ACE MARKETING & PROMOTIONS INC
Form 10-Q
November 15, 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 SEPTEMBER 30, 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)

(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 September 30, 2012, the registrant had a total of 27,515,219 shares of Common Stock outstanding.

ACE MARKETING & PROMOTIONS, INC.

FORM 10-Q QUARTERLY REPORT

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ACE MARKETING &
PROMOTIONS, INC.

Condensed Consolidated Balance Sheets (Unaudited)

	September 30, 2012 Unaudited	December 31, 2011 Audited
Assets		
Current Assets:		
Cash and cash equivalents	$630,310	$605,563
Accounts receivable, net of allowance for doubtful accounts of $20,000 at September 30, 2012 and December 31, 2011, respectively	**461,592**	534,924
Prepaid expenses and other current assets	273,912	342,641
Total Current Assets	1,365,814	1,483,128
Property and Equipment, net	783,893	714,865
Other Assets	27,501	7,745
Total Assets	$2,177,208	$2,205,738
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable	$392,983	$399,924
Accrued expenses	131,480	121,821
Total Current Liabilities	524,463	521,745
Long Term Liability		
Note Payable	284,297	–
Commitments and Contingencies	–	–
Stockholders' Equity:		
Preferred Stock, $.0001 par value; 5,000,000 shares authorized, 470,000 and 0 shares issued and outstanding at September 30, 2012 and December 31, 2011 respectively	47	–
Common stock, $.0001 par value; 100,000,000 shares authorized; 27,515,219 and 23,284,236 shares issued and outstanding at September 30, 2012 and December 31, 2011, respectively	**2,751**	2,328
Additional paid-in capital	13,687,888	10,997,407

Accumulated deficit	(12,290,737)	(9,284,241)
	1,399,949	1,715,494
Less: Treasury Stock, at cost, 23,334 shares	(31,501)	(31,501)
Total Stockholders' Equity	1,368,448	1,683,993
Total Liabilities and Stockholders' Equity	$2,177,208	$2,205,738

See notes to condensed consolidated financial statements.

ACE MARKETING &

PROMOTIONS, INC.

Condensed Consolidated Statements of Operations (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Revenues, net	$770,392	$650,370	$2,014,091	$2,284,573
Cost of Revenues	567,628	484,032	1,533,893	1,761,655
Gross Profit	202,764	166,338	480,198	522,918
Operating Expenses:				
Selling, general and administrative expenses	844,576	852,186	3,331,975	2,107,440
Total Operating Expenses	844,576	852,186	3,331,975	2,107,440
Loss from Operations	(641,812)	(685,848)	(2,851,777)	(1,584,522)
Other Income (Expense):				
Interest expense	(24,869)	(151)	(29,978)	(1,070)
Beneficial Conversion Feature			(120,254)	
Interest income	106	217	332	485
Loss on abandoment of fixed assets			(4,819)	
Total Other Income (Expense)	(24,763)	66	(154,719)	(585)
Net Loss	$(666,575)	$(685,782)	$(3,006,496)	$(1,585,107)
Net Loss Per Common Share:				
Basic	$(0.03)	$(0.03)	$(0.12)	$(0.09)
Weighted Average Common Shares Outstanding:				
Basic	26,507,410	21,025,193	25,621,557	18,074,187

See notes to condensed consolidated financial statements.

ACE MARKETING &
PROMOTIONS, INC.

Condensed
Consolidated
Statements of
Cash Flows
(Unaudited)
Nine Months Ended September 30,

	2012	2011
Cash Flows from Operating Activities:		
Net loss	$(3,006,496)	$(1,585,107)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	168,917	85,380
Stock-based compensation	943,936	261,610
Beneficial conversion feature	120,254	
Amortization of deferred financing costs	18,772	
Abandonment of assets	4,819	
Changes in operating assets and liabilities:		
(Increase) decrease in operating assets:		
Accounts receivable	73,332	(44,045)
Prepaid expenses and other assets	48,973	(268,173)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	2,718	114,220
Total adjustments	1,381,721	148,992
Net Cash Used in Operating Activities	(1,624,775)	(1,436,115)
Cash Flows from Investing Activities:		
Acquisition of property and equipment	(242,764)	(497,715)
Net Cash Used in Investing Activities	(242,764)	(497,715)
Cash Flows from Financing Activities:		
Proceeds from Loan	265,525	–
Proceeds from issuance of stock	1,626,761	2,264,250
Net Cash Provided by Financing Activities	1,892,286	2,264,250
Net Increase (Decrease) in Cash and Cash Equivalents	24,747	330,420
Cash and Cash Equivalents, beginning of period	605,563	763,581

Cash and Cash Equivalents, end of period	$630,310	$1,094,001
Supplemental Disclosure Information:		
Cash paid for interest	$29,978	$1,070
Cash paid for taxes	$–	$–

See notes to condensed consolidated financial statements.

ACE MARKETING & PROMOTIONS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2012 AND 2011

(UNAUDITED)

NOTE 1: BASIS OF PRESENTATION

The accompanying condensed consolidated financial statements and footnotes thereto are unaudited.

The Condensed Consolidated Balance Sheets as of September 30, 2012 and December 31, 2011, the Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2012 and 2011 and the Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 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 consolidated financial statements contain all adjustments necessary to present fairly in all material respects our financial position as of September 30, 2012, results of operations for the three and nine months ended September 30, 2012 and 2011 and cash flows for the nine months ended September 30, 2012 and 2011. All such adjustments are of a normal recurring nature. The results of operations and cash flows for the three and nine months ended September 30, 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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2012 AND 2011

(UNAUDITED)

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 600 zones throughout 75 malls with over 96 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 include the 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.

ACE MARKETING & PROMOTIONS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2012 AND 2011

(UNAUDITED)

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.

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ACE MARKETING & PROMOTIONS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2012 AND 2011

(UNAUDITED)

NOTE 2: ACCOUNTING PRONOUNCEMENTS

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 - Revenue is recognized when title and risk of loss transfers to the customer and the earnings process is complete. In general, title passes to our customers upon the customer's receipt of the merchandise. The Company applies the revenue recognition principles which provides for revenue to be recognized when (i) persuasive evidence of an arrangement exists, (ii) delivery has been completed, (iii) the customer accepts and verifies receipt, (iv) collectability is reasonably assured. The Company records all shipping and handling fees billed to customers as revenues and related costs as cost of goods sold, when incurred.

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.

Basis of Presentation - In the opinion of management, all adjustments consisting of normal recurring adjustments necessary for a fair statement of (a) the result of operations for the three and nine month periods ended September 30

2012 and 2011; (b) the financial position at September 30, 2012; and (c) cash flows for the nine month periods ended September 30, 2012 and 2011, have been made.

Consolidation - The Company's financial statements includes the accounts and activities of its wholly-owned subsidiary, Mobiquity Networks, Inc. All inter-company transactions have been eliminated.

ACE MARKETING & PROMOTIONS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2012 AND 2011

(UNAUDITED)

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 15,600,000 and 14,200,000 because they are anti-dilutive as a result of a net loss for the three months ended September 30, 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 September 30, 2012 and 2011 include employee share-based compensation expense totaling approximately $(23,000) and $85,000, respectively. The Company's results for the nine month periods ended September 30, 2012 and 2011 include employee share-based compensation expense totaling approximately $944,000 and $262,000, 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 and nine months ended September 30, 2012 and 2011:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Employee stock-based compensation - option grants	$	$47,197	$238,500	$89,963
Employee stock-based compensation - stock grants		–		14,789
Non-Employee stock-based compensation - option grants		31,180	77,364	104,232
Non-Employee stock-based compensation - stock grants	(27,253)	–	577,388	14,365
Non-Employee stock-based compensation-stock warrant	50,684	6,372	50,684	38,261
Total	$23,431	$84,749	$943,936	$261,610

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ACE MARKETING & PROMOTIONS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2012 AND 2011

(UNAUDITED)

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.

ACE MARKETING & PROMOTIONS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2012 AND 2011

(UNAUDITED)

The weighted average assumptions made in calculating the fair values of options granted during the three and nine months ended September 30, 2012 and 2011 are as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2012	2011	2012	2011
Expected volatility	–%	187.04%	456.70%	108.97%
Expected dividend yield	–	–	–	–
Risk-free interest rate	–%	92.0 %	184.70%	3.01 %
Expected term (in years)	–	7.73	6.24	7.73

	Share	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding, January 1, 2012	3,505,000	.84	4.50	$ 0
Granted	370,000	.69	9.50	0
Exercised	–			
Cancelled & Expired	50,000			
Outstanding, September 30, 2012	3,825,000	.82	4.66	$ 77,250
Options exercisable, September 30, 2012	3,825,000	.82	4.66	$ 77,250

The weighted-average grant-date fair value of options granted during the nine months ended September 30, 2012 and 2011 was $.69 and $0.33, respectively.

The aggregate intrinsic value of options outstanding and options exercisable at September 30, 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 $0.45 closing price of the Company's common stock on September 30, 2012.

As of September 30, 2012, the fair value of unamortized compensation cost related to unvested stock option awards was zero.

ACE MARKETING & PROMOTIONS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2012 AND 2011

(UNAUDITED)

The weighted average assumptions made in calculating the fair value of warrants granted during the three and nine months ended September 30, 2012 and 2011 are as follows:

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2012	2011	2012	2011
Expected volatility	52.88%	56.83%	52.88%	56.83%
Expected dividend yield	-	-	-	-
Risk-free interest rate	.3%	1.07%	.3%	1.07%
Expected term (in years)	3.5	3	3.5	3

	Share	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding, January 1, 2012	12,570,642	$ .48	1.84	$1,790,733
Granted	1,730,556	$ .60	3.59	
Exercised	-	-		
Cancelled	(2,524,877)	-		
Outstanding, September 30, 2012	11,776,321	$ .45	1.71	925,250
Warrants exercisable, September 30, 2012	11,776,321	$ .45	1.71	$925,250

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ACE MARKETING & PROMOTIONS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2012 AND 2011

(UNAUDITED)

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.

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. In June 2012, we renewed the investor relation contract for an additional one year substantially on the same terms.

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.

In April 2012, the Company entered into consulting and public relation contracts pursuant to which the Company issued an aggregate of 240,000 restricted shares of its Common Stock. These contracts have been terminated and the Company received a return of 71,040 shares in settlement of all obligations to each other. This recoupment of shares totaling $122,328 in compensation is reflected in the third quarter 2012 results of operations.

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.

ACE MARKETING & PROMOTIONS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2012 AND 2011

(UNAUDITED)

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

In March 2011, the Company commenced a private placement offering. Pursuant to said offering 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 July 14, 2011 and August 1, 2011, the Company raised $975,000 in gross proceeds from the sale of 1,950,000 shares of common stock and a like number of warrants, exercisable at $.60 per share through July 31, 2014. 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 through June 30, 2012 and July through September 2012, the Company issued 51,736 shares and 63,670 shares of common stock, respectively, 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.

On July 10, 2012, the Company sold 1,347,201 shares of its Common Stock to various investors at $.45 per share subject to anti-dilution protection rights for a period of 24 months. The Company received gross proceeds of $606,240 before offering costs. Each investor received Fixed Price Warrants to purchase 50% of the number of shares of Common Stock purchased in the Offering. The Fixed Price Warrants are exercisable at any time from the date of issuance through July 10, 2017 at an exercise price of $.55. Each investor also received a Warrant to purchase 20% of the number of shares that were purchased in the Offering (the “Milestone Warrants”). The Milestone Warrants will automatically be exercised without any additional consideration to be paid in the event the Company reports audited gross revenues of less than $5,000,000 for the period July 1, 2012 through June 30, 2013 unless the volume weighted average price for the Company’s Common Stock exceeds $1.00 per share for a period of at least 30 trading days prior to January 5, 2013.

ACE MARKETING & PROMOTIONS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2012 AND 2011

(UNAUDITED)

Private Placement – Preferred Convertible Stock

Between April 1, 2012 and May 15, 2012, the Company sold 470,000 shares of Series 1 Convertible Preferred Stock at $1.00 per share. The Company received $390,500 cash, net of closing costs of $79,500.

The Series 1 Convertible Preferred Stock has the following rights, preferences and privileges:

- Automatic Conversion into Common Stock. Each Preferred Share shall automatically convert on March 31, 2013 into shares of the Company's Common Stock (the "Common Shares") based on a conversion price of the lower of $.60 per share or an amount equal to 90% of the average closing sales price for the Company's Common Stock on the OTC Bulletin Board (or Pink Sheets) for the 20 trading days immediately preceding March 31, 2013, with a floor of $.45 per share.

- Optional Conversion into Common Stock. Commencing July 1, 2012, each Preferred Share shall at the option of the holder become convertible into Common Shares based on a conversion price of the lower of $.60 per share or 85% of the average closing sales price for the Company's Common Stock on the OTC Bulletin Board (or Pink Sheets) for the 20 trading days immediately preceding the Conversion Date, with a floor of $.45 per share.

- Conversion Premium. Upon calculation of the number of Common Shares, the Preferred Shareholder is entitled to receive upon conversion of Series 1 Preferred Stock into Common Stock, the investor will receive an additional 8% premium. Accordingly, once the number of Common Shares is determined based upon the automatic conversion or optional conversion formulas set forth above, the investor will have that number of Common Stock multiplied by 1.08 (i.e. 108%) to determine the actual number of Common Shares to be issued upon conversion.

- Voting. The Preferred Shares shall have no voting rights until converted into Common Shares, except as otherwise required by applicable state law.

- Dividends. The Preferred Shares shall have no dividend rights until converted into Common Shares, except as otherwise required by applicable state law.

- Liquidation Preference. The Preferred Shares shall have no liquidation preference and shall be treated the same as a holder of Common Shares.

- Call Option. The Company may call the Preferred Shares for redemption at a price of $1.08 per share at any time on or after July 1, 2012, subject to the investor's right of conversion upon no less than 10 days prior written notice of redemption to each Preferred Shareholder, which notice may only be provided to the holders so long as the Company completes a financing or series of financings totaling at least $2 million in gross proceeds (excluding monies raised from the sale of the Series 1 Preferred Stock).

- Anti-Dilution. In the event of a stock split, stock dividend, combination, reclassification or the like (the "Corporate Event"), the Board of Directors of the Company shall make appropriate adjustment to the number of Common Shares into which the Preferred Shares shall convert to put the Preferred Shareholder in the same position as if the Preferred Shares were converted into Common Shares immediately before the Corporate Event took place.

ACE MARKETING & PROMOTIONS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2012 AND 2011

(UNAUDITED)

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.

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.

ACE MARKETING & PROMOTIONS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2012 AND 2011

(UNAUDITED)

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 September 30, 2012 and 2011 include employee share-based compensation expense totaling approximately $(35,000) and $85,000, respectively. The Company's results for the nine months ended September 30, 2012 and 2011 include employee share-based compensation expense totaling approximately $926,000 and $262,000, 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.

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 September 30, 2012		
	Ace Marketing & Promotions, Inc.	Mobiquity Networks Inc.	Total
Net Sales	$ 730,392	$ 40,000	$ 770,392
Operating (loss)	(186,108)	(455,704)	(641,812)
Interest income	106		106
Interest (expense)	(24,869)		(24,869)
Depreciation and Amortization	16,432	46,241	62,673
Net Loss	(210,871)	(455,704)	(666,575)
Total assets at September 30, 2012	1,533,382	643,827	2,177,209

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

ACE MARKETING & PROMOTIONS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

THREE AND NINE MONTHS ENDED SEPTEMBER 30, 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 $.75 per share on May 7, 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.

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. 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.

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.

In April 2012, Warrants to purchase 900,000 shares were exercised at $.30 per share for proceeds of $270,000.

ACE MARKETING & PROMOTIONS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2012 AND 2011

(UNAUDITED)

NOTE 15: COMMITTED EQUITY FACILITY AGREEMENT/REGISTRATION RIGHTS AGREEMENT

On June 12, 2012, Ace Marketing & Promotions, Inc. (the "Company") finalized a committed equity facility (the "Equity Facility") with TCA Global Credit Master Fund, LP, a Cayman Islands limited partnership ("TCA"), whereby the parties entered into as of May 31, 2012 (i) a committed equity facility agreement (the "Equity Agreement") and (ii) a registration rights agreement (the "Registration Rights Agreement").

Committed Equity Facility Agreement

On June 12, 2012, the Company finalized a Equity Agreement with TCA. Pursuant to the terms of the Equity Agreement, for a period of twenty-four months commencing on the effective date of the Registration Statement (as defined herein), TCA shall commit to purchase up to $2,000,000 of the Company's common stock (the "Shares"), pursuant to Advances (as defined below), covering the Registrable Securities (as defined below). The purchase price of the Shares under the Equity Agreement is equal to ninety-five percent (95%) of the lowest daily volume weighted average price of the Company's common stock during the five (5) consecutive trading days after the Company delivers to TCA an Advance notice in writing requiring TCA to advance funds (an "Advance") to the Company, subject to the terms of the Equity Agreement.

The "Registrable Securities" include (i) the Shares; and (ii) any securities issued or issuable with respect to the Shares by way of exchange, stock dividend or stock split or in connection with a combination of shares, recapitalization, merger, consolidation or other reorganization or otherwise.

As further consideration for TCA entering into and structuring the Equity Facility, the Company shall pay to TCA a fee by issuing to TCA that number of shares of the Company's common stock that equal a dollar amount of one

hundred thousand dollars ($100,000) (the “Facility Fee Shares”). It is the intention of the Company and TCA that the value of the Facility Fee Shares shall equal $100,000. In the event the value of the Facility Fee Shares issued to TCA does not equal $100,000 after a ninth month evaluation date, the Equity Agreement provides for an adjustment provision allowing for necessary action to adjust the number of shares issued.

Registration Rights Agreement

On June 12, 2012, the Company finalized the Registration Rights Agreement with TCA. Pursuant to the terms of the Registration Rights Agreement, the Company is obligated to file a registration statement (the “Registration Statement”) with the U.S. Securities and Exchange Commission (the “SEC’) to cover the Registrable Securities. The Company must use its commercially reasonable efforts to cause the Registration Statement to be declared effective by the SEC. To date, no Registration Statement has been filed by the Company.

NOTE 16: CONVERTIBLE PROMISSORY NOTE

On June 12, 2012, Ace Marketing & Promotions, Inc. (the “Company”) closed on a security agreement dated as of May 31, 2012 (the “Security Agreement”) with TCA Global Credit Master Fund, LP, a Cayman Islands limited partnership (“TCA”), related to a $350,000 convertible promissory note issued by the Company in favor of TCA (the “Convertible Note”), which Convertible Note was funded by TCA on June 12, 2012. The maturity date of the Convertible Note is December 2013, and the Convertible Note bears interest at a rate of twelve percent (12%) per annum. The Convertible Note is convertible into shares of the Company’s common stock at a price equal to ninety-five percent (95%) of the average of the lowest daily volume weighted average price of the Company’s common stock during the five (5) trading days immediately prior to the date of conversion. The Convertible Note may be prepaid in whole or in part at the Company’s option without penalty. The Security Agreement grants to TCA a continuing, first priority security interest in all of the Company’s assets, wheresoever located and whether now existing or hereafter arising or acquired. The Company’s wholly-owned subsidiary, Mobiquity Networks, Inc., also entered into a similar Security Agreement and Guaranty Agreement.

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.

RESULTS OF OPERATIONS

The following table sets forth certain selected unaudited condensed consolidated 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 Sept. 30,	
	2012	2011
Revenue	$770,392	$650,370
Cost of Revenues	567,628	484,032
Gross Profit	202,764	166,338
Selling, General and Administrative Expenses	844,576	852,186
(Loss) from Operations	(641,812)	(685,848)

We generated revenues of $770,392 in the third quarter of 2012 compared to $650,370 in the same three month period ended September 30, 2011. The increase in revenues of $120,022 in 2012 compared to 2011 was due to the increased efforts of the Company's sales force.

Cost of revenues was $567,628 or 73.7% of revenues in the third quarter of 2012 compared to $484,032 or 74.4% 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. Cost of revenues in 2012 include $50,514 costs associated with purchasing air cards for our proximity marketing business and the installations costs of connecting the air cards to our servers. These costs have $40,000 of revenues associated with the costs for the 2012 third quarter.

Gross profit was $202,764 in the third quarter of 2012 or 26.3% of net revenues compared to $166,338 in the same three months of 2011 or 25.6% 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. If you exclude the proximity costs of $50,514 from our third quarter of 2012 cost of revenues, our gross profit percentage would have been approximately 32.8%.

Selling, general, and administrative expenses were $844,576 in the third quarter of 2012 compared to $852,186 in the same three months of 2011. Such costs include payroll and related expenses, commissions, insurance, rents,

professional, consulting and public awareness fees. The $7,610 decrease in costs relates primarily to an decrease in commissions of $101,869 and an decrease in stock compensation of $61,318, an increases in rents of $60,764, $69,481 in salaries and $22,169 in depreciation and amortization costs.

Net loss was $(641,812) in the third quarter of 2012 compared to a net loss of $(685,848) for the same three months in 2011, a decrease of $44,036. The third quarter net loss for 2012 includes a $120,022 increase in revenues and a $83,596 increase in cost of revenues and an increase in rents of $60,764, an increase in salaries of $69,481, decrease of $61,318 in stock based compensation. No benefit for income taxes is provided for in 2012 and 2011 due to the full valuation allowance on the net deferred tax assets.

	Nine Months Ended Sept. 30,	
	2012	2011
Revenue	$2,014,091	$2,284,573
Cost of Revenues	1,533,893	1,761,655
Gross Profit	480,198	522,918
Selling, General and Administrative Expenses	3,331,975	2,107,440
(Loss) from Operations	(2,851,777)	(1,584,522)

We generated revenues of $2,014,091 in the first nine months of 2012 compared to $2,284,573 in the same nine month period ended September 30, 2011. The decrease in revenues of $270,482 in 2012 compared to 2011 was due to the downturn in the overall economy.

Cost of revenues was $1,533,893 or 76.2% of revenues in the first nine months of 2012 compared to $1,761,655 or 77.1% of revenues in the same nine 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 $227,762 in 2012 is related to an decrease in sales and a decrease in purchases due to the mix of items our customer base has ordered during the nine months ended September 30, 2012. Cost of revenues in 2012 include $159,949 costs associated with purchasing air cards for our proximity marketing business and the installations costs of connecting the air cards to our servers. These costs have approximately $64,000 in revenues associated with the costs for the nine months ended September 30, 2012.

Gross profit was $480,198 in the first nine months of 2012 or 23.8% of net revenues compared to $522,918 in the same nine months of 2011 or 22.9% 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. If you exclude the proximity costs of $159,949 from our 2012 nine month cost of revenues, our gross profit percentage would have been approximately 31.8%.

Selling, general, and administrative expenses were $3,331,975 in the first nine months of 2012 compared to $2,107,440 in the same nine months of 2011. Such costs include payroll and related expenses, commissions, insurance, rents, professional, consulting and public awareness fees. The $1,224,535 increase in costs relates to a $722,531 increase in stock based compensation (non-cash), increase in (mall) rents of $377,282 and salaries increased by $183,967, are proximity related to the development of the Company’s Mobiquity Network segment.

Net loss from operations was $2,851,777 in the first nine months of 2012 compared to a net loss from operations of $1,584,522 for the same nine months in 2011, an increase of $1,267,255. The first nine months net loss for 2012 includes a decrease in revenues of approximately $270,000 and an increase of $722,531 in stock based compensation (non-cash), increase in rents of $377,282 and salaries increased by $183,967. 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 begin to rollout the solutions on our nationwide Mobiquity Network.

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 nine 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 in the upcoming months.

Liquidity and Capital Resources

The Company had cash and cash equivalents of $630,310 at September 30, 2012. Cash used by operating activities for the nine months ended September 30, 2012 was $1,624,775. This resulted primarily from a net loss of $3,006,496 partially offset by decreases in accounts receivable of $73,332 and $48,973 in prepaid expenses and other assets. Net cash of $242,764 was used by investing activities to acquire property and equipment. Net cash was provided by financing activities totaling $1,892,286 resulting from the issuance of common stock, $1,626,761 and net loan proceeds of $265,525.

The Company had cash and cash equivalents of $1,094,001 at September 30, 2011. Cash used by operating activities for the nine months ended September 30, 2011 was $1,436,115. This resulted primarily from a net loss of $1,585,105 partially offset by an increase in accounts receivable of $44,045 and $268,173 in prepaid expenses and other assets. Net cash of $497,715 was used by investing activities to acquire property and equipment. Net cash was provided by financing activities totaling $2,264,250 resulting from the issuance of common stock.

Our Company commenced operations in 1998 and was initially funded by our three founders, each of whom has made demand loans to our Company that have been repaid. Since 1999, we have relied 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, 2012, 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. As of September 30, 2012, the Registration Statement has not been filed and the Company has elected to issue an aggregate of 51,736 shares as a liquidation penalty for the period March 16, 2012 through June 30, 2012 and 63,670 shares as liquidation penalty for the third quarter of fiscal 2012.

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 15, 2012, the Company sold 470,000 shares of Series 1 Convertible Preferred Stock at $1.00 per share pursuant to an ongoing plan of financing. The rights, preferences and privileges of the Series 1 Preferred Stock are as set forth in Note 8 of the Notes to Condensed Consolidated Financial Statements.

On July 10, 2012, the Company sold 1,347,201 shares of its Common Stock to various investors at $.45 per share subject to certain anti-dilution rights for a period of twenty four months. The Company received gross proceeds of $606,240 before offering costs. Each investor received Fixed Price Warrants to purchase 50% of the number of shares of Common Stock purchased in the Offering. The Fixed Price Warrants are exercisable at any time from the date of issuance through July 10, 2017 at an exercise price of $.55. Each investor also received a Warrant to purchase 20% of the number of shares that were purchased in the Offering (the “Milestone Warrants”). The Milestone Warrants will automatically be exercised without any additional consideration to be paid in the event the Company reports audited gross revenues of less than $5,000,000 for the period July 1, 2012 through June 30, 2013 unless the volume weighted average price for the Company’s Common Stock exceeds $1.00 per share for a period of at least 30 trading days prior to January 5, 2013. Exemption from registration for the sale of securities is claimed under Rule 506 of Regulation D promulgated pursuant to Section 4(2) of the Securities Act of 1933, as amended.

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 September 30, 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	$575,000; cash Compensation totaling $76,750 (excluding legal fees) were paid.	Rule 506	Warrants exercisable at $.60 per share through January 18, 2016

		warrants			
February 2012	Common Stock	150,000 shares	Services rendered; no commissions paid	Section 4(2)	Not applicable
March -June 2012	Common Stock	51,736 shares	Penalty shares; no commissions paid	Rule 506	Not applicable
April 2012	Common Stock	240,000 shares	Services rendered; no commissions paid	Section 4(2)	Not applicable
April 2012	Common Stock	900,000 shares	$270,000 received From the exercise of warrants; no commissions paid	Rule 506	Not applicable
May 2012	Common Stock Options	370,000 options	Services rendered; no commissions paid	Section 4(2)	Not applicable
May 2012	Series 1 Preferred Stock (1)	470,000 shares	$470,000 received; no commissions paid	Rule 506	Not applicable
June 2012	Common Stock	196,078 shares	Committed Equity Facility Agreement Entered into; shares Issued as a fee in Connection with the Facility; no commissions paid	Section 4(2)	Not applicable
July 2012	Common Stock Warrants (3)	1,347,201 shares; 673,601 warrants	$606,240 received; no commissions paid	Rule 506	Warrants exercisable at $.55 per share through July 10, 2017

(1) The conversion terms of the Series 1 Preferred Stock are described elsewhere in this Form 10-Q.
(2) In the nine months ended September 30, 2012, there were no repurchases by the Company of its Common Stock.
(3) See Note 8 in the Notes to Consolidated Financial Statements for information regarding milestone warrants.

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

(c) In the nine months ended September 30, 2012, there were no repurchases by the Company of its Common Stock.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

Not applicable

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

ITEM 5. OTHER INFORMATION.

Not applicable.

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)
10.9	Registration Rights Agreement finalized June 12, 2012 by and among the Company and TCA (12)
10.10	Convertible Note with an issuance date as of May 31, 2012 issued by the Company in favor of TCA (13)
10.11	Equity Agreement finalized June 12, 2012 by and among the Company and TCA (12)
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 (15)
31.2(b)	Principal Financial Officer Rule 13a-14(a)/15d-14(a) Certification (15)
32.1(a)	Co-Principal Executive Officer Section 1350 Certification (15)
32.2(b)	Principal Financial Officer Section 1350 Certification (15)
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	Form of Fixed Price Warrant (14)
99.14	Form of Milestone Warrant (14)
101.INS	XBRL Instance Document(15)
101.SCH	Document, XBRL Taxonomy Extension (15)
101.CAL	Calculation Linkbase, XBRL Taxonomy Extension Definition (15)
101.DEF	Linkbase, XBRL Taxonomy Extension Labels (15)
101.LAB	Linkbase, XBRL Taxonomy Extension (15)
101.PRE	Presentation Linkbase (15)

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(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) Incorporated by reference to the Registrant's Form 8-K filed June 15, 2012)

(13) Incorporated by reference to Form 8-K filed June 14, 2012)
(14) Incorporated by reference to the Registrant's Form 10-Q for its quarter ended June 30, 2012.
(15) 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: November 14, 2012 By: /s/ Dean L. Julia
Dean L. Julia,
Co- Principal Executive Officer

Date: November 14, 2012 By: /s/ Michael D. Trepeta
Michael D. Trepeta,
Co-Principal Executive Officer

Date: November 14, 2012 By: /s/ Sean McDonnell
Sean McDonnell,
Principal Financial Officer