

# SECURITIES & EXCHANGE COMMISSION EDGAR FILING

## Mobiquity Technologies, Inc.

**Form: 10-Q**

**Date Filed: 2011-05-16**

Corporate Issuer CIK: 1084267

Symbol: MOBQ

Fiscal Year End: 12/31

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, 2011

COMMISSION FILE NUMBER: 000-51160

**ACE MARKETING & PROMOTIONS, INC.**

(Exact name of registrant as specified in its charter)

**NEW YORK**

(State of jurisdiction of Incorporation)

**11-3427886**

(I.R.S. Employer Identification No.)

**457 ROCKAWAY AVE.  
VALLEY STREAM, NY 11581**

(Address of principal executive offices)

**(516) 256-7766**

(Registrant's telephone number)

**NOT APPLICABLE**

(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  No

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  No

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   
Accelerated Filer

Accelerated Filer   
Smaller Reporting Company

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

Yes  No

As of May 12, 2011, the registrant had a total of 19,600,925 shares of Common Stock outstanding.

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ACE MARKETING & PROMOTIONS, INC.

FORM 10-Q QUARTERLY REPORT  
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# ACE MARKETING & PROMOTIONS, INC.

## Condensed Balance Sheets

	<u>March 31,</u> <u>2011</u>	<u>December 31,</u> <u>2010</u>
	<u>Unaudited</u>	<u>Audited</u>
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	\$ 992,535	\$ 763,581
Accounts receivable, net of allowance for doubtful accounts of \$20,000 at March 31, 2011 and December 31, 2010	346,399	298,892
Prepaid expenses and other current assets	<u>236,637</u>	<u>218,336</u>
Total Current Assets	1,575,571	1,280,809
Property and Equipment, net	268,995	249,726
Other Assets	7,745	7,745
Total Assets	<u>\$ 1,852,311</u>	<u>\$ 1,538,280</u>
<b>Liabilities and Stockholders' Equity</b>		
Current Liabilities:		
Accounts payable	\$ 289,243	\$ 243,795
Accrued expenses	229,336	98,270
Total Current Liabilities	<u>518,579</u>	<u>342,065</u>
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; 18,150,926 and 16,834,260 shares issued and outstanding at March 31, 2011 and December 31, 2010, respectively	1,815	1,683
Additional paid-in capital	8,873,157	8,300,766
Accumulated deficit	<u>(7,509,739)</u>	<u>(7,074,733)</u>
Less: Treasury Stock, at cost, 23,334 shares	<u>(31,501)</u>	<u>(31,501)</u>
Total Stockholders' Equity	<u>1,333,732</u>	<u>1,196,215</u>
Total Liabilities and Stockholders' Equity	<u>\$ 1,852,311</u>	<u>\$ 1,538,280</u>

See notes to condensed financial statements.

# ACE MARKETING & PROMOTIONS, INC.

## Condensed Statements of Operations

Three Months Ended March 31,	2011	2010
	Unaudited	Unaudited
Revenues, net	\$ 647,770	\$ 596,381
Cost of Revenues	<u>464,782</u>	<u>361,217</u>
Gross Profit	<u>182,988</u>	<u>235,164</u>
Operating Expenses:		
Selling, general and administrative expenses	<u>618,118</u>	<u>622,733</u>
Total Operating Expenses	<u>618,118</u>	<u>622,733</u>
Loss from Operations	<u>(435,130)</u>	<u>(387,569)</u>
Other Income (Expense):		
Interest expense	-	(61)
Interest income	<u>124</u>	<u>204</u>
Total Other Income (Expense)	<u>124</u>	<u>143</u>
Net Loss	<u>\$ (435,006)</u>	<u>\$ (387,426)</u>
Net Loss Per Common Share:		
Basic	<u>\$ (0.03)</u>	<u>\$ (0.03)</u>
Diluted	<u>\$ (0.03)</u>	<u>\$ (0.03)</u>
Weighted Average Common Shares Outstanding:		
Basic	<u>16,993,149</u>	<u>12,580,816</u>
Diluted	<u>16,993,149</u>	<u>12,580,816</u>

See notes to condensed financial statements.

**Statement of Stockholders' Equity**

*Year Ended December 31, 2010 and Three Months Ended March 31, 2011*

	Total Stockholders' Equity	Common Stock		Additional Paid-in Capital	(Deficit)	Treasury Stock	
		Shares	Amount			Shares	Amount
Balance, at December 31, 2009	\$ 887,036	11,615,703	\$ 1,163	\$ 6,229,851	\$ (5,312,477)	23,334	\$ (31,501)
Stock Purchase	1,364,800	4,672,499	467	1,364,333			
Stock Warrant	15,064			15,064			
Stock Grant	155,649	546,058	53	155,596			
Stock Compensation	535,922			535,922			
Net Loss	(1,762,256)	-	-	-	(1,762,256)	0	0
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	448,000	1,166,666	117	447,883			
Stock Warrant	19,153			19,153			
Stock Grant	14,365	150,000	15	14,350			
Stock Compensation	91,005			91,005			
Net Loss	\$ (435,006)				\$ (435,006)		
Balance, at March 31, 2011	\$ 1,333,732	18,150,926	\$ 1,815	\$ 8,873,157	\$ (7,509,739)	23,334	\$ (31,501)

*See notes to condensed financial statements.*

**ACE MARKETING &  
PROMOTIONS, INC.**

**Condensed Statements of Cash Flows**

	2011	2010
Three Ended March 31,	Unaudited	Unaudited
Cash Flows from Operating Activities:		
Net loss	\$ (435,006)	\$ (387,426)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	17,306	10,693
Stock-based compensation	124,523	141,149
Changes in operating assets and liabilities:		
(Increase) decrease in operating assets:		
Accounts receivable	(47,507)	218,051
Prepaid expenses and other assets	(18,301)	(98,369)
Decrease (Increase) in operating liabilities:		
Accounts payable and accrued expenses	176,514	(215,486)
Total adjustments	252,535	56,038
Net Cash Used in Operating Activities	(182,471)	(331,388)
Cash Flows from Investing Activities:		
Acquisition of property and equipment	(36,575)	(103,647)
Net Cash (Used) in Provided by Investing Activities	(36,575)	(103,647)
Cash Flows from Financing Activities:		
Proceeds from issuance of common stock	448,000	443,000
Net Cash Provided by Financing Activities	448,000	443,000
Net Increase in Cash and Cash Equivalents	228,954	7,965
Cash and Cash Equivalents, beginning of period	763,581	595,611
Cash and Cash Equivalents, end of period	\$ 992,535	\$ 603,576

*See notes to condensed financial statements.*

**ACE MARKETING & PROMOTIONS, INC.**  
**NOTES TO CONDENSED FINANCIAL STATEMENTS**  
**THREE MONTHS ENDED MARCH 31, 2011 AND 2010**  
**(UNAUDITED)**

**NOTE 1: BASIS OF PRESENTATION:**

The accompanying condensed financial statements and footnotes thereto are unaudited.

The Condensed Balance Sheets as of March 31, 2011 and December 31, 2010, the Condensed Statements of Operations for the three months ended March 31, 2011 and 2010 and the Condensed Statements of Cash Flows for the three months ended March 31, 2011 and 2010 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, 2011, results of operations for the three months ended March 31, 2011 and 2010 and cash flows for the three months ended March 31, 2011 and 2010. All such adjustments are of a normal recurring nature. The results of operations and cash flows for the three months ended March 31, 2011 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, 2010.

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") is a Promotional Marketing Company, that concentrate on three main business verticals; Branding, Interactive Solutions, and Mobile Marketing. Each vertical contains several solutions. In January 2011, we formed Mobiquity Networks, Inc. and we transferred our mobile marketing operations to this subsidiary.

Within the Branding vertical we have the ability to create a brand, and also provide all the branded merchandise or promotional products that go along with the branding process. This has been the core of the Ace business model since its inception. Our current focus within this vertical is to find new and innovative ways to leverage new technology platforms and our growing list of clients to drive growth beyond traditional channels.

Our Interactive vertical deals with any online marketing & branding initiatives. Utilizing the Ace CMS (Content Management System) Platform, we create custom websites that allow us to give total control of the site content back to our clients after they are created. Through the Ace CMS platform, the client has the ability to change all the content on the site without the need for a programmer and the high hourly fees that go along with them. If they have the ability to attach a file to an email, they have the ability to control content (text, audio, video pictures and backgrounds) on our sites. With this power, their websites become dynamic and powerful marketing vehicles instead of just an online static ad. For relevant clients, we also add an E-Commerce component to their websites. As an internal purchasing tool, this allows the client to control the products that are purchased internally by requiring all buyers to use the online company store. As an online sales tool, it provides a professional and economical way to sell products online to their customers or fans. As additional service offerings, we house these sites on Ace Marketing servers, and offer clients email marketing services and solutions. We either pass along the ability to generate email marketing campaigns to our client by providing them with a certain amount of emails per month and a Newsletter template, or we can create and manage the email marketing programs for them.



**ACE MARKETING & PROMOTIONS, INC.**  
**NOTES TO CONDENSED FINANCIAL STATEMENTS**  
**THREE MONTHS ENDED MARCH 31, 2011 AND 2010**  
**(UNAUDITED)**

Under the Mobile vertical, we provide Proximity Marketing and SMS Text platforms & services. We are an authorized distributor, provider and reseller in the United States of mobile advertising solutions, in the Mobile Advertising & Proximity Marketing Industry. Several years ago the term “Mobile Marketing” was really just a buzz word. Now, mobile marketing has become more of a reality, and many companies are expected to add “mobile” to their advertising and marketing mix. Our clients and potential clients are anticipated to conclude that if they are not marketing to their customers or fans on their cell phones, then they are behind the times. To address this exciting market opportunity, we have become involved in Proximity Marketing. Utilizing Proximity Marketing devices purchased by us, we are setting up Bluetooth and Wi-Fi Proximity Marketing networks that allow us to deliver content directly to consumers’ cell phones for free. There is no network charge by a cell phone carrier as we intend to set up our own devices throughout sports and entertainment venues, retail locations, and any other relevant locations, effectively creating our own local network. The Proximity Marketing devices appear set to become the next component of advertising and marketing expenditures as mobile marketing gains more and more momentum. This allows us to target and deliver rich media content at targeted locations at targeted times where it is most relevant. The technology allows us to control all locations and campaigns remotely whether they are down the block or across the country. With precise statistical reporting as to how many consumers downloaded the campaign, advertisers now have an exciting new and measurable medium to communicate with fans and consumers. It is our vision to build this network at various locations across the United States and have plans for our first permanent installations this calendar year. Our SMS Text platforms provide another effective tool for our clients to interact with their customers through their mobile devices. This technology can be used to complement Proximity Marketing or as a stand-alone marketing channel.

Management believes that the services, products and technology platforms that we have assembled provide our clients with an exceptional mix of solutions for reaching Ace’s customers in ways that were previously impossible. We give clients the ability to choose a solution “A La Carte”, where we will simply create their branded merchandise, or just create their website, and there are other times where a client will have us provide the entire suite of solutions. We now have the ability to create the brand identity as well as the merchandise to go along with it. Our platforms allow us to create the website and the ecommerce platform to sell it on, communicate with the customer or fan base via email marketing, and also create and manage a client’s mobile marketing initiatives using text messaging and proximity marketing. Additionally, we provide warehousing, fulfillment, and shipping directly from Ace for online programs. Providing the entire suite of solutions for a single client allows that client to exclusively use Ace where in the past they may have had to look to several different companies. Through the suite of solutions Ace can now deliver, we have transformed from a supplier into a partner, and our sales representatives are now seen as business solution consultants.

**NOTE 2: ACCOUNTING PRONOUNCEMENTS:**

In February 2010, the FASB issued ASU 2010-09, Subsequent Events (“Topic 855”): Amendments to Certain Recognition and Disclosure Requirements. The amendments remove the requirement for an SEC registrant to disclose the date through which subsequent events were evaluated as this requirement would have potentially conflicted with SEC reporting requirements. Removal of the disclosure requirement is not expected to affect the nature or timing of subsequent events evaluations preformed by the Company. This ASU became effective upon issuance.

**ACE MARKETING & PROMOTIONS, INC.**  
**NOTES TO CONDENSED FINANCIAL STATEMENTS**  
**THREE MONTHS ENDED MARCH 31, 2011 AND 2010**  
**(UNAUDITED)**

**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.

**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 10,866,000 and 5,800,000 because they are anti-dilutive as a result of a net loss for the three months ended March 31, 2011 and 2010, respectively.

**ACE MARKETING & PROMOTIONS, INC.**  
**NOTES TO CONDENSED FINANCIAL STATEMENTS**  
**THREE MONTHS ENDED MARCH 31, 2011 AND 2010**  
**(UNAUDITED)**

**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, 2011 and 2010 include employee share-based compensation expense totaling approximately \$125,000 and \$141,000, 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, 2011 and 2010:

	Three Months Ended March 31,	
	2011	2010
Employee stock-based compensation - option grants	\$ 42,766	\$ 49,280
Employee stock-based compensation - stock grants	-	-
Non-Employee stock-based compensation - option grants	41,872	(28,345)
Non-Employee stock-based compensation - stock grants	14,365	105,150
Non-Employee stock-based compensation-stock warrant	25,520	15,064
<b>Total</b>	<b>\$ 124,523</b>	<b>\$ 141,149</b>

**ACE MARKETING & PROMOTIONS, INC.**  
**NOTES TO CONDENSED FINANCIAL STATEMENTS**  
**THREE MONTHS ENDED MARCH 31, 2011 AND 2010**  
**(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 2009 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 FINANCIAL STATEMENTS**  
**THREE MONTHS ENDED MARCH 31, 2011 AND 2010**  
**(UNAUDITED)**

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

	Three Months Ended March 31,	
	2011	2010
Expected volatility	79.04%	132.18%
Expected dividend yield	-	-
Risk-free interest rate	3.41%	3.91%
Expected term (in years)	10.00	10.00

	Share	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding, January 1, 2011	3,120,000	.97	5.23	\$ 6,500
Granted	250,000	.26	9.92	
Exercised	-			
Cancelled & Expired	115,000	2.50	5.00	
Outstanding, March 31, 2011	<u>3,255,000</u>	<u>.86</u>	<u>5.56</u>	
Options exercisable, March 31, 2011	<u>3,005,000</u>	<u>.85</u>	<u>5.63</u>	<u>\$ 7,000</u>

The weighted-average grant-date fair value of options granted during the three months ended March 31, 2011 and 2010 was \$0.26 and \$0.54, respectively.

The aggregate intrinsic value of options outstanding and options exercisable at March 31, 2011 is calculated as the difference between the exercise price of the underlying options and the market price of the Company's common stock for the shares that had exercise prices, that were lower than the \$0.24 closing price of the Company's common stock on March 31, 2011.

As of March 31, 2011, the fair value of unamortized compensation cost related to unvested stock option awards was approximately \$125,000. Unamortized compensation cost as of March 31, 2011 is expected to be recognized over a remaining weighted-average vesting period of 1.0 year.

**ACE MARKETING & PROMOTIONS, INC.**  
**NOTES TO CONDENSED FINANCIAL STATEMENTS**  
**THREE MONTHS ENDED MARCH 31, 2011 AND 2010**  
**(UNAUDITED)**

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

	Three Months Ended March 31,	
	2011	2010
Expected volatility	56.83%	132.18%
Expected dividend yield	-	-
Risk-free interest rate	1.07%	2.65%
Expected term (in years)	3.00	5.00

	Share	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding, January 1, 2011	6,243,965	\$ 0.54	2.26	\$ 6,500
Granted	1,366,666	\$ 0.30	2.48	
Exercised	-	-		
Cancelled	-	-		
Outstanding, March 31, 2011	7,610,631	\$ 0.94	2.10	
Warrants exercisable, March 31, 2011	7,610,631	\$ 0.94	2.10	\$ 7,000

**ACE MARKETING & PROMOTIONS, INC.**  
**NOTES TO CONDENSED FINANCIAL STATEMENTS**  
**THREE MONTHS ENDED MARCH 31, 2011 AND 2010**  
**(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 provides 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 vest immediately.

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 January 2011, the Company approved the issuance of 50,000 shares of Common Stock in exchange for consulting services.

**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.

**ACE MARKETING & PROMOTIONS, INC.**  
**NOTES TO CONDENSED FINANCIAL STATEMENTS**  
**THREE MONTHS ENDED MARCH 31, 2011 AND 2010**  
**(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.

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

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.

The Company's results for the three months ended March 31, 2011 and 2010 include employee share-based compensation expense totaling approximately \$125,000 and \$141,000, 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, 2011 AND 2010**  
**(UNAUDITED)**

**NOTE 11. 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, Messrs. Julia and Trepeta each received 10-year options to purchase 100,000 shares, exercisable at \$.26 per share. On the same date, a director also received 10-year options to purchase 50,000 shares exercisable at \$.26 per share.

**NOTE 12. SUBSEQUENT EVENTS**

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

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.

## 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, 2010 which includes our audited financial statements for the year ended December 31, 2010 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

We are a Promotional Marketing Company that concentrates on three main business verticals; Branding, Interactive Solutions, and Mobile Marketing. Each vertical contains several solutions. In January 2011, we formed Mobiquity Networks, Inc. and we transferred our mobile marketing operations to this subsidiary.

Within the Branding vertical we have the ability to create a brand, and also provide all the branded merchandise or promotional products that go along with the branding process. This has been the core of the Ace business model since its inception. Our current focus within this vertical is to find new and innovative ways to leverage new technology platforms and our growing list of clients to drive growth beyond traditional channels.

Our Interactive vertical deals with any online marketing & branding initiatives. Utilizing the Ace CMS (Content Management System) Platform, we create custom websites that allow us to give total control of the site content back to our clients after they are created. Through the Ace CMS platform, the client has the ability to change all the content on the site without the need for a programmer and the high hourly fees that go along with them. If they have the ability to attach a file to an email, they have the ability to control content (text, audio, video pictures and backgrounds) on our sites. With this power, their websites become dynamic and powerful marketing vehicles instead of just an online static ad. For relevant clients, we also add an E-Commerce component to their websites. As an internal purchasing tool, this allows the client to control the products that are purchased internally by requiring all buyers to use the online company store. As an online sales tool, it provides a professional and economical way to sell products online to their customers or fans. As additional service offerings, we house these sites on Ace Marketing servers, and offer clients email marketing services and solutions. We either pass along the ability to generate email marketing campaigns to our client by providing them with a certain amount of emails per month and a Newsletter template, or we can create and manage the email marketing programs for them.

Under the Mobile vertical, we provide Proximity Marketing and SMS Text platforms & services. We are an authorized distributor, provider and reseller in the United States of mobile advertising solutions, in the Mobile Advertising & Proximity Marketing Industry. Several years ago the term “Mobile Marketing” was really just a buzz word. Now, mobile marketing has become more of a reality, and many companies are expected to add “mobile” to their advertising and marketing mix. Our clients and potential clients are anticipated to conclude that if they are not marketing to their customers or fans on their cell phones, then they are behind the times. To address this exciting market opportunity, we have become involved in Proximity Marketing. Utilizing Proximity Marketing devices purchased by us, we are setting up Bluetooth and Wi-Fi Proximity Marketing networks that allow us to deliver content directly to consumers’ cell phones for free. There is no network charge by a cell phone carrier as we intend to set up our own devices throughout sports and entertainment venues, retail locations, and any other relevant locations, effectively creating our own local network. The Proximity Marketing devices appear set to become the next component of advertising and marketing expenditures as mobile marketing gains more and more momentum. This allows us to target and deliver rich media content at targeted locations at targeted times where it is most relevant. The technology allows us to control all locations and campaigns remotely whether they are down the block or across the country. With precise statistical reporting as to how many consumers downloaded the campaign, advertisers now have an exciting new and measurable medium to communicate with fans and consumers. It is our vision to build this network at various locations across the United States and have plans for our first permanent installations this calendar year. Our SMS Text platforms provide another effective tool for our clients to interact with their customers through their mobile devices. This technology can be used to complement Proximity Marketing or as a stand-alone marketing channel.

Management believes that the services, products and technology platforms that we have assembled provide our clients with an exceptional mix of solutions for reaching Ace’s customers in ways that were previously impossible. We give clients the ability to choose a solution “A La Carte”, where we will simply create their branded merchandise, or just create their website, and there are other times where a client will have us provide the entire suite of solutions. We now have the ability to create the brand identity as well as the merchandise to go along with it. Our platforms allow us to create the website and the ecommerce platform to sell it on, communicate with the customer or fan base via email marketing, and also create and manage a client’s mobile marketing initiatives using text messaging and proximity marketing. Additionally, we provide warehousing, fulfillment, and shipping directly from Ace for online programs. Providing the entire suite of solutions for a single client allows that client to exclusively use Ace where in the past they may have had to look to several different companies. Through the suite of solutions Ace can now deliver, we have transformed from a supplier into a partner, and our sales representatives are now seen as business solution consultants.

We intend to market its proximity boxes as a premiere mobile technology. This will allow us to create a new channel in the mobile marketplace for existing brands and marketers to leverage the inherent strengths of mobile advertising. We plan to leverage the technology to develop niche vertical sites. These services will be scalable for both large and small businesses to monetize high traffic areas. Additionally, the platform shall be dynamically scalable for worldwide partnerships, where a multi-location business will be able to send a different marketing campaign for each demographic. We have demonstrated the use of proximity marketing boxes and delivered branded content for:

- Def Leppard to support their band tour;
- International Speeding Corporation, owner and operator of 13 major motorsports facilities, including the Daytona International Speedway;
- Macy’s Thanksgiving Day Parade ;
- SantaLand at Macy’s;
- Madison Square Garden;
- IMAX theater
- Lonestar to support their band

### **Agreement with Top Mall Developer**

In April 2011, we signed an exclusive rights agreement with a Top Mall Developer 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 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 (The largest in Mall Advertiser in the US), Mobiquity Networks will deliver digital content and offers to shoppers on their mobile devices through Eye Corp's extensive Mall Advertising Network. Eye Corp and Mobiquity Networks have an exclusive agreement to build a location-based mobile marketing network throughout Eye Corp's Mall Advertising network. New properties to be added to the Mobiquity Networks portfolio will include iconic malls in the top designated market area in the US. These prestigious malls further complement Mobiquity Networks' already impressive 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.

### **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 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	
	2011	2010
Revenue	\$ 647,770	\$ 596,381
Cost of Revenues	\$ 464,782	\$ 361,217
Gross Profit	\$ 182,988	\$ 235,164
Selling, General and Administrative Expenses	\$ 618,118	\$ 622,733
(Loss) from Operations	\$ (435,130)	\$ (387,569)

We generated revenues of \$647,770 in the first quarter of 2011 compared to \$596,381 in the same three month period ending March 31, 2010. The increase in revenues of \$51,389 in 2011 compared to 2010 was due to the increased efforts of the Company's sales force and improvement in the overall economy.

Cost of revenues was \$464,782 or 71.7% of revenues in the first quarter of 2011 compared to \$361,217 or 60.6% of revenues in the same three months of 2010. Cost of revenues includes purchases and freight costs associated with the shipping of merchandise to our customers. Increase in cost of revenues of \$103,565 in 2011 is related to an increase in the cost of merchandise purchased due to the items our customers selected during the current quarter ending March 31, 2011.

Gross profit was \$182,988 in the first quarter of 2011 or 28.3% of net revenues compared to \$235,164 in the same three months of 2010 or 39.4% of revenues. Gross profits will vary period-to-period depending upon a number of factors including the mix of items sold, pricing of the items and the volume of product sold. Also, it is our practice to pass freight costs on to our customers. 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 \$618,118 in the first quarter of 2011 compared to \$622,733 in the same three months of 2010. Such costs include payroll and related expenses, commissions, insurance, rents, professional, consulting and public awareness fees.

Net loss was \$(435,130) in the first quarter of 2011 compared to a net loss of \$(387,569) for the same three months in 2010. The first quarter net loss for 2011 includes stock based payments (non-cash) of \$124,523 as compared to \$141,149 for the comparable period of 2010. Our 2011 net loss increased by \$47,561 due to our decrease in gross margins, partially offset by decreased commission expenses of approximately \$69,000. No benefit for income taxes is provided for in 2011 and 2010 due to the full valuation allowance on the net deferred tax assets.

### **Liquidity and Capital Resources**

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.

The Company had cash and cash equivalents of \$603,576 at March 31, 2010. Cash used in operating activities for the three months ended March 31, 2010 was \$331,388. This resulted primarily from a net loss of \$387,426, offset by stock based compensation of \$141,149 a decrease in accounts receivable of \$218,051 and an increase in prepaid expenses and other assets of \$98,369 and an increase of accounts payable and accrued expenses of \$215,486. The Company had an increase in investing activities of \$103,647 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**

On December 8, 2009, the Company 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 Class D Warrants exercisable at \$1.00 per share to investors in the offering and placement agent warrants (in the form of Class D Warrants) to purchase 307,500 shares. 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.

### **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 Commissions 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 December 31, 2010 through April 30, 2011, 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 2011	Common Stock	150,000 shares and 200,000 Class E warrants	Services rendered; no commissions paid	Section 4(2)	Warrants exercisable at \$.30 per share through August 31, 2013
March 2011	Common Stock and Class E Warrants	2,516,666 shares and 2,516,666 warrants	\$755,000; no commissions paid	Rule 506	Warrants exercisable at \$.30 per share through August 31, 2013
April 2011	Common Stock and Class E warrants	100,000 shares and Class E warrants to purchase 100,000 shares	Services rendered; no commissions paid	Rule 506	Warrants exercisable at \$.30 per share through August 31, 2013

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

(c) In the three months ended March 31, 2011, there were no repurchases by the Company of its Common Stock.



### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable

### ITEM 4. SUBMISSIONS OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

### ITEM 5. OTHER INFORMATION:

#### Agreement with Top Mall Developer

In April 2011, we signed an exclusive rights agreement with a Top Mall Developer 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 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 (The largest in Mall Advertiser in the US), Mobiquity Networks will deliver digital content and offers to shoppers on their mobile devices through Eye Corp's extensive Mall Advertising Network. Eye Corp and Mobiquity Networks have an exclusive agreement to build a location-based mobile marketing network throughout Eye Corp's Mall Advertising network. New properties to be added to the Mobiquity Networks portfolio will include iconic malls in the top designated market area in the US. These prestigious malls further complement Mobiquity Networks' already impressive 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.

### 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)(9)
10.4	Amendments to Employment Agreement - Dean L. Julia (5)(7)(9)
10.5	Joint Venture Agreement with Atrium Enterprises Ltd. (6)
10.6	Agreement with Aon Consulting (6)
10.7	Mobiquity Compensation Letter to Messrs. Trepeta and Julia (9)
11.1	Statement re: Computation of per share earnings. See Statement of Operations and Notes to Financial Statements

<u>Exhibit No.</u>	<u>Description</u>
14.1	Code of Ethics/Code of Conduct (5)
21.1	Subsidiaries of the Issuer - None in 2007
31.1	Principal Executive Officer Rule 13a-14(a)/15d-14(a) Certification (10)
31.2	Principal Financial Officer Rule 13a-14(a)/15d-14(a) Certification (10)
32.1	Principal Executive Officer Section 1350 Certification (10)
32.2	Principal Financial Officer Section 1350 Certification (10)
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(10)

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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 as 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) 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 13, 2011

By: /s/ Dean L. Julia

\_\_\_\_\_  
Dean L. Julia,  
Principal Executive Officer

Date: May 13, 2011

By: /s/ Sean McDonnell

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Sean McDonnell,  
Principal Financial Officer

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, Dean L. Julia, certify that:

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

DATE: May 13, 2011

/s/ DEAN L. JULIA

\_\_\_\_\_  
DEAN L. JULIA,  
PRINCIPAL EXECUTIVE OFFICER

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Sean McDonnell, certify that:

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

DATE: May 13, 2011

/s/ SEAN MCDONNELL  
\_\_\_\_\_  
SEAN MCDONNELL  
PRINCIPAL FINANCIAL OFFICER

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER  
PURSUANT TO 18U.S.C. SECTION 1350

In connection with the Quarterly Report of Ace Marketing & Promotions, Inc. (the "Company") on Form 10-Q for the period ending March 31, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Dean L. Julia, Principal Executive Officer of the Company, certify, pursuant to 18 U.S.C. ss.1350, as adopted pursuant to ss.906 of the Sarbanes-Oxley Act, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ DEAN L. JULIA

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DEAN L. JULIA  
PRINCIPAL EXECUTIVE OFFICER,  
May 13, 2011

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER  
PURSUANT TO 18U.S.C. SECTION 1350

In connection with the Quarterly Report of Ace Marketing & Promotions, Inc. (the "Company") on Form 10-Q for the period ending March 31, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Sean McDonnell, Principal Financial Officer of the Company, certify, pursuant to 18 U.S.C. ss.1350, as adopted pursuant to ss.906 of the Sarbanes-Oxley Act, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

By: /s/ SEAN MCDONNELL

SEAN MCDONNELL

PRINCIPAL FINANCIAL OFFICER

May 13, 2011

## EXHIBIT 99.8

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

EXERCISABLE UNTIL ON OR BEFORE AUGUST 31, 2013, 5:00 P.M., NEW YORK TIME OR THE REDEMPTION DATE OF THE WARRANT, WHICHEVER IS EARLIER.

**Class E Warrants****ACE MARKETING & PROMOTIONS, INC.**

This warrant certificate (the "Warrant Certificate") certifies that \_\_\_\_\_ or registered assigns, is the registered holder (the "Holder") of Warrants to purchase, at any time until 5:00 P.M. New York time on the earlier of the Redemption Date of the Class E Warrants (as defined herein) or August 31, 2013 (the "Expiration Date"), up to \_\_\_\_\_ fully-paid and non-assessable shares, subject to adjustment in accordance with Article 6 hereof (the "Warrant Shares"), of the common stock, par value \$.0001 per share (the "Common Stock"), of ACE MARKETING & PROMOTIONS, INC., a New York corporation (the "Company"), subject to the terms and conditions set forth herein. The warrants represented by this Warrant Certificate and any warrants resulting from a transfer or subdivision of the warrants represented by this Warrant Certificate shall sometimes hereinafter be referred to, individually, as a "Warrant" and, collectively, as the "Warrants."

This Warrant is one of a series of warrants of like tenor being issued in connection with the Company's private offering pursuant to a Subscription Agreement (the "**Offering**") of Units consisting of (i) shares of common stock, par value \$.0001 per share ("Common Stock" or the "Shares") and (ii) Class E Common Stock Purchase Warrants, exercisable in accordance with Section 5 hereof.

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

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1. Exercise of Warrants. This Warrant is initially exercisable to purchase one Warrant Share at an initial exercise price of \$.30 per share, subject to adjustment as set forth in Article 6 hereof, payable in cash or by check to the order of the Company, or any combination of cash or check. Upon surrender of this Warrant Certificate with the annexed Form of Election to Purchase duly executed, together with payment of the Exercise Price (as hereinafter defined) for the Warrant Shares purchased, at the Company's principal offices (presently located at 457 Rockaway Avenue, Valley Stream, NY 11587), the registered holder of the Warrant Certificate (the "Holder" or "Holders") shall be entitled to receive a certificate or certificates for the Warrant Shares so purchased. The purchase rights represented by this Warrant Certificate are exercisable at the option of the Holder hereof, in whole or in part (but not as to fractional shares). In the case of the purchase of less than all the Warrant Shares purchasable under this Warrant Certificate, the Company shall cancel this Warrant Certificate upon its surrender and shall execute and deliver a new Warrant Certificate of like tenor for the balance of the Warrant Shares purchasable hereunder.

This Warrant shall be deemed to have been exercised immediately prior to the close of business on the date of its surrender for exercise as provided above, and the person entitled to receive the Warrant Shares issuable upon such exercise shall be treated for all purposes as the holder of record of such securities as of the close of business on such date. As promptly as practicable on or after such date and in any event within five (5) business days after such date, the Company at its expense shall issue and deliver, to the person or persons entitled to receive them, certificates and/or instruments representing the Warrant Shares as to which the Holder has so exercised this Warrant in the name of the Holder or its designee.

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

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

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

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

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

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

4. Redemption Rights of Class E Warrants. [Left blank intentionally.]

5. Exercise Price

5 . 1 Initial and Adjusted Exercise Price. The initial exercise price of each Warrant shall be \$.30 per Warrant Share. The adjusted exercise price shall be the price which shall result from time to time from any and all adjustments of the initial exercise price in accordance with the provisions of Article 6 hereof.

5 . 2 Exercise Price. The term “Exercise Price” herein shall mean the initial exercise price or the adjusted exercise price, depending upon the context.

6. Adjustments of Exercise Price and Number of Warrant Shares

6 . 1 Dividends and Distributions. If at any time prior to the Expiration Date, the Company shall pay a dividend in shares of Common Stock or make a distribution in shares of Common Stock, then upon such dividend or distribution, the Exercise Price in effect immediately prior to such dividend or distribution shall be reduced to a price determined by dividing an amount equal to the total number of shares of Common Stock outstanding immediately prior to such dividend or distribution multiplied by the Exercise Price in effect immediately prior to such dividend or distribution, by the total number of shares of Common Stock outstanding immediately after such dividend or distribution. For purposes of any computation to be made in accordance with the provisions of this Section 6.1, the Common Stock issuable by way of dividend or distribution shall be deemed to have been issued immediately after the opening of business on the date following the date fixed for determination of shareholders entitled to receive such dividend or distribution. Upon each adjustment of the Exercise Price pursuant to the provisions of this Article 6.1, the number of Warrant Shares issuable upon the exercise of each Warrant shall be adjusted to the nearest full share of Common Stock by multiplying a number equal to the Exercise Price in effect immediately prior to such adjustment by the number of Warrant Shares issuable upon exercise of the Warrants immediately prior to such adjustment and dividing the product so obtained by the adjusted Exercise Price.

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

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

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

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

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

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

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

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

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

(a) the Company shall take a record of the holders of its Common Stock for the purpose of entitling them to receive a dividend or distribution payable otherwise than in cash, or a cash dividend or distribution payable otherwise than out of current or retained earnings, as indicated by the accounting treatment of such dividend or distribution on the books of the Company; or

(b) the Company shall offer to all the holders of its Common Stock any additional shares of Common Stock or other shares of capital stock of the Company or securities convertible into or exchangeable for shares of Common Stock or other shares of capital stock of the Company, or any option, right or warrant to subscribe therefor;

(c) a dissolution, liquidation or winding up of the Company (other than in connection with a consolidation or merger) or a sale of all or substantially all of its property, assets and business as an entirety shall be proposed; or

(d) the Company or an affiliate of the Company shall propose to issue any rights to subscribe for shares of Common Stock or any other securities of the Company or of such affiliate to all the stockholders of the Company;

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

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

(a) If to a registered Holder of the Warrants, to the address of such Holder as shown on the books of the Company; or

(b) If to the Company, to the address set forth in Article 1 of this Agreement or to such other address as the Company may designate by notice to the Holders.

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

13. Governing Law.

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

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

IN WITNESS WHEREOF, the Company has caused this Warrant to be duly executed, as of the \_\_\_\_ day of \_\_\_\_\_.

ACE MARKETING & PROMOTIONS, INC.

By: /s/ Dean L. Julia

\_\_\_\_\_  
Dean L. Julia, Chief Executive Officer

(Corporate Seal)

[FORM OF ELECTION TO PURCHASE]

The undersigned hereby irrevocably elects to exercise the right, represented by this Warrant Certificate, to purchase \_\_\_\_\_ Warrant Shares and herewith tenders in payment for such Warrant Shares cash or a certified check payable to the order of Ace Marketing & Promotions, Inc. in the amount of \$\_\_\_\_\_, all in accordance with the terms hereof. The undersigned requests that a certificate for such Warrant Shares be registered in the name of \_\_\_\_\_, whose address is \_\_\_\_\_, and that such certificate be delivered to \_\_\_\_\_, whose address is \_\_\_\_\_.

Dated:

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

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

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

ASSIGNMENT FORM

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

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

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

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

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

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

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

\_\_\_\_\_  
Signature

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