ACE MARKETING & PROMOTIONS INC
Form POS AM
December 07, 2007

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON DECEMBER 7, 2007

REGISTRATION NO. 333-138918

U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

POST EFFECTIVE AMENDMENT NO. 1
TO
FORM SB-2
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

ACE MARKETING & PROMOTIONS, INC.
(NAME OF SMALL BUSINESS ISSUER AS SPECIFIED IN ITS CHARTER)

NEW YORK	5093
(STATE OR JURISDICTION OF INCORPORATION OR ORGANIZATION)	(PRIMARY STANDARD INDUSTRIAL CLASSIFICATION CODE NUMBER)

11-3427886
I.R.S. EMPLOYER
IDENTIFICATION NO.

457 ROCKAWAY AVENUE, VALLEY STREAM, NY 11581
(ADDRESS AND TELEPHONE NUMBER OF PRINCIPAL EXECUTIVE OFFICES)

457 ROCKAWAY AVENUE, VALLEY STREAM, NY 11581
(ADDRESS OF PRINCIPAL PLACE OF BUSINESS OR INTENDED PRINCIPAL PLACE OF BUSINESS)

DEAN L. JULIA, 457 ROCKAWAY AVENUE, VALLEY STREAM, NY 11581 (516) 256-7766
(NAME, ADDRESS AND TELEPHONE NUMBER OF AGENT FOR SERVICE)

COPIES TO:

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MORSE & MORSE PLLC.
1400 OLD COUNTRY ROAD , SUITE 302
WESTBURY, NEW YORK 11590
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Approximate date of proposed sale to the public: From time to time after the effective date of this Registration Statement.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. |_|

If any securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. |X|

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. |_|

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. |_|

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. |_|

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED	PROPOSED MAXIMUM OFFERING PRICE PER SECURITY (1)	PROPOSE AGGREGAT PR
Common Stock, $.0001 par value (2)	951,575	2.10	$1,9
Common Stock, $.0001 par value (3)	475,788	2.10	9
Total	1,427,363		$2,9

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(1) In accordance with Rule 457(c), the aggregate offering price of shares of common stock of Ace Marketing & Promotions, Inc. is estimated solely for purposes of calculating the registration fees payable pursuant hereto, as determined in accordance with Rule 457(c), using the average of the high and low sales price reported by the OTC Bulletin Board for the Common Stock on November 20, 2006 (which was $2.10 per share) and, with respect to shares of common stock issuable upon exercise of outstanding warrants, the higher of (1) such average sales price or (2) the $1.75 exercise price of such warrants.

(2) Represents 951,575 outstanding shares to be sold by certain selling security holders.

(3) Represents 475,788 shares of common stock issuable upon exercise of Class C Common Stock Purchase Warrants at an exercise price of $1.75 per share.

(4) Previously paid.

The company hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the company shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with section 8(a) of the Securities Act or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said section 8(a), may determine.

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PROSPECTUS

ACE MARKETING & PROMOTIONS, INC.

The Resale of Up to 1,412,160 shares of Common Stock

The selling price of the shares will be determined by market factors at the time of their resale.

This prospectus relates to the resale by the selling security holders of up to 1,412,160 shares of common stock. The selling security holders may sell the stock from time to time in the over-the-counter market at the prevailing market price or in negotiated transactions.

We will receive no proceeds from the sale of the shares by the selling security holders. We may receive additional proceeds from the exercise of warrants held by selling security holders.

Our common stock is quoted on the over-the-counter Electronic Bulletin Board under the symbol "AMKT." The closing sales price of our common stock was $1.02 on November 30, 2007.

Investing in the common stock involves a high degree of risk. You should invest in the common stock only if you can afford to lose your entire investment. See "Risk Factors" beginning on page__ of this prospectus.

Please read this prospectus carefully. It describes our company, finances and products. Federal and state securities laws require that we include in this prospectus all the important information that you will need to make an investment decision.

You should rely only on the information contained in this prospectus to make your investment decision. We have not authorized anyone to provide you with different information. The selling security holders are not offering these securities in any state where the offer is not permitted. You should not assume that the information in this prospectus is accurate as of any date other than the date on the front page of this prospectus.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this prospectus is ________, 2007

The following table of contents has been designed to help you find important information contained in this prospectus. We encourage you to read the entire prospectus.

TABLE OF CONTENTS

PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus. This summary is not complete and does not contain all of the information you should consider before investing in the common stock. You should read the entire prospectus carefully, including the "Risk Factors" section and the financial statements and related notes.

OVERVIEW

Ace Marketing & Promotions, Inc. incorporated under laws of the State of New York in March 1998. We are a full service promotional marketing company offering a wide array of business solutions. We distribute 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:

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

We have the ability to distribute over 500,000 promotional 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:

- 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.
- Business Gifts, Awards and Commemoratives - generally lower priced goods and are given for goodwill, often at trade shows to generate traffic.
- 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.
- 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:

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

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A FRAGMENTED PROMOTIONAL PRODUCT INDUSTRY

The promotional products industry plays an increasingly vital role in corporate and product brand development. As a whole the industry generates about $18.6 billion in sales annually. However, the industry is highly fragmented, with over 21,000 distributorships and no single distributor accounting for more than 2% of the market. The Promotional Products Association International estimates that in 2005 only 1,000 of the 21,000 distributorships achieved annual sales in excess of $2.5 million. Nearly 80% of the distributors are believed to be privately owned family businesses with no growth or exit strategies. These distributorships, each ranging from $1 million to $15 million in sales, present opportunities for acquisition. Ace management believes the industry environment is favorable for consolidation and acquisition is the fastest strategy to large-scale growth.

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:

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

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.

A MARKET ON THE MOVE

Promotional products include advertising specialties, premiums, incentives, business gifts, awards, prizes, commemoratives and other imprinted or decorated items. Sales of these products rose from $5.13 billion in 1991 to $18.6 billion in 2006

Driving this growth is the corporate trend toward integrated and targeted marketing strategies. These involve not only advertising, but also sales promotions, internal communications, public relations and other disciplines. Business objectives include building brand awareness, raising company profile, promoting products and services, improving employee awareness, and increasing customer loyalty.

While the majority of promotional products businesses are small, the top 40 distributors in the industry had sales between $33 million and $240 million for 2006. Currently control of sales lies predominantly with independent sales representatives, as there is little brand recognition of individual distributors.

Ace management has addressed this growing market by employing leading technology for research, ordering, tracking, fulfillment and warehousing, print and forms management, e-commerce, database management and value-added services, as well as advanced communications to build a wide-ranging sales force with deep industry knowledge and connections not limited by location.

BUSINESS STRATEGY

Ace Marketing'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:

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

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.

THE OFFERING

Securities Offered — Up to 1,412,160 shares of Common Stock.

Securities Outstanding:

	AMOUNT	EXERCISE PRICE PER SHARE	EXP
Common Stock	8,026,615	--	
Class A Warrants	737,000	$2.00	1
Class B Warrants	100,000	2.00	1
Class C Warrants	475,788	1.75	6
Other Warrants	100,000	2.50	8
Options	2,221,222*	1.18	v

Offering Price — The shares being registered hereunder are being offered by the selling security holders from time to time at the then current market price.

Dividend Policy — We do not anticipate paying dividends on our Common Stock in the foreseeable future.

Use of Proceeds — The shares offered herein are being sold by the selling security holders and as such, we will not receive any of the proceeds of the offering.

Material Risk Factors — This offering involves a high degree of risk, elements of which include, without limitation, lack of profitability, intense competition, dependency upon third parties, both domestically and overseas primarily in China for the manufacture and supply of our products and risks of expansion through acquisitions. There is a risk to investors due to the speculative nature of this investment, historical losses from operations, limited working capital, lack of dividends, dilution factors, control by present shareholders and economic conditions in general. There is a material risk that we may have insufficient funding to engage in acquisition activities.

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* Average exercise price of all options, 1, 652,247 which are vested at September 30, 2007 with an average exercise price of $1.13 per share.

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This prospectus and documents incorporated by reference contain forward-looking statements. Forward-looking statements relate to our future operations. They estimate the occurrence of future events and are not based on historical facts. Forward-looking statements may be identified by terms such as:

- believes
- intends
- projects
- forecasts
- predicts
- may
- will
- expects
- estimates
- anticipates
- probable
- continue

This list is not comprehensive. Similar terms, variations of those terms, and the negative of those terms may also identify forward-looking statements.

The risk factors discussed in this prospectus are cautionary statements. They identify some of the factors that could cause actual results to be significantly different from those predicted in the forward-looking statements. The forward-looking statements were compiled by us based upon assumptions it considered reasonable. These assumptions are subject to significant business, economic, and competitive uncertainties and contingencies, many of which are beyond our control. Therefore, forecasted and actual results will likely vary, and these variations may be material.

There can be no assurance that the statements, estimates, and projections contained in this prospectus will be achieved. Thus, we make no representation or warranty as to their accuracy or completeness. In addition, we cannot guarantee that any forecast in this prospectus will be achieved.

These forward-looking statements were compiled as of the date of this prospectus. We do not intend to update these statements, except as required by law. Therefore, you should evaluate them by considering any changes that may have occurred after the date these forward-looking statements appear.

We cannot guarantee the assumptions relating to the forward-looking statements will prove to be accurate. Therefore, while these forward-looking statements contain our best good faith estimates as of the date of this prospectus, we urge you and your advisors to review these forward-looking statements, to consider the assumptions upon which they are based, and to ascertain their reasonableness.

RISK FACTORS

AN INVESTMENT IN OUR COMMON STOCK INVOLVES MAJOR RISKS. BEFORE YOU INVEST IN OUR COMMON STOCK, YOU SHOULD BE AWARE THAT THERE ARE VARIOUS RISKS, INCLUDING THOSE DESCRIBED BELOW. YOU SHOULD CAREFULLY CONSIDER THESE RISK FACTORS TOGETHER WITH ALL OF THE OTHER INFORMATION INCLUDED IN THIS PROSPECTUS BEFORE YOU DECIDE TO PURCHASE SHARES OF OUR COMMON STOCK. YOU SHOULD CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS, IN ADDITION TO THE OTHER INFORMATION PRESENTED IN THIS PROSPECTUS, 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.

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:

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

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.

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:

- may result in a loss of customers of the acquired businesses;
- requires significant management attention; and
- 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:

- The availability of suitable acquisition candidates at acceptable prices;
- The development of an established market for our common stock; and
- 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 abilities of members of our existing management, particularly Dean L. Julia, Chief Executive Officer and Michael Trepeta, President. The loss of the services of Mr. Julia or Mr. Trepeta could have a material adverse effect on our business. We have an employment agreement with each of Messrs.. Julia and Mr. Trepeta expiring February 28, 2011. However, we lack "key man" life insurance policies on any of our officers or employees. Competition for additional qualified management is intense, and we may be unable to attract and retain additional key personnel. Our management personnel is currently limited and they may be unable to manage our expansion successfully and the failure to do so could have a material adverse effect on our business, results of operations and financial condition.

WE CANNOT PREDICT OUR FUTURE CAPITAL NEEDS AND WE MAY NOT BE ABLE TO SECURE ADDITIONAL FINANCING.

We may need to raise additional funds in the future to fund more aggressive expansion of our business or make strategic acquisitions or investments. We may require additional equity or debt financings or funds from other sources for these purposes. No assurance can be given that these funds will be available for us to finance our development on acceptable terms, if at all. Such additional financings may involve substantial dilution of our stockholders or may require that we relinquish rights to certain of our technologies or products. In addition, we may experience operational difficulties and delays due to working capital restrictions. If adequate funds are lacking from operations or additional sources of financing, we may have to delay or scale back our growth plans.

RISKS RELATING TO AN INVESTMENT IN OUR COMMON STOCK

WE LACK AN ESTABLISHED TRADING MARKET FOR OUR COMMON STOCK, AND YOU MAY BE UNABLE TO SELL YOUR COMMON STOCK AT ATTRACTIVE PRICES OR AT ALL.

There is currently a limited and sporadic trading market for our common stock in the OTC electronic bulletin board under the symbol "AMKT." There can be no assurances given that an established public market will be obtained for our common stock or that any public market will last. The trading price of the common stock depends on many factors, including:

o The markets for similar securities;

- our financial condition, results of operations and prospects;
- The publication of earnings estimates or other research reports and speculation in the press or investment community;
- Changes in our industry and competition; and
- general market and economic conditions.

As a result, we cannot assure you that you will be able to sell your common stock at attractive prices or at all.

THE MARKET PRICE FOR OUR COMMON STOCK MAY BE HIGHLY VOLATILE.

The market price for our common stock may be highly volatile. A variety of factors may have a significant impact on the market price of our common stock, including:

- The publication of earnings estimates or other research reports and speculation in the press or investment community;
- Changes in our industry and competitors;
- our financial condition, results of operations and prospects;
- any future issuances of our common stock, which may include primary offerings for cash, issuances in connection with business acquisitions, and the grant or exercise of stock options from time to time;
- general market and economic conditions; and
- any outbreak or escalation of hostilities, which could cause a recession or downturn in our economy.

In addition, the markets in general can experience extreme price and volume fluctuations that can be unrelated or disproportionate to the operating performance of the companies listed or quoted. Broad market and industry factors may negatively affect the market price of our common stock, regardless of actual operating performance. In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been instituted against companies. This type of litigation, if instituted, could result in substantial costs and a diversion of management's attention and resources, which would harm our business.

WE DO NOT ANTICIPATE PAYING CASH DIVIDENDS IN THE FUTURE.

No cash dividends have been paid by our company on our common stock. The future payment by us of cash dividends on our common stock, if any, rests within the discretion of our board of directors and will depend, among other things, upon our earnings, our capital requirements and our financial condition as well as other relevant factors. We do not intend to pay cash dividends upon our common stock for the foreseeable future.

PROVISIONS OF OUR ARTICLES OF INCORPORATION AND AGREEMENTS COULD DELAY OR PREVENT A CHANGE IN CONTROL OF OUR COMPANY.

Certain provisions of our articles of incorporation may discourage, delay, or prevent a merger or acquisition that a shareholder may consider favorable. These provisions include:

- Authority of the board of directors to issue preferred stock.
- Prohibition on cumulative voting in the election of directors.

WE LACK INDEPENDENT DIRECTORS AND COMMITTEES THEREOF.

The Sarbanes-Oxley Act of 2002 requires us as a public corporation to have an audit committee composed solely of independent directors. Currently, we have no independent directors or committees of directors. Without independent directors, our board may have no way to resolve conflicts of interest, including, without limitation, executive compensation, employment contracts and the like.

OUR FUTURE SALES OF COMMON STOCK BY MANAGEMENT AND OTHER STOCKHOLDERS MAY HAVE AN ADVERSE EFFECT ON THE THEN PREVAILING MARKET PRICE OF OUR COMMON STOCK.

In the event a public market for our common stock is sustained in the future, sales of our common stock may be made by holders of our public float or by holders of restricted securities in compliance with the provisions of Rule 144 of the Securities Act of 1933. In general, under Rule 144, a person who has satisfied a one-year holding period may, under certain circumstances, sell within any three-month period a number of shares which does not exceed the greater of one percent of the then outstanding shares of common stock or the average weekly trading volume in shares during the four calendar weeks immediately prior to such sale. Rule 144 also permits under certain circumstances, the sale of shares without any quantity or other limitation by a person who is not an affiliate of our company and who has satisfied a two-year holding period. On November 15, 2007, the SEC approved amendments to Rule 144 and Rule 144(k) which when they become effective in 2008 will effectively lower the holding period under Rule 144 to six months and the holding period under Rule 144(k) to 12 months in addition to other changes to be made to these rules. Future sales of shares of our public float or by restricted common stock made in compliance with Rule 144 may have an adverse effect on the then prevailing market price, if any, of our common stock.

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USE OF PROCEEDS

We will not receive any proceeds from the sale of the shares by the selling security holders. Any net proceeds from the exercise of warrants are intended to be used for general corporate purposes.

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DESCRIPTION OF BUSINESS

COMPANY OVERVIEW

We are a full service promotional marketing company offering a wide array of business solutions. We distribute 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:

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

We have the ability to distribute over 500,000 promotional 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:

- 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.
- Business Gifts, Awards and Commemoratives - generally lower priced goods and are given for goodwill, often at trade shows to generate traffic.
- 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.
- 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:

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

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:

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

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:

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

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.

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 2006 Survey, which is available online at no cost to the public at www.thecounselor.net, the most popular promotion products sold in 2005 were the following:

- Wearables (which also accounts for one- third of the overall industry revenue);
- writing instruments;
- glassware and ceramics;
- desk/office/business accessories;
- calendars;
- Bags
- Caps and headwear
- recognition awards/trophies; and
- 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/, 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 and to $18.01 in 2005. 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/Instustry/Statatistics/SalesVolumeEstimates/, with no single company dominating the market, the promotional products industry is highly fragmented with 20,350 distributors in the industry with revenues of less than $2.5 million and 947 distributors with revenues of $2.5 million or more. According to The Counselor - State of the Industry 2007 Survey, the top ten distributors in our industry are believed to have sales of between $131 million and $240 million for 2006. Wearguard-Crest Co., Corporate Express Promotional Marketing, Proforma Inc., Group II Communications and Bensussen Deutsch & Associates, Inc. are the top five distributors with 2006 sales of $240 million, $235 million, $228 million, $222 million and 199 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.

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According to the Promotional Products Association International, which is available online at no cost to the public at 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 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.

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.

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PURCHASING TRENDS - NEED FOR VALUE ADDED PRODUCTS AND RELATED SERVICES

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 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:

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

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 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:

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

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:

- The type of event and the targeted audience;
- The number of units that are required and the budget; and
- 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:

- 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 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.

- 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 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.

- 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.

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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:

- 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.

- MOTIVATING RETAILERS TO UTILIZE PROMOTIONAL AND SPECIALTY PRODUCTS IN THEIR BUSINESS. It is our management's belief from conversations with 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.

- 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.

- 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.

- 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.

- MAINTAIN A COMPETITIVE GROSS PROFIT PERCENTAGE ON ALL SALES ORDERS. For the nine months ended September 30, ,2007 and years ended December 31, 2006, 2005 and 2004, our gross profit percentage was 33.5%, 31.3%, 32.1% and 29% , respectively. According to The Counselor - State of the Industry 2006 Survey, the average reported gross profit margin for distributors during 2000 through 2005 ranged from 32.5% to 33.8%.

- 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 most timely fashion possible.

- UTILIZING THE INTERNET AND ITS CAPABILITIES AND OPPORTUNITIES FOR SALES OF PROMOTIONAL PRODUCTS AND COST SAVINGS. Our website is 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 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 is 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. 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.

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 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.

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As of the date hereof, there is no firm agreement to acquire any company or distributor and there can be no assurances given 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 Atriums technology platform called, 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 agreed to develop 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 will also provide an enhanced Solata marketing and communication module to the platform that would allow us to re-sell this "ACE REWARDS" platform to other entities within the promotional products industry. In addition Atrium agreed to create and introduce 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 10 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 2006 Survey, the top ten distributors in our industry are believed to have sales of between $113.8 million and $229 million for 2005. Corporate Express Promotional Marketing, Wearguard-Crest Co., Proforma Inc., Group II Communications and American Identity are the top five distributors with 2005 sales of $229 million, $224 million $202 million, $186.0million and 180.0 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.

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EMPLOYEES

As of November 30, 2007, we had 13 full time employees, including two executive officers who provide in-house sales, our Chief Financial Officer, two part-time support staff employees and four sales representatives who provide services to us on a non-exclusive basis as independent consultants.

We have an agreement with Aon Consulting, a division of Aon Corporation, whereby Aon will recruit up to 50 additional salespeople for Ace. Aon is seeking to implement a targeted national recruiting campaign to help us attract top producing industry experienced sales talent generating at least $400,000 in annual revenue. As of November 30, 2007, Aon is awaiting Ace's approval to commence the recruiting plan. To date, Ace has not determined the commencement date. While management has confidence in Aon's ability to fulfill its contractual commitment to Ace, we can provide no assurances that Aon will succeed and that we will in turn hire any experienced salespersons that meet our targeted goals pursuant to our agreement with Aon. [

SEC REPORTS AVAILABLE ON WEBSITE

The SEC maintains an Internet site (HTTP://WWW.SEC.GOV) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. Our Annual Reports on Form 10-KSB, Quarterly Reports on Form 10-QSB, Current Reports on Form 8-K and other SEC filings are available on the SEC's website as well as our company website at WWW.ACEMARKETING.NET.

DESCRIPTION OF PROPERTY

Our principal executive offices are located at 457 Rockaway Avenue, Valley Stream, NY 11581. We currently lease approximately 4,000 square feet of office space at this facility at an annual cost of approximately $57,000 pursuant to a month-to-month lease. We are currently exploring our options of obtaining a new location and/or entering into a long-term lease at our current facility. We also lease approximately 1,000 square feet of space at an annual cost of approximately $15,000 at 1105 Portion Road, Farmingville, NY 11738.

LEGAL PROCEEDINGS

We are currently not subject to any threatened or pending legal proceedings. Nevertheless, we may from time to time become a party to various legal proceedings arising in the ordinary course of our business.

MARKET FOR COMMON STOCK AND RELATED SHAREHOLDER MATTERS

Since June 9, 2005, our common stock has been traded on the OTC Bulletin Board under the symbol "AMKT." Our common stock trades on a limited basis on the OTC Electronic Bulletin Board in the Over-the-Counter Market. The following table sets forth the range of high and low closing sales prices of our Common Stock for the periods indicated (it being understood that prices for the quarter ended June 30, 2005 are for the period June 9 through June 30, 2005).

QUARTERS ENDED	HIGH	LOW
June 30, 2005................................	$3.50	$ .50
September 30, 2005...........................	2.00	.50
December 31, 2005............................	2.00	.57
March 31, 2006...............................	1.80	1.70
June 30, 2006................................	2.25	2.25
September 30, 2006...........................	2.25	2.15
December 31, 2006............................	2.25	1.46
March 31, 2007...............................	2.05	1.32
June 30, 2007................................	1.95	1.25
September 30, 2007...........................	2.00	.86

The closing sales price on November 30, 2007 was $1.02 per share. All quotations provided herein reflect inter-dealer prices, without retail mark-up, markdown or commissions.

We have 8,026,615 shares outstanding at November 15, 2007. Except for the 1,412,160 shares registered in the offering and 139,680 shares that were recently issued to the Placement Agent (and its designees) of our recent 2006 financing, substantially all of our remaining outstanding shares of common stock are either in the public float or restricted securities which may be currently sold in compliance with Rule 144 of the Securities Act of 1933, as amended. Rule 144 provides among other things and subject to certain limitations that a person holding restricted securities for a period of one year may sell those securities in brokerage transactions every 90 days in an amount equal to the greater of the average weekly trading volume over the four preceding weeks or 1% of our company's outstanding common stock. Persons who have owned our restricted common stock for a period of at least two years and are not affiliates of our company may sell or otherwise transfer their common shares pursuant to Rule 144(k) of the Securities Act. On November 15, 2007, the SEC approved amendments to Rule 144 and Rule 144(k) which will effectively lower the holding period under Rule 144 to six months and under Rule 144(k) to 12 months in addition to other changes to be made to these rules. Possible or actual sales of our public float or restricted common stock under Rule 144 may have a depressive effect upon the price of our common stock if any meaningful market were to develop for our common stock in the future.

Currently, we have outstanding Class A and Class B warrants to purchase 837,000 restricted shares of our common stock exercisable at a price of $2.00 per share through January 2, 2008. In the event that all of the warrants are exercised, of which there can be no assurances given, an additional 837,000 shares of restricted common stock will be issued and may be resold pursuant to Rule 144 after a holding period of at least one year, unless we elect to voluntarily register the resale of the shares issuable upon exercise of the warrants for earlier sale. No registration rights were granted in connection with the issuance of said warrants.

Between July 20, 2006 and November 30, 2006, we sold 951,575 shares of common stock at a purchase price of $1.75 per share and Class C warrants to purchase 475,788 shares at an exercise price of $1.75 per share. We also issued to the placement agent and its designees 139,680 shares of common stock and placement agent warrants to purchase 95,160 shares exercisable at a price of $1.00 per share. We agreed to register the resale of the shares of common stock sold to these investors, including the shares issuable upon exercise of the Class C warrants.

As of November 15, 2007, there were approximately 80 holders of record of our common stock, although we believe that there are other persons who are beneficial owners of our common stock held in street name. Our transfer agent is Continental Stock Transfer & Trust Company, 17 Battery Place, 8th Floor, New York, NY 10004.

DIVIDEND POLICY

We have never paid any cash dividends and intend, for the foreseeable future, to retain any future earnings for the development of our business. Our Board of Directors will determine our future dividend policy on the basis of various factors, including our results of operations, financial condition, capital requirements and investment opportunities.

RECENT SALES OF UNREGISTERED SECURITIES

Since January 2005, we had no sales or issuances of unregistered common stock, except we made sales or issuances of unregistered securities listed in the table below:

			CONSIDERATION RECEIVED AND DESCRIPTION OF	

DATE OF SALE	TITLE OF SECURITY	NUMBER SOLD	UNDERWRITING OR OTHER DISCOUNTS TO MARKET PRICE OR CONVERTIBLE SECURITY, AFFORDED TO PURCHASERS	EXEMPTION FROM REGISTRATION CLAIMED
Jan. 2005	Common Stock Options	600,000 Options	For services rendered - no other consideration received; no commissions paid.	Section 4(2) - granted to officers, directors and legal counsel unde our 2005 Incentive Pla Each grantee is a sophisticated investor who re-ceived the options with a restrictive legend in con-nection with services rendered and able to fend for himself. A Form S-8 Registration Statement was later filed with the Commiss in April and September 2005.

DATE OF SALE	TITLE OF SECURITY	NUMBER SOLD	UNDERWRITING OR OTHER DISCOUNTS TO MARKET PRICE OR CONVERTIBLE SECURITY, AFFORDED TO PURCHASERS	EXEMPTION FROM REGISTRATION CLAIMED
Jan. -Feb. 2005	Common Stock and Class B Warrants	100,000 Shares and Class B Warrants	$100,000 received; no commissions paid; no placement agent was utilized.	Rule 506 of Regulation D; a Form D was filed February 22, 2005; securities sold to two accredited investors only.
Jan. 2005	Common Stock	31,076 Shares	Conversion of $31,076 of debt; no commissions paid; no placement agent was utilized.	Section 3a(9); no commissions paid.
July - November 2006	Common Stock	951,575 Shares, 475,788 Warrants issued to investors; 139,680 shares and 95,160 warrants issued to the Placement agent	$1,665,250 received, $209,830 paid to placement agent and its counsel.	Rule 506 of Regulation A Form D was Filed.
April 2006	Common stock underlying	50,000 shares	Services rendered; no commissions paid	Section 4(2). A restrictive legend

	options			
July 2007	Common stock	7,500 shares	Services rendered; no commissions paid	Section 4(2). A restrictive legend appears on each certificate
July 2007	Common Stock	4,086 shares	Cancellation of 8,671 warrants on a cashless basis	Section 3(a)9 of the Securities Act
October 2007	Common Stock	5,000 shares	Services rendered; No commissions paid	Section 4(2). A restrictive legend appears on each certificate

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RECENT PURCHASES OF SECURITIES

Since January 2005, we have had no repurchases of our common stock. However, 23,334 shares were cancelled by agreement with a former consultant in settlement of a dispute involving the number of shares consultant was entitled to retain for services previously rendered.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion should be read in conjunction with our financial statements and the notes thereto appearing elsewhere in this Prospectus. All statements contained herein that are not historical facts, including, but not limited to, statements regarding anticipated future capital requirements, our future plan of operations, our ability to obtain debt, equity or other financing, and our ability to generate cash from operations, are based on current expectations. These statements are forward-looking in nature and involve a number of risks and uncertainties that may cause our actual results in future periods to differ materially from forecasted results.

OVERVIEW

We are a full service promotional marketing and distribution company offering a wide array of business solutions. Ace has grown organically through referrals based on its high quality service and external financings to support our growth of approximately $2,800,000. 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.

We expect our revenues to grow as economic conditions in the United States continue to improve, by adding additional in-house and independent sales representatives to our sales network. While one or more acquisitions of other distributors will also be considered by Management, we can provide no assurances that one or more acquisitions of other distributors will be completed on terms satisfactory to us, if at all.

CRITICAL ACCOUNTING POLICIES

Our discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with generally accepted accounting principles in the United States. The preparation of financial statements require management to make estimates and disclosures on the date of the financial statements. On an on-going basis, we evaluate our estimates including, but not limited to, those related to revenue recognition. We use authoritative pronouncements, historical experience and other assumptions as the basis for making judgments. Actual results could differ from those estimates. We believe that the following critical accounting policies affect our more significant judgments and estimates in the preparation of our financial statements.

REVENUE RECOGNITION. Revenues are recognized when title and risk of loss transfers to the customer and the earnings process is complete. In general, title passes to our customers upon the customer's receipt of the merchandise. Revenue is accounted for in accordance with Emerging Issue Task Force Issue No. 99-19, reporting revenue gross as a principal versus net as an agent. Revenue is recognized on a gross basis since our company has the risks and rewards of ownership, latitude in selection of vendors and pricing, and bears all credit risk. Our company records all shipping and handling fees billed to customers as revenues, and related costs as cost of goods sold, when incurred, in accordance with Emerging Issue Task Force Issue No. 00-10, accounting for shipping and handling fees and costs.

ALLOWANCE FOR DOUBTFUL ACCOUNTS. We are required to make judgments based on historical experience and future expectations, as to the realizability of our accounts receivable. We make these assessments based on the following factors: (a) historical experience, (b) customer concentrations, customer credit worthiness, (d) current economic conditions, and (e) changes in customer payment terms.

STOCK BASED COMPENSATION. Effective January 1, 2006, the Company began recording compensation expense associated with stock options and other equity-based compensation in accordance with SFAS 123(R), using the modified prospective transition method and therefore has not restated results for prior periods. Under the modified prospective transition method, share-based compensation expense for 2006 includes 1) compensation expense for all share-based awards granted on or after January 1, 2006 as determined based on the grant-date fair value estimated in accordance with the provisions of SFAS

123(R) and 2) compensation expense for share-based compensation awards granted prior to, but not yet vested as of January 1, 2006, based on the grant date fair value estimated in accordance with the original provisions of SFAS 123. The Company recognizes compensation expense on a straight-line basis over the requisite service period of the award.

RESULTS OF OPERATIONS

2006 VERSUS 2005

The following table sets forth certain selected condensed statement of operations data for the periods indicated in dollars. In addition, we note that the period-to-period comparison may not be indicative of future performance.

	Year Ended December 31	
	2006	2005
Revenue	$ 4,506,807	3,422,665
Cost of Revenues	3,183,825	2,324,185
Gross Profit	1,322,982	1,098,480
Operating Expenses	1,806,684	1,776,710
(Loss) from operations	(483,702)	(678,230)
Net (Loss)	$ (481,026)	$ (682,538)
Net (Loss) per common Share	$ (.07)	$ (.12)
Weighted average common Shares Outstanding	7,142,594	5,880,531

We generated revenues of $4,506,807 for 2006 as compared to $3,422,665 for 2005. The 31.7% increase in revenues of $1,084,142 in 2006 compared to 2005 is primarily due to our utilizing additional in-house and independent sales representatives to obtain additional customers.

Gross profit was $1,322,982 for 2006 as compared to $1,098,480 for 2005. Our gross profit percentage was 29.4% as compared to 32.1% for 2005. Gross profits will vary period-to-period depending upon a number of factors including the mix of items sold, pricing of the items and the volume of product sold. Also, it is our practice to pass freight costs associated with shipping of merchandise to our customers which are included in costs of revenues and net revenue. Reimbursement of freight costs have lower profit margins than sales of our promotional products and has the effect of reducing our overall gross profit margin on sales of products, particularly on smaller orders. The change in gross profit percentage for fiscal 2006 relates to the mix of product sold and size of orders.

Operating expenses consisting of selling, general, and administrative expenses were $1,806,684 for 2006 as compared to $1,776,710 for fiscal 2005. Operating costs as a percentage of net revenue was 40.0% for 2006 compared to

51.9% for 2005. Operating expenses in 2006 increased over 2005 by approximately $30,000 or 1.7% primarily due to increased salaries of executive officers.

Our net loss was $(481,026) for 2006 as compared to $(682,538) for 2005. In 2006, we experienced a reduction in stock based compensation of approximately $380,000, increased gross profit of approximately $225,000 and decreased sales commissions of approximately $62,000, while incurring increased salaries and benefits of approximately $380,000. The foregoing are the primary reasons for our 2006 net loss decreasing by a net amount of approximately $200,000 as compared to 2005.

INTERIM FINANCIALS - 2007

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

THREE MONTHS ENDED SEPTEMBER 30,:	2007	2006
Revenue	$1,639,182	$1,357,655
Cost of Revenue	1,050,799	918,632
Gross Profit	588,383	439,023
Selling, general & Administrative expenses	869,277	459,791
Loss from operations	(280,894)	(20,768)

NINE MONTHS ENDED SEPTEMBER 30,:	2007	2006
Revenue	$4,322,848	$3,521,251
Cost of Revenue	2,876,397	2,448,096
Gross Profit	1,446,451	1,073,155
Selling, general & Administrative expenses	2,004,185	1,330,275
Loss from operations	(557,734)	(257,120)

We generated revenue of $1,639,182 in the three months ended September 30, 2007 compared to $1,357,655 in the same three month period ending September 30, 2006. We generated revenue of $4,322,848 in the nine months ended September 30, 2007 compared to $3,521,251 in the same nine month period ending September 30, 2006. The increases in revenue of $281,527 or 20.7% in the three months ended September 30, 2007 and $801,597 or 22.8% in the nine months ended September 30, 2007 as compared to the comparable periods of 2006 are primarily due to our utilizing additional sales representations to obtain additional customers and our new and existing customers buying products with higher average prices.

Cost of revenue was $1,050,798 or 64.1% of revenue in the three months ended

September 30, 2007 compared to $918,632 or 67.7% of revenues in the same three months of 2006. Cost of revenue was $2,876,397 or 66.5% of revenues in the nine months ended September 30, 2007 compared to $2,447,724 or 69.5% of revenue in the same nine months of 2006. Cost of revenue includes purchases and freight costs associated with the shipping of merchandise to our customers. Increases in cost of revenues in 2007 as compared to 2006 are related to an increase in revenue.

Gross profit was $588,383 in the three months ended September 30, 2007 or 35.9% of net revenue compared to $439,023 in the same three months of 2006 or 32.3% of revenue. Gross profit was $1,446,451 in the nine months ended September 30, 2007 or 33.5% of net revenue compared to $1,073,527 in the same nine months of 2006 or 30.5% of revenues. Increased margins were primarily attributable to Ace retaining a sales coach to assist its sales representatives with techniques to sell products at higher prices as trusted advisors. Gross profit will vary period-to-period depending upon a number of factors including the mix of items sold, pricing of the items, costs of freight which are passed onto our customers and the volume of product sold.

Selling, general, and administrative expenses were $869,277 in the three months ended September 30, 2007 compared to $459,791 in the same three months of 2006. Selling, general, and administrative expenses were $2,004,185 in the nine months ended September 30, 2007 compared to $1,330,275 in the same nine months of 2006. Such costs include payroll and related expenses, commissions, insurance, rents, professional, consulting and public awareness fees. For the three months ended September 30, 2007, the overall increase of $409,486 was primarily due to a $99,420 increase in salaries, commissions and other compensation paid to our employees to sustain our growth and a $280,865 increase in stock based compensation. For the nine months ended September 30, 2007, the overall increase of $673,910 was primarily due to a $290,569 increase in salaries, commissions and other compensation paid to our employees to sustain our growth, one time cash fees for public awareness/investor relations of approximately $45,000 and a $267,719 increase in stock based compensation.

For the three months ended September 30, 2007 we incurred a loss before income taxes of $275,164 as compared to a loss before income taxes of $19,286 for the same three months in 2006. The increase in the pre-tax loss for the three month period ended September 30, 2007 as compared to the comparable period in 2006 is primarily attributable to an increase in stock based payments (non-cash) of approximately $281,000, which was as a result of grants to certain officers of the Company for a bonus in connection with extension of employment contracts. For the nine months ended September 30, 2007 we incurred a loss before income taxes of $535,710 as compared to a loss before income taxes of $254,767 for the same nine months in 2006. The increase in the pre-tax loss for the nine month period ended September 30, 2007 as compared to the comparable period in 2006 is primarily attributable to an increase in stock based payments (non-cash) of approximately $268,000, which was as a result of grants to certain officers of the Company for a bonus in connection with extension of employment contracts. It also includes a one time cash fee for public awareness/investor relations of approximately $45,000.

Our results of operations for the three and nine months ended September 30, 2007 were significantly impacted as a result of a non-recurring (non-cash) stock option grant to certain officers of the Company in consideration of extending their employment contract. The option grant resulted in a charge of approximately $260,000 to the three and nine month periods ended September 30, 2007. Our stock-based payments to employees and consultants can vary period to period based upon the terms of the underlying grants. For comparison purposes, the three months ended September 30, 2007 and 2006, income before income taxes, excluding stock-based payments of $303,686 and $22,821, was $28,522 and $3,535, respectively, and for the nine months ended September 30, 2007 and 2006, (loss) before income taxes, excluding stock-based payments of $354,853 and $87,134, was ($108,857) and ($167,633), respectively.

No benefit for income taxes is provided for in 2007 and 2006 due to the full valuation allowance on the net deferred tax assets as a result of the uncertainty of the future realization of deferred tax assets. As a result our pre-tax loss and net loss are the same.

LIQUIDITY AND CAPITAL RESOURCES

The Company had cash and cash equivalents of $938,506 at September 30, 2007. Cash used by operating activities for the nine months ended September 30, 2007 was $(388,544). This resulted primarily from a net loss of $(537,710), an increase in accounts receivable of $(283,271) and an increase in accounts payable and accrued expenses of $127,439 partially offset by stock based payments of $354,853.

The Company had cash and cash equivalents of $1,299,928 at September 30, 2006. Cash used by operating activities for the nine months ended September 30, 2006 was $(298,977). This resulted primarily from a net loss of $(254,767), an increase in accounts receivable of $(61,399), decrease in customer deposits of $(98,000), offset by an increase in accounts payable and accrued expenses of $73,522 and stock based compensation of $87,135.

For 2006, net cash was used in operating activities of $(466,041) substantially due to our net loss of $(481,026), increased by a reduction in customer deposits of $98,000 and partially offset by non-cash stock based compensation of $109,959. For 2006, net cash of $1,420,937 was provided by financing activities due to proceeds from a private placement of our Common Stock and Class C Common Stock Purchase Warrants. During 2005, net cash was used in operating activities of $252,040. This was primarily due to net loss of $(694,809) and an increase in accounts receivable of $408,452, partially offset by a non-cash stock-based compensation charge of $489,421 and increases in liabilities and customer deposits of $211,171 and $98,000, respectively. During 2005, net cash of $11,010 was used in investing activities to purchase property and equipment. During 2005, net cash of $95,000 was provided from financing activities due to the sale of our common stock and warrants.

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

We anticipate that our future liquidity requirements will arise from the need to finance our accounts receivable and inventories, hire additional sales persons, capital expenditures and possible acquisitions. The primary sources of funding for such requirements will be cash generated from operations, raising additional capital from the sale of equity or other securities and borrowings under debt facilities which currently do not exist. We believe that we can generate sufficient cash flow from these sources to fund our operations for at least the next fifteen months.

2006 FINANCING

We recently engaged Brookshire Securities Corporation, a licensed broker-dealer and member of the NASD, to act as Placement Agent to raise financing for our company through the sale of our unregistered securities solely to "accredited investors" as defined in Rule 501 of Regulation D of the Securities Act of 1933, as amended.

Pursuant to the offering, we raised gross proceeds of $1,665,250 from the sale of Units. Each Unit consisted of 60,000 shares of our Common Stock and Class C Warrants to purchase 30,000 shares of Common Stock at an offering price of $105,000 per Unit. We had the right to sell fractional Units, but not fractional shares or fractional Class C Warrants. The Class C Warrants are exercisable at $1.75 per share at anytime from the date of issuance through the earlier of June 30, 2009 or the redemption date of the Class C Warrants, whichever is earlier.

Each Class C Warrant may be redeemed by us at a redemption price of $.001 per Warrant, on at least 30 days prior written notice (the "Redemption Date'), at anytime after the average closing sales price of our Common Stock as reported in the Over-the-Counter Market OTC Electronic Bulletin Board, NASDAQ or if listed on a national securities exchange, equals or exceeds $3.00 per share for a period of 20 consecutive trading days ending within 10 days prior to the date of the notice of redemption is mailed or otherwise delivered by us to each holder of Class C Warrants. All investors who purchased Units in the Offering have the following additional rights:

- REGISTRATION RIGHTS - On December 21, 2006, we obtained an effective Registration Statement to register the resale of 951,575 shares of our Common Stock and 475,788 shares of our Common Stock underlying a like number of Class C Warrants. This prospectus updates the information included in the original Registration Statement.

- ANTI-DILUTION PROTECTION - In the event we seek to raise money on a capital raise transaction during the period commencing on October 30, 2006 and terminating on the earlier of 24 months from that date or 12 months from the initial effective date (i.e. December 21, 2006) of the Registration Statement (the "Covered Period") and we sell shares of our Common Stock or issue options or warrants at a price below $1.75 per share during the Covered Period, the investors in the Offering will have the following anti-dilution protection during the Covered Period:

  > "MOST FAVORED NATION PROVISION - Purchasers of Units sold by the Company during the Covered Period may elect at the time of each capital raise transaction by us to exchange their unsold Units multiplied by $105,000 per Unit in exchange for an equivalent amount of our securities offered in any new capital raise transaction based upon the new terms offered by us. A capital raise transaction shall not include the issuance of securities to officers, directors, employees, advisors or consultants or securities issued in connection with acquisitions, consolidations or mergers."

Pursuant to the Offering, we sold 951,575 shares of our Common Stock and Class C Warrants to purchase 475,788 shares of our Common Stock. We also issued to the Placement Agent 139,680 shares of Common Stock and five-year Warrants to purchase 95,160 shares of Common Stock exercisable at $1.00 per share. Exemption from registration is claimed under Rule 506 of Regulation d promulgated under Section 4(2) of the Securities Act.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

On September 15, 2006 the Financial Accounting Standards Board ("FASB") issued Statement No. 157, FAIR VALUE MEASUREMENTS. The Statement provides guidance for using fair value to measure assets and liabilities. This Statement references fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the market in which the reporting entity transacts. The Statement applies whenever other standards require (or permit) assets or liabilities to be measured at fair value. The Statement does not expand the use of fair value in any new circumstances. It is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The adoption of SFAS No. 157 is not expected to have a material impact on our financial statements.

In July 2006, the FASB issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS No. 109, "Accounting for Income Taxes." This interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides a guidance on de-recognition, classification interest and penalties, accounting in interim periods, disclosure and transition. The adoption of FIN 48 on January 1, 2007 did not have a material impact on the Company's financial statements.

DIRECTORS AND EXECUTIVE OFFICERS

Our Board of Directors which is currently comprised of three members. Each director holds office until the next annual meeting of shareholders or until a successor is elected or appointed. The members of our Board of Directors and our executive officers and their respective age and position are as follows:

The names, ages and principal occupations of our present officers and directors are listed below.

Name (1)	Age	First Became Director And/or Officer	Position
Dean Julia	39	1998	Chief Executive Officer/ Secretary Treasurer/Director/Co-Founder
Michael Trepeta	35	1998	President/Director/Co-Founder
Scott Novack	39	1998	Director/Co-Founder
Sean McDonnell	40	2005	Chief Financial Officer

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

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.

MANAGEMENT TEAM

Our officers, directors and founders each have experience in the development of early stage companies including business strategies, products and services and financing.

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 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.

SEAN MCDONNELL

Sean J. McDonnell, Certified Public Accountant, has been self employed and in private accounting practice since January 1990 handling many different types of business entities and associations. Mr. McDonnell has spent much of his time helping his customers grow their companies and acquire financing for the purchase of buildings and equipment. Prior to starting his own practice, he was employed from 1985 - 1990 as a senior staff member in the accounting firm of Breiner & Bodian CPA's. After graduating from Dowling College in 1984, he was employed by Kenneth Silver C.P.A. from 1984 - 1985. He is currently serving on the boards of the Police Athletic League, North East Youth Sports Association and Sound Beach Soccer Club, Inc. Mr. McDonnell has served as our Chief

Financial Officer since January 3, 2005 and currently as an employee, he devotes such time to our affairs as is necessary for the performance of his duties.

Industry Advisor

In April 2006, we hired Paul S. Pickard as an industry advisor and consultant to our Company. His contract currently runs through April 2009. Paul Pickard's previous experience is in running two of the largest distributors in the promotional products industry and having led the strategic build up of a $1 Billion company. Mr. Pickard most recently served as CEO at American Identity, one of the largest distributors of promotional products, where he expanded the sales force over 25% in less than one year and propelled the company to record earnings. Previously, he led National Pen through a demanding three-year repositioning initiative, where he transformed a vertically integrated pen manufacturing company into a direct marketer of promotional products. This resulted in revenue growing from $100 million to almost $200 million in less than 48 months. Before joining National Pen, Mr. Pickard was one of four executives that lead a strategic build up in the manufactured housing retail business. This build up consisted of seven acquisitions and 14 greenfield start-ups as a $1 billion division of Fleetwood Enterprises. Fleetwood selected Mr. Pickard for the task due to his previous contribution in growing Fleetwood's operations in northern California.

Mr. Pickard's earlier career was with the Taco Bell Division of PepsiCo, where he was responsible for the Los Angeles market, an information technology department, and a key marketing initiative. He introduced many new products into the Taco Bell system, achieved dramatic cost savings for information technology, and contributed leading-edge ideas to the marketing program. Mr. Pickard began his post-MBA career as a management consultant with McKinsey & Co. Prior to attending business school, he worked for Texas Instruments and Hewlett-Packard in engineering, sales