ACE MARKETING & PROMOTIONS INC
Form 10-Q
November 14, 2008

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2008

COMMISSION FILE NUMBER: 000-51160

ACE MARKETING & PROMOTIONS, INC.

(Exact name of registrant as specified in its charter)

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

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) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. YES [X] NO [ ]

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 [X}

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) YES [ ] NO [X]

APPLICABLE ONLY TO REGISTRANTS INVOLVED IN BANKRUPTCY PROCEEDINGS
DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. [ ]

APPLICABLE ONLY TO CORPORATE ISSUERS:

As of November 1, 2008, the registrant had a total of 8,321,615 shares of Common Stock outstanding, exclusive of 445,000 outstanding shares of Series A Preferred Stock automatically convertible on December 15, 2008 into a minimum of 890,000 shares of Common Stock and a maximum of 1,780,000 shares of Common Stock.

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

CONDENSED BALANCE SHEETS

	September 30, 2008	December 3 2007
	(UNAUDITED)	(audited
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 473,782	$ 819,0
Accounts receivable, net of allowance for doubtful accounts of $10,000 at September 30, 2008 and December 31, 2007, respectively	1,041,721	963,9
Note receivable	100,000	
Prepaid expenses and other current assets	89,861	75,3
Total Current Assets	1,705,364	1,858,3
Property and Equipment, net	122,543	34,0
Other Assets	7,745	7,7
Total Assets	$ 1,835,652	$ 1,900,1
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 412,946	$ 475,4
Accrued expenses	134,753	206,0
Total Current Liabilities	547,699	681,4
Commitments and Contingencies		
Stockholders' Equity:		
Preferred stock, $.0001 par value; 5,000,000 shares authorized; 445,000 and 0 shares issued and outstanding at September 30, 2008 and December 31, 2007, respectively	45	
Common stock, $.0001 par value; 25,000,000 shares authorized; 8,344,949 and 8,124,949 shares issued and outstanding at September 30, 2008 and December 31, 2007, respectively	835	8
Less: Treasury Stock, at cost, 23,334 shares	(31,501)	(31,5
Additional paid-in capital	4,654,494	3,657,9
Accumulated deficit	(3,335,920)	(2,408,5
Total Stockholders' Equity	1,287,953	1,218,6
Total Liabilities and Stockholders' Equity	$ 1,835,652	$ 1,900,1

SEE NOTES TO CONDENSED FINANCIAL STATEMENTS.

ACE MARKETING &

CONDENSED STATEMENTS OF OPERATIONS (UNAUDITED)

	Three Months Ended September 30, 2008	Three Months Ended September 30, 2007	Nine M Sep 2008
Revenue, net	$ 1,480,577	$ 1,639,182	$ 4,706,627
Cost of Revenue	1,056,082	1,050,799	3,444,777
Gross Profit	424,495	588,383	1,261,850
Operating Expenses:			
Selling, general and administrative expenses	763,795	869,277	2,097,674
Total Operating Expenses	763,795	869,277	2,097,674
Loss from Operations	(339,300)	(280,894)	(835,824
Other Income (Expense):			
Interest expense	(655)	(1)	(806
Interest income	1,807	5,731	5,784
Total Other Income (Expense)	1,152	5,730	4,978
Net Loss	(338,148)	(275,164)	(830,846
Less Preferred Stock Dividend	96,500	-	96,500
Net Loss Allocable to Common Shareholders	$ (434,648)	$ (275,164)	$ (927,346
Net Loss Per Common Share:			
Basic	$ (0.05)	$ (0.03)	$ (0.11
Diluted	$ (0.05)	$ (0.03)	$ (0.11
Weighted Average Common Shares Outstanding:			
Basic	8,321,615	8,015,708	8,202,567
Diluted	8,321,615	8,015,708	8,202,567

SEE NOTES TO CONDENSED FINANCIAL STATEMENTS.

ACE MARKETING & P

CONDENSED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Nine Months End 2008
Cash Flows from Operating Activities:	
Net loss	$ (830,846)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation and amortization	10,656
Stock-based compensation	455,141
Changes in operating assets and liabilities:	
(Increase) decrease in operating assets:	
Accounts receivable	(77,802)
Prepaid expenses and other assets	(14,486)
Decrease in operating liabilities:	
Accounts payable and accrued expenses	(133,768)
Total adjustments	239,741
Net Cash Used in Operating Activities	(591,105)
Cash Flows from Investing Activities:	
Increase in Note receivable	(100,000)
Acquisition of property and equipment	(99,134)
Net Cash Used in Investing Activities	(199,134)
Cash Flows from Financing Activities:	
Proceeds from issuance of Preferred Stock	445,000
Net Cash Provided by Financing Activities	445,000
Net Decrease in Cash and Cash Equivalents	(345,239)
Cash and Cash Equivalents, beginning of period	819,021
Cash and Cash Equivalents, end of period	$ 473,782
Supplemental Disclosure of noncash transaction:	
Beneficial conversion feature - preferred stock dividend	$ 96,500

SEE NOTES TO CONDENSED FINANCIAL STATEMENTS.

PART I. FINANCIAL INFORMATION

ACE MARKETING & PROMOTIONS, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS
THREE MONTHS AND NINE MONTHS ENDED
SEPTEMBER 30, 2008 AND 2007
(UNAUDITED)

The Condensed Balance Sheet as of September 30, 2008, the Condensed Statements of Operations for the three months and nine months ended September 30, 2008 and 2007 and the Condensed Statements of Cash Flows for nine months ended September 30, 2008 and 2007 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 September 30, 2008, results of operations for the three months and nine months ended September 30, 2008 and 2007 and cash flows for the nine months ended September 30, 2008 and 2007. All such adjustments are of a normal recurring nature.

This report should be read in conjunction with our Form 10-KSB for our fiscal year ended December 31, 2007.

The results reported for the three months and nine months ended September 30, 2008 are not necessarily indicative of the results which may be expected for the full year.

1. SUMMARY OF 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. Revenue is accounted for in accordance with Emerging Issue Task Force (EITF) Issue No. 99-19, "Reporting Revenue Gross as a Principal versus Net as an Agent." Revenue is recognized on a gross basis since the Company has the risks and rewards of ownership, latitude in selection of vendors and pricing, and bears all credit risk.

The Company records all shipping and handling fees billed to customers as revenues, and related costs as cost of goods sold, when incurred, in accordance with EITF 00-10, "Accounting for Shipping and Handling Fees and Costs."

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.

Recently Issued Accounting Pronouncements - On September 15, 2006, the Financial Accounting Standards Board ("FASB") issued Statement No. 157, FAIR VALUE MEASUREMENTS ("SFAS 157"). SFAS 157 provides guidance for using fair value to measure assets and liabilities. This statement references fair value as the price that would be received to sell an asset or paid to transfer a liability, in an orderly transaction, between market participants in the market in which the reporting entity transacts. The statement applies whenever other standards require (or permit) assets or liabilities to be measured at fair value. The statement does not expand the use of fair value in any new circumstances. The Company adopted the provisions of SFAS No. 157 related to financial assets and liabilities as of January 1, 2008. The application of this standard did not have a material impact on the results of operations or financial condition. The

Company elected to defer adoption of SFAS No. 157 for non-financial assets and liabilities and does not anticipate that adoption in fiscal 2009 will have a material impact on the results of operations or financial condition.

PART I. FINANCIAL INFORMATION

ACE MARKETING & PROMOTIONS, INC.
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(UNAUDITED)

In February 2007, the Financial Accounting Standards Board (FASB), issued Statement of Financial Accounting Standards (SFAS) No. 159, THE FAIR VALUE OPTION FOR FINANCIAL ASSETS AND FINANCIAL LIABILITIES -- INCLUDING AN AMENDMENT OF FASB STATEMENT NO. 115. Under SFAS No. 159, a company may elect to measure eligible financial assets and financial liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings at each subsequent reporting date. If elected, SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. The Company did not elect to begin reporting any financial assets or liabilities at fair value upon adoption of SFAS No. 159 on January 1, 2008 and did not elect to report at fair value any new financial assets or liabilities entered during the quarter ended September 30, 2008.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141R, "Business Combinations" ("SFAS 141R"), which establishes principles and requirements for the reporting entity in a business combination, including recognition and measurement in the financial statements of the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree. This statement also establishes disclosure requirements to enable financial statement users to evaluate the nature and financial effects of the business combination. SFAS 141R applies prospectively to business combinations for which the acquisition date is on or after fiscal years beginning after December 15, 2008. The Company is currently evaluating the effect that the adoption of SFAS 141R will have on its financial statements.

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

In March 2008, the FASB issued Statement of Financial Accounting Standards No. 161, "Disclosures about Derivative Instruments and Hedging Activities" ("SFAS 161"). This statement will require enhanced disclosures about derivative instruments and hedging activities to enable investors to better understand their effects on an entity's financial position, financial performance, and cash flows. It is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application

encouraged. The Company is assessing the impact of the adoption of SFAS 161, but anticipates that SFAS 161 will not have a material effect on its financial position, results of operations and cash flows once it is adopted on January 1, 2009.

2. LOSS PER SHARE

Basic loss per common share is computed by dividing net loss allocable to common shareholders 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. The number of common shares potentially issuable upon the exercise of certain options, convertible preferred stock and warrants that were excluded from the diluted loss per common share calculation was approximately 6,264,000 and 3,679,000 because they are antidilutive as a result of a net loss for the three and nine months ended September 30, 2008 and 2007.

3. STOCK COMPENSATION

The Company's Plan is accounted for in accordance with the recognition and measurement provisions of Statement of Financial Accounting Standards ("FAS") No. 123 (revised 2004), Share-Based Payment ("FAS 123(R)"). FAS 123 (R) requires compensation costs related to share-based payment transactions, including employee stock options, to be recognized in the financial statements. In addition, the Company adheres to the guidance set forth within Securities and Exchange Commission ("SEC") Staff Accounting Bulletin ("SAB") No. 107, which provides the Staff's views regarding the interaction between SFAS No. 123(R) and certain SEC rules and regulations and provides interpretations with respect to the valuation of share-based payments for public companies.

Stock options and warrants issued in exchange for non-employee services pursuant to the provisions of FAS 123(R), Emerging Issues Task Force ("EITF") 96-3 and EITF 96-18 are accounted for at the fair value of the consideration or services received or the fair value of the equity instruments issued, whichever is more reliably measurable

The Company's results for the three and nine month periods ended September 30, 2008 and 2007 includes share-based compensation expense totaling approximately $183,000 and $455,000 and $304,000 and $355,000, respectively. Such amounts have been included in the Condensed Consolidated Statements of Operations within selling, general and administrative expenses. No income tax benefit has been recognized in the statement of operations for share-based compensation arrangements due to a history of operating losses.

The following table summarizes stock-based compensation expense for the three and nine months ended September 30, 2008 and 2007.

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	Nine Months Ended September 30, 2008	2007	Three Months September 2008	
Employee stock-based compensation - option grants	$167,034	$296,593	33,836	$27
Employee stock-based compensation - stock grants	17,000	12,000	-	1
Non-Employee stock-based compensation - option grants	41,442	38,160	10,284	1
Non-Employee stock-based compensation - stock grants	60,000	8,100	-	
Non-Employee stock-based compensation - warrants	169,665	-	139,177	
Total	$455,141	$354,853	$183,297	$30

ACE MARKETING & PROMOTIONS, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS
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SEPTEMBER 30, 2008 AND 2007
(UNAUDITED)

STOCK OPTION PLAN

During Fiscal 2005, the Company established, and the stockholders approved, an Employee Benefit and Consulting Services Compensation Plan (the "Plan") for the granting of up to 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.

All stock options under the Plan are granted at or above the fair market value of the common stock at the grant date. Employee and non-employee stock options 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. For option grants, the Company will take into consideration guidance under SFAS 123R and SEC Staff Accounting Bulletin No. 107 (SAB 107) when reviewing and updating assumptions. The expected volatility is based upon historical volatility of our stock and other contributing factors. The expected term is based upon observation of actual time elapsed between date of grant and exercise of options for all employees. Previously such assumptions were determined based on historical data.

The weighted average assumptions made in calculating the fair values of options granted during the nine months ended September 30, 2008 and 2007 are as follows:

	Nine Months Ended September 30, 2008	2007	Three Months Ended September 30, 2008	2007
Expected volatility	115.00%	58.23%	-	58.23%
Expected dividend yield	-	-	-	-
Risk-free interest rate	3.125%	4.15%	-	4.15%
Expected term (in years)	5.00	10.00	-	10.00

The following table represents the activity under our stock option plan:

	Share	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding, January 1, 2008	2,221,222	$ 1.18		
Granted	1,110,000	$ .98		
Outstanding, September 30, 2008	3,331,222	$ 1.11	6.27	$ -
Options exercisable, September 30, 2008	2,215,038	$ 1.13	5.21	$ -

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ACE MARKETING & PROMOTIONS, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS
THREE MONTHS AND NINE MONTHS ENDED
SEPTEMBER 30, 2008 AND 2007
(UNAUDITED)

The weighted-average grant-date fair value of options granted during the nine months ended September 30, 2008 was $0.53, and $.86 for the nine months ended September 30, 2007.

The aggregate intrinsic value of options outstanding and options exercisable at September 30, 2008 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 $1.00 closing price of the Company's common stock on September 30, 2008.

As of September 30, 2008, the fair value of unamortized compensation cost related to unvested stock option awards was approximately $482,645. Unamortized compensation cost as of September 30, 2008 is expected to be recognized over a remaining weighted-average vesting period of 2.72 years.

On January 16, 2008, the Company issued 20,000 shares of common stock to an employee in exchange for marketing and training services. The services were recorded equal to the value of the shares and an expense of $17,000 which is included in selling, general and administrative for the nine months ended September 30, 2008.

4. NOTE RECEIVABLE

In February 2008, the Company entered into an agreement with Blue Bite, LLC ("Blue Bite"), a distributor of wireless networking solutions, to become an authorized provider and reseller in the United States of mobile advertising solutions.

In connection with the agreement, the Company loaned Blue Bite $50,000. The Note bears interest at 10% per annum and is due March 1, 2009. The Note is convertible, at the Company's option, into a 10% ownership interest of Blue Bite. Upon conversion, the Company would also have to deliver to Blue Bite, $75,000 in restricted Common Stock of the Company as additional consideration.

On September 17, 2008, the company loaned Blue Bite an additional $50,000 pursuant to the terms of a one year convertible promissory note(the "Second Note"). The Second Note provides provides for interest at 10% per annum payable with any outstanding principal on September 17, 2009. The Company has the option to convert the Second Note plus $75,000 worth of shares of restricted Common Stock of the Company into an additional 10% interest in Blue Bite.

5. TRANSACTIONS WITH MAJOR CUSTOMER

The Company sells its products to a geographically diverse group of customers, performs ongoing credit evaluations of its customers and generally does not require collateral.

For the nine months ended September 30, 2008 and 2007, sales from ten percent or greater customers approximated 26.4% and 25.9%, respectively of total sales.

6. CONSULTING AGREEMENTS

On June 26, 2008 the Company issued to an investment advisor 133,500 common stock purchase warrants for the purpose of providing investor awareness and business advisory services. The services were recorded equal to the value of the warrants and an expense of $30,488 is included in selling, general and administrative for the nine months ended September 30, 2008.

On June 10, 2008, the Company issued 200,000 shares of common stock for two independent contractors to seek and obtain new business for the firm. The services were recorded equal to the value of the stock at the date of grant and an expense of $60,000 is included in selling, general and administrative for the nine months ended September 30, 2008.

On July 1, 2008, the Company issued to an investor relations and public relations company 250,000 common stock purchase warrants (the "Warrants") for the purpose of providing investor awareness and public relations advisory services. The Warrants are immediately exercisable and expire on June 30, 2011. 150,000 of the Warrants are exercisable at $.50 per share and contain a cashless exercise provision, and 100,000 of the Warrants are exercisable at $.80 per share. The services were recorded equal to the value of the Warrants and an expense of $139,177 is included in selling, general and administrative for the three and nine months ended September 30, 2008.

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7. PRIVATE PLACEMENT - SERIES A CONVERTIBLE PREFERRED STOCK

Between July 2008 and September 30, 2008, through a private placement, the Company sold 445,000 shares of Series A Convertible Preferred Stock, par value $.01 per share, for an issue price of $1.00 per share (the "Preferred Stock").The shares of Preferred Stock are convertible at the holders option, at

any time, based upon a conversion price equal to the lower of $.50 per share or the average closing sales price over the ten trading dates preceding December 15, 2008, with a floor of $.25. On December 15, 2008 the Preferred Stock automatically converts into common stock based upon the same conversion rate. As a result of the conversion option and that the Company's stock was trading above $.50 upon the issuance of certain of the Preferred Stock, this resulted in a non-cash beneficial conversion feature of $96,500 which was recognized as a non-cash dividend as of September 30, 2008.

An individual related to one of the Company's officers purchased 250,000 shares of the Preferred Stock.

8. SUBSEQUENT EVENTS

WARRANT EXTENSION

On October 1, 2008, the Company's Board of Directors approved the extension of the expiration date of the Company's Class A and Class B Warrants to January 2, 2009.

CONSULTING AGREEMENT

On October 15, 2008, the Company entered into a one year agreement with a consulting firm to provide public relations services, which agreement may be terminated by the company after three months in the event the company does not raise additional financing from the sale of common stock of at least $1,250,000. The contract provides for monthly cash payments of $5,000 for a minimum period of three months plus the grant of 125,000 stock purchase warrants. The Warrants are immediately exercisable, have an exercise price of $.90, contain a cashless exercise provision and expire on October 14, 2011. In the last nine months of the agreement, the company shall pay $165,000 to the consulting firm. Further, on or before December 31, 2008, the consultant will receive warrants to purchase 375,000 Restricted shares of common stock exercisable at the sale price of the private placement, but at an exercise price not to exceed $1.10 per share. These warrants, if issued, would have an expiration date of October 14, 2011 and will not contain any cashless exercise provisions. In the event the contract is cancelled within the first three-month period, the consultant would not be entitled to receive the additional 375,000 warrants.

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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-KSB for its fiscal year ended December 31, 2007 which includes our audited financial statements for the year ended December 31, 2007 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-KSB 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 Form 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 full service promotional marketing and distribution company offering a wide array of business solutions. Ace has grown organically through referrals based on its high quality service and external financings to support our growth. We are also expanding through hiring leading independent salespersons who are well supported by the Ace proprietary business structure. By offering more services and solutions to our customers, new recruits will have the ability to expand their present business by simply making the move to Ace. Upon integrating their client base into our system they too become trusted advisors that provide integrated business solutions instead of a commodity based promotional product salesperson.

These achievements position us to accelerate growth through potential acquisition and consolidation of other companies as well as simply recruiting experienced salespeople. In the event a company is acquired by us, of which no assurances can be given in this regard, the new clients would all be introduced to the additional services that are now available in our promotional marketing model.

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We have effectively carved out a niche for Ace. Marketing and branding companies create an image and direction for clients. Ad agencies develop print, TV, radio and other campaigns aimed at goals of recruiting and introducing new products or services. Traditional promotional product companies offer imprinted merchandise and apparel. Ace finds itself in a position of providing value added services that compliment those of the ad agency, as well as branding and marketing companies while at the same time far exceeding the capabilities of a standard promotional products distributor.

We expect our revenues to grow as economic conditions in the United States improve by adding additional in-house and independent sales representatives to our sales network. While one or more acquisitions of other distributors will also be considered by Management, we can provide no assurances that one or more acquisitions of other distributors will be completed on terms satisfactory to us, if at all.

ACE MOBILE MARKETING

We are an authorized 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 PDAs 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. To date, we have not generated any significant revenue from our mobile advertising services.

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.

The ABI Research report published in January 2008 on mobile marketing refers to the industry as still being in its "wild west" years but forecasts it will settle down and become a $24 billion slice of the worldwide marketing and advertising pie by 2013. It estimates there was about $1.8 billion spent in 2007 on all forms of mobile marketing.

Ace intends to market the 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 also 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 loaned Blue Bite (another authorized provider and reseller of mobile advertising Solutions) $100,000 pursuant to two Notes (due March 1, 2009 and September 17, 2009) convertible at Ace's option into a 20% ownership interest of Blue Bite. At the time of conversion, Ace would also have to deliver to Blue Bite up to $150,000 in fair market value of its restricted Common Stock as additional consideration. See "Note 4."

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 require 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 for in accordance with Emerging Issue Task Force Issue No. 99-19, 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, in accordance with Emerging Issue Task Force Issue No. 00-10, accounting for shipping and handling fees and costs.

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, customer credit worthiness, (d) current economic conditions, and (e) changes in customer payment terms.

STOCK BASED COMPENSATION. Effective January 1, 2006, the Company began recording compensation expense associated with stock options and other equity-based compensation in accordance with SFAS 123(R), using the modified prospective transition method and therefore has not restated results for prior periods. Under the modified prospective transition method, share-based compensation expense for 2006 includes 1) compensation expense for all share-based awards granted on or after January 1, 2006 as determined based on the grant-date fair value estimated in accordance with the provisions of SFAS 123(R) and 2) compensation expense for share-based compensation awards granted prior to, but not yet vested as of January 1, 2006, based on the grant date fair value estimated in accordance with the original provisions of SFAS 123. The Company recognizes compensation expense on a straight-line basis over the requisite service period of the award.

Recently Issued Accounting Pronouncements

On September 15, 2006, the Financial Accounting Standards Board ("FASB") issued Statement No. 157, FAIR VALUE MEASUREMENTS ("SFAS 157"). SFAS 157 provides guidance for using fair value to measure assets and liabilities. This statement references fair value as the price that would be received to sell an asset or paid to transfer a liability, in an orderly transaction, between market participants in the market in which the reporting entity transacts. The

statement applies whenever other standards require (or permit) assets or liabilities to be measured at fair value. The statement does not expand the use of fair value in any new circumstances. The Company adopted the provisions of SFAS No. 157 related to financial assets and liabilities as of January 1, 2008. The application of this standard did not have a material impact on the results of operations or financial condition. The Company elected to defer adoption of SFAS No. 157 for non-financial assets and liabilities and does not anticipate that adoption in fiscal 2009 will have a material impact on the results of operations or financial condition.

In February 2007, the Financial Accounting Standards Board (FASB), issued Statement of Financial Accounting Standards (SFAS) No. 159, THE FAIR VALUE OPTION FOR FINANCIAL ASSETS AND FINANCIAL LIABILITIES -- INCLUDING AN AMENDMENT OF FASB STATEMENT NO. 115. Under SFAS No. 159, a company may elect to measure eligible financial assets and financial liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings at each subsequent reporting date. If elected, SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. The Company did not elect to begin reporting any financial assets or liabilities at fair value upon adoption of SFAS No. 159 on January 1, 2008 and did not elect to report at fair value any new financial assets or liabilities entered during the quarter ended September 30, 2008.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141R, "Business Combinations" ("SFAS 141R"), which establishes principles and requirements for the reporting entity in a business combination, including recognition and measurement in the financial statements of the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree. This statement also establishes disclosure requirements to enable financial statement users to evaluate the nature and financial effects of the business combination. SFAS 141R applies prospectively to business combinations for which the acquisition date is on or after fiscal years beginning after December 15, 2008. The Company is currently evaluating the effect that the adoption of SFAS 141R will have on its financial statements.

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

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 September 30,	2008	2007
Revenue	$1,480,577	$1,639,182
Cost of Revenue	1,056,082	1,050,799
Gross Profit	424,495	588,383
Selling, general & Administrative expenses	763,795	869,277
Loss from operations	(339,300)	(280,894)

We generated revenues of $1,480,577 in the third quarter of 2008 compared to $1,639,182 in the same three month period ending September 30, 2007. The decrease in revenues of $158,605 in 2008 compared to 2007 was due to a slowing of the economy as a whole which effects the sale of advertising and promotional items.

Cost of revenues was $1,056,082 or 71% of revenues in the third quarter of 2008 compared to $1,050,799 or 64% of revenues in the same three months of 2007. Cost of revenues includes purchases and freight costs associated with the shipping of merchandise to our customers. Increase in cost of revenues of $5,283 in 2008 is due to the cost of merchandise which varies depending on the items purchased by the customer.

Gross profit was $424,495 in the third quarter of 2008 or 29% of net revenues compared to $588,383 in the same three months of 2007 or 36% 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 $763,795 in the third quarter of 2008 compared to $869,277 in the same three months of 2007. Such costs include payroll and related expenses, commissions, insurance, rents, professional, consulting and public awareness fees. The overall decrease of $105,482 was primarily due to a $120,389 decrease in stock based compensation.

Net loss was $(339,300) in the third quarter of 2008 compared to a net loss of $(280,894) for the same three months in 2007. The 2008 third quarter increase in net loss of $58,406 as compared to the comparable period of the prior year, was due to a decrease in gross profit of $163,888, partially offset by a $120,389 decrease in stock based compensation. No benefit for income taxes is provided for in 2008 and 2007 due to the full valuation allowance on the net deferred tax assets. Our ability to be profitable in the future is dependent upon both a turnaround in the United States economy and the successful introduction and usage of our proximity marketing services by our clients, which commenced in August 2008.

During the quarter ended September 30, 2008, we recognized a non-cash dividend of $96,500 which related to the terms of our private placement of Series A Convertible Preferred Stock. See "Note 7".

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.

Nine months Ended September 30,	2008	2007
Revenue	$4,706,627	$4,322,848
Cost of Revenues	3,444,777	2,876,397
Gross Profit	1,261,850	1,446,451
Selling, general & Administrative expenses	2,097,674	2,004,185
(Loss) from operations	(835,824)	(557,734)

We generated revenues of $4,706,627 for the nine months ended September 30, 2008 compared to $4,322,848 in the same nine month period ending September 30, 2007. The increase in revenues of $383,779 in 2008 compared to 2007 is due to the collaborated effort with a major customer, Ace Marketing was able to create, administer and fulfill an in house order which benefited over 3,500 members of the organization. This order was responsible for 15.6% of revenues for the nine months ended September 30, 2008. We can provide no assurance that this large order will be recurring in future operating periods.

Cost of revenues was $3,444,777 or 73% of revenues for the nine months ended September 30, 2008 compared to $2,876,397 or 67% of revenues in the same nine months of 2007. Cost of revenues includes purchases and freight costs associated with the shipping of merchandise to our customers. Increase in cost of revenues of $568,380 in 2008 is related to a increase in sales to a major customer which placed a large order during the second quarter of fiscal 2008.

Gross profit was $1,261,950 for the nine months ended September 30, 2008 or 27% of net revenues compared to $1,446,451 in the same nine months of 2007 or 33% 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 nine month gross profit was negatively impacted by reduced gross profit achieved in connection with the large order placed by members of a police organization.

Selling, general, and administrative expenses were $2,097,674 for the nine months ended September 30, 2008 compared to $2,004,185 in the same nine months of 2007. Such costs include payroll and related expenses, commissions, insurance, rents, professional, consulting and public awareness fees. The overall increase of $93,489 was primarily due to a $108,388 increase in stock based compensation.

Net loss from operations was $(835,824) in the first nine months of 2008 compared to a net loss of $(557,734) for the same nine months in 2007. Our net loss for the nine months ended 2008 increased $278,090 as compared to the comparable period of the prior year due to an increase in stock based payments of $100,288 and a decrease in gross profit of $184,601. No benefit for income taxes is provided for in 2008 and 2007 due to the full valuation allowance on the net deferred tax assets. Our ability to be profitable in the future is dependent upon both a turnaround in the United States economy and the successful introduction and usage of our proximity marketing services by our clients, which commenced in August 2008.

During nine months ended September 30, 2008, we recognized a non-cash dividend of $96,500 which related to the terms of our private placement of Series A Convertible Preferred Stock. See "Note 7".

Liquidity and Capital Resources

The Company had cash and cash equivalents of $473,782 at September 30, 2008. Cash used by operating activities for the nine months ended September 30, 2008 was $(591,105). This resulted primarily from a net loss of $(830,846), offset by stock based compensation of $455,141 an increase in accounts receivable of $77,802 and an increase in prepaid expenses and other assets of $14,486 an a decrease of accounts payable and accrued expenses of $133,768.

The Company had cash and cash equivalents of $938,506 at September 30, 2007. Cash used by operating activities for the nine months ended September 30, 2007 was $(388,544). This resulted primarily from a net loss of $(535,710), an increase in accounts receivable of $(283,271) and an increase in accounts payable and accrued expenses of $127,439 partially offset by stock based payments of $354,853.

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 fifteen 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.

2008 Financing

Between July and October 2008, the Company sold 445,000 shares of its Series A Preferred Stock at a purchase price of $1.00 per share. The following describes the rights, preferences and privileges of the Series A Preferred Stock:

- CONVERTIBILITY INTO COMMON STOCK. Each share of Preferred Stock shall automatically convert on December 15, 2008 into shares of Common Stock (the "Common Shares") based on a conversion price of the lower of $.50 per share or the average closing sale price for the Company's Common Stock on the OTC Bulletin Board for the 10 trading days immediately preceding December 15, 2008, with a floor of $.25 per share. Each share of Preferred Stock may at the option of the holder be converted into Common Shares prior to December 15, 2008 based upon a price of $.50 per share.
- VOTING. The Preferred Shares shall have no voting rights until converted into Common Shares, except as otherwise required by applicable state law.
- DIVIDENDS. The Preferred Shares shall have no dividend rights until converted into Common Shares, except as otherwise required by applicable state law.
- LIQUIDATION PREFERENCE. The Preferred Shares shall have no liquidation preference and shall be treated the same as a holder of Common Shares.

Exemption is claimed for the sale of the aforementioned 445,000 shares of Series A Preferred Stock pursuant to Rule 506 and/or Section 4(2) of the Securities Act of 1933, as amended.

2006 Financing

In 2006, we engaged Brookshire Securities Corporation, a licensed broker-dealer and member of the NASD, to act as Placement Agent to raise financing for our company through the sale of our unregistered securities solely to "accredited investors" as defined in Rule 501 of Regulation D of the Securities Act of 1933, as amended.

Pursuant to the offering, we raised gross proceeds of $1,665,250 from the sale of Units. Each Unit consisted of 60,000 shares of our Common Stock and Class C Warrants to purchase 30,000 shares of Common Stock at an offering price of $105,000 per Unit. We had the right to sell fractional Units, but not fractional shares or fractional Class C Warrants. The Class C Warrants are exercisable at $1.75 per share at anytime from the date of issuance through the earlier of June 30, 2009 or the redemption date of the Class C Warrants, whichever is earlier.

Each Class C Warrant may be redeemed by us at a redemption price of $.001 per Warrant, on at least 30 days prior written notice (the "Redemption Date'), at anytime after the average closing sales price of our Common Stock as reported in the Over-the-Counter Market OTC Electronic Bulletin Board, NASDAQ or if listed on a national securities exchange, equals or exceeds $3.00 per share for a period of 20 consecutive trading days ending within 10 days prior to the date of the notice of redemption is mailed or otherwise delivered by us to each holder of Class C Warrants.

We sold 951,575 shares of our Common Stock and Class C Warrants to purchase 475,788 shares of our Common Stock in the offering. On December 21, 2006 and December 17, 2007, we obtained an effective registration statement with the Securities and Exchange Commission to register the resale of 951,575 shares of Common Stock and 475,588 shares underlying the Class C Warrants. Such registration Statement is currently stale. We also issued to the Placement Agent 139,680 shares of Common Stock and five-year Warrants to purchase 95,160 shares of Common Stock exercisable at $1.00 per share. Exemption from registration is claimed under Rule 506 of Regulation d promulgated under Section 4(2) of the Securities Act.

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.

At December 31, 2007, management identified the following significant deficiencies that when aggregated give rise to a material weakness in the area of financial reporting.

These deficiencies include a) lack of review or evidence of review in the financial Reporting process; b) the inability to account for complex equity transaction; c) various manual processes and dual databases creating need for extensive number of journal entries; and d) inability to apply complex accounting principles. Management is presently assessing these deficiencies and as of September 30, 2008, had not remediated the identified deficiencies.

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 2. CHANGES IN SECURITIES.

(a) From January 2008 to the filing date of this Form 10-Q, 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, CONVERTIBLE TERMS OF EX OR CONVERSI
January 2008	Common Stock Options	1,000,000 shares	Services rendered; no commissions paid	Section 4(2)	Not applica

January 2008	Common Stock	20,000 shares	Services rendered; no commissions paid	Section 4(2). A restrictive legend appears on each certificate	Not applica
June 2008	Common Stock	200,000 shares	Services rendered; no commissions paid	Section 4(2)	Not applica
June 2008	Common Stock Warrants	133,500 warrants	Services rendered; no commissions paid	Section 4(2)	Exercisable ranging fro share to $. Through Jun
July 2008	Shares of Series A Preferred Stock	445,000 shares	$445,000 paid in cash; No commissions paid	Section 4(2)	Automatical into common December 15 upon a conv Equal to th $.50 per sh average clo over the 10 trading day floor of $.
July 2008	Common Stock Warrants	250,000 warrants	Services rendered; no commissions paid	Section 4(2)	Exercisable ranging fro $.80 per sh June 30, 20
October 2008	Common Stock Warrants	125,000 Warrants	Services rendered; no commissions paid	Section 4(2)	Exercisable ranging fro $.80 per sh June 30, 20 Exercisable Of $.90 per October 14,

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

(c) In the nine months ended September 30, 2008, 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:

The Company has outstanding Class A and Class B Common Stock Purchase Warrants to purchase an aggregate of 737,000 shares of Common Stock, exercisable at $2.00 per share. The expiration date of the Class A and Class B Warrants has

been extended to the close of business on January 2, 2009.

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).

Exhibit Number	Description
3.1	Articles of Incorporation filed March 26, 1998 (1)
3.2	Amendment to Articles of Incorporation filed June 10, 1999 (1)
3.3	Amendment to Articles of Incorporation approved by stockholders on February 9, 2005(1)
3.4	Amended By-Laws (1)
10.1	Employment Agreement - Michael Trepeta (2)
10.2	Employment Agreement - Dean Julia (2)
10.3	Amendments to Employment Agreement - Michael Trepeta (5)(7)
10.4	Amendments to Employment Agreement - Dean L. Julia (5)(7)
10.5	Joint Venture Agreement with Atrium Enterprises Ltd. (6)
10.6	Agreement with Aon Consulting (6)
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 2007
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	Press Release - Third Quarter Results of Operations (3)

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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) Filed herewith.

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

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

(6) Incorporated by reference to the Registrant's Form 10-KSB for its fiscal year ended December 31, 2006.

(7) Incorporated by reference to the Registrant's Form 8-K dated September 21, 2007.

(8) Incorporated by reference to the Registrant's Form 10-QSB for its quarter ended September 30, 2006.

SIGNATURES

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

ACE MARKETING & PROMOTIONS, INC.

Date: November 14, 2008

By: /s/ Dean L. Julia

Dean L. Julia,
Chief Executive Officer

Date: November 14, 2008

By: /s/ Sean McDonnell

Sean McDonnell,
Chief Financial Officer