ACE MARKETING & PROMOTIONS INC
Form 10QSB
August 12, 2005

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-QSB

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

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2005

COMMISSION FILE NUMBER: 000-51160

ACE MARKETING & PROMOTIONS, INC.
(Exact name of registrant as specified in its charter)

NEW YORK	11-3427896
(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 [ ]

As of August 12, 2005, the registrant had a total of 5,888,076 shares of Common Stock outstanding.

ACE MARKETING & PROMOTIONS, INC.

FORM 10-QSB QUARTERLY REPORT
TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION

ACE MARKETING & PROMOTIONS, I

CONDENSED BALANCE SHEETS

	JUNE, 30 2005	DECEMBER, 2004
	(UNAUDITED)	
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 494,273	$ 566,
Accounts receivable	456,709	312,
Prepaid expenses and other current assets	11,080	68,
Total Current Assets	962,062	947,
Property and Equipment, net	13,071	15,
Other Assets	3,135	3,
Total Assets	$ 978,268	$ 966,
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Notes payable	$ -	$ 25,
Accounts payable	185,219	183,
Accrued expenses	18,053	92,
Total Current Liabilities	203,272	300,
Commitments and Contingencies		
Stockholders' Equity:		
Common stock, $.0001 par value; 25,000,000 shares authorized 5,888,076 and 5,757,000 shares issued and outstanding at June 30, 2005 and December 31, 2004, respectively	589	
Preferred stock $.0001 par value: 500,000 shares authorized no shares outstanding	-	
Additional paid-in capital	1,633,380	1,030,
Accumulated deficit	(858,973)	(365,
Total Stockholders' Equity	774,996	665,
Total Liabilities and Stockholders' Equity	$ 978,268	$ 966,

SEE NOTES TO CONDENSED FINANCIAL STATEMENTS.

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CONDENSED STATEMENTS OF OPERATIONS (UNAUDITED)

	THREE MONTHS ENDED June, 30 2005	THREE MONTHS ENDED June, 30 2004	SIX MONT Jun 2005
Revenues, net	$ 990,786	$ 699,087	$ 1,549,193
Cost of Revenues	682,810	443,775	1,040,719
Gross Profit	307,976	255,312	508,474
Operating Expenses:			
Selling, General and administrative expenses	749,527	207,959	997,081
Total Operating Expenses	749,527	207,959	997,081
(Loss) Income from Operations	(441,551)	47,353	(488,607)
Other Income (Expense):			
Interest expense	(21)	-	(4,532)
Interest income	22	-	121
Total Other Income	1	-	(4,411)
(Loss) Income Before Provision for Income Taxes	(441,550)	47,353	(493,018)
Income Tax Expense	-	-	-
Net (Loss) Income	$ (441,550)	$ 47,353	$ (493,018)
Net (Loss) Income Per Common Share:			
Basic	$ (0.07)	$ 0.01	$ (0.08)
Diluted	$ (0.07)	$ 0.01	$ (0.08)
Weighted Average Common Shares Outstanding:			
Basic	5,888,076	5,410,659	5,872,861
Diluted	5,888,076	5,410,659	5,872,861

SEE NOTES TO CONDENSED FINANCIAL STATEMENTS.

ACE MARKETING & PROMOTIONS, INC.

CONDENSED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Six Months Ended June 30, 2005	Six Months Ended June 30, 2004
Cash Flows from Operating Activities:		
Net loss	$ (493,018)	$ (36,667)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	2,609	444
Stock based compensation	476,692	-
Changes in operating assets and liabilities:		
(Increase) decrease in operating assets:		
Accounts receivable	(144,105)	10,244
Prepaid expenses and other assets	57,327	(4,229)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(72,593)	16,922
Total adjustments	319,930	23,381
Net Cash Used in Operating Activities	(173,088)	(13,286)
Cash Flows from Investing Activities:		
Purchase of Equipment	-	(10,000)
Net Cash Used in Investing Activities	-	(10,000)
Cash Flows from Financing Activities:		
Proceeds from private placement	126,076	389,201
Payments on notes payable	(25,000)	(6,594)
Net Cash Provided by Financing Activities	101,076	382,607
Net (Decrease) Increase in Cash and Cash Equivalents	(72,012)	359,321
Cash and Cash Equivalents, beginning of period	566,285	92,987
Cash and Cash Equivalents, end of period	$ 494,273	$ 452,308

SEE NOTES TO CONDENSED FINANCIAL STATEMENTS. 5

NOTES TO FINANCIAL STATEMENTS
SIX MONTHS ENDED JUNE 30, 2005 AND 2004 (UNAUDITED)

The Condensed Balance Sheet as of June 30, 2005, the Condensed Statements of Operations for the three and six months ended June 30, 2005 and 2004 and the Condensed Statements of Cash Flows for the six months ended June 30, 2005 and 2004 have been prepared by us without audit. In our opinion, the accompanying unaudited condensed financial statements contain all adjustments necessary to present fairly in all material respects our financial position as of June 30, 2005, results of operations for the three and six months ended June 30, 2005 and 2004 and cash flows for the six months ended June 30, 2005 and 2004.

This report should be read in conjunction with our Registration Statement on Form 10-SB for the year ended December 31, 2004.

The results of operations and cash flows for the six months ended June 30, 2005 are not necessarily indicative of the results to 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.

6

ACE MARKETING & PROMOTIONS, INC
NOTES TO FINANCIAL STATEMENTS
SIX MONTHS ENDED JUNE 30, 2005 AND 2004 (UNAUDITED)

2. EARNINGS PER SHARE

Basic earnings per common share are computed by dividing net income by the weighted average number of shares of common stock outstanding during the period. Dilutive earnings 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. Diluted loss per common share does not give effect to the impact of options because their effect would have been anti-dilutive.

3. STOCK OPTIONS

The Company has elected the disclosure only provisions of Statement of Financial Accounting Standard No. 123,"Accounting for Stock-Based Compensation" ("SFAS 123") in accounting for our employee stock options. Accordingly, no compensation expense has been recognized. Had we recorded compensation expense for the stock options based on the fair value at the grant date for awards in the three and six months ended June 30, 2005 and 2004 consistent with the provisions of SFAS 123, our net loss and net loss per share would have been adjusted as follows:

	Three Months Ended June 30,	
	2005	2004
Net (loss) income, as reported	$ (441,550)	$ 47,353
Deduct: Total stock-based employee compensation expense determined under fair value based method, net of related tax effects	(439)	-
Pro forma net (loss) Income	$ (441,989)	$ 47,353
Net (loss) income per share:		
Basic - as reported	$ (0.07)	$ 0.01
Basic - pro forma	$ (0.08)	$ 0.01
Diluted - as reported	$ (0.07)	$ 0.01
Diluted - pro forma	$ (0.08)	$ 0.01

	Six Months Ended June 30,	
	2005	2004
Net loss, as reported	$ (493,018)	$ (36,667)
Deduct: Total stock-based employee compensation expense determined under fair value based method, net of related tax effects	(181,939)	-

Pro forma net loss	$ (674,957)	$ (36,667)
Net loss per share:		
Basic - as reported	$ (0.08)	$ (0.01)
Basic - pro forma	$ (0.11)	$ (0.01)
Diluted - as reported	$ (0.08)	$ (0.01)
Diluted - pro forma	$ (0.11)	$ (0.01)

4. NOTE PAYABLE

Note payable to a stockholder in the original principal amount of $25,000. The Note bears interest at a rate of 10% per annum.

Prior to the repayment of any of the principal and accrued interest, the holder can convert the Note into common stock of the Company at the conversion rate of $1.50 per share. On January 13, 2005, the Company agreed to convert the principal and accrued interest into common stock of the Company at a reduced conversion rate of $1.00 per share, which resulted in the issuance of 31,076 shares of common stock.

5. STOCKHOLDERS EQUITY

Private placement of securities - During the six months ended June 30, 2005, the Company completed a private placement through the sale of 10 units (each consisting of 10,000 common shares and 10,000 Class B Warrants) at a purchase price of $10,000 per unit for net proceeds of $95,000, net of transaction cost of approximately $5,000. Each Class B Warrant has an exercise price of $2.00 and expires on January 2, 2008.

6. STOCK OPTION PLAN

Subsequent to June 30, 2005, the Shareholders approved an amendment to the Company's Employee Benefit and Consulting Services Compensation Plan (the "Plan") and increased the number of shares covered by the Plan from 2,000,000 to 4,000,000 shares of Common Stock.

During the three and six month periods ended June 30, 2005, the Company granted 1,892,000 and 2,492,000 options, respectively, under the Plan.

7. CONSULTING AGREEMENT

On June 10, 2005 the Company entered into a consulting agreement with a financial advisory firm. In connection with this agreement the Company granted a warrant for the purchase of 1,100,000 shares of the Company's common stock. The warrant has an exercise price of $.10 per share and expires on June 10, 2010. In connection with this grant the Company recorded a charge of $451,000, which is included in selling, general and administrative expenses.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD-LOOKING STATEMENTS

The information contained in this Form 10-QSB and documents incorporated herein by reference are intended to update the information contained in the Company's Registration Statement on Form 10-SB which includes our audited financial statements for the year ended December 31, 2004 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-SB and other Company filings with the Securities and Exchange Commission ("SEC").

This Quarterly Report on Form 10-QSB contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, 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-QSB. Certain statements contained in Management's Discussion and Analysis, particularly in "Liquidity and Capital Resources," and elsewhere in this Form 10-QSB 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-QSB 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 advertising specialties and promotional products company. Specific categories of the use of promotional products include advertising specialties, business gifts, incentives and awards, and premiums.

Through the services of our two in-house sales persons, who also serve as executive officers of our company, and the use of independent sales representatives, we distribute items to our customers typically with their logos on them. Several of our customer categories include large corporations, local schools, universities, financial institutions, hospitals and not-for-profit organizations.

The most popular products that we have distributed over the last two years and account for over 50% of our business are as follows:

- Wearables, such as t-shirts, golf shirts and hats.
- Glassware, such as mugs and drinking glasses.
- Writing instruments, such as pens, markers and highlighters.
- Bags, such as tote bags, gift bags and brief cases.

There are a number of trends in the advertising/marketing industry, the most significant of which is the trend toward integrated marketing strategies. Integrated marketing campaigns involve not only advertising, but also sales promotions, internal communications, public relations, and other disciplines. The objectives of integrated marketing are to promote products and services, raise employee awareness, motivate personnel, and increase productivity through a wide array of methods including extensive use of promotional products.

Price is no longer the sole motivator of purchasing behavior for our customers. With the availability of similar products from multiple sources, customers are increasingly looking for distributors who provide a tangible added-value to their products. As a result, we provide a broad range of products and related services. Specifically, we provide research and consultancy services, artwork and design services, and fulfillment services to our customers. These services are provided in-house by our current employees. Management believes that by offering these services, we can attempt to attract new customers.

Our revenues are expected by us to grow as economic conditions in the United States continue to improve, by adding additional independent sales representatives to our sales network and through one or more acquisitions of other distributors. We can provide no assurances that our expectations described above will be realized.

RESULTS OF OPERATIONS

The following table sets forth certain selected unaudited condensed statement of operations data for the periods indicated in dollars and as a percentage of total net revenues. The following discussion relates to our results of operations for the periods noted and is not necessarily indicative of the results expected for any other interim period or any future fiscal year. In addition, we note that the period-to-period comparison may not be indicative of future performance.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004

Revenue	$ 990,786	$ 699,087	$ 1,549,193	$ 1,121,066
Cost of Revenues	682,810	443,775	1,040,719	761,073
Gross Profit	307,976	255,312	508,474	359,993
Selling, general & administrative expenses	749,527	207,959	997,081	396,660
(Loss) Income from operations	$ (441,551)	$ 47,353	$ (488,607)	$ (36,667)

12

Three Months Ended June 30, 2005 versus Three Months Ended June 30, 2004

We generated revenues of $990,786 in the second quarter of 2005 compared to $699,087 in the same three month period ending June 30, 2004. The increase in revenues of $291,699 in 2005 as compared to 2004 is primarily due to our utilizing additional sales representatives to obtain additional customers and our new and existing customers buying products with higher average prices.

Cost of revenues was $682,810 or 69% of revenues in the second quarter of 2005 as compared to $443,775 or 63% of revenues in the same three months ended June 30, 2004. Cost of revenues includes purchases and freight costs associated with the shipping of merchandise to our customers. Increase in cost of revenues of $279,646 in 2005 is related to an increase in revenues.

Gross profit was $307,976 in the second quarter of 2005 or 31% of net revenues as compared to $255,312 in the same three months ended June 30, 2004 or 37% 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 increase in gross revenue during the quarter ended June 30, 2005 relates to the mix of product sold and size of orders.

Selling, general, and administrative expenses were $749,527 in the second quarter ended June 30, 2005 as compared to $207,959 in the same period ended June 30, 2004. Such costs include payroll and related expenses, professional fees, insurance and rents. The overall increase of $541,568 is primarily due to a non-recurring charge to operations of $451,000 relating to the grant to a financial advisor of warrants to purchase 1,100,000 shares of common stock at an exercise price of $.10 per share, expiring June 10, 2010. See Note 7 above. The remaining increase is generally related to our ongoing efforts to effectively increase our sales volume. It also includes an increase in officers' and other salaries of $15,000 and approximately $39,000 in costs of being a public company.

Net (loss) was $(451,550) in the quarter ended June 30, 2005 compared to a net income of $47,353 for the same three months in 2004. No provision for income taxes is provided for in 2005 and 2004 due to the availability of net operating loss carryforwards.

Six Months Ended June 30, 2005 versus Six Months Ended June 30, 2004

We generated revenues of $1,549,193 in the first two quarters of 2005 compared to $1,121,066 in the same six month period ending June 30, 2004. The increase in revenues of $428,127 in 2005 compared to 2004 is primarily due to our utilizing additional sales representations to obtain additional customers and our new and existing customers buying products with higher average prices.

Cost of revenues was $1,040,719 or 67% of revenues in the first two quarters of 2005 compared to $761,073 or 68% of revenues in the same six months of 2004. Cost of revenues includes purchases and freight costs associated with the shipping of merchandise to our customers. Increase in cost of revenues of $279,646 in 2005 is related to an increase in revenues.

Gross profit was $508,474 in the first two quarters of 2005 or 33% of net revenues compared to $359,993 in the same six months of 2004 or 32% 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 increase in gross revenue during the first two quarters of 2005 relates to the mix of product sold and size of orders.

13

Selling, general, and administrative expenses were $997,081 in the first two quarters of 2005 compared to $396,660 in the same six months of 2004. Such costs include payroll and related expenses, insurance and rents. The overall increase of $600,421 is primarily due to a non-recurring charge to operations of $451,000 relating to the grant to a financial advisor of warrants to purchase 1,100,000 shares of common stock at an exercise price of $.10 per share, expiring June 10, 2010. See Note 7 above. The remaining increase is generally related to our ongoing efforts to effectively increase our sales volume. It also includes an increase in officers' and other salaries of $27,000 and approximately $74,000 in costs of being a public company.

Net loss was $(493,018) in the first two quarters of 2005 compared to a net loss of $(36,667) for the same six months in 2004. No provision for income taxes is provided for in 2005 and 2004 due to the availability of net operating loss carryforwards.

LIQUIDITY AND CAPITAL RESOURCES

The Company had cash and cash equivalents of $494,273 at June 30, 2005. Cash used by operating activities for the six months ended June 30, 2005 was $(173,088). This resulted primarily from a net loss of $(493,018), an increase in accounts receivable of $(144,105) and a decrease in accounts payable and accrued expenses of $(72,593) partially offset by prepaid expenses of $57,327 and stock based compensation of $476,692. Cash provided from financing activities was $126,076 resulting from a private placement of common stock and warrants which netted $95,000 and the conversion of a note payable with accrued interest into common stock of the company at a reduced conversion rate of $1.00 per share, which resulted in the issuance of 31,076 shares of common stock.

The Company had cash and cash equivalents of $452,308 at June 30, 2004. Cash used by operating activities for the six months ended June 30, 2004 was $(13,286). This was the result of a net loss of $(36,667) partially offset by an increase in accounts receivable of $10,244 and an increase in accounts payable and accrued expenses of $16,927. Cash provided from financing activities was $382,607, which relates to a private placement of common stock and warrants.

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 on equity financing and borrowings from outside investors to supplement our cash flow from operations. As of June 30, 2005, all borrowings from outside investors have been repaid or converted into our company's common stock. We raised net proceeds of $95,000 from the sale of our common stock and warrants to purchase additional common stock in the first quarter of 2005.

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.

14

ITEM 3. CONTROLS AND PROCEDURES

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure based closely on the definition of "disclosure controls and procedures" in Rule 13a-15(e). In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. The Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and the Company's Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on the foregoing, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective at the reasonable assurance level at the end of our most recent quarter. There have been no changes in the Company's disclosure controls and procedures or in other factors that could affect the disclosure controls subsequent to the date the Company completed its evaluation. Therefore, no corrective actions were taken.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS:

As of the filing date of this Form 10-QSB, we are not a party to any pending legal proceedings.

ITEM 2. CHANGES IN SECURITIES.

(a) In the first six months ended June 30, 2005 there were no sales of unregistered securities, except as follows:

DATE OF SALE	TITLE OF SECURITY	NUMBER SOLD	CONSIDERATION RECEIVED AND DESCRIPTION OF UNDERWRITING OR OTHER DISCOUNTS TO MARKET PRICE OR CONVERTIBLE	EXEMPTION FROM REGISTRATION CLAIMED	IF CON TER OR
Jan. 2005	Common Stock Options	600,000 Options	For services rendered no other consideration received; no commissions paid	Section 4(2) granted to officers; officers, directors and legal counsel under our 2005 Incentive Plan. Each grantee is a sophisticated investor, who received the options with a restrictive legend in connection with services rendered and is able to fend for himself. A Form S-8 Registration Statement was filed with the Commission in April 2005.	O a s i e e J c C e p
Jan. - Feb. 2005	Common Stock and Class B Warrants	100,000 Shares and Class B Warrants	$100,000 received; no commissions paid; no placement agent was utilized.	Rule 506 of Regulation D; a Form D was filed on February 22, 2005; securities	Cl ex $ th

				sold to accredited investors only.	
Jan. 2005	Common Stock	31,076 Shares	Conversion of $31,076 of debt; no commissions paid; no placement agent was utilized.	Section 3a(9); no commissions paid.	No

(b) Rule 463 of the Securities Act is not applicable to the Company.
(c) In the first six months ended June 30, 2005 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:

On August 12, 2005, the Company's stockholders took action by majority consent to ratify, adopt and approve an amendment to the Company's 2005 Employee Benefit and Consulting Services Compensation Plan to increase the number of shares covered by the Plan from 2,000,000 shares to 4,000,000 shares of Common Stock. The proposal was approved by a unanimous consent of 3,401,500 votes in favor of the amendment.

ITEM 5. OTHER INFORMATION:

None.

ITEM 6. EXHIBITS:

Except for the exhibits listed below as filed herewith, 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).

Number	Exhibit Description
3.1	Articles of Incorporation filed March 26, 1998
3.2	Amendment to Articles of Incorporation filed June 10, 1999
3.3	Amendment to Articles of Incorporation approved by stockholders on February 9, 2005
3.4	Amended By-Laws
10.1	Employment Agreement - Michael Trepeta
10.2	Employment Agreement - Dean Julia
11.1	Statement re: Computation of per share earnings. See Statement of Operations and Notes to Financial Statements
31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
31.2	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a)

	under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
32.1	Certification of Chief Executive Officer pursuant to 18U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*
32.2	Certification of Chief Financial Officer pursuant to 18U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*
99.1	2005 Employee Benefit and Consulting Services Compensation Plan
99.2	Form of Class A Warrant
99.3	Form of Class B Warrant
99.4	Amendment to 2005 Employee Benefit and Consulting Services Compensation Plan*

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* 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: August 12, 2005 By: /s/ Dean L. Julia

Dean L. Julia,
Chief Executive Officer

Date: August 12, 2005 By: /s/ Sean McDonnell

Sean McDonnell,
Chief Financial Officer