ACE MARKETING & PROMOTIONS INC
Form 10-Q
November 12, 2010

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, 2010

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

Yes x No o

Indicate by checkmark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the 12 preceding months (or such shorter period that the registrant was required to submit and post such file).
Yes o No o

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

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

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

Yes o No x

As of September 30, 2010, the registrant had a total of 13,627,427 shares of Common Stock outstanding.

ACE MARKETING & PROMOTIONS, INC.

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

Condensed Balance Sheets	September 30, 2010 Unaudited	December 31, 2009 Audited
Assets		
Current Assets:		
Cash and cash equivalents	$260,683	$595,611
Accounts receivable, net of allowance for doubtful accounts of $20,000 at September 30, 2010 and December 31, 2009	337,249	533,555
Prepaid expenses and other current assets	221,505	157,580
Total Current Assets	819,437	1,286,746
Property and Equipment, net	258,559	133,632
Other Assets	7,745	7,745
Total Assets	$1,085,741	$1,428,123
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable	$253,097	$310,753
Accrued expenses	54,708	230,334
Total Current Liabilities	307,805	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; 13,627,428 and 11,615,703 shares issued and outstanding at September 30, 2010 and December 31, 2009, respectively	1,363	1,163
Additional paid-in capital	7,410,294	6,229,851
Accumulated deficit	(6,602,220)	(5,312,477)
	809,437	918,537
Less: Treasury Stock, at cost, 23,334 shares	(31,501)	(31,501)
Total Stockholders' Equity	777,936	887,036
Total Liabilities and Stockholders' Equity	$1,085,741	$1,428,123

See notes to condensed financial statements.

ACE MARKETING &
PROMOTIONS, INC.

Condensed Statements of Operations

	Three Months Ended September 30, Unaudited		Nine Months Ended September 30, Unaudited	
	2010	2009	2010	2009
Revenues, net	$773,830	$938,824	$2,447,723	$2,235,103
Cost of Revenues	509,973	770,028	1,688,609	1,601,245
Gross Profit	263,857	168,796	759,114	633,858
Operating Expenses:				
Selling, general and administrative expenses	598,949	653,625	2,048,720	1,743,758
Total Operating Expenses	598,949	653,625	2,048,720	1,743,758
Loss from Operations	(335,092)	(484,829)	(1,289,606)	(1,109,900)
Other Income (Expense):				
Interest expense	(470)	(129)	(729)	(379)
Interest income	181	208	592	4,767
Total Other Income (Expense)	(289)	79	(137)	4,388
Net Loss	$(335,381)	$(484,750)	$(1,289,743)	$(1,105,512)
Net Loss Per Common Share:				
Basic	$(0.03)	$(0.05)	$(0.10)	$(0.11)
Diluted	$(0.03)	$(0.05)	$(0.10)	$(0.11)
Weighted Average Common Shares Outstanding:				
Basic	13,221,722	10,207,207	13,028,517	9,755,652
Diluted	13,221,722	10,207,207	13,028,517	9,755,652

See notes to condensed financial statements.

ACE MARKETING &
PROMOTIONS, INC.

Condensed Statements of Cash Flows

Nine Months Ended September 30,	2010 Unaudited	2009 unaudited
Cash Flows from Operating Activities:		
Net loss	$(1,289,743)	$(1,105,512)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	39,435	21,494
Stock-based compensation	552,693	205,210
Changes in operating assets and liabilities:		
(Increase) decrease in operating assets:		
Accounts receivable	196,306	449,900
Prepaid expenses and other assets	(63,925)	(45,912)
Decrease in operating liabilities:		
Accounts payable and accrued expenses	(205,832)	(30,914)
Total adjustments	518,677	599,778
Net Cash Used in Operating Activities	(771,066)	(505,734)
Cash Flows from Investing Activities:		
Acquisition of property and equipment	(164,362)	(46,204)
Collection of note receivable	-	100,000
Net Cash (Used) in Provided by Investing Activities	(164,362)	53,796
Cash Flows from Financing Activities:		
Proceeds from issuance of common stock	600,500	642,727
Net Cash Provided by Financing Activities	600,500	642,727
Net Increase (Decrease) in Cash and Cash Equivalents	(334,928)	190,789
Cash and Cash Equivalents, beginning of period	595,611	509,251
Cash and Cash Equivalents, end of period	$260,683	$700,040

See notes to condensed financial statements.

ACE MARKETING & PROMOTIONS, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS
THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 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 September 30, 2010 and December 31, 2009, the Condensed Statements of Operations for the three and nine months ended September 30, 2010 and 2009 and the Condensed Statements of Cash Flows for the nine months ended September 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 September 30, 2010, results of operations for the three months and nine months ended September 30, 2010 and 2009 and cash flows for the nine months ended September 30, 2010 and 2009. All such adjustments are of a normal recurring nature. The results of operations and cash flows for the nine months ended September 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 principles 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 an Integrated Marketing Solutions Company, offering Marketing Technology Platforms in four Vertical Categories: Branding and Branded Merchandise, Interactive Solutions, Direct Relationship Marketing and Mobile Marketing. Through the use of proprietary technologies, Ace identifies the ideal customer, prospect and branding solution to help ensure a successful marketing strategy. In addition, Ace is building a National Proximity Marketing Network, for the delivery of advertising campaigns to mobile devices via Bluetooth and Wi-Fi. 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.

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Within our Direct Relationship Marketing solution we will work with our clients existing databases to ensure that they have the most accurate and up-to-date information for their customers, and utilize this information to learn more about them. We then create a demographic/psychographic profile of their ideal customer base, and utilize this targeted information to accurately identify high-probability prospects in their market area. Finally, the Ace Platforms focus on the two most important aspects of the business: Client Retention and New Customer Acquisition. To effectively increase the response rate of the marketing programs we deliver a personalized messages for each individual recipient. We provide integrated platforms that can deliver the right message to the right client using the right delivery method. Our platform also allows for real-time, online measurement and reporting of campaign response, whether through our call center or via online response-tracking.

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 preformed by the Company. This Guidance became effective upon issuance.

ACE MARKETING & PROMOTIONS, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS
THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 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 6,283,000 and 6,855,000 because they are anti-dilutive as a result of the net loss for the three and nine months ended September 30, 2010 and September 30, 2009, respectively.

ACE MARKETING & PROMOTIONS, INC.
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NOTE 5: STOCK COMPENSATION

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

The Company's results for the three month periods ended September 30, 2010 and 2009 include employee share-based compensation expense totaling approximately $56,000 and $134,000, respectively. The Company's results for the nine month periods ended September 30, 2010 and 2009 include employee share-based compensation expense totaling approximately $553,000 and $205,000, 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, 2010 and 2009:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Employee stock-based compensation - option grants	$ -	$ -	$ 267,180	$ (129,540)
Employee stock-based compensation - stock grants	-	-	-	-
Non-Employee stock-based compensation - option grants	40,322	68,322	134,799	172,542
Non-Employee stock-based compensation - stock grants	15,250	30,000	135,650	34,200
Non-Employee stock-based compensation-stock warrant	-	36,001	15,064	128,008
Total	$ 55,572	$ 134,323	$ 552,693	$ 205,210

ACE MARKETING & PROMOTIONS, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS
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NOTE 6: STOCK OPTION PLAN

During Fiscal 2005, the Company established, and the stockholders approved, an Employee Benefit and Consulting Services Compensation Plan (the "2005 Plan") for the granting of up to 2,000,000 non-statutory and incentive stock options and stock awards to directors, officers, consultants and key employees of the Company. On June 9, 2005, the Board of Directors amended the Plan to increase the number of stock options and awards to be granted under the Plan to 4,000,000. In October 2009, the Company established and the stockholders approved a 2009 Employee Benefit and Consulting Services Compensation Plan (the "2009 Plan") for granting up to 4,000,000 non-statutory and incentive stock options and awards to directors, officers, consultants and employees of the Company. (The 2005 Plan and the 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.
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The weighted average assumptions made in calculating the fair values of options granted during the three and nine months ended September 30, 2010 and 2009 are as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2010	2009	2010	2009
Expected volatility	123.48%	-	123.48%	135.23%
Expected dividend yield	-	-	-	-
Risk-free interest rate	3.01%	-	3.01%	1.27%
Expected term (in years)	7.73	-	7.73	4.87

	Share	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding, January 1, 2010	3,029,222	1.09	4.26	
Granted	660,000	.54	10.00	
Exercised	-			
Cancelled	(569,222)			
Outstanding, September 30, 2010	3,120,000	.97	2.06	
Options exercisable, September 30, 2010	2,670,000	1.07	2.06	$ 13,000

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

The aggregate intrinsic value of options outstanding and options exercisable at September 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 $0.35 closing price of the Company's common stock on September 30, 2010.

As of September 30, 2010, the fair value of unamortized compensation cost related to unvested stock option awards was approximately $196,000. Unamortized compensation cost as of September 30, 2010 is expected to be recognized over a remaining weighted-average vesting period of 1.49 years.

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

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

	Share	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding, January 1, 2010	1,712,366	$0.84	2.656	
Granted	1,401,000	$0.91		
Exercised	--			
Cancelled	--			
Outstanding, September 30, 2010	3,163,366	$0.84	2.06	
Warrants exercisable, September 30, 2010	3,163,366	$0.84	2.06	-

ACE MARKETING & PROMOTIONS, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS
THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 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. In August 2010, the Company raised $175,000 from the sale of 437,500 shares and a like number of Warrants. All securities were issued pursuant to Section 4(2) and/or Rule 506 of Regulation D promulgated under Section 4(2) of the Securities Act of 1933, as amended. See "Note 12."

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 NINE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009
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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.

NOTE 12: SUBSEQUENT EVENTS

In November 2010, the Company commenced a plan of financing to raise additional financing from the sale of its restricted Common Stock and Common Stock Purchase Warrants. As of the filing date of this Form 10-Q, the Company has raised over $400,000 in gross proceeds and the private equity offering is ongoing.

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 an Integrated Marketing Solutions Company, offering Marketing Technology Platforms in four Vertical Categories: Branding and Branded Merchandise, Interactive Solutions, Direct Relationship Marketing and Mobile Marketing. Through the use of proprietary technologies, Ace identifies the ideal customer, prospect and branding solution to help ensure a successful marketing strategy. In addition, Ace is building a National Proximity Marketing Network, for the delivery of advertising campaigns to mobile devices via Bluetooth and Wi-Fi. 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.

Within our Direct Relationship Marketing solution we will work with our clients existing databases to ensure that they have the most accurate and up-to-date information for their customers, and utilize this information to learn more about them. We then create a demographic/psychographic profile of their ideal customer base, and utilize this targeted information to accurately identify high-probability prospects in their market area. Finally, the Ace Platforms focus on the two most important aspects of the business: Client Retention and New Customer Acquisition. To effectively increase the response rate of the marketing programs we deliver a personalized messages for each individual recipient. We provide integrated platforms that can deliver the right message to the right client using the right delivery method. Our platform also allows for real-time, online measurement and reporting of campaign response, whether through our call center or via online response-tracking.

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 September 30, 2010	2009
Revenue	$ 773,830	$ 938,824
Cost of Revenues	509,973	770,028
Gross Profit	263,857	168,796
Selling, General and Administrative Expenses	598,949	653,625
(Loss) from Operations	(335,092)	(484,829)

We generated revenues of $773,830 in the third quarter of 2010 compared to $938,824 in the same three month period ended September 30, 2009. Revenues for the quarter ended September 30, 2009 included revenues totaling $473,000 from three clients as compared to $10,000 in revenues for the quarter ended September 30, 2010. The decrease in revenues of $164,994 in 2010 compared to 2009 was due to the aforementioned non-recurring revenues partially offset by otherwise improved sales as clients appear ready to increase their marketing and promotion activities.

Cost of revenues was $509,973 or 66% of revenues in the third quarter of 2010 compared to $770,028 or 82% 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. Decrease in cost of revenues of $260,055 in 2010 directly related to the loss of sales from three clients as described above.

Gross profit was $263,857 in the third quarter of 2010 or 34% of net revenues compared to $168,796 in the same three months of 2009 or 18% 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 $473,000 decrease in sales activities from three clients described above, included sales activities at very low margins. By eliminating these sales activities from the third quarter of 2010, our gross profit margins improved dramatically.

Selling, general, and administrative expenses were $598,949 in the third quarter of 2010 compared to $653,625 in the same three months of 2009. Such costs include payroll and related expenses, commissions, insurance, rents, professional, consulting and public awareness fees. The decrease in costs relates to a $78,751 decrease in (non-cash) stock based compensation.

Net loss was $(335,092) in the third quarter of 2010 compared to a net loss of $(484,829) for the same three months in 2009. The third quarter net loss for 2010 includes stock based payments (non-cash) of $55,572 as compared to $134,323 for the comparable period of 2009. Our 2010 net loss decreased by $149,737 due to a increase in gross profit of $95,061 and by a decrease in operating expenses of $54,676. No benefit for income taxes is provided for in 2010 and 2009 due to the full valuation allowance on the net deferred tax assets.

	Nine Months Ended September 30, 2010	2009
Revenue	$ 2,447,723	$ 2,235,103
Cost of Revenues	1,688,609	1,601,245
Gross Profit	759,114	633,858
Selling, General and Administrative Expenses	2,048,720	1,743,758
(Loss) from Operations	(1,289,606)	(1,109,900)

We generated revenues of $2,447,723 in the first nine months of 2010 compared to $2,235,103 in the same nine month period ended September 30, 2009. The increase in revenues of $212,620 in 2010 compared to 2009 was due to the increased efforts of the Company's sales force and improvement during the first nine months of 2010. The nine months ended September 30, 2010 included increased revenues of approximately $378,000 for the six months ended June 30, 2010 as compared to the comparable period of the prior year. Revenues for the quarter ended September 30, 2009 included revenues totaling $473,000 from three clients as compared to $10,000 in revenues from the same clients for the quarter ended September 30, 2010. Management believes that clients appear ready to increase their budgets on marketing and promotional activities.

Cost of revenues was $1,688,609 or 69% of revenues in the nine months of 2010 compared to $1,601,245 or 72% of revenues in the same nine 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 $87,364 in 2010 is related to an increase in purchases due to the rise in sales during the nine months ended September 30, 2010.

Gross profit was $759,114 in the first nine months of 2010 or 31% of net revenues compared to $633,858 in the same nine months of 2009 or 28% 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 improved margins for the nine months ended September 30, 2010 included substantial decreased sales from three clients that were at low gross margins.

Selling, general, and administrative expenses were $2,048,720 in the first nine months of 2010 compared to $1,743,758 in the same nine months of 2009. Such costs include payroll and related expenses, commissions, insurance, rents, professional, consulting and public awareness fees. The first nine months net loss for 2010 includes stock based payments (non-cash) of $552,693 as compared to $205,210 for the comparable period of 2009.

Net loss was $(1,289,606) in the nine months ended September 30, 2010 compared to a net loss of $(1,109,900) for the same nine months in 2009. Our 2010 net loss increased by $179,706 due to an increase in operating expenses of $304,962, partially offset by improved margins. 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 $260,683 at September 30, 2010. Cash used by operating activities for the nine months ended September 30, 2010 was $(771,066). This resulted primarily from a net loss of ($1,289,743) partially offset by a decrease in accounts receivable of $196,306 and $552,693 in stock based payments. Net cash of

$164,362 was used by investing activities to acquire property and equipment. Net cash was provided by financing activities totaling $600,500 resulting from the issuance of common stock.

The Company had cash and cash equivalents of $700,040 at September 30, 2009. Cash used by operating activities for the nine months ended September 30, 2009 was $(505,734). This resulted primarily from a net loss of ($1,105,512) partially offset by a decrease in accounts receivable of $449,900 and $205,210 in stock based payments. Net cash was provided by investing activities in the amount of $53,796. The Company collected $100,000 on a note receivable, but used cash of $46,204 to acquire property and equipment. Net cash was provided by financing activities totaling $642,727 resulting from the issuance of common stock.

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

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

Recent Financings

On December 8, 2009, the Company entered into an Introducing Agent Agreement with Legend Securities, Inc., a FINRA registered broker-dealer ("Legend"), to attempt to raise additional financing through the sale of its Common Stock and Warrants. Between December 8, 2009 and March 15, 2010, the Company closed on gross proceeds of $1,025,000 before commissions of $117,000. The planned use of proceeds is to primarily expand the Company's mobile and interactive divisions. The Company issued pursuant to the terms of the offering an aggregate of 2,050,000 shares of Common Stock at a per share price of $.50 per share and 1,025,000 Class D Warrants exercisable at $1.00 per share to investors in the offering and placement agent warrants (in the form of Class D Warrants) to purchase 307,500 shares. All securities were issued pursuant to Rule 506 of Regulation D promulgated under Section 4(2) of the Securities Act of 1933, as amended.

In August 2010, the Company raised $175,000 in gross proceeds from the sale of 437,500 shares and a like number of Warrants. In November 2010, the Company commenced a plan of financing to raise additional financing from the sale of its restricted Common Stock and Common Stock Purchase Warrants. As of the filing date of this Form 10-Q, the Company has raised over $400,000 in gross proceeds and the private equity offering is ongoing. All securities will be issued pursuant to Section 4(2) and/or Rule 506 of Regulation D promulgated under Section 4(2) of the Securities Act of 1933, as amended.

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 September 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) In the third quarter of 2010, Management documented their policies and procedures as they relate to the managing of operations for application and technology platforms.

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 it believes that it has fully resolved any outstanding shares in the third quarter of 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 September 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.
August 2010	Common Stock And Warrants	437,500 shares 437,500 warrants	$175,000; no commissions paid	Rule 506	Warrants exercisable at $.60 per share through August 31, 2013

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

(c) In the nine months ended September 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:

Not applicable.

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 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 (9)
31.2	Chief Financial Officer Rule 13a-14(a)/15d-14(a) Certification (9)
32.1	Chief Executive Officer Section 1350 Certification (9)
32.2	Chief Financial Officer Section 1350 Certification (9)
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 Third Quarter Results of Operations (9)

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

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

(3) Incorporated by reference to Registrant's Form 10-Q for the quarter ended June 30, 2010.

(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,
(9) 2006.
Filed herewith.

SIGNATURES

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

ACE MARKETING & PROMOTIONS, INC.

Date: November 12, 2010	By:	/s/ Dean L. Julia Dean L. Julia, Chief Executive Officer

By: /s/ Sean McDonnell
Sean McDonnell,
Chief Financial Officer