

ACE MARKETING & PROMOTIONS INC  
Form 10-Q  
October 24, 2011

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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, 2011

COMMISSION FILE NUMBER: 000-51160

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

NEW YORK  
(State of jurisdiction of Incorporation)

11-3427886  
(I.R.S. Employer Identification No.)

457 ROCKAWAY AVE.  
VALLEY STREAM, NY 11581  
(Address of principal executive offices)

(516) 256-7766  
(Registrant's telephone number)

NOT APPLICABLE  
(Former name, address and fiscal year, if changed since last report)  
[Missing Graphic Reference]

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by checkmark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the 12 preceding months (or such shorter period that the registrant was required to submit and post such file).

Yes  No

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

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Large Accelerated Filer   
Accelerated Filer

Accelerated Filer   
Smaller Reporting Company

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

Yes  No

As of October 20, 2011, the registrant had a total of 23,147,401 shares of Common Stock outstanding.

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ACE MARKETING & PROMOTIONS, INC.

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

| Condensed Balance Sheets  | September 30,<br>2011<br>Unaudited | December 31,<br>2010<br>Audited |
|---|------------------------------------|---------------------------------|
| <b>Assets</b>   |                                    |                                 |
| <b>Current Assets:</b>  |                                    |                                 |
| Cash and cash equivalents   | \$ 1,094,001                       | \$ 763,581                      |
| Accounts receivable, net of allowance for doubtful accounts of \$20,000 at September 30, 2011 and December 31, 2010   | 342,937                            | 298,892                         |
| Prepaid expenses and other current assets   | 486,508                            | 218,336                         |
| <b>Total Current Assets</b>   | <b>1,923,446</b>                   | <b>1,280,809</b>                |
| Property and Equipment, net   | 662,060                            | 249,726                         |
| Other Assets  | 7,745                              | 7,745                           |
| <b>Total Assets</b>   | <b>\$ 2,593,251</b>                | <b>\$ 1,538,280</b>             |
| <b>Liabilities and Stockholders' Equity</b>   |                                    |                                 |
| <b>Current Liabilities:</b>   |                                    |                                 |
| Accounts payable  | \$ 317,082                         | \$ 243,795                      |
| Accrued expenses  | 139,201                            | 98,270                          |
| <b>Total Current Liabilities</b>  | <b>456,283</b>                     | <b>342,065</b>                  |
| <b>Commitments and Contingencies</b>  |                                    |                                 |
| <b>Stockholders' Equity:</b>  |                                    |                                 |
| Preferred Stock, \$.0001 par value; 5,000,000 shares authorized, none issued  |                                    |                                 |
| Common stock, \$.0001 par value; 100,000,000 shares authorized; 23,170,736 and 16,834,260 shares issued and outstanding at September 30, 2011 and December 31, 2010, respectively | 2,316                              | 1,683                           |
| Additional paid-in capital  | 10,825,993                         | 8,300,766                       |
| Accumulated deficit   | (8,659,840 )                       | (7,074,733 )                    |
|   | 2,168,469                          | 1,227,716                       |
| Less: Treasury Stock, at cost, 23,334 shares  | (31,501 )                          | (31,501 )                       |
| <b>Total Stockholders' Equity</b>   | <b>2,136,968</b>                   | <b>1,196,215</b>                |
| <b>Total Liabilities and Stockholders' Equity</b>   | <b>\$ 2,593,251</b>                | <b>\$ 1,538,280</b>             |

See notes to condensed financial statements.

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ACE MARKETING &  
PROMOTIONS, INC.

## Condensed Statements of Operations

|  | Three Months Ended<br>September 30,<br>Unaudited |              | Nine Months Ended<br>September 30,<br>Unaudited |                |
|--|--|--------------|---|----------------|
|  | 2011   | 2010         | 2011  | 2010           |
| Revenues, net                                | \$650,370  | \$773,830    | \$2,284,573                                     | \$2,447,723    |
| Cost of Revenues                             | 484,032  | 509,973      | 1,761,655                                       | 1,688,609      |
| Gross Profit                                 | 166,338  | 263,857      | 522,918   | 759,114        |
| Operating Expenses:                          |  |              |   |                |
| Selling, general and administrative expenses | 852,186  | 598,949      | 2,107,440                                       | 2,048,720      |
| Total Operating Expenses                     | 852,186  | 598,949      | 2,107,440                                       | 2,048,720      |
| Loss from Operations                         | (685,848 )                                       | (335,092 )   | (1,584,522 )                                    | (1,289,606 )   |
| Other Income (Expense):                      |  |              |   |                |
| Interest expense                             | (151 )   | (470 )       | (1,070 )  | (729 )         |
| Interest income                              | 217  | 181          | 485   | 592            |
| Total Other Income (Expense)                 | 66   | (289 )       | (585 )  | (137 )         |
| Net Loss                                     | \$(685,782 )                                     | \$(335,381 ) | \$(1,585,107 )                                  | \$(1,289,743 ) |
| Net Loss Per Common Share:                   |  |              |   |                |
| Basic  | \$(0.03 )  | \$(0.03 )    | \$(0.09 )                                       | \$(0.10 )      |
| Diluted                                      | \$(0.03 )  | \$(0.03 )    | \$(0.09 )                                       | \$(0.10 )      |
| Weighted Average Common Shares Outstanding:  |  |              |   |                |
| Basic  | 21,025,193                                       | 13,221,722   | 18,074,187                                      | 13,028,517     |
| Diluted                                      | 21,025,193                                       | 13,221,722   | 18,074,187                                      | 13,028,517     |

See notes to condensed financial statements.

ACE MARKETING &  
PROMOTIONS, INC.

## Statement of Stockholders'

## Equity

Nine Months Ended September 30, 2011

|                                   | Total<br>Stockholders'<br>Equity | Common Stock<br>Shares | Amount   | Additional<br>Paid-in<br>Capital | (Deficit)     | Treasury Stock<br>Shares | Amount     |
|-----------------------------------|----------------------------------|------------------------|----------|----------------------------------|---------------|--------------------------|------------|
| Balance, at December 31,<br>2010  | \$ 1,196,215                     | 16,834,260             | \$ 1,683 | \$ 8,300,766                     | \$(7,074,733) | 23,334                   | \$(31,501) |
| Stock Purchase                    | 448,000                          | 1,166,666              | 117      | 447,883                          |               |                          |            |
| Stock Warrant                     | 19,153                           |                        |          | 19,153                           |               |                          |            |
| Stock Grant                       | 14,365                           | 150,000                | 15       | 14,350                           |               |                          |            |
| Stock Compensation                | 91,005                           |                        |          | 91,005                           |               |                          |            |
| Net Loss                          | (435,006 )                       |                        |          |                                  | (435,006 )    |                          |            |
| Balance, at March 31,<br>2011     | \$ 1,333,732                     | 18,150,926             | \$ 1,815 | \$ 8,873,157                     | \$(7,509,739) | 23,334                   | \$(31,501) |
| Stock Purchase                    | \$ 866,250                       | 2,500,000              | \$ 250   | \$ 866,000                       |               |                          |            |
| Stock Warrant                     | \$ 6,369                         |                        |          | \$ 6,369                         |               |                          |            |
| Stock Grant                       | 14,789                           | 100,000                | 10       | 14,779                           |               |                          |            |
| Stock Compensation                | 31,180                           |                        |          | 31,180                           |               |                          |            |
| Net Loss                          | (464,319 )                       |                        |          |                                  | \$(464,319 )  |                          |            |
| Balance, at June 30, 2011         | \$ 1,788,001                     | 20,750,926             | \$ 2,075 | \$ 9,791,485                     | \$(7,974,058) | 23,334                   | \$(31,501) |
| Stock Purchase                    | \$ 950,000                       | 1,950,000              | \$ 195   | \$ 949,805                       |               |                          |            |
| Stock Grant                       | \$ 47,196                        | 335,000                | \$ 33    | \$ 47,163                        |               |                          |            |
| Warrant Exercise                  |                                  | 134,810                | \$ 13    | \$(13 )                          |               |                          |            |
| Stock Compensation                | \$ 37,553                        |                        |          | \$ 37,553                        |               |                          |            |
| Net Loss                          | \$(685,782 )                     |                        |          |                                  | \$(685,782 )  |                          |            |
| Balance, at September 30,<br>2011 | \$ 2,136,968                     | 23,170,736             | \$ 2,316 | \$ 10,825,993                    | \$(8,659,840) | 23,334                   | \$(31,501) |

See notes to financial statements.

ACE MARKETING &  
PROMOTIONS, INC.Condensed Statements of Cash Flows  
Nine Months Ended September 30,

|   | 2011<br>Unaudited | 2010<br>unaudited |
|---|-------------------|-------------------|
| <b>Cash Flows from Operating Activities:</b>                                |                   |                   |
| Net loss  | \$(1,585,107 )    | \$(1,289,743 )    |
| Adjustments to reconcile net loss to net cash used in operating activities: |                   |                   |
| Depreciation and amortization   | 85,380            | 39,435            |
| Stock-based compensation  | 261,610           | 552,693           |
| Changes in operating assets and liabilities:                                |                   |                   |
| (Increase) decrease in operating assets:                                    |                   |                   |
| Accounts receivable   | (44,045 )         | 196,306           |
| Prepaid expenses and other assets   | (268,173 )        | (63,925 )         |
| Increase (Decrease) in operating liabilities:                               |                   |                   |
| Accounts payable and accrued expenses                                       | 114,220           | (205,832 )        |
| Total adjustments   | 148,992           | 518,677           |
| Net Cash Used in Operating Activities                                       | (1,436,115 )      | (771,066 )        |
| <b>Cash Flows from Investing Activities:</b>                                |                   |                   |
| Acquisition of property and equipment                                       | (497,715 )        | (164,362 )        |
| Net Cash (Used) in Provided by Investing Activities                         | (497,715 )        | (164,362 )        |
| <b>Cash Flows from Financing Activities:</b>                                |                   |                   |
| Proceeds from issuance of common stock                                      | 2,264,250         | 600,500           |
| Net Cash Provided by Financing Activities                                   | 2,264,250         | 600,500           |
| Net Increase in Cash and Cash Equivalents                                   | 330,420           | (334,928 )        |
| Cash and Cash Equivalents, beginning of period                              | 763,581           | 595,611           |
| Cash and Cash Equivalents, end of period                                    | \$1,094,001       | \$260,683         |