

ACE MARKETING & PROMOTIONS INC  
Form DEF 14A  
September 08, 2009

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a)  
of the Securities Exchange Act of 1934  
(Amendment No. \_\_)

Filed by the registrant [X]

Filed by a party other than the Registrant [ ]

Check the appropriate box:

- Preliminary proxy statement
- Confidential, for Use of the Commission only (as permitted by Rule 14a-6(e)(2))
- Definitive proxy statement 9Definitive additional materials
- Soliciting material pursuant to Section 240.14a-11(c) or Section 240.14a-12

ACE MARKETING AND PROMOTIONS, INC.

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(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement if other than the Registrant)

Payment of filing fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i4) and 0-11.

- (1) Title of each class of securities to which transaction applies:
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- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11:
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- (1) Amount Previously Paid:
- (2) Form, Schedule or Registration Statement No.
- (3) Filing Party:
- (4) Date Filed:

ACE MARKETING & PROMOTIONS

We put a premium on higher standards  
Promotional Marketing Solutions  
www.acemarketing.net  
www.proximitymarketingus.com

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Dear Valued Shareholder:

Let me first start by thanking you for your continued support of Ace Marketing & Promotions. As many of you may have been personally affected by the economic downturns of the last year, so too has Ace Marketing. We have seen a sharp decline in Revenue over the last one year that seems to be in line with what most other companies in the Promotional Product industry have experienced. In the last month, we have seen the beginning of a turn-around in order volume, as well as an increase in the number of clients requesting product information and quotes for upcoming events. History has shown that during steep declines in the economy, it is difficult for weaker players to survive. We have worked hard to maintain a position of strength through sound financial management practices such as increasing cash reserves and maintaining zero debt. Additionally, we have used this time to aggressively develop our business product and service offerings. As the economy recovers, Ace should be well positioned to capitalize on the new growth, and should emerge as a true industry leader.

Over the last two years the management team at Ace initiated a paradigm shift in the strategic development of the Ace business units. We realized that the progression of technology and the overlap of several industries are driving a shift in what clients demanded of their vendors. The buyers within the organizations we service generally direct most of their company's sales and marketing initiatives. In years past, they have had the need to deal with many vendors to pull together their full marketing initiatives. Their range of vendors often included promotional products distributors, print salespeople, website development companies, marketing agencies, hosting companies, email service providers, mobile marketing solutions companies and fulfillment houses. They faced the challenge of evaluating the best companies to work with, as well as the more daunting issue of integrating all of these vendors into a cohesive system that would work well together.

To help our clients meet these challenges, we have developed an integrated suite of solutions that has positioned Ace to lead the new generation of business marketing consultants. Through our products, services and technology platforms, we should become an invaluable asset to our clients. There has been a shift in strategies within organizations to run leaner and more efficiently, which is driving a re-evaluation of business relationships. The services we now provide span those that have traditionally required many companies. In the new business paradigm, this business will fall to one trusted consultant who gets paid not for his or her advice, but for goods and services provided.

As a Promotional Marketing Agency, we concentrate on 3 main business verticals; Branding, Interactive (anything online), and Mobile (anything related to cell phones). Each vertical contains several solutions.

Within the Branding vertical we have the ability to not only create the actual brands, but also provide all the branded merchandise or promotional products. 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 in the Sports & Entertainment industry to drive growth beyond traditional channels.

The Interactive vertical deals with any online marketing & branding initiatives. Utilizing the Ace CMS Platform (CMS stands for "Content Management System"), we create custom websites that allow us to give total control of the

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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.

Under the last vertical, Mobile, 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 most companies are eagerly 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 one of the US leaders in Proximity Marketing. Utilizing the technology that we believe is the best in the world, 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 set up our own devices throughout sports and entertainment venues, retail locations, and any other relevant locations, effectively creating our own local network. Over the last year we have delivered successful campaigns for the New York Knicks, Macy's, NASCAR, NHL, Def Leppard, and IMAX to name a few. The technology seems set to become the next component of advertising and marketing spends 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. Ace has begun discussions with various retailers, chain stores, mall developers and venue owners to build this next generation network. At the same time we are in discussions with many of the leagues, teams, bands, consumer products companies and sponsors who will run campaigns on this network. It is our vision to build this network across the United States and have plans for our first permanent installs 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.

The services, products and technology platforms that we have assembled provide our clients with an exceptional mix of solutions for reaching their 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

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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.

We look forward to reporting to you on future developments. We want to thank our employees for their dedication and hard work in these challenging times. We hope to be sharing our success with them and our shareholders for many years to come.

Following this letter is our Notice of Meeting, Proxy Statement, 2008 Annual Report and proposed Amendment to our Certificate of Incorporation and new Stock Option Plan.

Sincerely,

/s/ Michael D. Trepeta, President

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ACE MARKETING & PROMOTIONS

NOTICE OF A SPECIAL MEETING IN LIEU OF AN ANNUAL MEETING  
OF SHAREHOLDERS  
TO BE HELD ON OCTOBER 7, 2009 AT 10:00 A.M.

To our Shareholders:

Notice is hereby given that a Special Meeting in Lieu of an Annual Meeting of Shareholders (the "Special Meeting") of Ace Marketing & Promotions, Inc. ("Ace"), a New York corporation, will be held at 1400 Old Country Road, Suite 302, Westbury, New York 11590, on October 7, 2009 at the hour of 10:00 A.M. local time for the following purposes:

- (1) To elect four directors of Ace for the coming year;
- (2) To ratify, adopt and approve the Board's selection of Holtz Rubenstein Reminick LLP to serve as the independent auditors of Ace for its fiscal year ended December 31, 2009;
- (3) To ratify, adopt and approve the filing of an amendment to Ace's Certificate of Incorporation to increase the number of authorized shares of Common stock from 25,000,000 shares, \$.0001 par value to 100,000,000 shares, \$.0001 par value;

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(4) To ratify, adopt and approve Ace's 2009 Employee Benefit and Consulting Services Compensation Plan; and

(5) To transact such other business as may properly come before the Special Meeting.

Only Ace's shareholders of record at the close of business on August 18, 2009 are entitled to notice of and to vote at the Special Meeting or any postponements or adjournments thereof.

By Order of the Board of Directors

/s/ Dean L. Julia, Chairman

September 10, 2009

IT IS IMPORTANT THAT YOUR SHARES BE REPRESENTED AT THE SPECIAL MEETING IN LIEU OF AN ANNUAL MEETING REGARDLESS OF THE NUMBER OF SHARES YOU HOLD. YOU ARE INVITED TO ATTEND THE SPECIAL MEETING IN PERSON, BUT WHETHER OR NOT YOU PLAN TO ATTEND, PLEASE COMPLETE, DATE, SIGN AND RETURN THE ACCOMPANYING PROXY IN THE ENCLOSED ENVELOPE. IF YOU DO ATTEND THE SPECIAL MEETING, YOU MAY, IF YOU PREFER, REVOKE YOUR PROXY AND VOTE YOUR SHARES IN PERSON.

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ACE MARKETING & PROMOTIONS, INC.  
457 ROCKAWAY AVENUE  
VALLEY STREAM, NY 11581  
PHONE: (516) 256-7766

### PROXY STATEMENT

This Proxy Statement and the accompanying proxy are furnished by the Board of Directors of Ace Marketing & Promotions, Inc. ("Ace" or the "Company") in connection with the solicitation of proxies for use at the Special Meeting in Lieu of an Annual Meeting of Shareholders (the "Special Meeting") referred to in the foregoing Notice. It is contemplated that this Proxy Statement (which includes the Company's Annual Report on Form 10-K for its fiscal year ended December 31, 2008, exclusive of exhibits), together with the accompanying form of proxy will first be mailed on or about September 10, 2009 to shareholders of record on the close of business on August 18, 2009 (the "Record Date"). Stockholders may also view our Shareholder Letter, Notice of Meeting, Proxy Statement, Annual Report and Proxy at [www.acemarketing.net](http://www.acemarketing.net).

This Proxy Statement contains information relating to a Special Meeting in Lieu of an Annual Meeting of Shareholders of Ace to be held on October 7, 2009, and at any postponements or adjournments thereof.

#### ABOUT THE SPECIAL MEETING IN LIEU OF AN ANNUAL MEETING

#### WHAT IS THE PURPOSE OF THE SPECIAL MEETING?

At the Special Meeting, shareholders will act upon the matters listed

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in the Notice of a Special Meeting in Lieu of an Annual Meeting and any other matters that properly come before the meeting.

### WHO CAN VOTE AT THE SPECIAL MEETING IN LIEU OF AN ANNUAL MEETING?

All shareholders of record at the close of business on the Record Date of August 18, 2009 are entitled to vote at the Special Meeting in Lieu of an Annual Meeting and any postponements or adjournments of the meeting.

### WHAT ARE THE VOTING RIGHTS OF THE HOLDERS OF THE COMMON STOCK?

Holders of our Common Stock will vote on all matters to be acted upon at the Special Meeting. Each outstanding share of Common Stock will be entitled to one vote on each matter to be voted upon at the Special Meeting.

### WHO CAN ATTEND THE SPECIAL MEETING?

All shareholders as of the Record Date, or their duly appointed proxies, may attend the Special Meeting. Each shareholder may be asked to present valid picture identification, such as a driver's license or passport. If you hold your shares through a broker or other nominee, you must bring a copy of a brokerage statement reflecting your stock ownership as of the Record Date. Everyone must check in at the registration desk at the meeting.

### HOW DO I VOTE?

You may attend the Special Meeting in Lieu of an Annual Meeting and vote in person. Alternatively, you may vote your shares by proxy through the mail. To vote by mail, simply mark, sign and date your proxy card and return it in the postage-paid envelope provided for receipt by us through our transfer agent, Continental Stock Transfer & Trust Company, prior to October 7, 2009 (proxy cards received on or after October 7, 2009 will not be counted).

If you want to vote in person at the Special Meeting in Lieu of an Annual Meeting and you hold Ace Common Stock in street name, you must obtain a proxy card from your broker and bring that proxy card to the Special Meeting, together with a copy of a brokerage statement reflecting your stock ownership as of the Record Date.

Please also note that by casting your vote by proxy, you are authorizing the individuals listed on the proxy card to vote your shares in accordance with your instructions.

### IS MY VOTE CONFIDENTIAL?

Yes. Proxy cards, ballots and voting tabulations that identify shareholders are kept confidential except in certain circumstances where it is important to protect the interests of Ace and its shareholders.

### WHAT IF I DO NOT INDICATE MY PREFERENCE ON THE PROXY CARD?

If you do not indicate how you would like your shares to be voted for a particular proposal, your shares will be voted FOR the election of the nominated slate of directors and in favor of Proposal Nos. 2, 3 and 4. As to other matters as may properly come before the meeting (or any adjournments or postponements thereof), the proxy holders will vote as recommended by the Board of Directors. If no such recommendation is made, the proxy holders will be authorized to vote upon such matters in their own discretion.

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CAN I CHANGE MY VOTE AFTER I RETURN MY PROXY CARD?

Yes. Even after you have submitted your proxy, you may change your vote at any time before the proxy is exercised by filing with Continental Stock Transfer & Trust Company, 17 Battery Place, 8th Floor, New York, NY 10004 either a notice of revocation or a duly executed proxy bearing a later date. The powers of the proxy holders will be suspended if you attend the Special Meeting in person and request to recast your vote. Attendance at the Special Meeting in Lieu of an Annual Meeting will not, by itself, revoke a previously granted proxy.

WHAT CONSTITUTES A QUORUM?

As of August 18, 2009, Ace had 9,717,615 shares of its Common Stock outstanding. In deciding all questions, a shareholder shall be entitled to one vote, in person or by proxy, for each share held in his name on the Record Date. The presence at the Special Meeting in Lieu of an Annual Meeting, in person or by proxy, of the holders entitled to cast at least a majority of votes which all shareholders are entitled to cast as of the Record Date will constitute a quorum. Broker non-votes, abstentions and votes withheld count as shares present at the Special Meeting in Lieu of an Annual Meeting for purposes of a quorum.

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WHAT ARE THE RECOMMENDATIONS OF THE BOARD OF DIRECTORS?

Unless you instruct otherwise on your proxy card, the persons named as proxy holders on the proxy card will vote in accordance with the recommendations of the Board of Directors. The Board's recommendations are set forth below. In summary, the Board recommends a vote FOR the election of the nominated slate of directors and in favor of proposals numbers 2, 3 and 4.

The proxy holders will vote as recommended by the Board of Directors with respect to any other matter that properly comes before the Special Meeting. If the Board of Directors on any such matter gives no recommendation, the proxy holders will vote in their own discretion.

WHAT VOTE IS REQUIRED TO APPROVE EACH PROPOSAL?

ELECTION OF DIRECTORS. (PROPOSAL NO. 1) The affirmative vote of a plurality of the votes cast at the Special Meeting is required for the election of directors. A properly executed proxy marked "WITHHOLD" authority with respect to the election of one or more directors will not be voted with respect to the director or directors indicated, although it will be counted for purposes of determining whether there is a quorum. Thus, the four candidates with the most affirmative votes will be elected at the Special Meeting in Lieu of an Annual Meeting.

BROKER NON-VOTES. If you hold your shares in "street name" through a broker or other nominee, your broker or nominee may not be permitted to exercise voting discretion with respect to some of the matters to be acted upon. Under the rules that govern brokers who are voting with respect to shares held in street name, brokers have the discretion to vote such shares on routine matters, but not on non-routine matters. Routine matters include the election of directors and ratification of auditors. Non-routine matters include all other proposals. Therefore, if you do not give your broker or nominee specific instructions, your shares may not be voted on non-routine matters and will not be counted in the voting results. Shares represented by such "broker non-votes" will, however, be counted in determining whether there is a quorum. Accordingly,

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broker non-votes will not be counted toward a nominee's total of affirmative votes in the election of directors and will have no effect on the approval of any other proposals that may come before the meeting.

PROPOSAL NOS. 2, 3 AND 4. As of the date of this Proxy Statement, the Board of Directors knows of no other matters other than Proposal Nos. 1, 2, 3 and 4 as outlined in the Notice of Special Meeting that will be presented at the meeting. Voting for Proposal No. 1 is described above under Election of Directors . Proposal No. 3 will be decided by a vote of the majority of outstanding shares of capital stock entitled to vote at the Special Meeting in Lieu of an Annual Meeting. Proposal Nos. 2 and 4 and any other proposals (if any) that come before our meeting will be decided by a majority of the votes cast at the meeting.

### WHO CONDUCTS THE PROXY SOLICITATION AND HOW MUCH WILL IT COST?

Ace is soliciting the proxies and will bear the cost of the solicitation. Ace has not retained any outside firm to aid in the solicitation and it does not intend to use specially engaged employees or paid solicitors for such solicitation. Ace may ask its officers and other employees, without compensation other than their regular compensation, to solicit proxies by further mailing or personal conversations, or by telephone, facsimile, Internet or other means of electronic transmission. Management intends to solicit proxies which are held of record by brokers, dealers, banks, or voting trustees, or their nominees, and may pay the reasonable expenses of such record holders for completing the mailing of solicitation materials to persons for whom they hold the shares.

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### FINANCIAL AND OTHER INFORMATION

Accompanying this Proxy Statement as Exhibit A is the Company's 2008 Annual Report on Form 10-K for its fiscal year ended December 31, 2008 (excluding exhibits). The Company hereby incorporates by reference into this Proxy Statement the information contained in the Company's 2008 Annual Report.

### EXECUTIVE COMPENSATION

Incorporated by reference is the contents of Item 10 of Ace's Form 10-K for its fiscal year ended December 31, 2008, a copy of which is annexed to this Proxy Statement as Exhibit A.

### SECURITY OWNERSHIP OF MANAGEMENT AND OTHERS

Incorporated by reference is the contents of Item 12 of Ace's Form 10-K for its fiscal year ended December 31, 2008, a copy of which is annexed to this Proxy Statement as Exhibit A.

### CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Incorporated by reference is the contents of Item 13 of Ace's Form 10-K for its fiscal year ended December 31, 2008, a copy of which is annexed to this Proxy Statement as Exhibit A.

### PROPOSAL NO. 1 ELECTION OF DIRECTORS

MANAGEMENT RECOMMENDS THAT YOU VOTE IN FAVOR OF THE FOUR NOMINEES NAMED TO THE BOARD OF DIRECTORS. DIRECTORS WILL BE ELECTED BY A PLURALITY OF THE VOTES CAST



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AT THE MEETING.

Four directors are to be elected at the meeting for terms of one year each and until their successors shall be elected and qualified. It is intended that votes will be cast pursuant to such proxy for the election of the four persons whose names are first set forth below unless authority to vote for one or more of the nominees is withheld by the enclosed proxy, in which case it is intended that votes will be cast for those nominees, if any, with respect to whom authority has not been withheld. Three of the four nominees named in the table below are now members of the Board of Directors. In the event that any of the nominees should become unable or unwilling to serve as a director, a contingency which the management has no reason to expect, it is intended that the proxy be voted, unless authority is withheld, for the election of such person, if any, as shall be designated by the Board of Directors. The following table sets forth information concerning each proposed nominee of the Company.

NAME (1) -----	AGE ---	FIRST BECAME DIRECTOR -----	PRINCIPAL OCCUPATION -----
Dean L. Julia	41	1998	Chief Executive Officer/ Secretary Treasurer/Director/Co-Founder
Michael D. Trepeta	37	1998	President/Director/Co-Founder
Scott J. Novack	41	1998	Director/Co-Founder
Domenico Iannucci	53	N/A	Owner of Commercial and Residential Construction Comp

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N/A Not applicable.

(1) Directors are elected at the annual meeting of stockholders and hold office until the following annual meeting.

Identification of Executive Officers  
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Dean L. Julia serves as our Chief Executive Officer, Michael D. Trepeta serves as our President and Sean McDonnell serves as our Chief Financial Officer. The terms of all officers expire at the annual meeting of directors following the annual stockholders meeting. Officers serve at the pleasure of the Board and may be removed, either with or without cause, by the Board of Directors, and a successor elected by a majority vote of the Board of Directors, at any time.

Biographies of Nominees  
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DEAN L. JULIA

Mr. Julia holds a Bachelor of Business Administration from Hofstra University received in 1990. Since that time, Mr. Julia has been associated with various broker/dealers as a stockbroker where he was involved in the funding of numerous development stage and growth companies. From 1991 to 1996, Mr. Julia served as a Vice President for Reich & Co. From 1993 to 1994, he was Vice President for D. Blech & Co. From 1994 to 1995, he served as a Vice President for GKN Securities; and from 1995 to 1996 he served as Vice President for Rickel & Associates. From September 1996 through February 1998, Mr. Julia served as President and Chief Executive Officer of DLJ Consulting, a financial

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intermediary consultant for public and private companies. In 1998, Mr. Julia co-founded us and became an officer, director and principal stockholder of our company and a full time employee.

MICHAEL D. TREPETA

Mr. Trepeta received a Bachelor of Science Degree in Applied Economics and Business Management with a minor in Communications from Cornell University in 1993. Since that time, Mr. Trepeta has been associated with various broker/dealers as a stockbroker where he was involved in the funding of numerous development stage and growth companies. Mr. Trepeta was a Vice President of Investments at Joseph Roberts & Co. in 1994 and a Vice President of Investments at Rickel & Associates from 1995-1996. From September of 1996 through February 1998, he has served as President of MDT Consulting Group, Inc., a corporation contracted by publicly traded companies to serve as a financial intermediary to investment bankers and to assist in developing products, services, and business strategies. In 1998, Mr. Trepeta co-founded us and he became an officer, director and principal owner of our company and a full time employee.

SCOTT J. NOVACK

Mr. Novack holds a Bachelor of Business Administration from Hofstra University received in 1990. From 1993-1994, Mr. Novack was a Vice President at D. Blech & Co., a New York investment bank specializing in raising venture capital money for early stage companies. From 1994-1995, Mr. Novack was a Vice President at GKN Securities, a New York based investment bank. From 1995-1996, Mr. Novack was a Vice President at Rickel Associates, a New York based investment bank. Mr. Novack was the President of SJN Consulting Group, Inc., a privately held company, from 1996 to 2003. SJN was a corporation contracted by publicly traded companies to serve as a financial intermediary to investment bankers and to assist in developing products, services, and business strategies. Since 2003, Mr. Novack is a private investor who invests for his own account. In 1998, Mr. Novack co-founded us and became a director of our company.

DOMENICO IANNUCCI

Mr. Iannucci has owned and managed a residential and commercial construction company for over 20 years.

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Director Meetings

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During fiscal 2008, Ace's Board of Directors held seven meetings of its Board of Directors via unanimous written consent. During 2008, no other Board meetings were held. Each Board member is welcome to attend our Special Meeting in Lieu of an Annual Meeting. However, Ace has no policy in place requiring Board members attendance at such meeting. Ace did not hold an Annual Meeting of Stockholders in 2008.

LACK OF COMMITTEES/BOARD INDEPENDENCE

Our Company has no audit, compensation or nominating committees of our board of directors or committees performing similar functions. Our Company currently has no independent directors. We are currently seeking to nominate and appoint to the board one independent director, namely, Domenico Iannucci. After the conclusion of the Special Meeting in lieu of an Annual Meeting, we will seek to further expand the Board to include a second independent director, who may be deemed a financial expert (as defined below). At such time as we have two independent directors, it is Ace's intention to form an audit committee

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consisting solely of independent directors in compliance with Sarbanes Oxley Act of 2002, as amended.

Under the National Association of Securities Dealers Automated Quotations definition, an "independent director" means a person other than an officer or employee of the Company or its subsidiaries or any other individuals having a relationship that, in the opinion of the Company's board of directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of the director. The board's discretion in determining director independence is not completely unfettered. Further, under the NASDAQ definition, an independent director is a person who (1) is not currently (or whose immediate family members are not currently), and has not been over the past three years (or whose immediate family members have not been over the past three years), employed by the company; (2) has not (or whose immediate family members have not) been paid more than \$60,000 during the current or past three fiscal years; (3) has not (or whose immediately family has not) been a partner in or controlling shareholder or executive officer of an organization which the company made, or from which the company received, payments in excess of the greater of \$200,000 or 5% of that organizations consolidated gross revenues, in any of the most recent three fiscal years; (4) has not (or whose immediate family members have not), over the past three years been employed as an executive officer of a company in which an executive officer of Ace has served on that company's compensation committee; or (5) is not currently (or whose immediate family members are not currently), and has not been over the past three years (or whose immediate family members have not been over the past three years) a partner of Ace's outside auditor.

The term "Financial Expert" is defined under the Sarbanes-Oxley Act of 2002, as amended, as a person who has the following attributes: an understanding of generally accepted accounting principles and financial statements; has the ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves; experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the company's financial statements, or experience actively supervising one or more persons engaged in such activities; an understanding of internal controls and procedures for financial reporting; and an understanding of audit committee functions.

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In the event an audit committee is established, its first responsibility would be to adopt a written charter. Such charter would be expected to include, among other things:

- o being directly responsible for the appointment, compensation and oversight of our independent auditor, which shall report directly to the audit committee, including resolution of disagreements between management and the auditors regarding financial reporting for the purpose of preparing or issuing an audit report or related work;
- o annually reviewing and reassessing the adequacy of the committee's formal charter;
- o reviewing the annual audited financial statements with our management and the independent auditors and the adequacy of our internal accounting controls;
- o reviewing analyses prepared by our management and independent

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- auditors concerning significant financial reporting issues and judgments made in connection with the preparation of our financial statements;
- o reviewing the independence of the independent auditors;
  - o reviewing our auditing and accounting principles and practices with the independent auditors and reviewing major changes to our auditing and accounting principles and practices as suggested by the independent auditor or its management;
  - o reviewing all related party transactions on an ongoing basis for potential conflict of interest situations; and
  - o all responsibilities given to the audit committee by virtue of the Sarbanes-Oxley Act of 2002, which was signed into law by President George W. Bush on July 30, 2002.

### REPORT OF BOARD OF DIRECTORS

In March 2009, members of the Board of Directors functioning in lieu of an Audit Committee discussed the 2008 audited financial statements of the Company with Management and Holtz Rubenstein & Reminick LLP. Management has the primary responsibility for the financial statements and the reporting process. The Board has discussed with Holtz Rubenstein & Reminick LLP the matters required to be discussed by the statement on Auditing Standards No. 61, as amended (AICPA, Professional Standards, Vol 1. AU section 380), as adopted by the Public Company Oversight Board in Rule 3200T. The Board has received the written disclosures from Holtz Rubenstein & Reminick LLP required by Independence Standards Board Standard No. 1 (Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees), as adopted by the Public Company Accounting Oversight Board in Rule 3600T, and has discussed with Holtz Rubenstein & Reminick LLP, the independent accountant's independence. The Board has determined that Holtz Rubenstein & Reminick LLP is independent from Ace and its management.

During the past fiscal year and through the mailing date of this Proxy Statement, Holtz Rubenstein & Reminick LLP has not provided any financial information systems design and implementation services or any other non-audit services to the Company except for the review of the Company's quarterly reports, preparation of corporate tax returns, tax research and other related professional consulting services. The Company does not anticipate Holtz Rubenstein & Reminick LLP providing any financial information systems design and implementation services and any other non-audit services to the Company which would be incompatible with maintaining the independence of Holtz Rubenstein & Reminick LLP. The fees paid by the Company to Holtz Rubenstein & Reminick LLP for the fiscal year ended December 31, 2008 are described in Item 14 of the Company's Form 10-K for its fiscal year ended December 31, 2008, which is annexed to this Proxy Statement as Exhibit A and is incorporated herein by reference.

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In March 2009, the Board members reviewed the audited consolidated financial statements of the Company which were to be included in the 2008 Form 10-K for filing with the Securities and Exchange Commission and considered the aforementioned matters and it then recommended the approval of said financial statements and their inclusion in the Form 10-K filing.

THE BOARD OF DIRECTORS

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Dean L. Julia, Chairman and CEO  
Michael D. Trepeta, President  
Scott J. Novack

Compensation Committee Interlocks and Insider Participants - None.  
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### LACK OF NOMINATING COMMITTEE

The Board of Directors has acted as the nominating committee for the Company and no separate nominating committee has been formed to date. This type of committee, if one existed, would be responsible for identifying and recommending the director nominees to be selected by the Board of Directors for each annual meeting of shareholders and reviewing any shareholder nominees; implementing the Board's criteria for selecting new directors; developing, reviewing and recommending to the Board a set of corporate governance policies applicable to Ace; providing oversight for the evaluation of the performance of the Board of Directors; and adopting a written charter. Management believes that the cost of having a nominating committee for Ace as a Smaller Reporting Company outweighs the benefits that may be derived from implementing such a committee.

The Board of Directors, acting as the nominating committee, did not meet during the 2008 fiscal year. However, the Board of Directors, acting as the nominating committee, met by unanimous written consent to select and approve the four Director nominees to be up for election at the 2009 Special Meeting in Lieu of an Annual Meeting. Based upon the size of the Company and the Board's familiarity with the Company since its inception, the Board also has determined that each of the Directors is qualified to suggest nominees for consideration to the nominating committee. The Board of Directors, when acting as the nominating committee, is generally responsible for:

- o Developing a nomination process for candidates to the Board of Directors;
- o Establishing criteria and qualifications for membership to the Board of Directors;
- o Identifying and evaluating potential Director nominees;
- o Filling vacancies on the Board of Directors; and
- o Recommending nominees for election or re-election.

The Board of Directors, when fulfilling the duties of a nominating committee, does not operate under a charter and it does not have a policy with regard to the consideration of any Director candidates recommended by members.

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DIRECTOR QUALIFICATIONS. While the members of our Board have not established specific minimum qualifications for director candidates, the candidates for Board membership should have the highest professional and personal ethics and values, and conduct themselves consistent with our Code of Ethics. While the members of the Board have not formalized specific minimum qualifications they believe must be met by a candidate to be recommended by the members, the members of the Board believe that candidates and nominees must reflect a Board that is comprised of directors who (i) have broad and relevant experience, (ii) include some independent directors, (iii) are of high integrity, (iv) have qualifications that will increase overall Board effectiveness and enhance long-term stockholder value, and (v) meet other requirements as may be required by applicable rules, such as financial literacy or financial expertise with respect to potential Audit Committee members. These factors, and others as considered useful by our Board acting as its own

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nomination and governance committee, will be reviewed in the context of an assessment of the perceived needs of our Board of Directors at a particular point in time. As a result, the priorities and emphasis of our Board of Directors may change from time to time to take into account changes in business and other trends, and the portfolio of skills and experience of current and prospective directors. Consideration of new director candidates is expected to involve a series of Board discussions, review of information concerning candidates and interviews with selected candidates. The Board does not assign specific weights to particular criteria and no particular criterion is necessarily applicable to all prospective nominees. Candidates for nomination to our Board of Directors may be suggested by other members of our Board of Directors. From time to time, our Board acting as its own nomination committee may in the future (although it has not done so in the past) engage the services of a third party search firm to identify director candidates.

### DIRECTOR CANDIDATES

Although our Board acting as its own nomination committee does not have a formal policy on stockholder nominations, it will consider candidates proposed in writing by stockholders, provided such proposal meets the eligibility requirements (i.e. ownership of at least 2% of the outstanding common shares) for submitting stockholder nominations for inclusion in our next Proxy Statement and is accompanied by certain required information about the candidate. If an eligible stockholder wishes to recommend a nominee, he or she should submit such recommendation in writing to our Corporate Secretary, Dean L. Julia, 457 Rockaway Avenue, Valley Stream, NY 11581, by the deadline set forth herein under "Deadline for Receipt of Stockholder Proposals." Information provided with the stockholder recommendation should specify the following information: (a) the name and address of the nominee; (b) the name and address of the stockholder making the nomination; (c) the number of shares of our Common Stock entitled to vote at such meeting held by the stockholder; (d) a representation that the nominating stockholder is a stockholder of record entitled to vote at such meeting and intends to appear in person or by proxy at such meeting to nominate the person specified in the notice; (e) the nominee's qualifications for membership on our Board of Directors; (f) all of the information that would be required in a proxy statement soliciting proxies for the election of the nominee as a director; (g) a description of all arrangements or understandings between the nominating stockholder and the nominee and any other person or persons (naming such person or persons) pursuant to whose request the nomination is being made by the stockholder; (h) all other companies to which the nominee is being recommended as a nominee for director; and (i) a signed consent of the nominee to cooperate with reasonable background checks and personal interview, and to serve as a director, if elected. Candidates proposed by stockholders will be evaluated by our Board acting as its own nomination committee using the same criteria as for all other candidates. Our Board acting as its own nomination committee has not received any nominations from any of our stockholders in connection with this Special Meeting in Lieu of an Annual Meeting. The Board is authorized to retain advisers and consultants and to compensate them for their services. The Board did not retain any such advisers or consultants during 2008.

If the Board determines to nominate a shareholder-recommended candidate and recommends his or her election as a director by the shareholders, his or her name will be included in Ace's proxy card for the shareholder meeting at which his or her election is recommended.

Shareholders also have the right to nominate director candidates themselves, without any prior review or recommendation by the Board, by the procedures set forth herein under "Deadline for Receipt of Stockholder Proposals."

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### SHAREHOLDER COMMUNICATIONS

The Board will give appropriate attention to written communications that are submitted by shareholders, and will respond if and as appropriate. Absent unusual circumstances and subject to any required assistance or advice from legal counsel, our Corporate Secretary, Dean L. Julia, is primarily responsible for monitoring communications from shareholders and for providing copies or summaries of such communications to the other directors as he considers appropriate.

Communications will be forwarded to all directors if they relate to important substantive matters and include suggestions or comments considered to be important for the directors to know. In general, communications relating to corporate governance and long-term corporate strategy are more likely to be forwarded than communications relating to ordinary business affairs, personal grievances and matters as to which we may receive repetitive or duplicative communications. Shareholders who wish to send communications on any topic to the Board for its consideration should address such communications to c/o of Dean L. Julia, Corporate Secretary, Ace Marketing & Promotions, Inc., 457 Rockaway Avenue, Valley Stream, NY 11581.

PROPOSAL NO. 2  
PROPOSAL TO RATIFY THE BOARD'S SELECTION  
OF HOLTZ RUBENSTEIN & REMINICK LLP AS INDEPENDENT AUDITORS FOR 2009

MANAGEMENT RECOMMENDS THAT YOU VOTE IN FAVOR OF THE RATIFICATION, ADOPTION AND APPROVAL OF THE BOARD'S SELECTION OF HOLTZ RUBENSTEIN & REMINICK LLP AS INDEPENDENT AUDITORS FOR 2009.

THIS PROPOSITION WILL BE DECIDED BY A MAJORITY OF THE VOTES CAST AT THE MEETING OF STOCKHOLDERS BY THE HOLDERS OF SHARES ENTITLED TO VOTE THEREON.

The Board of Directors has approved the selection of Holtz Rubenstein & Reminick LLP, subject to the ratification of its shareholders, as the Company's independent auditors for 2009. Holtz Rubenstein & Reminick LLP, Certified Public Accountants, audited the Company's financial statements for its last year ended December 31, 2008. Even if the selection is ratified, the Board in its sole discretion may direct the appointment of a different independent accounting firm at any time during the year if the Board believes that such a change would be in the best interests of the Company and its stockholders. It is expected that a representative of Holtz Rubenstein & Reminick LLP will be present at the Special Meeting in lieu of an annual meeting via telephonic connection, will have the opportunity to make a statement if they desire to do so and be available to respond to appropriate questions.

For a discussion of the Audit Fees, Financial Information Systems Design and Implementation Fees and other fees billed by the Company's independent auditors for 2008, see Item 14 of our 2008 Form 10-K appended hereto as Exhibit A which is incorporated herein by reference.

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PROPOSAL NO. 3  
AMENDMENT TO THE COMPANY'S CERTIFICATE OF INCORPORATION

MANAGEMENT RECOMMENDS THAT YOU VOTE IN FAVOR OF THIS PROPOSAL. A MAJORITY OF THE

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COMPANY'S ISSUED AND OUTSTANDING SHARES ENTITLED TO BE CAST AT THE MEETING IS REQUIRED TO ADOPT THE AMENDMENT.

The Company's Board of Directors believes it advisable to amend the Company's Certificate of Incorporation to increase the authorized Common Stock from 25,000,000 shares of Common Stock, \$.0001 par value, to 100,000,000 shares of Common Stock, \$.0001 par value. The Company also has 5,000,000 shares of Preferred Stock, \$.0001 par value, authorized, none of which are outstanding as of the date hereof. The number of shares of Preferred Stock will not change as a result of this amendment. Accordingly, the Board adopted a resolution proposing that an amendment (the "Amendment") to Article Fourth of the Certificate of Incorporation be presented to the shareholders at the annual meeting for approval to effect this change in capital. See "Exhibit B."

As of August 18, 2009, the Company had 9,717,615 common shares outstanding and had outstanding options and warrants exercisable into approximately 6,039,000 shares of Common Stock. The outstanding shares does not include 300,000 unissued shares (the "Advisory Shares") that Ace was obligated to issue to a financial advisor in connection with a July, 2009 Advisory Agreement entered into with the Placement Agreement of Ace's plan of financing described below.

The Company has a Plan of Financing to raise up to \$2,100,000 from the sale of its Common Stock and Warrants, which commenced on July 14, 2009 and it is in the process of attempting to complete same. On August 21, 2009, the Company had an initial closing and it received gross proceeds of \$345,000 and it is obligated to issue to the investors and the Placement Agent an aggregate of approximately 550,000 shares of Common Stock (in addition to the Advisory Shares) and three year Warrants to purchase approximately 275,000 shares of Common Stock, exercisable at a \$1.00 per share. The proposed increase in the number of authorized shares of Common Stock would give the Company the necessary shares of Common Stock to use in connection with future capital raise transactions, use in employee benefit plans, acquisitions, mergers and other corporate purposes. The Company has no particular acquisition, merger or transaction in mind, nor is it presently negotiating with anyone with respect thereto, which would result in the issuance of Common Stock. No further action nor authorization by the Company's shareholders would be necessary prior to issuance of the Common Stock, except as may be required for a particular transaction by the Company's Certificate of Incorporation, by applicable law or regulatory agencies or by the rules of any stock exchange on which the Company's Common Stock may then be listed. Adoption of the Amendment will eliminate the delay and expense involved in calling a special meeting of shareholders to authorize the Common Stock.

Shareholders of the Company do not have any preemptive rights with respect to any of the presently authorized but unissued shares of Common Stock of the Company.

The authority of the Board to issue Common Stock might be considered as having the effect of discouraging an attempt by another person or entity to effect a takeover or otherwise gain control of the Company, since the issuance of Common Stock would dilute the voting power of the Common Stock then outstanding. Such shares could also be sold in public or private transactions to purchasers who might assist the Board of Directors in opposing a takeover bid which the Board determines not to be in the best interests of the Company and its shareholders. Accordingly, the authority of the Board to issue Common Stock could be used in a manner calculated to prevent the removal of management, and make more difficult or discourage a change in control of the Company.

The Company is not aware of any efforts to accumulate the Company's securities or to obtain control of the Company and has no present intention, agreement or negotiation requiring the issuance of any additional shares of



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Common Stock other than as described herein. The Company has no present intention of soliciting a shareholder vote on any proposal, or series of proposals, to deter takeovers.

The affirmative vote of the owners of a majority of the issued and outstanding shares entitled to be cast at the meeting is required to adopt the Amendment. No dissenting shareholder will have a right of appraisal or right to receive payment for his stock by reason of such dissent.

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### PROPOSAL NO. 4 PROPOSAL TO RATIFY, ADOPT AND APPROVE THE COMPANY'S 2009 EMPLOYEE BENEFIT AND CONSULTING COMPENSATION PLAN

MANAGEMENT RECOMMENDS THAT YOU VOTE IN FAVOR OF THE RATIFICATION, ADOPTION AND APPROVAL OF THE 2009 EMPLOYEE BENEFIT AND CONSULTING COMPENSATION PLAN.

THIS PROPOSITION WILL BE DECIDED BY A MAJORITY OF THE VOTES CAST AT THE MEETING OF STOCKHOLDERS BY THE HOLDERS OF SHARES ENTITLED TO VOTE THEREON.

On August 28, 2009, the Board established an Employee Benefit and Consulting Compensation Plan (the "2009 Plan") covering 4,000,000 shares with an effective date of October 7, 2009, subject to ratification and approval by stockholders. The material features of the Plan are described below. (Note: A copy of the plan is appended hereto as Exhibit C.)

#### Administration

Our Board of Directors, Compensation Committee or both, in the sole discretion of our Board, will administer the 2009 Plan. The Board, subject to the provisions of the 2009 Plan, has the authority to determine and designate employees and consultants to whom awards shall be made and the terms, conditions and restrictions applicable to each award (including, but not limited to, the option price, any restriction or limitation, any vesting schedule or acceleration thereof, and any forfeiture restrictions). The Board or Compensation Committee may, in its sole discretion, accelerate the vesting of awards. Our Compensation Committee must approve all grants of Options and Stock Awards issued to our executive officers or directors.

#### Types of Awards

The 2009 Plan is designed to enable us to offer certain officers, employees, directors and consultants of us and our subsidiaries equity interests in us and other incentive awards in order to attract, retain and reward such individuals and to strengthen the mutuality of interests between such individuals and our stockholders. In furtherance of this purpose, the 2009 Plan contained provisions for granting incentive and non-statutory stock options and Common Stock Awards.

**STOCK OPTIONS.** A "stock option" is a contractual right to purchase a number of shares of Common Stock at a price determined on the date the option is granted. The option price per share of Common Stock purchasable upon exercise of a stock option and the time or times at which such options shall be exercisable shall be determined by the Board at the time of grant. Such option price shall not be less than 100% of the fair market value of the Common Stock on the date of grant. The option price must be paid in cash, money order, check or Common Stock of the Company. The Options (excluding Incentive Stock Options) may also

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contain at the time of grant, at the discretion of the Board, certain cashless exercise provisions.

Options shall be exercisable at the times and subject to the conditions determined by the Board at the date of grant, but no option may be exercisable more than ten years after the date it is granted. If the Optionee ceases to be an employee of our company for any reason other than death, any option originally granted as an Incentive Stock Option exercisable on the date of the termination of employment may be exercised for a period of thirty days or until the expiration of the stated term of the option, whichever period is shorter. In the event of the Optionee's death, any originally granted Incentive Stock Option exercisable at the date of death may be exercised by the legal heirs of the Optionee from the date of death until the expiration of the stated term of the option or six months from the date of death, whichever event first occurs. In the event of disability of the Optionee, any originally granted Incentive Stock Options shall expire on the stated date that the Option would otherwise have expired or 12 months from the date of disability, whichever event first occurs. The termination and other provisions of a non-statutory stock option shall be fixed by the Board of Directors at the date of grant of each respective option.

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COMMON STOCK AWARD. "Common Stock Award" are shares of Common Stock that will be issued to a recipient at the end of a restriction period, if any, specified by the Board if he or she continues to be an employee, director or consultant of us. If the recipient remains an employee, director or consultant at the end of the restriction period, the applicable restrictions will lapse and we will issue a stock certificate representing such shares of Common Stock to the participant. If the recipient ceases to be an employee, director or consultant of us for any reason (including death, disability or retirement) before the end of the restriction period unless otherwise determined by the Board, the restricted stock award will be terminated.

### Eligibility

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The Company's officers, employees, directors and consultants of Ace and its subsidiaries are eligible to be granted stock options, and Common Stock Awards. Eligibility shall be determined by the Board or our Compensation Committee; however, all Options and Stock Awards granted to officers and directors must be approved by our Compensation Committee.

### Termination or Amendment of the 2009 Plan

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The Board may at any time amend, discontinue, or terminate all or any part of the 2009 Plan, provided, however, that unless otherwise required by law, the rights of a participant may not be impaired without his or her consent, and provided that we will seek the approval of our stockholders for any amendment if such approval is necessary to comply with any applicable federal or state securities laws or rules or regulations.

### Awards

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It is not possible to predict the individuals who will receive future awards under the 2009 Plan or the number of shares of Common Stock covered by any future award because such awards are wholly within the discretion of the Board or our Compensation Committee. Currently, there have been no awards granted under the 2009 Plan. The 2009 Plan will terminate and no awards may be

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granted after October 6, 2019.

### SHARES SUBJECT TO THE PLAN

The maximum number of shares of Common Stock that may be issued pursuant to awards granted under the Plan is 4,000,000. Such shares may be either authorized and unissued shares or issued shares reacquired by the Company and held in treasury. The Plan does not limit the number of shares of Common Stock with respect to which options or Stock Awards may be granted to any individual during any calendar year, except there are limits in the case of Incentive stock Options to those established by the Internal Revenue Code of 1986, as amended. The aggregate number of shares issuable under the 2009 Plan and the number of shares subject to options and awards to be granted under the Plan are subject to adjustment in the event of certain mergers, reorganizations, consolidations, recapitalizations, dividends (other than a regular cash dividend), stock split or other change in corporate structure affecting the Common Stock. Shares subject to options that expire, terminate or are canceled unexercised, shares of stock that have been forfeited to the Company and shares that are not issued as a result of forfeiture or termination of an award may be reissued under the Plan.

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### FEDERAL TAX CONSEQUENCES

The Federal income tax discussion set forth below is intended for general information only. State and local income tax consequences are not discussed, and may vary from locality to locality.

**INCENTIVE STOCK OPTIONS.** Incentive stock options granted under the 2009 Plan are designed to qualify for the special tax treatment for incentive stock options provided for in the Internal Revenue Code (the "Code"). Under the provisions of the Code, an optionee who at all times from the date of grant until three months before the date of exercise is an employee of the Company, and who does not dispose of the shares of Common Stock obtained upon exercise of his incentive stock option for two years after the date of grant and holds those shares for at least one year after exercise, will recognize no taxable income on either the grant or exercise of such option and will recognize capital gain or loss on the sale of the shares. If such shares are held by the optionee for the required holding period, the Company will not be entitled to any tax deduction with respect to the grant or exercise of the option. If such shares are sold by the optionee prior to the expiration of the holding periods described above, the optionee will recognize ordinary income upon such disposition. Upon the exercise of an incentive stock option, the optionee will incur an item of tax preference equal to the excess of the fair market value of the shares at the time of exercise over the exercise price, which may subject the optionee to the alternative minimum tax.

**NON-QUALIFIED OPTIONS.** Under present Treasury regulations, an optionee who is granted a non-qualified option will not realize taxable income at the time the option is granted. In general, an optionee will be subject to tax for the year of exercise on an amount of ordinary income equal to the excess of the fair market value of the shares on the date of exercise over the option price, and the Company will receive a corresponding deduction. Income tax withholding requirements apply upon exercise. The optionee's basis in the shares so acquired will be equal to the option price plus the amount of ordinary income upon which he is taxed. Upon subsequent disposition of the shares, the optionee will realize capital gain or loss, long-term or short-term, depending upon the length of time the shares are held after the option is exercised.

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COMMON STOCK AWARDS. Recipients of shares of restricted Common Stock that are not "transferable" and are subject to "substantial risk of forfeiture" at the time of grant will not be subject to Federal income taxes until lapse or release of the restrictions on the shares. The recipient's income and the Company's deduction will be equal to the fair market value of the shares on the date of lapse or release of such restrictions.

### OTHER BUSINESS

As of the date of this Proxy Statement, the Board of Directors of the Company knows of no other business which will be presented for consideration at the Special Meeting in lieu of Annual Meeting.

### AVAILABILITY OF SECURITIES AND EXCHANGE COMMISSION'S FORM 10-K

THE COMPANY'S ANNUAL REPORT FOR ITS FISCAL YEAR ENDED DECEMBER 31, 2008 ON FORM 10-K INCLUDES THE FINANCIAL STATEMENTS, SCHEDULES AND EXHIBITS THERETO, AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION; SUCH REPORT IS ATTACHED TO THIS PROXY STATEMENT AS EXHIBIT A (EXCLUSIVE OF EXHIBITS AND SCHEDULES). ADDITIONAL COPIES OF SUCH REPORT ARE AVAILABLE WITHOUT CHARGE TO THE SHAREHOLDERS UPON WRITTEN REQUEST. SUCH MATERIAL CAN BE OBTAINED BY WRITING ACE MARKETING & PROMOTIONS, INC., ATTENTION DEAN L. JULIA, CORPORATE SECRETARY, 457 ROCKAWAY AVENUE, VALLEY STREAM, NY 11581.

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### DEADLINE FOR RECEIPT OF STOCKHOLDER PROPOSALS

Any shareholder who intends to present a proposal at the next annual meeting of shareholders must deliver the proposal to Dean L. Julia, Corporate Secretary of Ace Marketing & Promotions, Inc. at 457 Rockaway Avenue, Valley Stream, NY 11581:

- o Not later than May 15, 2010, if the proposal is submitted for inclusion in our proxy materials for that meeting pursuant to Rule 14a-8 under the Securities Exchange Act of 1934; and
- o Not later than May 15, 2010, if the proposal is submitted outside the processes of Rule 14a-8 under the Securities and Exchange Act of 1934, in which case we are not required to include the proposal in our proxy materials. Such nominations and proposals for the next annual meeting of shareholders, other than those made by or on behalf of the Board of Directors, shall be made by notice in writing delivered or mailed by first class United States mail, postage prepaid, to the Chairman.

ACE MARKETING & PROMOTIONS, INC.

/s/ Dean L. Julia, Chairman

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[Left blank intentionally.]

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS  
FOR THE SHAREHOLDER MEETING TO BE HELD ON OCTOBER 7, 2009

THE COMPANY'S PROXY STATEMENT AND 2008 ANNUAL REPORT ARE  
AVAILABLE AND CAN BE ACCESSED DIRECTLY AT THE FOLLOWING INTERNET ADDRESS:  
HTTP://WWW.ACEMARKETING.NET

PROXY  
ACE MARKETING & PROMOTIONS, INC.  
SPECIAL MEETING IN LIEU OF AN ANNUAL MEETING  
TO BE HELD ON OCTOBER 7, 2009 AT 10:00 A.M.  
(THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS)

The undersigned shareholder of Ace Marketing & Promotions, Inc., a New York corporation (the "Company"), acknowledges receipt of the Notice of a Special Meeting in Lieu of an Annual Meeting of Shareholders and Proxy Statement, dated September 10, 2009 and hereby constitutes and appoints Dean L. Julia and Michael D. Trepeta or either of them acting singly in the absence of the other, with a power of substitution in either of them, the proxies of the undersigned to vote with the same force and effect as the undersigned all shares of Common Stock of the Company held by the undersigned at the Special Meeting in Lieu of an Annual Meeting of Shareholders of the Company to be held at Morse & Morse PLLC, 1400 Old Country Road, Suite 302, Westbury, New York 11590 on October 7, 2009 at 10:00 A.M. local time and at any adjournment or adjournments thereof, hereby revoking any proxy or proxies heretofore given and ratifying and confirming all that said proxies may do or cause to be done by virtue thereof with respect to the following matters:

1. The election of the four directors nominated by the Board of Directors.

FOR all nominees listed below (except WITHHOLD AUTHORITY to vote  
as indicated below), please check here \_\_\_ for all nominees listed below,  
please check here \_\_\_

Dean L. Julia      Michael D. Trepeta      Scott J. Novack      Domenico Iannucci

TO WITHHOLD AUTHORITY TO VOTE FOR ANY INDIVIDUAL NOMINEE OR NOMINEES WRITE SUCH  
NOMINEE'S OR NOMINEES' NAME(S) IN THE SPACE PROVIDED BELOW.)

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2. To ratify, adopt and approve the Audit Committee's selection of Holtz  
Rubenstein Reminick LLP to be the independent auditors of Ace for the fiscal  
year ended December 31, 2009.

FOR                       AGAINST                        ABSTAIN

3. To ratify, adopt and approve the filing of an amendment to Ace's Certificate  
of Incorporation to increase the number of authorized shares of Common stock  
from 25,000,000 shares, \$.0001 par value to 100,000,000 shares, \$.0001 par  
value.

FOR                       AGAINST                        ABSTAIN

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4. To ratify, adopt and approve Ace's 2009 Employee Benefit and Consulting Services Compensation Plan.

FOR                       AGAINST                        ABSTAIN

5. In their discretion, the proxies are authorized to vote upon such other business as may properly come before the meeting or any adjournment or adjournments thereof.

The shares represented by this proxy will be voted in the manner directed. In the absence of any direction, the shares will be voted FOR each nominee named in Proposal 1, FOR Proposals 2, 3, and 4, and in accordance with the discretion of the persons appointed as Proxies on such other matters as may properly come before the Meeting, including adjournment of the Meeting and any other matters incident to the conduct of the Meeting. In case any nominee should become unavailable for election to the Board of Directors for any reason, the persons appointed as proxies shall have discretionary authority to vote the shares represented by this proxy for one or more alternative nominees who will be designated by the existing Board of Directors.

Dated \_\_\_\_\_, 2009  
\_\_\_\_\_(L.S.)  
\_\_\_\_\_(L.S.)

Email address (optional) \_\_\_\_\_

Please sign your name exactly as it appears hereon. When signing as attorney, executor, administrator, trustee or guardian, please give your full title as it appears hereon. When signing as joint tenants, all parties in the joint tenancy must sign. When a proxy is given by a corporation, it should be signed by an authorized officer and the corporate seal affixed. No postage is required if returned in the enclosed envelope and mailed in the United States.

PLEASE SIGN, DATE AND MAIL THIS PROXY IMMEDIATELY IN THE ENCLOSED ENVELOPE.

Exhibit A

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF  
THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008

COMMISSION FILE NUMBER: 000-51160

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

NEW YORK

11-3427886

-----  
(State of jurisdiction of

I.R.S. Employee

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incorporation or organization) Identification Number)

457 ROCKAWAY AVENUE, VALLEY STREAM, NY

11581

-----  
(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: (516) 256-7766

Check whether the Registrant is not required to file reports pursuant to Section 13 of 15(d) of the Exchange Act. [ ]

Securities registered pursuant to Section 12 (b) of the Act: None  
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Securities registered pursuant to Section 12 (g) of the Act:  
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Common Stock, \$.0001 Par Value  
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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 if disclosure of delinquent filers in response to Item 405 of Regulation S-K is not contained in this form, and no disclosure will be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in part III of this Form 10-K or any amendment to this Form 10-K [ ].

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company as defined by Rule 12b-2 of the Exchange Act: smaller reporting company [X].

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

State issuer's revenues for its most recent fiscal year: \$6,069,356.

As of March 25, 2009, the number of shares held by non-affiliates was approximately 6,661,910 shares. The approximate market value based on the last sale (i.e. \$.82 per share as of March 2, 2009) of the Company's Common Stock was approximately \$5,462,766.

The number of shares outstanding of the Registrant's Common Stock, as of March 25, 2009 was 9,717,615.

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FORWARD-LOOKING STATEMENTS

We believe this annual report contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are subject to risks and uncertainties and are based on the beliefs and assumptions of our management, based on information currently available to our management. When we use words such as "believes," "expects," "anticipates," "intends," "plans," "estimates," "should," "likely" or similar expressions, we are making forward-looking statements. Forward-looking

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statements include information concerning our possible or assumed future results of operations set forth under "Business" and/or "Management's Discussion and Analysis of Financial Condition and Results of Operations." Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions. Our future results and stockholder values may differ materially from those expressed in the forward-looking statements. Many of the factors that will determine these results and values are beyond our ability to control or predict. Stockholders are cautioned not to put undue reliance on any forward-looking statements. For those statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. For a discussion of some of the factors that may cause actual results to differ materially from those suggested by the forward-looking statements, please read carefully the information under "Risk Factors." In addition to the Risk Factors and other important factors discussed elsewhere in this annual report, you should understand that other risks and uncertainties and our public announcements and filings under the Securities Exchange Act of 1934, as amended could affect our future results and could cause results to differ materially from those suggested by the forward-looking statements.

### PART I

#### Item 1. Business

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##### COMPANY OVERVIEW

Ace Marketing & Promotions, Inc. (the "Company" or "Ace") is a full service promotional marketing company offering a wide array of business solutions. These solutions include: fulfillment and warehousing, incentives and rewards programs, importing, e-commerce and web design, printing and forms management, database management, branded merchandise and proximity marketing. Although we offer several business solutions, our core business still remains to be distributing advertising specialties and promotional items manufactured by others to our customers typically with our customers' logos on them. Several of our customer categories include large corporations, local schools, universities, financial institutions, hospitals and not-for-profit organizations. Our promotional products are a useful, practical, informative, entertaining, and/or decorative item, most often imprinted with the sponsoring advertiser's name, logo, slogan or message, and typically retained and appreciated by the end recipients who receive them, in many cases free of charge in marketing and communication programs.

Promotional products are also effective for the following:

- o dealer/distribution programs;
- o co-op programs;
- o company stores;
- o generating new customers or new accounts;
- o nonprofit fundraising; public awareness campaigns;
- o promotion of brand awareness and brand loyalty;
- o employee incentive programs;
- o new product or service introduction; and
- o marketing research for survey and focus group participants.



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product items ranging from stickers that cost pennies all the way through jewelry, sporting goods, awards, and electronics that cost thousands of dollars per unit. Specific categories of promotional products include:

- o Advertising Specialties-build awareness, goodwill and remembrance of the advertiser's name, product, purpose, advantages or other timely message. These products are generally lower priced goods and are usually distributed for free.
- o Business Gifts, Awards and Commemoratives - generally lower priced goods and are given for goodwill, often at trade shows to generate traffic.
- o Incentives and Awards-focus on motivation, workplace safety, goal setting and recognition. These are typically higher priced items used in incentive programs to promote employee retention and recognition. They may also be used in recruitment programs as well.
- o Premiums-given after a specific behavior has been performed.

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

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

### ACE ADVANTAGES

Ace presently has over 2000 customer accounts ranging from Fortune 500 companies to local schools and small businesses. We have built our business around the concept of high quality innovative branded merchandise, competitive pricing, and consistently superior customer service. Our operational platform, using top-line technology, is designed for economies of scale and ensures superior relations with major industry suppliers. The platform also provides superior support to an expanding team of experienced, well-connected salespeople who are key to acquiring new business.

The major advantage we hold over most companies in the promotional product industry is the ability to provide integrated business solutions to its customers as trusted advisors. The majority of companies in the promotional product industry offer only branded merchandise, whereas, we offer solutions in:

- o Branded Merchandise;
- o Importing;
- o Incentive / Rewards programs;
- o Printing / Forms Management;
- o Fulfillment / Warehousing;
- o E-commerce / Website Design;
- o Database Management / Integrated Marketing Solutions;  
and

- o Proximity Marketing.

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The ability to offer multiple solutions and integrate them is what separates us from the average promotional product distributor. Where nearly all of the competition continues to be viewed as commodity based "order takers", our solutions based services deepen the relationship with our clients as our sales consultants become trusted advisors and Ace becomes a valued business partner.

#### POSITIONED FOR GROWTH

Ace has grown organically through referrals based on its high quality service and external financings to support our growth. We are also expanding through hiring leading independent salespersons who are well supported by the Ace proprietary business structure. By offering more services and solutions to our customers, new recruits will have the ability to expand their present business by simply making the move to Ace. Upon integrating their client base into our system they too become trusted advisors that provide integrated business solutions instead of a commodity based promotional product salesperson.

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

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

#### BUSINESS STRATEGY

Ace's growth to date is based on a scalable corporate structure, using top-of-the-line technology, to create advantages over most small distributors by:

- o Quickly targeting the best products and prices to meet a client's needs;
- o Providing in-house art capabilities for rapidly customizing merchandise;
- o Providing fulfillment and warehousing services for inventory or custom programs,
- o Providing research, consulting and design services to our customers;
- o Offering direct overseas importing for large quantities;
- o Providing incentive and reward programs for both customers and employees;
- o Providing full service print and forms management solutions;
- o Providing full e-commerce solutions, including company stores and website design;
- o Managing purchase orders consistently from query to final order;

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- o Tracking shipments effectively regardless of size or the overseas location of the supplier;
- o Offering database management software, which integrates with each service offered and allows the customer the ability to quantify the results of any given marketing campaign or promotion; and
- o Offering proximity marketing services.

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In addition, Ace offers a wide array of services not offered by most distributors. These additional services allow our salespeople the opportunity to open new doors and create more sales with both new and old customers. By providing all the necessary back-office support, these efficiencies also free salespersons to focus on selling. The in-house computer system allows access from off-site, enabling sales staff to operate from any location.

### ACE MOBILE MARKETING

In 2008, we entered into agreements with certain non-affiliated parties to become an authorized distributor, provider and reseller in the United States of mobile advertising solutions, in the Mobile Advertising & Proximity Marketing Industry. To date, we have not generated any significant revenue from this segment of our business.

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.

The ABI Research report published in January 2008 on mobile marketing

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

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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:

- o Def Leppard to support their band tour;
- o International Speeding Corporation, owner and operator of 13 major motorsports facilities, including the Daytona International Speedway;
- o Macy's Thanksgiving Day Parade
- o SANTALAND AT MACY'S
- o MADISON SQUARE GARDEN
- o IMAX THEATHER
- o Lonestar to support their band.

Blue Bite, LLC is also an authorized distributor, provider and reseller of the proximity transmitting boxes. We have an agreement pursuant to which Ace has loaned Blue Bite \$100,000 pursuant to two Notes (due June 1, 2009 and September 17, 2009) convertible at Ace's option into a 20% ownership interest of Blue Bite. At the time of conversion, Ace would also have to deliver to Blue Bite up to \$150,000 in fair market value of its restricted Common Stock as additional consideration.

### THE MARKET

There are thousands of different types and styles of promotional products. In many cases, it is even possible to obtain custom items that are not found in any catalog. According to The Counselor - State of the Industry 2007 Survey, which is available online at no cost to the public at [www.thecounselor.net](http://www.thecounselor.net), the most popular promotion products sold in 2007 were the following:

- o Wearables (which also accounts for one- third of the overall industry revenue);
- o writing instruments;
- o glassware and ceramics;
- o desk/office/business accessories;
- o calendars;
- o Bags
- o Caps and headwear
- o recognition awards/trophies; and
- o Sporting goods.

According to the Promotional Products Association International, which is available online at no cost to the public at [www.ppai.com/MediaInformation/Industry/Statistics/SalesVolumeEstimates/](http://www.ppai.com/MediaInformation/Industry/Statistics/SalesVolumeEstimates/),

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promotional product distributor's sales were \$5.13 billion in 1991, with steady increases in sales until they reached \$17.85 billion in 2000. Promotional Product sales then declined to \$16.55 billion in 2001, \$15.63 billion in 2002, increased to \$16.34 billion in 2003, to \$17.3 billion in 2004, to \$18.6 billion

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in 2006 and \$19.4 billion in 2007. A revitalized economy, increased competition in the marketplace, and a trend toward integrated and targeted marketing strategies has contributed to this growth. 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.

### DISTRIBUTORS

According to the Promotional Products Association International, which is available online at no cost to the public at [www.ppai.com/MediaInformation/Industry/Statistics/SalesVolumeEstimates/](http://www.ppai.com/MediaInformation/Industry/Statistics/SalesVolumeEstimates/), with no single company dominating the market, the promotional products industry is highly fragmented with 20,500 distributors in the industry with revenues of less than \$2.5 million and 942 distributors with revenues of \$2.5 million or more. According to The Counselor - State of the Industry 2008 Survey, the top ten distributors in our industry are believed to have 2007 North American sales of between \$145 million and \$256 million. Corporate Express Promotional Marketing, Proforma Inc., Staples/America Identity and Group II Communications/IMS are the top five distributors with 2007 sales of \$256 million, \$247 million, \$240 million, \$215 million and \$202 million, respectively. Nearly 80% of the distributors surveyed are reported to be privately owned family businesses. Management believes that control of sales lies predominantly with the independent sales representatives, as there is little brand recognition at this time.

According to the Promotional Products Association International, which is available online at no cost to the public at [www.ppai.com/ProductsResources/Research/TopBuyers/](http://www.ppai.com/ProductsResources/Research/TopBuyers/), the following ranks the top ten purchasers of promotional products in descending order according to the findings of a 2003 study by Louisiana State University and Glenrich Business Studies. Industries were named by distributors according to the volume spent on promotional products by each industry.

- o education: schools, seminars;
- o financial: banks, savings and loans, credit unions, stock brokers;
- o health care: hospitals, nursing homes, clinics;
- o not-for-profit organizations;
- o construction: building trades and building supplies;
- o government: public offices, agencies, political candidates;
- o trade, professional associations and civic clubs;
- o real estate: agents, title companies and appraisers;
- o automotive: manufacturers, dealers, parts suppliers; and
- o professionals: doctors, lawyers, CPA's, architects.

### SUPPLY CHAIN

Domestic and overseas manufacturers generally sell their promotional product items directly to suppliers. Suppliers sell to distributors like Ace

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Marketing and distributors sell promotional products to customer users such as large corporations, financial institutions, universities and schools, hospitals, not-for-profit organizations and small businesses. However, manufacturers have the ability to sell their promotional products directly to distributors and customers. Suppliers have the ability to sell promotional products directly to customers who are not distributors.

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Whereas the majority of the items are made overseas, often in China, and the suppliers are simply importing from actual manufacturers, we generally consider the supplier as the beginning of the industry supply chain. They choose specified product lines and import blank goods to be warehoused until a distributor orders one of their items with a customer logo on it. The suppliers generally run the risk of inventory exposure and fluctuations in an item's popularity. This is generally why most distributors stick to distributing and not importing. There are situations where importing directly from the manufacturer and thus cutting out the supplier does in fact make sense. Generally, this happens when a distributor has a large quantity order and has enough lead time from the customer to import the item. Since ocean freight from overseas generally takes 30-45 days and manufacturing may take several weeks, this only makes sense when a customer orders far in advance and in large quantity. The benefits of this are outstanding since the margins and cost savings can be substantial. But, in general, the average order in the industry is below \$1,000 and thus the need for individual suppliers to carry specified product lines and hold inventory to fill the need of the average distributor with the average order.

### SUPPLIERS

Management believes that while there are an estimated 3,000 suppliers in the industry, most of the promotional products distributors have access to the same suppliers. Currently, we utilize approximately 500 suppliers in our business with only one supplier accounting for about 10% of our purchasing requirements over the last two years. We seek to distinguish ourselves from other distributors by attractive pricing, by sourcing unique items, creating custom products and/or offering superior in house service and customer support through our employees. Most suppliers require us to pay within 30 days of delivery of an order; however, we may not receive our customers' payments in the same time frame. This requires us to have available cash resources to finance most of our customers' orders. The possible lack of available cash resources would limit our ability to take orders from customers, thus limiting our ability to grow. An infusion of additional capital, a line of credit and better payment terms based on volume can enable us to service a broader base of customers. We have never sought to establish a line of credit, although we may seek to establish one with an institutional lender in the future.

### Purchasing Trends - Need for Value Added Products and Related Services

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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 value-added 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 CUSTOMERS - CHOOSING US AS YOUR RIGHT DISTRIBUTOR

Most of our promotional products bear our customers' corporate name and are a reflection of their corporate image. The events they use these items for are of the utmost importance. If they go with another distributor who gives them run of the mill ideas possibly at a lower cost, a poor quality product with inferior quality decoration and/or the goods arrive late, then they quickly realize there should be other factors that determine which distributor they should be working with. We presently have over 500 customer accounts ranging from fortune 500 companies to local schools and small businesses. A customer account is a person or entity who has purchased promotional products from us in

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the past on a non-exclusive basis and may or may not purchase from us additional promotional products in the future. No customer has accounted for more than 10% of sales during the past three years. Our customer base grows mainly through business and personal referrals and the efforts of our sales representatives. Generally our customers do not actively seek distributors to bid on their projects. There are many reasons why our customers may work with us over another distributor. The average buyer first believes that price is the sole issue with the lowest bidding distributor on a project obtaining the business. Once they gain more experience and understand the difficulties in processing and fulfilling an order on time and correctly, they generally analyze the rationale on how they choose a distributor differently. Although pricing is important to our customers, they also count on our dependability, creativity and efficiency. In this regard, we recently agreed to develop an online store for one of the fastest growing privately held hospices in the United States to consolidate the customer's purchasing from us for its multiple locations across the country.

SERVICING OUR CUSTOMERS

The major advantage we hold over most companies in the promotional product industry is the ability to provide integrated business solutions to its customers as trusted advisors. The majority of companies in the promotional product industry offer only branded merchandise, whereas, we offer solutions in:

- o Branded Merchandise
- o Importing
- o Incentive / Rewards programs
- o Printing / Forms Management
- o Fulfillment / Warehousing
- o E-commerce / Website Design
- o Database Management / Integrated Marketing Solutions
- o Proximity Marketing

We have built our distribution business around the concept of reliability, quality, innovative and custom promotional products at competitive prices while maintaining a high level of customer service and good relationships with industry suppliers. Our research licensed software technology, that we purchased from an outside vendor and is available for licensing to other distributors in the industry, affords us the ability to locate and purchase industry product in an efficient manner rather than to have to manually research products through hundreds of catalogs and/or reference books. Our in-house art capabilities through our salaried employees make us a "one stop shop" for custom merchandise and provide our customers with comfort in knowing logo modifications

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will not delay valuable production days on tight turn-around projects. Our in-house art department consists of two employees who work on Apple computers using licensed software programs such as Illustrator, Photoshop and Quark to create new logos or manipulate current ones. These logos are then sent to the supplier who arranges to put them on the product whether internally or through an outside source in one of the following manners:

- o silkscreen printing
- o embroidery
- o hot stamp
- o heat transfer
- o embossing/debossing
- o engraving

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Our reliability stems from our own customized and detailed tracking system that we structured and implemented to ensure an order is processed correctly and on time. In general, customers contact us when they have a need for items that have corporate logos. They provide us with general information that helps us determine what products to suggest, including the following:

- o The type of event and the targeted audience;
- o The number of units that are required and the budget; and
- o The timing of the event and the theme of the event.

The aforementioned parameters will narrow the field of items suggested from a broad list of 500,000 to possibly a dozen or less. Once a customer calls in or e-mails us requesting ideas for an upcoming event, we begin to research ideas based on their parameters and we use our research software to look up dozens of products, prepare a competitive analysis between similar products to find just the right one, send a picture to the customer by email and prepare and send a quotation to the customer also by email. This provides us an immediate time saving advantage over other distributors who still do things manually. Many of these distributors still scan a reference book which is called a register. They search for a particular product, such as clocks, then find the sub-category they are interested in, such as plastic, and there they find all the suppliers who carry the specific item they are looking to purchase. They must then either cross reference each supplier to find their phone number or web address, or they can physically pull as many of the catalogs they have on hand and search for the products that they are interested in and send catalogs with tabbed pages via regular mail or overnight service. This is an inefficient way to research and deliver images of products. We are not aware of any statistical information which allows us to tell the percentages of distributors who use publicly available licensed research software systems like ours versus the manual way described above.

When the customer decides on the product that they would like to order, the order is processed in our order entry department utilizing our order-entry software which is available for licensing to anyone in the industry from third party vendors. The salesperson submits the specifics of the order to our order entry department where the order is keyed into the system by our employees. Three parts to each order are printed:

- o ACKNOWLEDGEMENT This outlines the product ordered along with a description of the product and how the logo will be placed and in what colors. It includes the quantity ordered, the price per piece, total cost, ship to address, and the delivery date. It is sent to our customer via fax along with a hard copy of



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the artwork that will be used on the order. The order will not move forward until our customer signs off on the acknowledgment and the artwork. No order runs without the sign offs thus protecting us in the long run of a customer claiming they were not aware of some aspect of the order.

- o PURCHASE ORDER The Purchase order is submitted to the supplier only after the acknowledgment and art are signed by our customer. It contains all the information that the acknowledgment contains except the price of the product is now shown as the price we will be paying. The art is sent via e-mail to the factory and the purchase order requires that the

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supplier send back a paper proof of the art to insure accuracy before proceeding with the order. Now the supplier has the exact same parameters to complete the order that the customer signed off on. They must meet the delivery date for the quantity specified, with the logo specified, at the price we submitted. Orders are drop shipped from the supplier directly to the customer, except on rare occasions where packaging is done in our office.

- o SALES ORDER COPY This is a print out that essentially shows all of the components on the acknowledgment and the purchase order combined side by side. It shows what we pay for the product and what price our customer pays for the product. It also shows the gross profit, the gross profit percentage, and the commission due to the salesperson.

Once the above process takes place, the entire work folder goes to the tracking department. We have developed a system to follow each order from the time it is processed, through the time it is shipped. This is yet another safeguard to protect us from a supplier not fulfilling their obligations, which in turn may lead to us losing money, a customer, or both. The tracking process consists of us contacting the factory at various points in the production process to ensure that the order is on schedule. We verbally verify the item, quantity, and ship date and document who at the supplier verified the information. We then call again at a certain point in the process to verify it is on schedule and lastly call on the day of shipping to receive tracking numbers. The above processes have historically led to eliminating disputes with both suppliers and customers.

### OUR DISTRIBUTION AND MARKETING STRATEGY

Key elements of our distribution and marketing strategy are:

- o CREATING AWARENESS OF OUR PRODUCTS, SERVICES AND FACILITIES. We have been in business since March 1998. Our revenues are derived from existing customers and new customers through word of mouth recommendations, attendance at trade shows, our sales representatives and advertising and promotion in trade journals.
- o MOTIVATING RETAILERS TO UTILIZE PROMOTIONAL AND SPECIALTY PRODUCTS IN THEIR BUSINESS. It is our management's belief from conversations with

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persons in our industry and trade show attendance, that a trend in our industry is often for the use of promotional items to customers rather than cash incentives for gaining customer loyalty and motivating sales people. In this regard, customers who received a promotional item tended to purchase more and repeat purchases more often than customers who received a discount coupon of equivalent value. Additionally, sales forces show a tendency for greater motivation when receiving a trip or merchandise as opposed to the cash equivalent. We must show our customers the benefits of utilizing promotional and specialty items in their business and for their sales force and build customer loyalty through the use of point systems that are exchanged for promotional merchandise.

- o OUR COMPANY WAS BUILT AS A PLATFORM THAT COULD GROW EASILY. Scalability is the key and we have separate departments with defined roles which will allow this to occur and for our salesperson to sell. Our sales persons receive helpful support from us. In many other distributorships, the salesperson is often responsible for everything from answering phones, doing all their own research, processing orders, billing, tracking and collections. At our company, we provide all the backup to allow our sales persons to just sell. Since our technology is currently up to date, including in house servers to allow access to our systems from off-site, we have the ability to pick up salespeople from any location in the United States.

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- o KEY ACQUISITIONS OF SMALL DISTRIBUTORS AND INTEGRATING THEIR WORKFORCE INTO OURS. We will target one or more of the estimated 20,000 small distributors for potential acquisition. However, we can provide no assurances that we will be successful in acquiring any distributors on terms satisfactory to us, if at all.
- o PROVIDING GENEROUS INCENTIVES TO OUR SALES PEOPLE TO INCREASE PERFORMANCE LEVELS. We offer competitive commissions in addition to back office support and research assistance to allow our independent sales representatives to optimize their sales time and to provide them with adequate incentives to sell promotional products to our customers rather than for our competitors. In the future, we may offer a stock option program for additional incentives.
- o MAINTAIN A COMPETITIVE GROSS PROFIT PERCENTAGE ON ALL SALES ORDERS. For the years ended December 31, 2008 and 2007, our gross profit percentage was 27.0% and 32.6%, respectively.
- o PROVIDE RESEARCH, CONSULTING, DESIGN AND FULFILLMENT SERVICES TO OUR CUSTOMERS TO INCREASE PROFITABILITY. We design promotional products for our customers and provide consulting services in connection therewith. We utilize licensed research software technology and order entry systems that are available to anyone in the industry for license to provide the best services to our customers in the timeliest fashion possible.
- o UTILIZING THE INTERNET AND ITS CAPABILITIES AND OPPORTUNITIES FOR SALES OF PROMOTIONAL PRODUCTS AND COST SAVINGS. Our website is [www.Acemarketing.net](http://www.Acemarketing.net). Our website is utilized for multiple purposes, including providing information to potential customers who want to learn about us and research our available product line. We also develop online company stores for customers to help facilitate re-orders at

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cost savings to them based upon a pre-determined product line.

### SALES AND MARKETING

Our revenues are derived from existing customers and new customers through word of mouth recommendations, attendance at trade shows, our sales representatives and advertising and promotion in trade journals. Except primarily our two executive officers, our sales representatives receive commissions and are not paid a salary. They work at their own location or at our facility and may sell products on behalf of other companies. We encourage our sales representatives to sell promotion products for us on the basis of sales incentives which include competitive commissions and appropriate sales support and research which are provided in-house by our employees. In the future, we intend to offer stock and/or stock options as part of their incentive programs.

Our website is [www.Acemarketing.net](http://www.Acemarketing.net). Our website is utilized for multiple purposes, including providing information to potential customers who want to learn about us and research our available product line.

### TECHNOLOGY

Technology affects most industries, and specifically the internet, which enables many capabilities and opportunities for cost savings. Sales of promotional products are often catalog-based. The cost of producing and mailing a catalog can be high. Placing a catalog on a website takes less manpower to maintain and less money to update and distribute new versions. Additionally, integrating the catalog with the order processing system can save time and money in placing and filling orders, also eliminating manual errors.

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The proliferation of open architecture software and hardware makes an increasing number of systems available for automating processes and integrating back office systems. By doing this, we reduce support requirements and further enhance margins. Additionally, the ability to provide more direct support to our sales force has led to increased retention of our sales team.

### POSSIBLE GROWTH THROUGH ACQUISITIONS

We believe the environment for growth and consolidation in the promotional products industry is appealing, and that we would like to take advantage of this if a satisfactory opportunity arises. There are some issues that our company must address to be successful. The main issues are motivating previous owners, retaining sales people, and integrating operations.

We have had conversions with the owners of several distributors of promotional products and have observed that they are open to conversions taking place for the possible sale of their business.

We believe that when a distributor is acquired, a decision must be made about the existing management team, most typically the owner. An evaluation must be made regarding the skills of the owner and desirability of having them involved in our company. Acquisitions would be typically made for the customer accounts; however, due to the size of the target companies, the owner would most likely also be a key employee or sales person. The motivation of the previous owner to work for others may be an issue. We must address this issue and ensure the continued participation of the owners. In general, the best way to mitigate

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this risk is to tie up much of the previous owners' payment in stock, thus providing incentive for the overall company's success.

We believe that one of the most difficult tasks in our acquiring a company is transitioning the new acquisition into us. It is important to have flexible, open systems and technology to integrate the back office operations, as well as strong controls and processes to put in place. Having the appropriate technology and strong management team will help alleviate some of the issues here.

As of the date hereof, there is no firm agreement to acquire any company or distributor and we can provide no assurances that our plans will be realized to grow through acquisitions of one or more distributors or, if successful, that any acquisitions can be profitably integrated into our company's operations.

### JOINT MARKETING AND SALES AGREEMENT WITH ATRIUM ENTERPRISES

We have entered into a Joint Marketing and Sales Agreement with Atrium Enterprises, a leader in the motivational, incentive and rewards industry, whereby we have received the exclusive rights to market and sell a customized version of Atrium's technology platform called, [www.ExperienceTheRewards.com](http://www.ExperienceTheRewards.com). In addition, Atrium provides its sales services to us on an exclusive basis in our business which consists of selling promotional products, print sales and the like to Atrium's clients.

Atrium has developed a fully functional customized "Points Banking" platform for us called, "ACE REWARDS". This platform will allow us to differentiate ourselves from our competition by offering reward points and incentives to all our customers who purchase promotional products through us and to our employees. Atrium has also provided an enhanced Solata marketing and communication module to the platform that allows us to re-sell this "ACE

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REWARDS" platform to other entities. In addition Atrium has created and introduced a sponsored Mobile Banking Debit Card to Ace Marketing and its customers. Atrium has granted us exclusive sales and marketing rights to both the "ACE REWARD" platform and the Mobile Banking Debit Card within the promotional products industry, and related industry organizations such as ASI and PPAI. For additional information, see "Note 11 to our financial statements."

### COMPETITION

While our competition is extensive with over 20,000 distributors, we believe that there are no companies that dominate the market in which we operate. Our company competes within the industry on the basis of service, competitive prices, personnel relationships and competitive commissions to our sales representatives to sell promotional products for us rather than our competitors. Competitors' advantages over us may include better financing, greater experience and better service, cheaper prices and personal relationships than us.

According to The Counselor - State of the Industry 2008 Survey, the top ten distributors in our industry are believed to have 2007 North American sales of between \$145 million and \$256 million. Corporate Express Promotional Marketing, Proforma Inc., Staples/America Identity and Group II Communications/IMS are the top five distributors with 2007 sales of \$256

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million, \$247 million, \$240 million, \$215 million and \$202 million, respectively. Nearly 80% of the distributors surveyed are reported to be privately owned family businesses. Management believes that control of sales lies predominantly with the independent sales representatives, as there is little brand recognition at this time.

We believe that in the promotional products industry, sales people typically have a large amount of autonomy and control the relationships with their customers. This works both for and against us. To avoid losing customers, we must provide the appropriate incentives to keep sales people. At the same time, while there can be no assurances, management believes our company will be able to obtain new customers by luring sales people away from competitors. The offering of stock incentives and health care benefits are ways to retain sales people, especially in an industry where these types of benefits are rare.

### EMPLOYEES

As of March 25, 2009, we had 13 full time employees, including two executive officers who provide in-house sales, our Chief Financial Officer, seven support staff employees, two being part-timers, and eight sales representatives of which four are employees who provide services on an exclusive basis and five additional persons who provide services to us on a non-exclusive basis as independent consultants.

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### Item 1.A. Risk Factors

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YOU SHOULD CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS, IN ADDITION TO THE OTHER INFORMATION PRESENTED IN THIS FORM 10-K, IN EVALUATING US AND OUR BUSINESS. ANY OF THE FOLLOWING RISKS, AS WELL AS OTHER RISKS AND UNCERTAINTIES, COULD HARM OUR BUSINESS AND FINANCIAL RESULTS AND CAUSE THE VALUE OF OUR SECURITIES TO DECLINE, WHICH IN TURN COULD CAUSE YOU TO LOSE ALL OR PART OF YOUR INVESTMENT.

#### RISKS RELATING TO OUR BUSINESS

THE PROMOTIONAL PRODUCTS DISTRIBUTION INDUSTRY IS HIGHLY COMPETITIVE AND WE MAY NOT BE ABLE TO COMPETE SUCCESSFULLY.

We compete with over 20,000 distributor companies. Some of our competitors have greater financial and other resources than we do which could allow them to compete more successfully. Most of our promotional products are available from several sources and our customers tend to have relationships with several distributors. Competitors could obtain exclusive rights to market particular products which we would then be unable to market and may provide business solutions related to promotional products competitive with those provided by us. Industry consolidation among promotional products distributors, the unavailability of products, whether due to our inability to gain access to products or interruptions in supply from manufacturers, or the emergence of new competitors could also increase competition. In the future, we may be unable to compete successfully and competitive pressures may reduce our revenues.

WE EXPERIENCE FLUCTUATIONS IN QUARTERLY EARNINGS. AS A RESULT, WE MAY FAIL TO MEET OR EXCEED THE EXPECTATIONS OF SECURITIES ANALYSTS AND INVESTORS, WHICH COULD CAUSE OUR STOCK PRICE TO DECLINE.

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Our business has been subject to seasonal and other quarterly fluctuations. Net sales and operating profits generally have been higher in the third and fourth quarters, particularly in the months of September through November, due to the timing of sales of promotional products and year-end promotions. Net sales and operating profits have been lower in the first quarter, primarily due to increased sales in the prior two quarters. Quarterly results may also be adversely affected by a variety of other factors, including:

- o costs of developing new promotions and services;
- o costs related to acquisitions of businesses;
- o The timing and amount of sales and marketing expenditures;
- o general economic conditions, as well as those specific to the promotional product industry; and
- o our success in establishing additional business relationships.

Any change in one or more of these or other factors could cause our annual or quarterly operating results to fluctuate. If our operating results do not meet market expectations, our stock price may decline in the event a market should develop.

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BECAUSE WE DO NOT MANUFACTURE THE PRODUCTS WE DISTRIBUTE, WE ARE DEPENDENT UPON THIRD PARTIES FOR THE MANUFACTURE AND SUPPLY OF OUR PRODUCTS.

We obtain all of our products from third-party suppliers, both domestically and overseas primarily in China. We submit purchase orders to our suppliers who are not committed to supply products to us. Therefore, suppliers may be unable to provide the products we need in the quantities we request. Because we lack control of the actual production of the products we sell, we may be subject to delays caused by interruption in production based on conditions outside of our control. In the event that any of our third-party suppliers were to become unable or unwilling to continue to provide the products in required volumes, we would need to identify and obtain acceptable replacement sources on a timely cost effective basis. There is no guarantee that we will be able to obtain such alternative sources of supply on a timely basis, if at all. An extended interruption in the supply of our products would have an adverse effect on our results of operations, which most likely would adversely affect the value of our common stock.

WE MAY NOT BE ABLE TO EXPAND THROUGH INTERNAL GROWTH AND MEET CHANGES IN THE INDUSTRY.

Our plans for internal growth include hiring in-house sales representatives from our competitors and offering stock incentives and generous commissions to keep them. Additionally, we have room for growth by building direct relationships with advertising agencies and major corporations. Because of potential industry changes, our products and promotions must continue to evolve to meet changes in the industry. Our future expansion plans may not be successful due to competition, competitive pressures and changes in the industry.

OUR LIMITED CASH RESOURCES AND LACK OF A LINE OF CREDIT MAY RESTRICT OUR EXPANSION OPPORTUNITIES.

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An economic issue that can limit our growth is lack of extensive cash resources, due to the typical payment terms of a transaction. Most suppliers require us to pay within 30 days of delivery of an order; however, we may not receive our customer's payment in the same time frame. This requires us to have available cash resources to finance most of our customers' orders. Any lack of cash resources would limit our ability to take orders from customers, thus limiting our ability to grow. An infusion of capital and a good line of credit can enable us to service a broader base of customers. We can provide no assurances that we will obtain an adequate line of credit in the future, if at all.

OUR PROPOSED EXPANSION THROUGH ACQUISITIONS INVOLVES SEVERAL RISKS.

We may expand our domestic markets in part through acquisitions in the future. Such transactions would involve numerous risks, including possible adverse effects on our operating results or the market price of our common stock. Some of our future acquisitions could give rise to an obligation by us to make contingent payments or to satisfy certain repurchase obligations, which payments could have an adverse effect on our results of operations. In addition, integrating acquired businesses:

- o may result in a loss of customers of the acquired businesses;
- o requires significant management attention; and
- o may place significant demands on our operations, information systems and financial resources.

There can be no assurance that our future acquisitions will be successful. Our ability to successfully effect acquisitions will depend upon the following:

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- o The availability of suitable acquisition candidates at acceptable prices;
- o The development of an established market for our common stock; and
- o The availability of financing on acceptable terms, in the case of non-stock transactions.

OUR REVENUES DEPEND ON OUR RELATIONSHIPS WITH CAPABLE INDEPENDENT SALES PERSONNEL OVER WHOM WE HAVE NO CONTROL AS WELL AS KEY CUSTOMERS, VENDORS AND MANUFACTURERS OF THE PRODUCTS WE DISTRIBUTE.

Our future operating results depend on our ability to maintain satisfactory relationships with qualified independent Sales personnel as well as key customers, vendors and manufacturers. We are dependent upon our independent sales representatives to sell our products and do not have any direct control over these third parties. If we fail to maintain our existing relationships with our independent sales representatives, key customers, vendors and manufacturers or fail to acquire new relationships with such key persons in the future, our business may suffer.

OUR FUTURE PERFORMANCE IS MATERIALLY DEPENDENT UPON OUR MANAGEMENT AND THEIR ABILITY TO MANAGE OUR GROWTH.

Our future success is substantially dependent upon the efforts and

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abilities of members of our existing management, particularly Dean L. Julia,  
Chief Executive Officer and Michael Trepet