ACE MARKETING & PROMOTIONS INC
Form 10QSB
May 15, 2006

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 March 31, 2006

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 [ ]

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

As of May 15, 2006, the registrant had a total of 6,917,108 shares of Common Stock outstanding.

ACE MARKETING & PROMOTIONS, INC.

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PART I. FINANCIAL INFORMATION

ACE MARKETING & PROMOTIONS, INC.

CONDENSED BALANCE SHEET (UNAUDITED)

MARCH 31, 2006

ASSETS	
Current Assets:	
Cash and cash equivalents	$ 286,042
Accounts receivable, net of allowance for doubtful accounts of $10,000	574,009
Prepaid expenses and other current assets	47,884
Total Current Assets	907,935
Property and Equipment, net	20,049
Other Assets	5,492
Total Assets	$ 933,476
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current Liabilities:	
Accounts payable	$ 313,177
Accrued expenses	123,806
Total Current Liabilities	436,983
Commitments and Contingencies	
Stockholders' Equity:	
Common stock, $.0001 par value; 25,000,000 shares authorized 6,917,108 shares issued and outstanding	692
Preferred stock $.0001 par value: 500,000 shares authorized no shares outstanding	--
Additional paid-in capital	1,659,989
Accumulated deficit	(1,164,188)
Total Stockholders' Equity	496,493
Total Liabilities and Stockholders' Equity	$ 933,476

SEE NOTES TO CONDENSED FINANCIAL STATEMENTS.

ACE MARKETING & PROMOTIONS, INC.

CONDENSED STATEMENTS OF OPERATIONS (UNAUDITED)

THREE MONTHS ENDED MARCH 31,	2006	2005
Revenues, net	$ 1,075,007	$ 558,407
Cost of Revenues	775,173	357,909
Gross Profit	299,834	200,498
Operating Expenses:		
Selling, general and administrative expenses	416,173	247,554
Total Operating Expenses	416,173	247,554
Loss from Operations	(116,339)	(47,056)
Other Income (Expense):		
Interest expense	--	(4,511)
Interest income	747	99
Total Other Income (Expense)	747	(4,412)
Loss Before Provision for Income Taxes	(115,592)	(51,468)
Income Tax Expense	--	--
Net Loss	$ (115,592)	$ (51,468)
Net Loss Per Common Share:		
Basic	$ (0.01)	$ (0.01)
Diluted	$ (0.01)	$ (0.01)
Weighted Average Common Shares Outstanding:		
Basic	6,253,954	5,851,476
Diluted	6,253,954	5,851,476

SEE NOTES TO CONDENSED FINANCIAL STATEMENTS. 4

ACE MARKETING & PROMOTIONS, INC.

Condensed Statements of Cash Flows (unaudited)

THREE MONTHS ENDED MARCH 31,	2006	2005
Cash Flows from Operating Activities:		
Net loss	$(115,592)	$ (51,468)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation and amortization	1,051	1,305
Stock-based payments	13,880	16,500
Changes in operating assets and liabilities:		
(Increase) decrease in operating assets:		
Accounts receivable	137,047	75,676
Prepaid expenses and other assets	(6,602)	33,914
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(43,977)	(73,146)
Customer deposits	(98,000)	74,000
Total adjustments	3,399	128,249
Net Cash (Used in) Provided by Operating Activities	(112,193)	76,781
Cash Flows from Financing Activities:		
Proceeds from private placement	--	95,000
Net Cash Provided by Financing Activities	--	95,000
Net (Decrease) Increase in Cash and Cash Equivalents	(112,193)	171,781
Cash and Cash Equivalents, beginning of period	398,235	566,285
Cash and Cash Equivalents, end of period	$ 286,042	$ 738,066

SEE NOTES TO CONDENSED FINANCIAL STATEMENTS. 5

ACE MARKETING & PROMOTIONS, INC
NOTES TO CONDENSED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 2006 AND 2005
(UNAUDITED)

The Condensed Balance Sheet as of March 31, 2006, the Condensed Statements of Operations for the three months ended March 31, 2006 and 2005 and the Condensed Statements of Cash Flows for the three months ended March 31, 2006 and 2005 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 March 31, 2006, results of operations for the three months ended March 31, 2006 and 2005 and cash flows for the three months ended March 31, 2006 and 2005.

This report should be read in conjunction with our Form 10-KSB for our fiscal year ended December 31, 2005.

The results of operations and cash flows for the three months ended March 31, 2006are 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.

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 COMPENSATION

During Fiscal 2005, the Company established, and the stockholders approved, an

Employee Benefit and Consulting Services Compensation Plan (the "Plan") for the granting of up to 2,000,000 non-statutory and incentive stock options and stock awards to directors, officers, consultants and key employees of the Company. On June 9, 2005, the Board of Directors amended the Plan to increase the number of stock options and awards to be granted under the Plan to 4,000,000.

All stock options under the Plan are granted at or above the fair market value of the common stock at the grant date. Employee and non-employee stock options vest over varying periods and generally expire either 5 or 10 years from the grant date.

Effective January 1, 2006, the Company's Plan is accounted for in accordance with the recognition and measurement provisions of Statement of Financial Accounting Standards ("FAS") No. 123 (revised 2004), Share-Based Payment ("FAS 123(R)"), which replaces FAS No. 123, Accounting for Stock-Based Compensation, and supersedes Accounting Principles Board Opinion ("APB") No. 25, Accounting for Stock Issued to Employees, and related interpretations. FAS 123 (R) requires compensation costs related to share-based payment transactions, including employee stock options, to be recognized in the financial statements. In addition, the Company adheres to the guidance set forth within Securities and Exchange Commission ("SEC") Staff Accounting Bulletin ("SAB") No. 107, which provides the Staff's views regarding the interaction between SFAS No. 123(R) and certain SEC rules and regulations and provides interpretations with respect to the valuation of share-based payments for public companies.

Prior to January 1, 2006, the Company accounted for similar transactions in accordance with APB No. 25 which employed the intrinsic value method of measuring compensation cost. Accordingly, compensation expense was not recognized for fixed stock options if the exercise price of the option equaled or exceeded the fair value of the underlying stock at the grant date.

While FAS No. 123 encouraged recognition of the fair value of all stock-based awards on the date of grant as expense over the vesting period, companies were permitted to continue to apply the intrinsic value-based method of accounting prescribed by APB No. 25 and disclose certain pro-forma amounts as if the fair value approach of SFAS No. 123 had been applied. In December 2002, FAS No. 148, Accounting for Stock-Based Compensation-Transition and Disclosure, an amendment of SFAS No. 123, was issued, which, in addition to providing alternative methods of transition for a voluntary change to the fair value method of accounting for stock-based employee compensation, required more prominent pro-forma disclosures in both the annual and interim financial statements. The Company complied with these disclosure requirements for all applicable periods prior to January 1, 2006.

In adopting FAS 123(R), the Company applied the modified prospective approach to transition. Under the modified prospective approach, the provisions of FAS 123 (R) are to be applied to new awards and to awards modified, repurchased, or cancelled after the required effective date. Additionally, compensation cost for the portion of awards for which the requisite service has not been rendered that are outstanding as of the required effective date shall be recognized as the requisite service is rendered on or after the required effective date. The compensation cost for that portion of awards shall be based on the grant-date fair value of those awards as calculated for either recognition or pro-forma disclosures under FAS 123.

As a result of the adoption of FAS 123 (R), the Company's results for the three month period ended March 31, 2006 include employee share-based compensation expense totaling approximately $11,400. Such amounts have been included in the Condensed Consolidated Statements of Income within 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. Stock compensation expense recorded under APB No. 25 in the Consolidated Statements of Operations for the three months ended March 31, 2005 totaled $0.

Stock option compensation expense in 2006 is the estimated fair value of options granted amortized on a straight-line basis over the requisite service period for entire portion of the award.

There were no options granted to employees during the three month period ended March 31, 2006. The weighted average estimated fair value of stock options granted to employees in the three months ended March 31, was $.21. The fair value of options at the date of grant was estimated using the Black-Scholes option pricing model. For option grants in Fiscal 2006, the Company will take into consideration guidance under SFAS 123R and SEC Staff Accounting Bulletin No. 107 (SAB 107) when reviewing and updating assumptions. The expected volatility is based upon historical volatility of our stock and other contributing factors. The expected term is based upon observation of actual time elapsed between date of grant and exercise of options for all employees. Previously such assumptions were determined based on historical data.

The assumptions made in calculating the fair values of options granted during the three months ended March 31, 2005 are as follows:

Expected volatility	0.0%
Expected dividend yield	0.0%
Risk-free interest rate	2.37%
Expected term (in years)	10.0

The following table addresses the additional disclosure requirements of 123(R) in the period of adoption. The table illustrates the effect on net income and earnings per share as if the fair value recognition provisions of FAS No. 123 had been applied to all outstanding and unvested awards in the prior year comparable period.

	Three Months Ended March 31, 2005
Net loss, as reported	$ (51,468)
Deduct: Total stock based compensation expense determined under the fair value based method for all awards (no tax effect)	(181,500)

Pro forma net loss	$ (232,968)
Net income per share:	
Basic - as reported	$ (0.01)
Basic - pro forma	$ (0.04)
Diluted - as reported	$ (0.01)
Diluted - pro forma	$ (0.04)

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ACE MARKETING & PROMOTIONS, INC
NOTES TO CONDENSED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 2006 AND 2005
(UNAUDITED)

The following table represents our stock options granted, exercised, and forfeited during the quarter ended March 31, 2006:

	Share	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term
Outstanding, beginning of year	2,777,000	$ 1.05	
Forfeited	(1,000,000)	1.00	
Outstanding, end of quarter	1,777,000	$ 1.08	6.26
Options exercisable, end of quarter	887,800	$ 1.05	7.84

No options were exercised the first quarter of 2006 and 2005.

4. 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 containing cashless exercise provisions. The warrant was exercisable at $.10 per share and would have expired on June 10, 2010. On February 27, 2006, the holder exercised the warrants utilizing the cashless exercise provision and received 1,029,032 shares of common stock in exchange for the exercise of the 1,100,000 warrants based on the closing price of $1.55 of the Company's stock on that date.

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 Form 10-KSB for its fiscal year ended December 31, 2005 which includes our audited financial statements for the year ended December 31, 2005 and such information presumes that readers have access to, and will have read, the "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Risk Factors" and other information contained in such Form 10-KSB and other Company filings with the Securities and Exchange Commission ("SEC").

This Quarterly Report on Form 10-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 March 31,			
	2006		2005	
Revenue	$1,075,007	100%	$ 558,407	100%

Cost of Revenues	775,173	72%	357,909	64%
Gross Profit	299,834	28%	200,498	36%
Selling, general & Administrative expenses	416,173	39%	247,554	44%
(Loss) from operations	$(115,592)	(11%)	$ (47,056)	(8%)

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Three Months Ended March 31, 2006 versus Three Months Ended March 31, 2005

We generated revenues of $1,075,007 in the first three months of 2006 compared to $558,407 in the same three month period ending March 31, 2005. The increase in revenues of $516,600 in 2006 compared to 2005 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 $775,173 or 72% of revenues in the first three months of 2006 compared to $357,909 or 64% of revenues in the same three months of 2005. Cost of revenues includes purchases and freight costs associated with the shipping of merchandise to our customers. Increase in cost of revenues of $417,264 in 2006 is related to an increase in revenues.

Gross profit was $299,834 in the first three months of 2006 or 28% of net revenues compared to $200,498 in the same three months of 2005 or 36% of revenues. Gross profits will vary period-to-period depending upon a number of factors including the mix of items sold, pricing of the items and the volume of product sold. Also, it is our practice to pass freight costs on to our customers. Reimbursement of freight costs which are included in revenues have lower profit margins than sales of our promotional products and has the effect of reducing our overall gross profit margin on sales of products, particularly on smaller orders. The decrease in gross profit percentage during the first quarter of 2006 relates to the mix of product sold and size of orders.

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Selling, general, and administrative expenses were $416,173 in the first three months of 2006 compared to $247,554 in the same three months of 2005. Such costs include payroll and related expenses, insurance and rents. The overall increase of $168,619 is primarily due to expanding operations by acquiring additional office space and hiring sales and support staff to handle the new business location. More specifically, operating expenses in the first quarter of 2006 increased over first quarter of 2005 mainly due to the following reasons:

- Start-up cost related to opening additional office in Farmingville, NY.
- Salary, commissions and benefits increases totaling approximately $148,000 for 2006, including hiring sales and support staff to handle the new business.

- A non-cash charge of approximately $12,000 to operations relating to employee stock based payment expenses in 2006 as a result of adoption of SFAS 123R.
- Professional and other fees relating to be publicly held corporation totaling approximately $34,000.

Net loss was $(115,592) in the first three months of 2006 compared to a net loss of $(47,056) for the same three months in 2005. No benefit for income taxes is provided for in 2006 and 2005 due to the full valuation allowance on the net deferred tax assets.

LIQUIDITY AND CAPITAL RESOURCES

The Company had cash and cash equivalents of $286,042 at March 31, 2006. Cash used by operating activities for the three months ended March 31, 2006 was $(112,193). This resulted primarily from a decrease in accounts receivable of $137,047 and a decrease in accounts payable and accrued expenses of $43,977 and a decrease in customer deposits of $98,000, offset by a net loss in operations of $(115,592).

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 March 31, 2006, 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. We are currently seeking to raise private financing of up to $4,830,000 from the sale of our common stock and warrants. We can provide no assurance that our attempt to raise additional financing will be successful On terms satisfactory to us, if at all.

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 three months ended March 31, 2006 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
Feb. 2006	Common stock underlying warrants	1,029,032 shares	Cashless exercise of 1,100,000 warrants based upon a market price of $1.55 per share	Section 4(2). A restrictive legend appears on each certificate	W a i e e J c c e p

(b) Rule 463 of the Securities Act is not applicable to the Company.
(c) In the three months ended March 31, 2006 there were no repurchases by the Company of its Common Stock.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

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

Not applicable.

ITEM 5. OTHER INFORMATION:

None.

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).

Number No.	Exhibit Description
3.1	Articles of Incorporation filed March 26, 1998 (1)
3.2	Amendment to Articles of Incorporation filed June 10, 1999 (1)
3.3	Amendment to Articles of Incorporation approved by stockholders on February 9, 2005(1)
3.4	Amended By-Laws (1)
10.1	Letter Employment Agreement - Michael Trepeta (2)
10.2	Letter Employment Agreement - Dean Julia (2)
10.3	Amendment to Employment Agreement - Michael Trepeta (3)
10.4	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 (3)
31.1	Chief Executive Officer Rule 13a-14(a)/15d-14(a) Certification (5)
31.2	Chief Financial Officer Rule 13a-14(a)/15d-14(a) Certification (5)
32.1	Chief Executive Officer Section 1350 Certification (5)
32.2	Chief Financial Officer Section 1350 Certification (5)
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	Release - 2006 First Quarter Results of Operations (5)

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

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

(3) Incorporated by reference to Form 10-KSB for fiscal year ended December 31, 2005.

(4) Incorporated by reference to the Registrant's Form 10-QSB/A filed with the Commission on August 18, 2005 for the quarter ended June 30, 2005.

(5) Filed herewith.

SIGNATURES

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

ACE MARKETING & PROMOTIONS, INC.

Date: May 15, 2006

By: /s/ Dean L. Julia

Dean L. Julia,
Chief Executive Officer

Date: May 15, 2006

By: /s/ Sean McDonnell

Sean McDonnell,
Chief Financial Officer