

SECURITIES & EXCHANGE COMMISSION EDGAR FILING

Mobiquity Technologies, Inc.

Form: 10-Q

Date Filed: 2010-08-16

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 JUNE 30, 2010

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 June 30, 2010, the registrant had a total of 13,164,928 shares of Common Stock outstanding.

ACE MARKETING & PROMOTIONS, INC.

FORM 10-Q QUARTERLY REPORT
TABLE OF CONTENTS

	<u>PAGE</u>
PART I. FINANCIAL INFORMATION	
Item 1. Financial Statements (Unaudited)	
Condensed Balance Sheets as of June 30, 2010 (unaudited) and December 31, 2009 (audited)	3
Condensed Statements of Operations for the Three Months and Six Months Ended June 30, 2010 and June 30, 2009 (unaudited)	4
Condensed Statements of Cash Flows for the Six Months Ended June 30, 2010 and June 30, 2009 (unaudited)	5
Notes to Condensed Financial Statements	6
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	15
Item 3. Quantitative and Qualitative Disclosures	20
Item 4. Controls and Procedures	20
PART II. OTHER INFORMATION	
Item 1. Legal Proceedings	22
Item 2. Changes in Securities	22
Item 3. Defaults Upon Senior Securities	22
Item 4. Submissions of Matters to a Vote of Security Holders	22
Item 5. Other Information	23
Item 6. Exhibits and Reports on Form 8-K	23
SIGNATURES	24

ACE MARKETING & PROMOTIONS, INC.

Condensed Balance Sheets	June 30,	December
	2010	31,
	Unaudited	2009
		Audited
Assets		
Current Assets:		
Cash and cash equivalents	\$ 371,314	\$ 595,611
Accounts receivable, net of allowance for doubtful accounts of \$20,000 at June 30, 2010 and December 31, 2009	533,302	533,555
Prepaid expenses and other current assets	228,774	157,580
Total Current Assets	1,133,390	1,286,746
Property and Equipment, net	222,046	133,632
Other Assets	7,745	7,745
Total Assets	\$ 1,361,181	\$ 1,428,123
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable	\$ 375,187	\$ 310,753
Accrued expenses	87,749	230,334
Total Current Liabilities	462,936	541,087
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; 13,164,928 and 11,615,703 shares issued and outstanding at June 30, 2010 and December 31, 2009, respectively	1,318	1,163
Additional paid-in capital	7,197,267	6,229,851
Accumulated deficit	(6,266,839)	(5,312,477)
	931,746	918,537
Less: Treasury Stock, at cost, 23,334 shares	(31,501)	(31,501)
Total Stockholders' Equity	900,245	887,036
Total Liabilities and Stockholders' Equity	\$ 1,361,181	\$ 1,428,123

See notes to condensed financial statements.

ACE MARKETING & PROMOTIONS, INC.

Condensed Statements of Operations

	Three Months Ended June 30, Unaudited		Six Months Ended June 30, Unaudited	
	2010	2009	2010	2009
Revenues, net	\$ 1,077,512	\$ 841,247	\$ 1,673,894	\$ 1,296,279
Cost of Revenues	<u>817,419</u>	500,349	<u>1,178,636</u>	831,217
Gross Profit	<u>260,093</u>	340,898	<u>495,258</u>	465,062
Operating Expenses:				
Selling, general and administrative expenses	<u>827,038</u>	499,189	<u>1,449,771</u>	1,090,135
Total Operating Expenses	<u>827,038</u>	499,189	<u>1,449,771</u>	1,090,135
Loss from Operations	<u>(566,945)</u>	(158,291)	<u>(954,513)</u>	(625,073)
Other Income (Expense):				
Interest expense	<u>(198)</u>	(223)	<u>(260)</u>	(249)
Interest income	<u>207</u>	1,803	<u>411</u>	4,560
Total Other Income (Expense)	<u>9</u>	1,580	<u>151</u>	4,311
Net Loss	<u>\$ (566,936)</u>	\$ (156,711)	<u>\$ (954,362)</u>	\$ (620,762)
Net Loss Per Common Share:				
Basic	<u>\$ (0.04)</u>	\$ (0.02)	<u>\$ (0.07)</u>	\$ (0.06)
Diluted	<u>\$ (0.04)</u>	\$ (0.02)	<u>\$ (0.07)</u>	\$ (0.06)
Weighted Average Common Shares Outstanding:				
Basic	<u>13,116,594</u>	9,717,615	<u>12,838,119</u>	9,622,565
Diluted	<u>13,116,594</u>	9,717,615	<u>12,838,119</u>	9,622,565

See notes to condensed financial statements.

ACE MARKETING & PROMOTIONS, INC.

Statement of Stockholders' Equity

Six Months Ended June 30, 2010

	Total Stockholders' Equity	Common Stock		Additional Paid-in Capital	(Deficit)	Treasury Stock	
		Shares	Amount			Shares	Amount
Balance, at January 1, 2010	\$ 887,036	11,615,703	\$ 1,163	\$6,229,851	\$(5,312,477)	23,334	\$ (31,501)
Stock Purchase	443,000	1,300,000	130	442,870			
Stock Warrant	15,064			15,064			
Stock Grant	77,700	224,225	22	105,128			
Stock Compensation	48,385			48,385			
Net Loss	(359,976)				(387,426)		
Balance, at March 31, 2010	\$ 1,111,209	13,139,928	\$ 1,315	\$6,841,298	\$(5,699,903)	23,334	\$ (31,501)
Stock Grant	15,250	25,000	3	15,247			
Stock Compensation	340,722			340,722			
Net Loss	(566,936)				\$ (566,936)		
Balance, at June 30, 2010	\$ 900,245	13,164,928	\$ 1,318	\$7,197,267	\$(6,266,839)	23,334	\$ (31,501)

See notes to financial statements.

ACE MARKETING & PROMOTIONS, INC.

Condensed Statements of Cash Flows

Six Months Ended June 30,	2010	2009
	Unaudited	unaudited
Cash Flows from Operating Activities:		
Net loss	\$ (954,362)	\$ (620,762)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	24,824	13,743
Stock-based compensation	497,121	70,887
Changes in operating assets and liabilities:		
(Increase) decrease in operating assets:		
Accounts receivable	253	203,664
Prepaid expenses and other assets	(71,194)	(49,564)
Decrease in operating liabilities:		
Accounts payable and accrued expenses	(50,701)	(109,138)
Total adjustments	400,303	129,592
Net Cash Used in Operating Activities	(554,059)	(491,170)
Cash Flows from Investing Activities:		
Acquisition of property and equipment	(113,238)	-
Collection of note receivable	-	100,000
Net Cash (Used) in Provided by Investing Activities	(113,238)	100,000
Cash Flows from Financing Activities:		
Proceeds from issuance of common stock	443,000	250,000
Net Cash Provided by Financing Activities	443,000	250,000
Net Decrease in Cash and Cash Equivalents	(224,297)	(141,170)
Cash and Cash Equivalents, beginning of period	595,611	509,251
Cash and Cash Equivalents, end of period	\$ 371,314	\$ 368,081

See notes to condensed financial statements.

ACE MARKETING & PROMOTIONS, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS
THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2010 AND 2009
(UNAUDITED)

NOTE 1: BASIS OF PRESENTATION:

The accompanying condensed financial statements and footnotes thereto are unaudited.

The Condensed Balance Sheets as of June 30, 2010 and December 31, 2009, the Condensed Statements of Operations for the three and six months ended June 30, 2010 and 2009 and the Condensed Statements of Cash Flows for the six months ended June 30, 2010 and 2009 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 June 30, 2010, results of operations for the three months and six months ended June 30, 2010 and 2009 and cash flows for the six months ended June 30, 2010 and 2009. All such adjustments are of a normal recurring nature. The results of operations and cash flows for the six months ended June 30, 2010 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, 2009.

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.

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 AND SIX MONTHS ENDED JUNE 30, 2010 AND 2009
(UNAUDITED)

Under the Mobile vertical, we provide Proximity Marketing and SMS Text platforms & services. Several years ago the term “Mobile Marketing” was really just a buzz word, last year mobile marketing became more of a reality, and now many companies are adding “mobile” to their advertising and marketing mix. Our clients and potential clients are coming to the conclusion 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, Ace has quickly 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. Revenues from our Text platforms are not material at this time.

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 July 2010, the FASB issued updated guidance on disclosures about the credit quality of financing receivables and the allowance for credit losses which will require a greater level of information disclosed about the credit quality of loans and allowance for loan losses, as well as additional information related to credit quality indicators, past due information, and information related to loans modified in a troubled debt restructuring. This guidance is effective for the fourth quarter of 2010, and as it only amends disclosure requirements, the Company does not expect the adoption of this guidance to have a material effect on its Condensed Financial Statements.

In February 2010, the FASB issued updated guidance about Management’s disclosure of subsequent events. 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 performed by the Company. This Guidance became effective upon issuance.

ACE MARKETING & PROMOTIONS, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS
THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2010 AND 2009
(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 6,000,000 and 6,484,000 because they are anti-dilutive as a result of the net loss for the three and six months ended June 30, 2010 and June 30, 2009, respectively.

ACE MARKETING & PROMOTIONS, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS
THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2010 AND 2009
(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 June 30, 2010 and 2009 include employee share-based compensation expense totaling approximately \$356,000 and \$(54,000), respectively, the negative amount arose from the cancellation of unvested options. The Company's results for the six month periods ended June 30, 2010 and 2009 include employee share-based compensation expense totaling approximately \$497,000 and \$71,000, respectively. Such amounts have been included in the Condensed Consolidated Statements of Operations within selling, general and administrative expenses. No income tax benefit has been recognized in the statement of operations for share-based compensation arrangements due to a history of operating losses.

The following table summarizes stock-based compensation expense for the three and six months ended June 30, 2010 and 2009:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2010	2009	2010	2009
Employee stock-based compensation - option grants	\$ 217,900	\$ (159,395)	\$ 267,18	\$ (129,540)
Employee stock-based compensation - stock grants	-	-	-	-
Non-Employee stock-based compensation - option grants	122,822	69,504	94,477	104,220
Non-Employee stock-based compensation - stock grants	15,250	-	120,400	4,200
Non-Employee stock-based compensation-stock warrant	-	36,001	15,064	92,007
Total	<u>\$ 355,972</u>	<u>\$ (53,890)</u>	<u>\$ 497,121</u>	<u>\$ 70,887</u>

ACE MARKETING & PROMOTIONS, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS
THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2010 AND 2009
(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 AND SIX MONTHS ENDED JUNE 30, 2010 AND 2009
(UNAUDITED)

The weighted average assumptions made in calculating the fair values of options granted during the three and six months ended June 30, 2010 and 2009 are as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2010	2009	2010	2009
Expected volatility	121.74%	135.57%	123.48%	135.23%
Expected dividend yield	-	-	-	-
Risk-free interest rate	3.89%	1.28%	3.89%	1.27%
Expected term (in years)	10	5	10	4.87

	Share	Weighted Average Exercise Price	Weighted Average Remjaining Contractual Term	Aggregate Intrinsic Value
Outstanding, January 1, 2010	3,029,222	1.09	4.26	
Granted	660,000	.54	10.00	
Exercised	-			
Cancelled	(409,222)			
Outstanding, June 30, 2010	<u>3,280,000</u>	.99	5.47	
Options exercisable, June 30, 2010	<u>2,830,000</u>	.98	5.59	\$ 15,000

The weighted-average grant-date fair value of options granted during the six months ended June 30, 2010 and 2009 was \$0.54 and \$0.62, respectively.

The aggregate intrinsic value of options outstanding and options exercisable at June 30, 2010 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 \$0.40 closing price of the Company's common stock on June 30, 2010.

As of June 30, 2010, the fair value of unamortized compensation cost related to unvested stock option awards was approximately \$237,000. Unamortized compensation cost as of June 30, 2010 is expected to be recognized over a remaining weighted-average vesting period of 1.49 years.

ACE MARKETING & PROMOTIONS, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS
THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2010 AND 2009
(UNAUDITED)

The weighted average assumptions made in calculating the fair value of warrants granted during the three and six months ended June 30, 2010 and 2009 are as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2010	2009	2010	2009
Expected volatility	132.18%	130.52%	132.18%	130.52%
Expected dividend yield	-	-	-	-
Risk-free interest rate	2.65%	1.15%	2.65%	1.15%
Expected term (in years)	5	5	5	3

	Share	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding, January 1, 2010	1,712,366	0.86	2.656	
Granted	963,500	\$1.00		
Exercised	-	-		
Cancelled	-	-		
Outstanding, June 30, 2010	<u>2,675,866</u>	\$0.86	2.11	
Warrants exercisable, June 30, 2010	<u>2,675,866</u>	\$0.86	2.11	-

ACE MARKETING & PROMOTIONS, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS
THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2010 AND 2009
(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 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.

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.

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.

ACE MARKETING & PROMOTIONS, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS
THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2010 AND 2009
(UNAUDITED)

NOTE 10: EMPLOYMENT CONTRACTS

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 current annual salary and scheduled salary increases which will next occur on March 1, 2011. 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.

NOTE 11: OPTIONS GRANTED TO DIRECTOR

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.

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, 2009 which includes our audited financial statements for the year ended December 31, 2009 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.

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. Several years ago the term "Mobile Marketing" was really just a buzz word, last year mobile marketing became more of a reality, and now many companies are adding "mobile" to their advertising and marketing mix. Our clients and potential clients are coming to the conclusion 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, Ace has quickly 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.

Ace Mobile Marketing

We are an authorized distributor, provider and reseller in the United States of mobile advertising solutions, in the Mobile Advertising & Proximity Marketing Industry.

Management believes that proximity marketing has unlimited marketing possibilities to thousands of different businesses. Proximity marketing is the localized wireless distribution of advertising content associated with a particular place. If we place a proximity transmitting box in a location of an advertiser/business, transmissions (messages) will be sent to and received by cell phones and PDA's equipped with Bluetooth technology within approximately 100 meters of a marketing broadcast. A person receiving the transmission can elect to download the transmission, read the message and potentially act upon the message sent by the advertiser. The message will remain on the cell phone or PDA until proactively removed by the user. The user also has the ability to forward the message to other users, which generates multiple views over an extended period of time.

Management believes that advertisers are constantly seeking new measurable media channels that can accurately target and engage key consumer segments, and deliver compelling, relevant content that can be enjoyed for what it is, shared with friends, interactively engaged with or commercially acted upon instantaneously. All messages received by the public are free of charge meaning there is no charge on any content a consumer downloads. We will enable our advertising customers to promote their business by sending still images, animated images, audio files, video clips, text files, promotional or discount contents, bar codes, mobile games and java applications and business card files. We can also send live data such as news and sports updates to targeted mobile phones.

Management believes that proximity marketing is completely spam-free and compliant with all applicable governmental regulations. It asks the users if they would like to receive the content. It tracks how many people accept and reject the content, providing the sender with a detailed time and date for every transmission. The system maintains a unique Bluetooth ID assigned to each device, and therefore will not send users the same advertisement more than once, and if rejected will not contact the user again.

Ace intends to market its proximity boxes as a premiere mobile technology. This will allow Ace to create a new channel in the mobile marketplace for existing brands and marketers to leverage the inherent strengths of mobile advertising. Ace plans 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. Ace has 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

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 June 30,	
	2010	2009
Revenue	\$ 1,077,512	\$ 841,247
Cost of Revenues	817,419	500,349
Gross Profit	260,093	340,898
Selling, General and Administrative Expenses	827,038	499,189
(Loss) from Operations	(566,945)	(158,291)

We generated revenues of \$1,077,512 in the second quarter of 2010 compared to \$841,247 in the same three month period ended June 30, 2009. The increase in revenues of \$236,265 in 2010 compared to 2009 was due to the increased efforts of the Company's sales force and improvement in the overall economy.

Cost of revenues was \$817,419 or 75.9% of revenues in the second quarter of 2010 compared to \$500,349 or 59.4% of revenues in the same three months of 2009. Cost of revenues includes purchases and freight costs associated with the shipping of merchandise to our customers. Increase in cost of revenues of \$317,070 in 2010 is related to an increase in purchases due to the rise in sales during the current quarter ended June 30, 2010.

Gross profit was \$260,093 in the second quarter of 2010 or 24.1% of net revenues compared to \$340,898 in the same three months of 2009 or 40.5% 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 \$827,038 in the second quarter of 2010 compared to \$499,189 in the same three months of 2009. Such costs include payroll and related expenses, commissions, insurance, rents, professional, consulting and public awareness fees. The increase in costs relates to a \$409,862 increase in (non-cash) stock based compensation.

Net loss was \$(566,945) in the second quarter of 2010 compared to a net loss of \$(158,291) for the same three months in 2009. The second quarter net loss for 2010 includes stock based payments (non-cash) of \$355,972 as compared to \$(53,890) for the comparable period of 2009. Our 2010 net loss increased by \$408,654 due to a decrease in gross profit of \$80,805 and by an increase in operating expenses of \$327,849. No benefit for income taxes is provided for in 2010 and 2009 due to the full valuation allowance on the net deferred tax assets.

	Six Months Ended June 30,	
	2010	2009
Revenue	\$ 1,673,894	\$ 1,296,279
Cost of Revenues	1,178,636	831,217
Gross Profit	495,258	465,062
Selling, General and Administrative Expenses	1,449,771	1,090,135
(Loss) from Operations	(954,513)	(625,073)

We generated revenues of \$1,673,894 in the first six months of 2010 compared to \$1,296,279 in the same six month period ended June 30, 2009. The increase in revenues of \$377,615 in 2010 compared to 2009 was due to the increased efforts of the Company's sales force and improvement in the overall economy.

Cost of revenues was \$1,178,636 or 70.4% of revenues in the first six months of 2010 compared to \$831,217 or 64.1% of revenues in the same six months of 2009. Cost of revenues includes purchases and freight costs associated with the shipping of merchandise to our customers. Increase in cost of revenues of \$347,419 in 2010 is related to an increase in purchases due to the rise in sales during the six months ended June 30, 2010.

Gross profit was \$495,258 in the first six months of 2010 or 29.5% of net revenues compared to \$465,062 in the same six months of 2009 or 35.8% of revenues. Gross profits will vary period-to-period depending upon a number of factors including the mix of items sold, pricing of the items and the volume of product sold. Also, it is our practice to pass freight costs on to our customers. Reimbursement of freight costs which are included in revenues have lower profit margins than sales of our promotional products and has the effect of reducing our overall gross profit margin on sales of products, particularly on smaller orders.

Selling, general, and administrative expenses were \$1,449,771 in the first six months of 2010 compared to \$1,090,135 in the same six months of 2009. Such costs include payroll and related expenses, commissions, insurance, rents, professional, consulting and public awareness fees. The increase in costs relates to a \$426,234 increase in (non-cash) stock based compensation.

Net loss was \$(954,513) in the second quarter of 2010 compared to a net loss of \$(625,073) for the same six months in 2009. The first six months net loss for 2010 includes stock based payments (non-cash) of \$497,121 as compared to \$70,887 for the comparable period of 2009. Our 2010 net loss increased by \$329,440 due to an increase in operating expenses of \$359,640. No benefit for income taxes is provided for in 2010 and 2009 due to the full valuation allowance on the net deferred tax assets.

Liquidity and Capital Resources

The Company had cash and cash equivalents of \$371,314 at June 30, 2010. Cash used in operating activities for the six months ended June 30, 2010 was \$554,059. This resulted primarily from a net loss of \$954,362, offset by stock based compensation of \$497,121, and an increase in prepaid expenses and other assets of \$71,194 and a decrease of accounts payable and accrued expenses of \$50,701. The Company had an increase in investing activities of \$113,238 with the purchase of equipment. The company received proceeds of \$443,000 from the issuance of the Company's common stock.

The Company had cash and cash equivalents of \$368,081 at June 30, 2009. Cash used in operating activities for the six months ended June 30, 2009 was \$(491,170). This resulted primarily from a net loss of \$(620,762), offset by stock based compensation of \$70,887 a decrease in accounts receivable of \$203,664 and an increase in prepaid expenses and other assets of \$49,564 and a decrease of accounts payable and accrued expenses of \$109,138. The company collected on their \$100,000 outstanding note receivable. Proceeds of \$250,000 were received from the issuance of the Company's common stock.

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

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

Recent Financings

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.

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

Our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) are designed to provide reasonable assurance that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission. Our disclosure controls and procedures are also designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officer, to allow timely decisions regarding required disclosure. Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has concluded, based on their respective evaluations as of the end of the period covered by this report, that our disclosure controls and procedures are not effective as of December 31, 2009.

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) during the three months ended June 30, 2010 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management identified the following material weaknesses as of December 31, 2009 that also existed at December 31, 2008.

INFORMATION TECHNOLOGY

Management identified certain control procedures that were not sufficiently documented relating to the managing of operations for application and technology platforms.

FINANCIAL REPORTING

Management identified the following significant deficiencies that when aggregated give rise to a material weakness. These deficiencies include:

- a) Lack of review or evidence of review in the financial reporting process.
- b) To remediate one of the 2008 deficiencies a software link was created between the operating and accounting databases. As a result of our year end audit process a deficiency was noted in the process of reconciling the sub-ledger to the general ledger balance.

MANAGEMENT'S PLAN OF REMEDIATION

INFORMATION TECHNOLOGY

- a) Management will document their policies and procedures as they relate to the managing of operations for application and technology platforms. These policies will be documented and will be completed by the end of Q3 2010.

FINANCIAL REPORTING

- a) Managements plans to address the lack of review or evidence of review in the financial reporting process by instituting a checklist process where the CEO or an outside consultant will review transactions created by the CFO.
- b) The database link was created in mid 2009 and will continue to be monitored and tested. Management believes the process has improved considerably and believes any outstanding issues will be fully resolved by the end of Q3 2010.

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, 2009 through June 30, 2010, 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
December 2009 - March 2010	Common Stock and Class D Warrants	2,050,000 shares and 1,332,500 warrants (includes 307,500 placement agent warrants)	\$1,025,000; \$123,000 paid in commissions	Rule 506	Warrants exercisable at \$1.00 per share through August 21, 2012.
January 2010	Common Stock	210,000 shares	Services rendered; no commissions paid	Section 4(2)	Not applicable.

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

(c) In the three months ended June 30, 2010, there were no repurchases by the Company of its Common Stock.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. Reserved

ITEM 5. OTHER INFORMATION:

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 current annual salary and scheduled salary increases which will next occur on March 1, 2011. 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.

ITEM 6. EXHIBITS:

Except for the exhibits listed below as filed herewith or unless otherwise noted, all other required exhibits have been previously filed with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, on Form 10-SB, as amended (file no. 000-51160).

<u>Exhibit Number</u>	<u>Description</u>
3.1	Articles of Incorporation filed March 26, 1998 (1)
3.2	Amendment to Certificate of Incorporation filed June 10, 1999 (1)
3.3	Amendment to Articles of Incorporation approved by stockholders on February 9, 2005(1)
3.4	Amendment to Certificate of Incorporation filed September 11, 2008 to designate rights and preferences of a series of Preferred Stock.
3.5	Amended By-Laws (1)
10.1	Employment Agreement - Michael Trepeta (2)
10.2	Employment Agreement - Dean Julia (2)
10.3	Amendments to Employment Agreement - Michael Trepeta (5)(7)
10.4	Amendments to Employment Agreement - Dean L. Julia (5)(7)
10.5	Amendment to Employment Agreement - Michael D. Trepeta (3)
10.6	Amendment to Employment Agreement - Dean L. Julia (3)
11.1	Statement re: Computation of per share earnings. See Statement of Operations and Notes to Financial Statements
14.1	Code of Ethics/Code of Conduct (5)
21.1	Subsidiaries of the Issuer - None in 2008
31.1	Chief Executive Officer Rule 13a-14(a)/15d-14(a) Certification (3)
31.2	Chief Financial Officer Rule 13a-14(a)/15d-14(a) Certification (3)
32.1	Chief Executive Officer Section 1350 Certification (3)
32.2	Chief Financial Officer Section 1350 Certification (3)
99.1	2005 Employee Benefit and Consulting Services Compensation Plan (2)
99.2	Form of Class A Warrant (2)
99.3	Form of Class B Warrant (2)
99.4	Amendment to 2005 Plan (4)
99.5	Form of Class C Warrant (8)
99.6	Form of Class D Warrant (6)
99.7	2009 Employee Benefit and Consulting Services Compensation Plan (6)
99.8	Release – 2010 Second Quarter Results of Operations (3)

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

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

(3) Filed herewith.

(4) Incorporated by reference to the Registrant's Form 10-QSB/A filed with the Commission on August 18, 2005.

(5) Incorporated by reference to the Registrant's Form 10-KSB for its fiscal year ended December 31, 2005.

(6) Incorporated by reference to the Registrant's Form 10-K for its fiscal year ended December 31, 2009.

(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.

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: August 16, 2010

By: /s/ Dean L. Julia

Dean L. Julia,
Chief Executive Officer

By: /s/ Sean McDonnell

Sean McDonnell,
Chief Financial Officer

CERTIFICATION OF CHIEF 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 (if any) 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)) 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: August 16, 2010

/S/ DEAN L. JULIA
DEAN L. JULIA,
CHIEF EXECUTIVE OFFICER

CERTIFICATION OF CHIEF 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 (if any) 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)) 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: August 16, 2010

/S/ SEAN MCDONNELL
SEAN MCDONNELL,
CHIEF FINANCIAL OFFICER

CERTIFICATION OF CHIEF 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 June 30, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Dean L. Julia, Chief 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
DEAN L. JULIA
CHIEF EXECUTIVE OFFICER
August 16, 2010

CERTIFICATION OF CHIEF 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 June 30, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Sean McDonnell, Chief 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.

/S/ SEAN MCDONNELL
SEAN MCDONNELL
CHIEF FINANCIAL OFFICER
August 16, 2010

ACE MARKETING & PROMOTIONS, INC.
457 ROCKAWAY AVENUE
VALLEY STREAM, NY 11581
(516) 256-7766

ACE REPORTS RESULTS OF OPERATIONS FOR THE SECOND QUARTER OF 2010

VALLEY STREAM, NY - (Business Wire) – August 16, 2010

Ace Marketing & Promotions, Inc. (OTC BB: AMKT) announced today the results foits second quarter ended June 30, 2010.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Revenue (A)	\$ 1,077,512	\$ 841,247	\$ 1,673,894	\$ 1,296,279
Cost of Revenues (B)	817,419	500,349	1,178,636	831,217
Gross Profit (C)	260,093	340,898	495,258	465,062
Selling, General and Administrative Expenses (D)	827,038	499,189	1,449,771	1,090,135
(Loss) from Operations (E)	<u>(566,945)</u>	<u>(158,291)</u>	<u>(954,513)</u>	<u>(625,073)</u>

(A) Revenues increased due to the increased efforts of the company's sales force and improvement in the overall economy.

(B) Increase in cost of revenues is related to an increase in purchases due to the rise in sales.

(C) Gross profit was \$260,093 in the second quarter of 2010 or 24.1% of net revenues compared to \$340,898 of revenues or 40.5% of net revenues in the second quarter of 2009. Gross Profit was \$495,258 in the first six months of 2010 or 29.5% of net revenues compared to \$465,062 in the same six months of 2009 or 35.8% 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. The lower gross profit percentage in the second quarter of 2010 is due to revenues from a mixture of proximity marketing, website development and direct relationship marketing.

(D) Operating expenses for the three and six months ended June 30, 2010 increased by approximately \$328,000 and \$360,000, respectively, as compared to the comparable period of the prior year. Operating expenses for the three and six months ended June 30, 2010 include an increase in stock based payments (non – cash) of \$409,862 and \$426,234, respectively, as compared to the comparable periods of the prior year.

(E) Net loss for the three months ended June 30, 2010 increased by approximately \$409,000 over the comparable period of the prior year due to approximately a \$410,000 increase in stock based payments (non – cash). Net loss from operations for the six months ended June 30, 2010 increased by approximately \$329,000 due to an increase in stock based payments (non – cash) of \$426,000.

About Ace Marketing & Promotions Inc (OTC BB: AMKT)

Ace Marketing & Promotions Inc., based in New York, is a full-service promotional marketing company offering a wide array of business solutions which include; Branding and Branded Merchandise, Mobile Marketing Solutions, Website Development, ACE CMS Platform, Print Solutions and Fulfillment. Ace Marketing & Promotions Inc. is a leader in Proximity Marketing(SM) with proprietary Bluetooth and Wi-Fi integrated technology that establishes the benchmark for how multimedia messages are being delivered. Established in 1998, the Company has built a successful, scalable business platform. Proximity Marketing(SM), Rockzimity, and Rockzimity Marketing are service marks of Ace Marketing & Promotions Inc. 2009. Ace's Corporate Overview is available at <http://www.acemarketing.net> on the "About Us" tab. Ace has recently added several new revenue stream models. The long-term strategic plan is for Ace to find new opportunities while leveraging its core competencies. For a demo of Ace's Proximity Marketing you can visit <http://www.acemarketingdemo.com> or <http://www.proximitymarketingus.com>. For additional information, a copy of Ace's Form 10-K and other exchange act filings can be obtained on the Internet by going to www.acemarketing.net, clicking on links and then clicking on SEC Filings.

Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995.

Certain statements in this press release constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the company to be materially different from any future results, performances or achievements express or implied by such forward-looking statements. The forward-looking statements are subject to risks and uncertainties including, without limitation, changes in levels of competition, possible loss of customers, and the company's ability to attract and retain key personnel.

Media Contact:

Ace Marketing & Promotions, Inc.
Legend Securities, Inc.
Thomas Wagner
800-385-5790 x152
718-233-2600 x152
twagner@legendsecuritiesinc.com