334 shares	(31,501)	(31,501)
Total Stockholders' Equity	1,515,840	1,683,993
Total Liabilities and Stockholders' Equity	$1,877,407	$2,205,738

See notes to condensed financial statements.

ACE MARKETING & PROMOTIONS, INC.

Condensed Statements of Operations Three Months Ended March 31,	2012 Unaudited	2011 Unaudited
Revenues, net	$517,317	$647,770
Cost of Revenues	419,658	464,782
Gross Profit	97,659	182,988
Operating Expenses:		
Selling, general and administrative expenses	1,001,845	618,118
Total Operating Expenses	1,001,845	618,118
Loss from Operations	(904,186)	(435,130)
Other Income (Expense):		
Interest expense	-	-
Interest income	116	124
Total Other Income (Expense)	116	124
Net Loss	$(904,070)	$(435,006)
Net Loss Per Common Share:		
Basic	$(0.04)	$(0.03)
Diluted	$(0.04)	$(0.03)
Weighted Average Common Shares Outstanding:		
Basic	24,340,531	16,993,149
Diluted	24,340,531	16,993,149

See notes to condensed financial statements.

ACE MARKETING &
PROMOTIONS, INC.

Statement of Stockholders' Equity
Year Ended December 31, 2011 and Three Months Ended March 31, 2012

	Total Stockholders' Equity	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	(Deficit)	Treasury Stock Shares	Treasury Stock Amount
Balance, at December 31, 2010	$ 1,196,215	16,834,260	$ 1,683	$ 8,300,766	$ (7,074,733)	23,334	$ (31,501)
Stock Purchase	2,222,727	5,616,666	562	2,222,165			
Stock Warrant	25,522	134,810	$ 13	25,509			
Stock Grant	141,153	698,500	70	141,083			
Stock Compensation	307,884			307,884			
Net Loss	(2,209,508)	-	-	-	(2,209,508)		
Balance, at December 31, 2011	$ 1,683,993	23,284,236	$ 2,328	$ 10,997,407	$ (9,284,241)	23,334	$ (31,501)
Stock Purchase	457,610	958,338	109	457,501			
Stock Grant	121,125	162,873	3	121,122			
Stock Compensation	157,182			157,182			
Net Loss	$ (904,070)				$ (904,070)		
Balance, at March 31, 2012	$ 1,515,840	24,405,447	$ 2,440	$ 11,733,212	$ (10,188,311)	23,334	$ (31,501)

See notes to condensed financial statements.

ACE MARKETING & PROMOTIONS, INC.

Condensed Statements of Cash Flows Three Months Ended March 31,	2012 Unaudited	2011 Unaudited
Cash Flows from Operating Activities:		
Net loss	$(904,070)	$(435,006)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	48,349	17,306
Stock-based compensation	278,307	124,523
Changes in operating assets and liabilities:		
(Increase) decrease in operating assets:		
Accounts receivable	247,914	(47,507)
Prepaid expenses and other assets	(53,979)	(18,301)
(Decrease) Increase in operating liabilities:		
Accounts payable and accrued expenses	(160,178)	176,514
Total adjustments	360,413	252,535
Net Cash Used in Operating Activities	(543,657)	(182,471)
Cash Flows from Investing Activities:		
Acquisition of property and equipment	(25,610)	(36,575)
Net Cash (Used) in Provided by Investing Activities	(25,610)	(36,575)
Cash Flows from Financing Activities:		
Proceeds from issuance of common stock	457,612	448,000
Net Cash Provided by Financing Activities	457,612	448,000
Net Increase (Decrease) in Cash and Cash Equivalents	(111,655)	228,954
Cash and Cash Equivalents, beginning of period	605,563	763,581
Cash and Cash Equivalents, end of period	$493,908	$992,535

See notes to condensed financial statements.

ACE MARKETING & PROMOTIONS, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS
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(UNAUDITED)

NOTE 1: BASIS OF PRESENTATION

The accompanying condensed financial statements and footnotes thereto are unaudited.

The Condensed Balance Sheets as of March 31, 2012 and December 31, 2011, the Condensed Statements of Operations for the three months ended March 31, 2012 and 2011 and the Condensed Statements of Cash Flows for the three months ended March 31, 2012 and 2011 have been prepared by us without audit, and in accordance with the requirements of Form 10-Q and, therefore, they do not include all information and footnotes necessary for a fair presentation of financial position, results of operations, and cash flows in conformity with accounting principles generally accepted in the United States of America. In our opinion, the accompanying unaudited condensed financial statements contain all adjustments necessary to present fairly in all material respects our financial position as of March 31, 2012, results of operations for the three months ended March 31, 2012 and 2011 and cash flows for the three months ended March 31, 2012 and 2011. All such adjustments are of a normal recurring nature. The results of operations and cash flows for the three months ended March 31, 2012 are not necessarily indicative of the results to be expected for the full year. We have evaluated subsequent events through the filing of this Form 10-Q with the SEC, and determined there have not been any events that have occurred that would require adjustments to our unaudited Condensed Financial Statements.

The information contained in this report on Form 10-Q should be read in conjunction with our Form 10-K for our fiscal year ended December 31, 2011.

The preparation of financial statements in conformity with accounting principals generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the amounts of assets, liabilities, revenue, costs and expenses. Actual results could differ from these estimates.

NATURE OF OPERATIONS - Ace Marketing & Promotions, Inc. (the "Company" or "Ace") began as promotional products company and has since evolved into an Integrated Marketing Solutions Company. Ace currently focuses on four business verticals; Branding, Interactive, Direct Relationship Marketing and Mobile Marketing. With its newly developed suite of solutions in place, Ace now offer its clients and potential clients the ability to work smarter in addressing their marketing needs by leveraging technology platforms. The services and technology platforms assembled within each business vertical allows Ace to provide its clients with an exceptional mix of solutions for reaching their customers in ways that were previously impossible. Clients have the ability to choose a single solution within a vertical or a complete package of solutions working together seamlessly. By offering the entire suite of solutions, the need for multiple vendors has been eliminated, and Ace can be a single source provider of Branding, Interactive, Direct Relationship Marketing and Mobile Marketing Solutions.

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

ACE MARKETING & PROMOTIONS, INC.
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The Interactive vertical deals with any online marketing & branding initiatives. Utilizing the Ace Place Platform (a proprietary Content Management System); custom websites are created and total control of the site content is given back to the client. Through the Ace Place platform, a client simply chooses from one of the many web-design packages and has the ability to change the content on the site without the need for a programmer and the high hourly fees that go along with them. With this power, their websites become dynamic and powerful marketing vehicles instead of just an online static ad. For relevant clients, Ace can add an E-Commerce component to their website along with Email Marketing services to assist in marketing the site. As an additional service, each site can be housed on Ace’s servers.

The Direct Relationship Marketing vertical creates 1 to 1 relationship marketing Solutions. Ace’s strategy for delivering successful marketing campaigns utilizes specific databases to personalize messages across a wide array of integrated delivery mechanisms. Ace has expanded its capabilities beyond direct mail to incorporate variable data programming technology into web applications, telephony, email, and print. Ace’s Direct Relationship Marketing solution helps attract new customers and retain exist ones by targeting each identified demographic group through our various tools to get the intended message across with measured results.

The Company's fourth business vertical is the Mobile Marketing vertical. The Mobile Marketing advertising medium is set to become the next component of marketing spends as mobile marketing continues to gain more and more momentum. Technology allows advertisers to target and deliver rich media content to specific locations and times where it is most relevant. It gives advertisers the ability to reach consumers with their message as they are ready to make their purchasing decision. Ace Marketing & Promotions subsidiary Mobiquity Networks provides Location-Based Mobile marketing services via Bluetooth and Wi-Fi that requires no GPS tracking and no need to download and application.

Mobiquity Networks is a leading location based mobile marketing network in the US. We utilize a targeted, location-based approach to reach audiences on their personal mobile devices when it matters most. The Company employs a combination of leading-edge mobile technologies to deliver virtually any digital media content including images, videos, audio mp3s, maps, games, applications and coupons to mobile phones within targeted geographic locations. Mobiquity has focused on and built an extensive Location Based Mobile Marketing Mall Network which gives us access to over 90 million mobile customer visits per month while they are shopping. Our network allows brands to engage their potential customers with the right offer at the right place at the right time....when they are about to make a purchasing decision. Mobiquity currently has over 500 zones throughout 67 malls with over 90 million monthly visits. These zones create a cloud of coverage so that visitors do not need to go directly to one of these zone access points. Some of our land mark malls includethe following: Roosevelt Field – NY, the Galleria-Houston, Lenox Square -Atlanta,Northbridge-Chicago , Santa Monica Place-LA and Copley Place –Boston.

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

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Agreement with Simon Property Group, L.P.

In April 2011, we signed an exclusive rights agreement with a Top Mall Developer (the "Simon Property Group") to create a location-based mobile marketing network called Mobiquity Networks. The 50 mall agreement runs through December of 2015 and includes top malls in the Simon Mall portfolio. This new alliance will give advertisers the opportunity to reach millions of mall visitors per month with mobile digital content and offers when they are most receptive to advertising messages.

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

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

NOTE 2: ACCOUNTING PRONOUNCEMENTS

From time to time, new accounting pronouncements are issued by the FASB or other standard setting bodies that are adopted by the Company as of the specified effective date. Unless otherwise discussed, we believe that the impact of recently issued standards that are not yet effective will not have a material impact on our financial position or results of operations upon adoption.

In December 2011, the FASB issued ASU 2011-11, Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities (ASU 2011-11). This newly issued accounting standard requires an entity to disclose both gross and net information about instruments and transactions eligible for offset in the statement of financial position as well as instruments and transactions executed under a master netting or similar arrangement and was issued to enable users of financial statements to understand the effects or potential effects of those arrangements on its financial position. This ASU is required to be applied retrospectively and is effective for fiscal years, and interim periods within those years, beginning on or after January 1, 2013. As this accounting standard only requires enhanced disclosure, the adoption of this standard is not expected to have a material impact our financial position or results of operations upon adoption.

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In June 2011, the FASB issued ASU No. 2011-05, “Comprehensive Income (Topic 220): Presentation of Comprehensive Income” (ASU 2011-05). This newly issued accounting standard (1) eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholders’ equity; (2) requires the consecutive presentation of the statement of net income and other comprehensive income; and (3) requires an entity to present reclassification adjustments on the face of the financial statements from other comprehensive income to net income. The amendments in this ASU do not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income nor do the amendments affect how earnings per share is calculated or presented. In December 2011, the FASB issued ASU No. 2011-12, Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05, which defers the requirement within ASU 2011-05 to present on the face of the financial statements the effects of reclassifications out of accumulated other comprehensive income on the components of net income and other comprehensive income for all periods presented. During the deferral, entities should continue to report reclassifications out of accumulated other comprehensive income consistent with the presentation requirements in effect prior to the issuance of ASU 2011-05. These ASUs are required to be applied retrospectively and are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. As these accounting standards do not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income, the adoption of this standard has not had a material impact on our financial position or results of operations.

In May 2011, the FASB issued ASU No. 2011-04, “Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs” (ASU 2011-04). This newly issued accounting standard clarifies the application of certain existing fair value measurement guidance and expands the disclosures for fair value measurements that are estimated using significant unobservable (level 3) inputs. This ASU is effective on a prospective basis for annual and interim reporting periods beginning on or after December 15, 2011. The adoption of this standard has not had a material impact on our financial position or results of operations.

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

NOTE 3: SUMMARY OF SELECTED SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition - The Company recognizes revenue when it is realized or realizable and estimable in accordance with ASC 605, “Revenue Recognition”. There was no revenue for the year ended December 31, 2011 and 2010.

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

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ACE MARKETING & PROMOTIONS, INC.
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NOTE 4: LOSS PER SHARE

Basic loss per common share is computed by dividing net loss by the weighted average number of shares of common stock outstanding during the period. Dilutive loss per share gives effect to stock options and warrants, which are considered to be dilutive common stock equivalents. Basic loss per common share was computed by dividing net loss by the weighted average number of shares of common stock outstanding. The number of common shares potentially issuable upon the exercise of certain options and warrants that were excluded from the diluted loss per common share calculation was approximately $16,600,000 and 10,866,000 because they are anti-dilutive as a result of a net loss for the three months ended March 31, 2012 and 2011, respectively.

NOTE 5: STOCK COMPENSATION

Compensation costs related to share-based payment transactions, including employee stock options, are recognized in the financial statements utilizing the straight line method for the cost of these awards.

The Company's results for the three month periods ended March 31, 2012 and 2011 include employee share-based compensation expense totaling approximately $278,000 and $125,000, respectively. Such amounts have been included in the Condensed Consolidated Statements of Operations within selling, general and administrative expenses. No income tax benefit has been recognized in the statement of operations for share-based compensation arrangements due to a history of operating losses.

The following table summarizes stock-based compensation expense for the three months ended March 31, 2012 and 2011:

	Three Months Ended March 31,	
	2012	2011
Employee stock-based compensation - option grants	$126,000	$ 42,766
Employee stock-based compensation - stock grants	-	-
Non-Employee stock-based compensation - option grants	31,182	41,872
Non-Employee stock-based compensation - stock grants	121,125	14,365
Non-Employee stock-based compensation-stock warrant	-	25,520
Total	$278,307	$ 124,523

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NOTE 6: STOCK OPTION PLAN

During Fiscal 2005, the Company established, and the stockholders approved, an Employee Benefit and Consulting Services Compensation Plan (the "2005 Plan") for the granting of up to 2,000,000 non-statutory and incentive stock options and stock awards to directors, officers, consultants and key employees of the Company. On June 9, 2005, the Board of Directors amended the Plan to increase the number of stock options and awards to be granted under the Plan to 4,000,000. In October 2009, the Company established and the stockholders approved a 2009 Employee Benefit and Consulting Services Compensation Plan (the "2009 Plan") for granting up to 4,000,000 non-statutory and incentive stock options and awards to directors, officers, consultants and employees of the Company. (The 2005 Plan and the 2005 Plan are collectively referred to as the "Plans".)

All stock options under the Plans are granted at or above the fair market value of the common stock at the grant date. Employee and non-employee stock options vest over varying periods and generally expire either 5 or 10 years from the grant date.

The fair value of options at the date of grant was estimated using the Black-Scholes option pricing model. The fair values of these restricted stock awards are equal to the market value of the Company’s stock on the date of grant, after taking into certain discounts. The expected volatility is based upon historical volatility of our stock and other contributing factors. The expected term is based upon observation of actual time elapsed between date of grant and exercise of options for all employees. Previously, such assumptions were determined based on historical data.

The weighted average assumptions made in calculating the fair values of options granted during the three months ended March 31, 2012 and 2011 are as follows:

	Three Months Ended March 31, 2012	Three Months Ended March 31, 2011
Expected volatility	322.29%	79.04%
Expected dividend yield	-	-
Risk-free interest rate	2.03%	3.41%
Expected term (in years)	9.92	10.00

	Share	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding, January 1, 2012	3,505,000	.83	4.51	$ 0
Granted	200,000	.63	9.92	
Exercised	-			
Cancelled & Expired				

Outstanding, March 31, 2012	3,705,000	.82	4.89		
Options exercisable, March 31, 2012	3,655,000	.82	4.93	$	496,600

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The weighted-average grant-date fair value of options granted during the three months ended March 31, 2012 and 2011 was $0.63 and $0.26, respectively.

The aggregate intrinsic value of options outstanding and options exercisable at March 31, 2012 is calculated as the difference between the exercise price of the underlying options and the market price of the Company's common stock for the shares that had exercise prices, that were lower than the $0.85 closing price of the Company's common stock on March 31, 2012.

As of March 31, 2012, the fair value of unamortized compensation cost related to unvested stock option awards was approximately $50,000. Unamortized compensation cost as of March 31, 2012 is expected to be recognized over a remaining weighted-average vesting period of .25 year.

The weighted average assumptions made in calculating the fair value of warrants granted during the three months ended March 31, 2012 and 2011 are as follows:

	Three Months Ended March 31, 2012	Three Months Ended March 31, 2011
Expected volatility	0%	56.83%
Expected dividend yield	-	-
Risk-free interest rate	0%	1.07%
Expected term (in years)	0%	3.00%

	Share	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding, January 1, 2012	12,570,642	$ .48	1.84	$ 1,943,000
Granted	287,502	$ .85	3.80	
Exercised	-	-		
Cancelled	-	-		
Outstanding, March 31, 2012	12,858,144	$ .51	1.64	
Warrants exercisable, March 31, 2012	12,858,144	$ .51	1.64	$4,586,101

NOTE 7: CONSULTING AGREEMENTS

In January 2010, the Company entered into an agreement with a consulting firm to provide services over the next twelve months. The agreement provided for the issuance of 100,000 restricted common shares of Common Stock.

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

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Pursuant to an agreement dated as of November 15, 2010, the Company entered into a three year contract with a consulting firm to provide certain financial and public relation services on a non-exclusive basis. Pursuant to the agreement, an initial retainer of $12,500 was paid. The agreement provides for the possible issuance of up to 250,000 common shares and up to $100,000 in cash compensation based upon referrals of credible and synergistic corporate partners and/or acquisitions, which acquisitions or partnerships must be approved by Ace. In January 2011 and August 2011, the Company approved the issuance of 50,000 shares and 175,000 shares of common stock, respectively, for consulting services rendered by this consultant.

In January 2011, the Company entered into an agreement with a consulting firm to provide business development services. The agreement provides for the issuance of 100,000 shares of restricted Common Stock and Warrants to purchase 200,000 shares of restricted Common Stock.

In June 2011, we entered into a one-year Investor Relation, Public Awareness Agreement with Legend Securities, Inc. at a cost of $10,000 per month and 75,000 shares of restricted Common Stock per quarter.

Ace has retained an outside contractor to build its website development program at a cost of $120,000, $80,000 of which has been paid and the remaining $40,000 was accrued in the quarter ended September 30, 2011. At its option, Ace made the final $40,000 payment to the contractor through the issuance of 66,000 shares of its restricted Common Stock.

NOTE 8: PRIVATE PLACEMENT

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

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

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In March 2011, the Company commenced a private placement offering. Pursuant to said offering which terminated on April 19, 2011, the Company raised $755,000 in gross proceeds from the sale of 2,516,667 shares of common stock and a like number of warrants, exercisable at $.30 per share through August 31, 2013. An additional 100,000 shares and 100,000 warrants were issued for advisory services in connection with such offering to a person who later became a director of the Company. Exemption is claimed for the sale of securities pursuant to Rule 506 and/or Section 4(2) of the Securities Act of 1933, as amended.

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

In July 2011, the Company commenced a private placement offering. Pursuant to said offering between July14, 2011 and August 1, 2011, the Company raised $975,000 in gross proceeds from the sale of 1,950,000 shares of common stock and a like number of warrants, exercisable at $.60 per share through July 31, 2014. Exemption is claimed for the sale of securities pursuant to Rule 506 and/or Section 4(2) of the Securities Act of 1933, as amended.

Rockwell Global Capital LLC acted as Placement Agent of a private placement offering of the Company which terminated on January 30, 2012. The Company received gross proceeds of $575,000 from the sale of 958,338 shares of Common Stock at a purchase price of $.60 per share. The private placement offering also included the sale of Warrants to purchase 191,671 shares of Common Stock, exercisable at $.60 per share and expiring on January 18, 2016. The Placement Agent received a $25,000 advisory fee, $51,750 in commissions and warrants to purchase 95,833 shares identical to the warrants sold to investors in the offering. Exemption is claimed for the sale of securities pursuant to Rule 506 and/or Section 4(2) of the Securities Act of 1933, as amended. In March 2012, the Company issued 12,873 shares of common stock as initial liquidated damages for failing to file a registration statement to register the resale of securities issued to investors of the January 2012 private placement offering .

NOTE 9: OPTIONS OUTSIDE COMPENSATION PLAN

On March 25, 2010, the Company granted Non-Statutory Stock Options to purchase 10,000 shares of the Company's Common Stock to an attorney for services rendered at an exercise price of $.54 per share, with 100% of the options vesting immediately and expiring on March 25, 2020.

On March 25, 2010, the Company issued a total of 100,000 Non-Statutory Stock Options to two key employees in accordance with their employment agreement. The Options have an exercise price of $.54 per share, with 100% of the options vesting immediately and expiring on March 25, 2020.

On April 9, 2009, the Company hired a firm as an independent sales organization to promote its proximity marketing units in the sports and entertainment industry. The firm was granted options to purchase 100,000 shares at $.90 per share outside of Ace's compensation plan which generates approximately a non-cash $3,000 expense on a monthly basis.

NOTE 10: SHARED BASED COMPENSATION

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

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

ACE MARKETING & PROMOTIONS, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 2012 AND 2011
(UNAUDITED)

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

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

Pursuant to an agreement dated as of November 15, 2010, the Company entered into a three year contract with a consulting firm to provide certain financial and public relation services on a non-exclusive basis. Pursuant to the agreement, an initial retainer of $12,500 was paid. The agreement provides for the possible issuance of up to 250,000 common shares and up to $100,000 in cash compensation based upon referrals of credible and synergistic corporate partners and/or acquisitions, which acquisitions or partnerships must be approved by Ace. In January 2011, the Company approved the issuance of 50,000 shares of common stock for consulting services rendered by this consultant. In August 2011, the Company issued an additional 175,000 shares of Common Stock for consulting services rendered by the consultant.

During the past three years, the Company has granted under our 2005 Plan certain employees and consultants restricted stock awards for services for the prior year with vesting to occur after the passage of an additional 12 months. These awards totaled 45,000 Shares for 2008, subject to continued services with the Company through December 31, 2009. These awards totaled 51,000 Shares for 2009 subject to continued services with the Company through December 31, 2010. These awards totaled 105,000 Shares for 2010 subject to continued services with the Company through December 31, 2011. These awards totaled 45,000 shares for 2011 subject to continued services with the Company through December 31, 2012.

The Company's results for the three months ended March 31, 2012 and 2011 include employee share-based compensation expense totaling approximately $278,000 and $125,000, respectively. Such amounts have been included in the Statements of Operations within selling, general and administrative expenses. No income tax benefit has been recognized in the statement of operations for share-based compensation arrangements due to a history of operating losses.

ACE MARKETING & PROMOTIONS, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 2012 AND 2011
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NOTE 11: SEGMENT INFORMATION

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

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

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

	Quarter Ended March 31, 2012		
	Ace Marketing & Promotions, Inc.	Mobiquity Networks Inc.	Total
	$ 516,447	870	$ 517,317
Operating (loss)	(417,181)	(438,656)	(855,837)
Interest income	116	-	116
Interest (expense)	-	-	-
Depreciation and amortization	(3,493)	(44,856)	(48,349)
Exp Net Loss	(420,558)	(483,512)	(904,070)
Total assets at March 31, 2012	1,198,917	678,490	1,877,407

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

ACE MARKETING & PROMOTIONS, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 2012 AND 2011
(UNAUDITED)

NOTE 12: EMPLOYMENT CONTRACTS/DIRECTOR COMPENSATION

On April 7, 2010, the Board of Directors approved a five-year extension of the employment contracts of Dean L. Julia and Michael D. Trepeta to expire on March 1, 2015. The Board approved the continuation of each officer's annual salary and scheduled salary increases on March 1 of each year of $2,000 per month. The Board also approved a signing bonus of stock options to purchase 200,000 shares granted to each officer which is fully vested at the date of grant and exercisable at $.50 per share through April 7, 2020; ten-year stock options to purchase 100,000 shares of Common Stock to be granted to each officer at fair market value on each anniversary date of the contract and extension thereof commencing March 1, 2011; and termination pay of one year base salary based upon the scheduled annual salary of each executive officer for the next contract year plus the amount of bonuses paid or entitled to be paid to the executive for the current fiscal year or the preceding fiscal year, whichever is higher. In the event of termination, the executives will continue to receive all benefits included in the employment agreement through the scheduled expiration date of said employment agreement prior to the acceleration of the termination date thereof.

On April 7, 2010, the Board of Directors approved the grant of options to purchase 150,000 shares of Common Stock to a director, exercisable at $.50 per share at any time from the date of grant through April 7, 2020. The Board also approved commencing March 1, 2011, and every March 1st thereafter, the grant of 50,000 ten-year stock options to purchase shares at the fair market value at the date of grant to each director who is not an executive officer of the Company. On March 1, 2011, the Company granted a non-executive director options to purchase 50,000 shares exercisable at $.50 per share. The board did not take any action to authorize options to be issued to non-executive officers on March 1, 2012; however, the two non-executive directors and Sean Trepeta each were granted ten-year options to purchase 50,000 shares exercisable at $.73 per share on May 4, 2012.

On March 1, 2011 and March 1, 2012, Messrs. Julia and Trepeta each received 10-year options to purchase 100,000 shares, with the 2011 options exercisable at $.26 per share and the 2012 options exercisable at $.61 per share. On April 21, 2011, a consultant who would later become a director of the Company received 100,000 shares of Common Stock valued at $.30 per share together with a warrant to purchase 100,000 shares of Common Stock exercisable at $.30 per share expiring on August 13, 2013 in exchange for advisor’s services in connection with a private offering. In December 2011, the Company granted a director of the Company options to purchase 200,000 shares of the Company’s Common Stock exercisable at $.60 per share over a term of five years.

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

NOTE 13. NEW FACILITIES

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

Such additional rent would be payable at the discretion of the Company in cash or in Common Stock of the Company.

ACE MARKETING & PROMOTIONS, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS
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NOTE 14: WARRANT EXERCISE

In September 2011, Warrants to purchase 395,000 shares of the Company's Common Stock were exercised on a cashless basis at exercises prices ranging from $.30 per share to $.90 per share resulting in the issuance of 134,810 shares of restricted Common Stock.

NOTE 15: SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 10, 2012, the date the financial statements were available to be issued:

In April 2012, the Company received $270,000 from the exercise of Warrants and issued 900,000 shares of its Common Stock. Between April 1, 2012 and May 10, 2012, the Company sold 450,000 shares of Series 1 Convertible Preferred Stock at $1.00 per share pursuant to an ongoing plan of financing. The Company is seeking to raise additional funds through such financing.

In April 2012 and May 2012, the Company entered into various financial, advisory and public awareness consulting agreements pursuant to which it may be obligated to issue common stock and pay cash. As of May 10, 2012, no common stock or cash has been issued or paid.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD-LOOKING STATEMENTS

The information contained in this Form 10-Q and documents incorporated herein by reference are intended to update the information contained in the Company's Form 10-K for its fiscal year ended December 31, 2011 which includes our audited financial statements for the year ended December 31, 2011 and such information presumes that readers have access to, and will have read, the "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Risk Factors" and other information contained in such Form 10-K and other Company filings with the Securities and Exchange Commission (“SEC”).

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements involve risks and uncertainties, and actual results could be significantly different than those discussed in this Form 10-Q. Certain statements contained in Management's Discussion and Analysis, particularly in "Liquidity and Capital Resources," and elsewhere in this Form 10-Q are forward-looking statements. These statements discuss, among other things, expected growth, future revenues and future performance. Although we believe the expectations expressed in such forward-looking statements are based on reasonable assumptions within the bounds of our knowledge of our business, a number of factors could cause actual results to differ materially from those expressed in any forward-looking statements, whether oral or written, made by us or on our behalf. The forward-looking statements are subject to risks and uncertainties including, without limitation, the following: (a) changes in levels of competition from current competitors and potential new competition, (b) possible loss of customers, and (c) the company's ability to attract and retain key personnel, (d) The Company's ability to manage other risks, uncertainties and factors inherent in the business and otherwise discussed in this 10-Q and in the Company's other filings with the SEC. The foregoing should not be construed as an exhaustive list of all factors that could cause actual results to differ materially from those expressed in forward-looking statements made by us. All forward-looking statements included in this document are made as of the date hereof, based on information available to the Company on the date thereof, and the Company assumes no obligation to update any forward-looking statements.

Overview

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

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

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

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

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

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

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

Critical Accounting Policies

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

REVENUE RECOGNITION. Revenues are recognized when title and risk of loss transfers to the customer and the earnings process is complete. In general, title passes to our customers upon the customer's receipt of the merchandise. Revenue is accounted by reporting revenue gross as a principal versus net as an agent. Revenue is recognized on a gross basis since our company has the risks and rewards of ownership, latitude in selection of vendors and pricing, and bears all credit risk. Our company records all shipping and handling fees billed to customers as revenues, and related costs as cost of goods sold, when incurred.

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

STOCK BASED COMPENSATION. The Company records compensation expense associated with stock options and other equity-based compensation. Share-based compensation expense is determined based on the grant-date fair value estimated using the Black Scholes method. The Company recognizes compensation expense on a straight-line basis over the requisite service period of the award.

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RESULTS OF OPERATIONS

The following table sets forth certain selected unaudited condensed statement of operations data for the periods indicated in dollars and as a percentage of total net revenues. The following discussion relates to our results of operations for the periods noted and is not necessarily indicative of the results expected for any other interim period or any future fiscal year. In addition, we note that the period-to-period comparison may not be indicative of future performance.

	Three Months Ended March 31	
	2012	2011
Revenue	$ 517,317	$ 647,770
Cost of Revenues	$ 419,658	$ 464,782
Gross Profit	$ 97,659	$ 182,988
Selling, General and Administrative Expenses	$ 1,001,845	$ 618,118
(Loss) from Operations	$ (904,186)	$ (435,130)

We generated revenues of $517,317 in the first quarter of 2012 compared to $647,770 in the same three month period ending March 31, 2011. The decrease in revenues of $130,453 in 2012 compared to 2011 was due to the downturn in the overall economy.

Cost of revenues was $419,658 or 81.1% of revenues in the first quarter of 2012 compared to $464,782 or 71.7% of revenues in the same three months of 2011. Cost of revenues includes purchases and freight costs associated with the shipping of merchandise to our customers. Decrease in cost of revenues of $45,124 in 2012 is related to a decrease in merchandise purchased due to the downturn in sales to our customers during the current quarter ending March 31, 2012.

Gross profit was $97,659 in the first quarter of 2012 or 18.9% of net revenues compared to $182,988 in the same three months of 2011 or 28.3% of revenues. Gross profits will vary period-to-period depending upon a number of factors including the mix of items sold, pricing of the items and the volume of product sold. Also, it is our practice to pass freight costs on to our customers. Reimbursement of freight costs which are included in revenues have lower profit margins than sales of our promotional products and has the effect of reducing our overall gross profit margin on sales of products, particularly on smaller orders.

Selling, general, and administrative expenses were $1,001,845 in the first quarter of 2012 compared to $618,118 in the same three months of 2011. Such costs include payroll and related expenses, commissions, insurance, rents, professional, consulting and public awareness fees.

Net loss was $(904,186) in the first quarter of 2012 compared to a net loss of $(435,130) for the same three months in 2011. The first quarter net loss for 2012 includes stock based payments (non-cash) of $278,307 as compared to $124,523 for the comparable period of 2011. Our 2012 net loss increased by $469,056 due to our increased efforts in promoting our business verticles which generated increased costs in salaries of $64,622 rents $150,000 and depreciation on our new proximity equipment of $31,043. No benefit for income taxes is provided for in 2012 and 2011 due to the full valuation allowance on the net deferred tax assets.

Mobiquity Networks

In February 2012, we announced our plans to have the architecture for our proprietary mobile marketing solutions; “Mall-Offers Wi-Fi” and “malloffers.com” completed by the end of the first quarter of 2012 and that we would begin to rollout the solutions on our nationwide Mobiquity Network by the end of second quarter of 2012. Mobiquity Networks is currently operational in 75 malls across the US and has access to approximately 96 million shopper visits per month.

The Mall-Offers Platform will list specials from retailers in each mall throughout the Mobiquity Network. The specials will be accessible on the secured Wi-Fi network that Mobiquity has already installed in each of its 75 malls across the US. Shoppers with smart phones will simply connect to "Mall-Offers Wi-Fi" and browse by either retailer or category on their mobile device. The solution will not require the shopper to download an app and access to Mall Offers will be completely free for the user. Malloffers.com is a website that aggregates all of the special offers, coupons and discounts offered by all of the participating retailers in all of the malls within the Mobiquity Network. Consumers will have the ability to search for specials by mall, store name or category prior to going to the mall or on their mobile devices. This will help the consumer to choose which mall to visit as well as which store within the mall to purchase their item of interest. The website will also offer consumers the ability to register for special alerts from their favorite stores. The consumer can choose to receive an email or text whenever their favorite store has a special offer.

Our Mall-Offers Platform should help address the mobile marketing industry's single largest issue, which is delivering relevant offers to consumers at the point of purchase. Management believes that most mall retailers desire to have a mobile marketing strategy but haven't figured out how to get in front of consumers at the point of sale. The Mall-Offers Platform gives us the ability to offer the hundreds of retailers in each mall within the Mobiquity Network a true mobile marketing solution. In 2012 both companies and their sales agencies now realize the implementation of a mobile strategy is now a necessity. The activation needs to go beyond simple banner and pop-up ads on a mobile website or the development of an app. Consumers are seeking relevant content and valuable offers, not ambush advertising. The new Mall Offers Wi-Fi Network will give retailers and company brands access to consumers and consumers' access to the offers they want to see.

As a result of the foregoing, Management is excited to have several million dollars of proposals that we have provided to fortune 500 and other companies (and their advertising agencies) and Management believes that with a three to six month sales cycle that we are operating under with most of these large companies, that a significant ramp up of sales across our network will be realized during the 3rd and 4th quarters of 2012.

Liquidity and Capital Resources

The Company had cash and cash equivalents of $493,908 at March 31, 2012. Cash used in operating activities for the three months ended March 31, 2012 was $543,657. This resulted primarily from a net loss of $904,070, offset by stock based compensation of $278,307 a decrease in accounts receivable of $249,914 and an increase in prepaid expenses and other assets of $53,979 and an increase of accounts payable and accrued expenses of $160,178. The Company had an increase in investing activities of $25,610 with the purchase of equipment.

The Company had cash and cash equivalents of $992,535 at March 31, 2011. Cash used in operating activities for the three months ended March 31, 2011 was $182,471. This resulted primarily from a net loss of $435,006, offset by stock based compensation of $124,523 an increase in accounts receivable of $47,507 and an increase in prepaid expenses and other assets of $18,301 and a decrease of accounts payable and accrued expenses of $176,514. The Company had an increase in investing activities of $36,575 with the purchase of equipment.

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

We anticipate that our future liquidity requirements will arise from the need to finance our accounts receivable and inventories, hire additional sales persons, capital expenditures and possible acquisitions. The primary sources of funding for such requirements will be cash generated from operations, raising additional capital from the sale of equity or other securities and borrowings under debt facilities which currently do not exist. We believe that we can generate sufficient cash flow from these sources to fund our operations for at least the next twelve months. In the event we should need additional financing, we can provide no assurances that we will be able to obtain financing on terms satisfactory to us, if at all.

Recent Financings

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

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

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

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

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

In July 2011, the Company commenced a private placement offering. Pursuant to said offering between July14, 2011 and August 1, 2011, the Company raised $975,000 in gross proceeds from the sale of 1,950,000 shares of common stock and a like number of warrants, exercisable at $.60 per share through July 31, 2014. Of the $975,000, $250,000 was invested by Thomas Arnost who later became a director of the Company in December 2011. Mr. Arnost received 500,000 shares of Common Stock and Warrants to purchase 500,000 shares in the offering. Exemption is claimed for the sale of securities pursuant to Rule 506 and/or Section 4(2) of the Securities Act of 1933, as amended.

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

The Company is required to file a Registration Statement with the Securities and Exchange Commission ("SEC") to register the resale of the shares of Common Stock sold in the private placement offering and the resale of the shares of Common Stock issuable upon exercise of the Class AA Warrants (collectively the "Registrable Shares"). If a Registration Statement covering the Registrable Shares is not filed with the SEC on or before March 15, 2012 or is not declared effective within 120 days of January 30, 2012 (subject to a 60 day extension in the event the SEC is performing a full review of the Registration Statement), the Company shall pay to each investor as liquidated damages, a payment equal to 1.5% of the aggregate amount invested by such investor in the offering, cumulative for every 30 day period until such Registration Statement has been filed or declared effective or a portion thereof. Such liquidated damages shall not exceed 15% per annum. The Company, at its sole discretion, shall pay the liquidated damage payment in cash and/or Common Stock of the Company based upon the closing sale price of the Company's Common Stock on the trading day preceding the date triggering the payment of the liquidated damages.

In April 2012, the Company received $270,000 from the exercise of Warrants and issued 900,000 shares of its Common Stock. Between April 1, 2012 and May 10, 2012, the Company sold 450,000 shares of Series 1 Convertible Preferred Stock at $1.00 per share pursuant to an ongoing plan of financing. The Company is seeking to raise additional funds through such financing, although no assurances can be given that it will be successful.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

ITEM 4. CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures, which are designed to ensure that information required to be disclosed in the reports we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

Under the supervision and with the participation of our management, including our CEO and CFO, an evaluation was performed on the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this quarterly report. Based on that evaluation, our management, including our CEO and CFO, concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

There were no changes in the Company's internal controls over financial reporting during the most recently completed fiscal quarter that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

As of the filing date of this Form 10-Q, we are not a party to any pending legal proceedings.

ITEM 1A. RISK FACTORS

As a Smaller Reporting Company as defined Rule 12b-2 of the Exchange Act and in item 10(f)(1) of Regulation S-K, we are electing scaled disclosure reporting obligations and therefore are not required to provide the information requested by this Item 1A.

ITEM 2. CHANGES IN SECURITIES.

(a) From January 1, 2012 through March 31, 2012, we had no sales or issuances of unregistered common stock, except we made sales or issuances of unregistered securities listed in the table below:

Date of Sale	Title of Security	Number Sold	Consideration Received and Description of Underwriting or Other Discounts to Market Price or Convertible Security, Afforded to Purchasers	Exemption from Registration Claimed	If Option, Warrant or Convertible Security, terms of exercise or conversion
January 2012	Common Stock and Class AA Warrants	958,338 shares and 287,504 warrants	$575,000; cash Compensation totaling $76,750 (excluding legal fees) were paid.	Rule 506	Warrants exercisable at $.60 per share through January 18, 2016
February 2012	Common Stock	150,000 shares	Services rendered; no commissions paid	Rule 506	Not applicable
March 2012	Common Stock	12,783 shares	Penalty shares; no commissions paid	Rule 506	Not applicable

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

(c) In the three months ended March 31, 2012, there were no repurchases by the Company of its Common Stock.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

Not applicable

ITEM 4. MINING SAFETY DISCLOSURES.

Not applicable.

ITEM 5. OTHER INFORMATION.

See “Note 15 in the Notes to consolidated financial statements.”

ITEM 6. EXHIBITS.

Exhibit No.	Description
3.1	Articles of Incorporation filed March 26, 1998 (1)
3.2	Amendment to Articles of Incorporation filed June 10, 1999 (1)
3.3	Amendment to Articles of Incorporation approved by stockholders on February 9, 2005(1)
3.4	Amended By-Laws (1)
10.1	Employment Agreement - Michael Trepeta (2)
10.2	Employment Agreement - Dean Julia (2)
10.3	Amendments to Employment Agreement - Michael Trepeta (5)(7)
10.4	Amendments to Employment Agreement - Dean L. Julia (5)(7)
10.5	Joint Venture Agreement with Atrium Enterprises Ltd. (6)
10.6	Agreement with Aon Consulting (6)
10.7	Amendment to Exhibits 10.3 and 10.4 dated April 7, 2010 (10)
10.8	Office Lease for Garden City, NY (11)
11.1	Statement re: Computation of per share earnings. See Statement of Operations and Notes to Financial Statements
14.1	Code of Ethics/Code of Conduct (5)
21.1	Subsidiaries of the Issuer (11)
31.1(a)	Co-Principal Executive Officer Rule 13a-14(a)/15d-14(a) Certification (12)
31.1(b)	Co-Principal Executive Officer Rule 13a-14(a)/15d-14(a) Certification (12)
31.2	Principal Financial Officer Rule 13a-14(a)/15d-14(a) Certification (12)
32.1(a)	Co-Principal Executive Officer Section 1350 Certification (12)
32.1(b)	Co-Principal Executive Officer Section 1350 Certification (12)
32.2	Principal Financial Officer Section 1350 Certification (12)
99.1	2005 Employee Benefit and Consulting Services Compensation Plan(2)
99.2	Form of Class A Warrant (2)
99.3	Form of Class B Warrant (2)
99.4	Amendment to 2005 Plan (4)
99.5	Form of Class C Warrant (8)
99.6	2009 Employee Benefit and Consulting Services Compensation Plan (3)
99.7	Form of Class D Warrant (3)
99.8	Form or Class E Warrant(9)
99.9	Form of Class F Warrant (9)
99.10	Form of Class G Warrant (9)
99.11	Form of Class H Warrant (9)
99.12	Form of Class AA Warrant (11)
99.13	Press Release dated February 21, 2012 (11)
101.SCH	Document, XBRL Taxonomy Extension (12)
101.CAL	Calculation Linkbase, XBRL Taxonomy Extension Definition (12)
101.DEF	Linkbase, XBRL Taxonomy Extension Labels (12)
101.LAB	Linkbase, XBRL Taxonomy Extension (12)
101.PRE	Presentation Linkbase (12)

(1) Incorporated by reference to Registrant's Registration Statement on Form 10-SB as filed with the Commission on February 10, 2005.

(2) Incorporated by reference to Registrant’s Registration Statement on Form 10-SB/A filed with the Commission March 18, 2005.

(3) Incorporated by reference to Form 10-K filed for the fiscal year ended December 31, 2009.

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

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

	ACE MARKETING & PROMOTIONS, INC.
Date: May 11, 2012	By: /s/ Dean L. Julia Dean L. Julia, Co- Principal Executive Officer
Date: May 11, 2012	By: /s/ Michael D. Trepeta Michael D. Trepeta, Co-Principal Executive Officer
Date: May 11, 2012	By: /s/ Sean McDonnell Sean McDonnell, Principal Financial Officer