

TRULITE INC  
Form 10QSB/A  
December 22, 2006

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

FORM 10-QSB/A

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

For the quarterly period ended June 30, 2006

TRANSITION REPORT PURSUANT SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

Commission file number 0-51696

Trulite, Inc.

(Exact name of small business issuer as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

20-1372858  
(I.R.S. employer  
identification number)

Three Riverway  
Suite 1050  
Houston, TX  
(Address of principal executive offices)

77056  
(Zip Code)

Issuer's telephone number, including area code: (713) 888-0660

Copies to:  
James Ryan, III, Esq.  
Jackson Walker  
901 Main St. Ste. 6000  
Dallas, TX 75702  
Tel: (214) 953-6000  
Fax: (214) 953-5822

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Check whether the issuer is a shell company (as defined in Rule 12b-2 of the Exchange Act) Yes  No

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: 11,785,491 shares of Common Stock, par value \$.0001 per share, outstanding as of December 22, 2006.

Transitional Small Business Disclosure Format (Check one): YES  NO

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**TRULITE, INC.**

**INDEX to Form 10-QSB/A**

Amendment No. 1 Explanatory Note

**PART I- FINANCIAL INFORMATION**

Item 1. Financial Statements:

|   |    |
|---|----|
| Balance Sheets  | 4  |
| Statements of Operations  | 5  |
| Statement of Cash Flows   | 6  |
| Statements of Stockholders' Equity                                | 7  |
| Notes to Financial Statements                                     | 8  |
| Item 2. Management's Discussion and Analysis or Plan of Operation | 20 |
| Item 3. Controls and Procedures                                   | 27 |

**PART II - OTHER INFORMATION**

|   |    |
|---|----|
| Item 1. Legal Proceedings   | 27 |
| Item 2. Unregistered Sales of Equity Securities and Use of Proceeds | 27 |
| Item 3. Defaults Upon Senior Securities                             | 28 |
| Item 4. Submission of Matters to a Vote of Security Holders         | 28 |
| Item 5. Other Information   | 28 |
| Item 6. Exhibits  | 28 |
| Signatures  | 29 |

### **Note Regarding Forward-looking Statements**

This Form 10-QSB/A for the quarter ended June 30, 2006, contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), including statements regarding, among other items, our growth strategies, anticipated trends in our business and our future results of operation, market conditions in the research and development industry and the impact of governmental regulation. These forward-looking statements are based largely on our expectations and are subject to a number of risks and uncertainties, many of which are beyond our control. Actual results could differ materially from these forward-looking statements as a result of, among other things:

- Our ability to raise capital;
- Our ability to sell our products;
- Our ability to retain and attract experienced and knowledgeable personnel; and
- Our ability to compete in the alternative energy industry.

In addition, the words "believe," "may," "will," "estimate," "continue," "anticipate," "intend," "expect," and similar expressions they relate to us, our business or our management, are intended to identify forward-looking statements.

We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise after the date of this Form 10-QSB/A. In light of these risks and uncertainties, the forward-looking events and circumstances discussed in this Form 10-QSB/A may not occur and actual results could differ materially from those anticipated or implied in the forward-looking statements.

### **Amendment No. 1 Explanatory Note**

The purpose of this Amendment No. 1 ("Amendment") to the Trulite, Inc. Quarterly Report on Form 10-QSB for the period ended June 30, 2006, is to make a correction to the valuation of the Company's common stock for the purposes of accounting for stock-based compensation issued in conformity with Statement of Financial Accounting Standards No. 123R "Stock Based Compensation" as well as the cost attributable to the fair value of consulting services rendered for which the company issued common shares and warrants. The Company also made certain other insignificant changes to the format and content of the original Form 10-QSB. The impact of the above noted valuation modifications were to increase non-cash compensation and consulting expense in 2006 by \$366,546. This increase is reflected in the accompanying restated balance sheets, statements of operations, statement of stockholders' equity and statement of cash flows and accompanying notes to the financial statements

This Form 10-QSB/A contains changes to Part I - Item 1 and Item 2 to reflect this restatement. There are no other significant changes to the original filing other than those outlined above. Forward looking statements made in the original Form 10-QSB have not been revised to reflect events that occurred or facts that became known to us after the filing of the original Form 10-QSB, and such forward looking statements should be read in their historical context.

**PART 1. FINANCIAL INFORMATION**  
**ITEM 1. FINANCIAL STATEMENTS**

**Trulite, Inc. (a Development Stage Company)**  
**Balance Sheets**

|   | <b>June 30,<br/>2006<br/>Unaudited<br/>Restated</b> | <b>December 31,<br/>2005<br/>Audited</b> |
|---|---|--|
| <b>ASSETS</b>   |   |  |
| Current assets:   |   |  |
| Cash and cash equivalents   | \$ 337,626  | \$ 235,982                               |
| Due from affiliate  | 27,083  | 23,773                                   |
| Accounts receivable (net of allowance for doubtful accounts of \$0 as of June 30, 2006 and December 31, 2005)   | -   | 16,667                                   |
| Patent application fees   | 19,843  | 19,843                                   |
| Advances to employees   | 10,000  | -  |
| Prepaid expenses and other current assets   | 26,501  | 7,844                                    |
| <b>Total current assets</b>   | <b>421,053</b>                                      | <b>304,109</b>                           |
| Property and equipment, net   | 39,011  | 33,038                                   |
| <b>Total assets</b>   | <b>\$ 460,064</b>                                   | <b>\$ 337,147</b>                        |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>   |   |  |
| Current liabilities:  |   |  |
| Accounts payable and accrued expenses   | \$ 187,759  | \$ 44,821                                |
| <b>Total current liabilities</b>  | <b>187,759</b>                                      | <b>44,821</b>                            |
| Commitments and contingencies   |   |  |
| Stockholders' equity:   |   |  |
| 8% Cumulative Convertible, Series A Preferred Stock;<br>\$0.0001 par value, 1,500,000 shares authorized, 0 and 1,454,725<br>shares issued and outstanding as of June 30, 2006 and<br>December 31, 2005, respectively. Liquidation value of \$1.00<br>per share plus preferred dividend per share of \$0.0623 and an<br>aggregate liquidation of \$1,545,354 as of December 31, 2005 | -   | 90,843                                   |
| Common Stock; \$0.0001 par value, 20,000,000 shares authorized,<br>11,785,491 and 3,631,500 shares issued and outstanding as of<br>June 30, 2006 and December 31, 2005, respectively  | 1,178   | 363                                      |
| Additional paid-in-capital  | 9,458,056   | 1,905,094                                |
| Deficit accumulated during the development stage  | (9,186,929)   | (1,703,974)                              |
| <b>Total stockholders' equity</b>   | <b>272,305</b>                                      | <b>292,326</b>                           |
| <b>Total liabilities and stockholders' equity</b>   | <b>\$ 460,064</b>                                   | <b>\$ 337,147</b>                        |

The accompanying notes are an integral part of these financial statements



**Trulite, Inc. (a Development Stage Company)**  
**Statements of Operations**  
**(Unaudited)**

|  | Three Months Ended<br>June 30, |                     | Six Months Ended<br>June 30, |                     | Period From<br>Inception<br>(July 15, 2004)<br>Through<br>June 30, 2006 |
|--|--------------------------------|---------------------|------------------------------|---------------------|---|
|  | 2006                           | 2005                | 2006                         | 2005                | Restated  |
|  | Restated                       |                     | Restated                     |                     |   |
| Sales  | \$ -                           | \$ -                | \$ 8,333                     | \$ -                | \$ 26,750   |
| Cost of sales  | -                              | -                   | 5,912                        | -                   | 18,778  |
| <b>GROSS PROFIT</b>  | <b>-</b>                       | <b>-</b>            | <b>2,421</b>                 | <b>-</b>            | <b>7,972</b>  |
| Operating expenses:  |                                |                     |                              |                     |   |
| Research and development   | 276,442                        | 124,284             | 424,988                      | 199,199             | 1,549,055   |
| Depreciation   | 2,721                          | 1,460               | 5,441                        | 2,351               | 13,404  |
| General and administrative                                       | 1,243,301                      | 153,937             | 1,474,102                    | 255,477             | 2,051,852   |
| <b>LOSS FROM OPERATIONS</b>                                      | <b>(1,522,464)</b>             | <b>(279,681)</b>    | <b>(1,902,110)</b>           | <b>(457,027)</b>    | <b>(3,606,339)</b>  |
| Other income (expense):  |                                |                     |                              |                     |   |
| Interest expense   | -                              | (345)               | (59)                         | (345)               | (722)   |
| Interest income  | 2,735                          | 807                 | 3,206                        | 807                 | 8,535   |
| Other  | -                              | -                   | -                            | -                   | (4,411)   |
| <b>LOSS BEFORE INCOME TAXES</b>                                  | <b>(1,519,729)</b>             | <b>(279,219)</b>    | <b>(1,898,963)</b>           | <b>(456,565)</b>    | <b>(3,602,937)</b>  |
| Income taxes   | -                              | -                   | -                            | -                   | -   |
| <b>NET LOSS</b>  | <b>(1,519,729)</b>             | <b>(279,219)</b>    | <b>(1,898,963)</b>           | <b>(456,565)</b>    | <b>\$ (3,602,937)</b>   |
| Preferred dividends  | (10,180)                       | (23,172)            | (39,275)                     | (32,202)            |   |
| Deemed dividend on conversion of preferred stock to common stock | (1,586,150)                    | -                   | (1,586,150)                  | -                   |   |
| <b>NET LOSS ATTRIBUTABLE TO COMMON STOCK</b>                     | <b>\$ (3,116,059)</b>          | <b>\$ (302,391)</b> | <b>\$ (3,524,388)</b>        | <b>\$ (488,767)</b> |   |
| <b>NET LOSS PER COMMON SHARE</b>                                 |                                |                     |                              |                     |   |
| Basic and diluted  | \$ (0.16)                      | \$ (0.08)           | \$ (0.29)                    | \$ (0.13)           |   |
| Preferred and deemed dividends                                   | \$ (0.17)                      | \$ (0.01)           | \$ (0.25)                    | \$ (0.01)           |   |
| Attributable to common stock                                     | \$ (0.34)                      | \$ (0.08)           | \$ (0.55)                    | \$ (0.14)           |   |
| <b>WEIGHTED AVERAGE COMMON SHARES OUTSTANDING</b>                |                                |                     |                              |                     |   |
| Basic  | 9,236,879                      | 3,631,500           | 6,449,674                    | 3,582,967           |   |
| Diluted  | 9,236,879                      | 3,631,500           | 6,449,674                    | 3,582,967           |   |

The accompanying notes are an integral part of these financial statements



**Trulite, Inc. (a Development Stage Company)**  
**Statements of Cash Flows**  
**(Unaudited)**

|   | <b>Six Months Ended June 30,</b> |              | <b>Period From</b>     |
|---|----------------------------------|--------------|------------------------|
|   | <b>2006</b>                      | <b>2005</b>  | <b>Inception</b>       |
|   | <b>Restated</b>                  |              | <b>(July 15, 2004)</b> |
|   |                                  |              | <b>Through</b>         |
|   |                                  |              | <b>June 30, 2006</b>   |
|   |                                  |              | <b>Restated</b>        |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                 |                                  |              |                        |
| Net loss  | \$ (1,898,963)                   | \$ (456,565) | \$ (3,602,937)         |
| Adjustments to reconcile net loss to net cash used in operating activities: |                                  |              |                        |
| Depreciation  | 5,441                            | 2,351        | 13,404                 |
| Common stock issued for consulting services                                 | 285,000                          | -            | 285,000                |
| Common stock issued for management fees                                     | -                                | 65,070       | 133,840                |
| Stock-based compensation expense  | 431,787                          | -            | 431,787                |
| Warrants issued for consulting services                                     | 162,155                          | -            | 162,155                |
| Write-off of research and development expenses                              | -                                | -            | 606,798                |
| Changes in operating assets and liabilities:                                |                                  |              |                        |
| Due from affiliate  | (3,310)                          | (73,375)     | (27,083)               |
| Accounts receivable   | 16,667                           | -            | -                      |
| Patent application fees   | -                                | -            | (19,843)               |
| Advances to employees   | (10,000)                         | -            | (10,000)               |
| Prepaid expenses and other current assets                                   | (18,657)                         | 4,516        | (20,036)               |
| Grants receivable   | -                                | -            | 850                    |
| Accounts payable and accrued expenses                                       | 142,938                          | 8,849        | 179,650                |
| Net cash used in operating activities                                       | (886,942)                        | (449,154)    | (1,866,415)            |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                 |                                  |              |                        |
| Purchase of property and equipment  | (11,414)                         | (15,459)     | (45,959)               |
| Net cash used in investing activities                                       | (11,414)                         | (15,459)     | (45,959)               |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                 |                                  |              |                        |
| Issuance of common stock  | 1,000,000                        | -            | 1,000,000              |
| Issuance of preferred stock   | -                                | 950,000      | 1,250,000              |
| Net cash provided by financing activities                                   | 1,000,000                        | 950,000      | 2,250,000              |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>                            |                                  |              |                        |
|   | 101,644                          | 485,387      | 337,626                |
| CASH AND CASH EQUIVALENTS, beginning of period                              | 235,982                          | 126,465      | -                      |
| CASH AND CASH EQUIVALENTS, end of period                                    | \$ 337,626                       | \$ 611,852   | \$ 337,626             |
| <b>NON-CASH INVESTING AND FINANCING ACTIVITIES</b>                          |                                  |              |                        |
| Common stock issued for consulting services                                 | \$ 285,000                       | \$ -         | \$ 285,000             |
| Common stock issued for management fees                                     | \$ -                             | \$ 65,070    | \$ 133,840             |
| Warrants issued for consulting services                                     | \$ 162,155                       | \$ -         | \$ 162,155             |

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|  |    |         |    |   |    |         |
|--|----|---------|----|---|----|---------|
| Common stock options issued for compensation | \$ | 431,787 | \$ | - | \$ | 431,787 |
| Preferred stock issued for acquisition       | \$ | -       | \$ | - | \$ | 20,000  |
| Common stock issued for acquisition          | \$ | -       | \$ | - | \$ | 592,460 |

The accompanying notes are an integral part of these financial statements

**Trulite, Inc. (a Development Stage Company)**  
**Statements of Stockholders' Equity**  
**For the Periods From Inception (July 15, 2004) Through June 30, 2006**  
**(Unaudited)**  
**Restated**

|  | 8% Cumulative<br>Convertible Series A<br>Preferred Stock |        | Common Stock |        | Additional<br>Paid-in<br>Capital | Accumulated<br>Deficit | Total      |
|--|--|--------|--------------|--------|----------------------------------|------------------------|------------|
|  | Shares   | Amount | Shares       | Amount |                                  |                        |            |
| <i>Cash issuances:</i>   |  |        |              |        |                                  |                        |            |
| July 28, 2004; issuance<br>of preferred stock at<br>\$1.00 per share   | 100,000  | \$ 10  | -            | \$ -   | \$ 99,990                        | \$ -                   | \$ 100,000 |
| November 5, 2004;<br>issuance of preferred<br>stock at \$1.00 per<br>share   | 190,000  | 19     | -            | -      | 189,981                          | -                      | 190,000    |
| November 12, 2004;<br>issuance of preferred<br>stock at \$1.00 per<br>share  | 10,000   | 1      | -            | -      | 9,999                            | -                      | 10,000     |
| <i>Non-cash issuances:</i>   |  |        |              |        |                                  |                        |            |
| July 22, 2004;<br>preferred stock issued<br>in the acquisition<br>of Trulite Technology,<br>LC based on fair value<br>of stock issued<br>of \$1.00 per share                         | 20,000   | 2      | -            | -      | 19,998                           | -                      | 20,000     |
| July 22, 2004;<br>common stock issued<br>in the acquisition<br>of Trulite Technology,<br>LC based on fair value<br>of stock issued<br>of \$0.20 per share<br>(post April 2005 split) | -  | -      | 2,962,300    | 296    | 592,164                          | -                      | 592,460    |
| July 28, 2004;<br>common stock issued<br>for management<br>services<br>based on fair value of<br>stock issued of \$0.20<br>per share<br>(post April 2005 split)                      | -  | -      | 343,850      | 34     | 68,736                           | -                      | 68,770     |
| Accretion of dividends   | -  | 6,624  | -            | -      | (6,624)                          | -                      | -          |
| Net loss   | -  | -      | -            | -      | -                                | (878,022)              | (878,022)  |
|  | 320,000  | 6,656  | 3,306,150    | 330    | 974,244                          | (878,022)              | 103,208    |

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Balance, December 31,  
2004

Cash issuances:

|   |         |    |   |   |         |   |         |
|---|---------|----|---|---|---------|---|---------|
| February 1, 2005;<br>issuance of preferred<br>stock, at \$1.00 per<br>share | 200,000 | 20 | - | - | 199,980 | - | 200,000 |
| June 1, 2005; issuance<br>of preferred stock at<br>\$0.80 per share         | 934,725 | 93 | - | - | 749,907 | - | 750,000 |

Non-cash issuances:

|  |           |        |           |     |           |             |           |
|--|-----------|--------|-----------|-----|-----------|-------------|-----------|
| January 28, 2005;<br>common stock issued<br>for management<br>services<br>based on fair value of<br>stock issued of \$0.20<br>per share (post April<br>2005 split) | -         | -      | 325,350   | 33  | 65,037    | -           | 65,070    |
| Accretion of dividends   | -         | 84,074 | -         | -   | (84,074)  | -           | -         |
| Net loss   | -         | -      | -         | -   | -         | (825,952)   | (825,952) |
| Balance, December 31,<br>2005  | 1,454,725 | 90,843 | 3,631,500 | 363 | 1,905,094 | (1,703,974) | 292,326   |

Cash issuances:

|  |   |   |           |     |         |   |           |
|--|---|---|-----------|-----|---------|---|-----------|
| April 13, 2006;<br>issuance of common<br>stock | - | - | 1,000,000 | 100 | 999,900 | - | 1,000,000 |
|--|---|---|-----------|-----|---------|---|-----------|

Non-cash issuances:

|   |   |         |         |    |           |   |         |
|---|---|---------|---------|----|-----------|---|---------|
| April 26, 2006;<br>common stock issued<br>for consulting services<br>based on fair value of<br>stock issued of \$0.95<br>per share    | - | -       | 300,000 | 30 | 284,970   | - | 285,000 |
| April 26, 2006;<br>warrants to purchase<br>common stock issued<br>for consulting services<br>based on fair value of<br>warrant issued | - | -       | -       | -  | 162,155   | - | 162,155 |
| Accretion of dividends  | - | 39,275  | -       | -  | (39,275)  | - | -       |
| May 2, 2006; accretion<br>of preferred stock for<br>deemed<br>dividend on<br>conversion of accrued<br>dividends to common             | - | 161,388 | -       | -  | (161,388) | - | -       |

|   |             |             |            |          |              |                |             |             |
|---|-------------|-------------|------------|----------|--------------|----------------|-------------|-------------|
| stock   |             |             |            |          |              |                |             |             |
| May 2, 2006; accretion<br>of preferred stock for<br>deemed dividend<br>on conversion to<br>common stock | -           | 1,424,762   | -          | -        | (978,493)    | (446,269)      | -           | -           |
| May 2, 2006;<br>conversion of<br>preferred stock to<br>common stock                                     | (1,454,725) | (1,716,268) | 6,853,991  | 685      | 6,853,306    | (5,137,723)    | -           | -           |
| Stock-based<br>compensation   | -           | -           | -          | -        | 431,787      | -              | -           | 431,787     |
| <i>Net loss</i>   | -           | -           | -          | -        | -            | (1,898,963)    | (1,898,963) | (1,898,963) |
| Balance, June 30, 2006  | -           | \$ -        | 11,785,491 | \$ 1,178 | \$ 9,458,056 | \$ (9,186,929) | \$          | 272,305     |

The accompanying notes are an integral part of these financial statements

TRULITE, INC. (A DEVELOPMENT STAGE COMPANY)  
NOTES TO FINANCIAL STATEMENTS  
FOR THE QUARTERLY PERIODS ENDED JUNE 30, 2006 AND 2005  
RESTATED (Unaudited)

**NOTE 1 - Basis of Presentation and Restatement**

The unaudited financial statements included herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”) for interim reporting, and in the opinion of management reflect all adjustments, including those of a normal recurring nature, that are necessary for a fair presentation of financial position and results of operations for the interim periods presented. As permitted under those requirements, certain footnotes or other financial information that are normally required by accounting principles generally accepted in the United States of American have been condensed or omitted. As used herein, the terms “Trulite,” “the Company,” “we,” “our” and “us” refer to Trulite, Inc.

For further information, refer to the consolidated financial statements and footnotes included in our Annual Report on Form 10-KSB for the year ended December 31, 2005. Interim results are not necessarily indicative of results to be expected for the full fiscal year ending December 31, 2006.

The Company from inception (July 15, 2004) through June 30, 2006, did not have significant revenues. The Company has no significant operating history as of June 30, 2006. The accompanying financial statements have been prepared assuming the Company will continue as a going concern. From inception (July 15, 2004) through June 30, 2006, management has raised additional equity and debt financing to fund operations and to provide additional working capital. However, there is no assurance that future such financing will be in amounts sufficient to meet the Company’s needs.

All references to issued and outstanding shares, weighted average shares, and per share amounts in the accompanying unaudited financial statements have been retroactively adjusted to reflect our five-for-one stock split that occurred in April 2005.

New Accounting Pronouncements:

In May 2005, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standards (“SFAS”) No. 154, “Accounting Changes and Error Corrections” which replaces Accounting Principles Board Opinion (“APB”) No. 20, “Accounting Changes,” and SFAS No. 3, “Reporting Accounting Changes in Interim Financial Statements-An Amendment of APB Opinion No. 28.” SFAS No. 154 provides guidance on the accounting for and reporting of accounting changes and error corrections. SFAS No. 154 is effective for accounting changes and correction of errors made in fiscal years beginning after December 15, 2005. The adoption of SFAS No. 154 did not have an effect on the Company’s financial statements.

In February 2006, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standards (“SFAS”) No. 155, Accounting for Certain Hybrid Financial Instruments. SFAS No. 155 provides entities with relief from having to separately determine the fair value of an embedded derivative that would otherwise have to be bifurcated from its host contract in accordance with SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. SFAS No. 155 allows an entity to make an irrevocable election to measure such a hybrid financial instrument at fair value in its entirety, with changes in fair value recognized in earnings. SFAS No. 155 is effective for all financial instruments acquired, issued or subject to a remeasurement event occurring after the beginning of an entity’s first fiscal year that begins after September 15, 2006. The Company believes that the adoption of SFAS No. 155 will not have a material impact on its financial statements.

In March 2006, the FASB issued SFAS No. 156, Accounting for Servicing of Financial Assets an Amendment to FASB Statement No. 140. Once effective, SFAS No. 156 will require entities to recognize a servicing asset or liability each time they undertake an obligation to service a financial asset by entering into a servicing contract in certain situations. This statement also requires all separately recognized servicing assets and servicing liabilities to be initially measured at fair value and permits a choice of either the amortization or fair value measurement method for subsequent measurements. The effective date of this statement is for annual periods beginning after September 15, 2006, with earlier adoption permitted as the beginning of an entity's fiscal year provided the entity has not issued any financial statements for that year. The Company does not believe that this pronouncement will have a material impact on its financial statements.

TRULITE, INC. (A DEVELOPMENT STAGE COMPANY)  
NOTES TO FINANCIAL STATEMENTS  
FOR THE QUARTERLY PERIODS ENDED JUNE 30, 2006 AND 2005  
RESTATED (Unaudited)

In June 2006, the FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109." 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, and provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. This Interpretation is effective for fiscal years beginning after December 15, 2006. The Company is currently assessing the impact of the interpretation on its future results of operations and financial position.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements." SFAS No. 157 defines fair value and applies to other accounting pronouncements that require or permit fair value measurements and expands disclosures about fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. The Company is currently evaluating the impact of adopting SFAS No. 157 on its financial statements.

In September 2006, the FASB issued SFAS No. 158, "Employers' Accounting For Defined Benefit Pension and Other Postretirement Plans - an amendment of FASB Statements No. 87, 88, 106 and 132(R)." The standard requires companies to recognize the funded status (plan obligations less the fair value of plan assets) of pension and other postretirement benefit plans on their balance sheets, effective for fiscal years ending after December 15, 2006. The statement will also require fiscal year-end measurements of plan assets and benefit obligations, effective for fiscal years ending after December 15, 2008. SFAS No. 158 will have no effect on the Company's financial statements, as the Company does not maintain defined benefit pension or other postretirement plans.

In September 2006, the SEC issued Staff Accounting Bulletin ("SAB") No. 108, to address diversity in practice in quantifying financial statement misstatements and the potential for the build up of improper amounts on the balance sheet. SAB No. 108 identifies the approach that registrants should take when evaluating the effects of unadjusted misstatements on each financial statement, the circumstances under which corrections of misstatements should result in a revision to financial statements, and disclosures related to the correction of misstatements. SAB No. 108 is effective for any report for an interim period of the first fiscal year ending after November 16, 2006. The Company is currently evaluating the impact of adopting SAB No. 108 on its financial statements.

#### Restatement of Financial Statements

The purpose of this Amendment to the Trulite, Inc. Quarterly Report on Form 10-QSB for the period ended June 30, 2006, is to make a correction to the valuation of the Company's common stock for the purposes of accounting for stock-based compensation issued in conformity with Statement of Financial Accounting Standards No. 123R "Stock Based Compensation" as well as the cost attributable to the fair value of consulting services rendered for which the company issued common shares and warrants. The Company also made certain other insignificant changes to the format and content of the original Form 10-QSB. The impact of the above noted valuation modifications was to increase non-cash compensation and consulting expense in 2006 by \$366,546. This increase is reflected in the accompanying restated balance sheets, statements of operations, statement of stockholders' equity and statement of cash flows and accompanying notes to the financial statements. The impact to each of the above is recapped below:



TRULITE, INC. (A DEVELOPMENT STAGE COMPANY)  
NOTES TO FINANCIAL STATEMENTS  
FOR THE QUARTERLY PERIODS ENDED JUNE 30, 2006 AND 2005  
RESTATED (Unaudited)

*Balance Sheet as of June 30, 2006:*

|  | <b>Reported</b> | <b>Restated</b> |
|--|-----------------|-----------------|
| Additional paid-in-capital                       | \$ 9,091,510    | \$ 9,458,056    |
| Deficit accumulated during the development stage | (8,820,383)     | (9,186,929)     |
| Total Stockholders' Equity                       | 272,305         | 272,305         |

*Statements of Operations:*

|                                       | <b>Three months ended June 30, 2006</b> |                 | <b>Six months ended June 30, 2006</b> |                 |
|---------------------------------------|---|-----------------|---------------------------------------|-----------------|
|                                       | <b>Reported</b>                         | <b>Restated</b> | <b>Reported</b>                       | <b>Restated</b> |
| General and administrative expenses   | \$ 876,755                              | \$ 1,243,301    | \$ 1,107,556                          | \$ 1,474,102    |
| Loss from operations                  | (1,155,918)                             | (1,522,464)     | (1,535,564)                           | (1,902,110)     |
| Loss before income taxes              | (1,153,183)                             | (1,519,729)     | (1,532,417)                           | (1,898,963)     |
| Net loss                              | (1,153,183)                             | (1,519,729)     | (1,532,417)                           | (1,898,963)     |
| Net loss attributable to common stock | (2,749,513)                             | (3,116,059)     | (3,157,842)                           | (3,524,388)     |
| Net loss per common share:            |   |                 |                                       |                 |
| Basic and diluted                     | (0.12)                                  | (0.16)          | (0.24)                                | (0.29)          |
| Attributable to common stock          | (0.30)                                  | (0.34)          | (0.49)                                | (0.55)          |

*Statements of Operations - Cumulative Amount From Inception (July 15, 2004) through June 30, 2006:*

|                                     | <b>Reported</b> | <b>Restated</b> |
|-------------------------------------|-----------------|-----------------|
| General and administrative expenses | \$ 1,685,306    | \$ 2,051,852    |
| Loss from operations                | (3,239,793)     | (3,606,339)     |
| Loss before income taxes            | (3,236,391)     | (3,602,937)     |
| Net loss                            | (3,236,391)     | (3,602,937)     |

## **NOTE 2 - Stock-Based Compensation**

The Company has granted options to purchase common stock to employees, consultants and outside directors under the Trulite, Inc. Stock Option Plan, as amended and restated (the "Plan"). A total of 3,110,805 shares are reserved for issuance, and as of June 30, 2006, 1,405,938 shares remained available for grant, under the Plan. Prior to January 1, 2006, the Company accounted for grants of options using the intrinsic value method under the recognition and measurement principles of Accounting Principles Board Opinion ("APB") No. 25, Accounting for Stock Issued to Employees and related interpretations, and applied SFAS No. 123, Accounting for Stock-Based Compensation, as amended by SFAS No. 148, Accounting for Stock-Based Compensation - Transition and Disclosure, for disclosure purposes only. Under APB No. 25, stock-based compensation cost related to stock options was not recognized in net income (loss) since the options granted under those plans had exercise prices greater than or equal to the market value of the underlying stock on the date of grant.

TRULITE, INC. (A DEVELOPMENT STAGE COMPANY)  
NOTES TO FINANCIAL STATEMENTS  
FOR THE QUARTERLY PERIODS ENDED JUNE 30, 2006 AND 2005  
RESTATED (Unaudited)

Effective January 1, 2006, the Company adopted SFAS No. 123R (revised 2004), Share-Based Payment, which revises SFAS No. 123 and supersedes APB No. 25. SFAS No. 123R requires that all share-based payments to employees be recognized in the financial statements based on their fair values at the date of grant. The calculated fair value is recognized as expense over the requisite service period, net of estimated forfeitures, using the straight-line method under SFAS No. 123R. The statement was adopted using the modified prospective method of application which requires compensation expense to be recognized in the financial statements for all unvested stock options beginning in the quarter of adoption. No adjustments to prior periods have been made as a result of adopting SFAS No. 123R. Under this transition method, compensation expense for share-based awards granted prior to January 1, 2006, but not yet vested as of January 1, 2006, and not previously amortized through the pro forma disclosures required by SFAS No. 123, will be recognized in the Company's financial statements over their remaining service period. The cost was based on the grant-date fair value estimated in accordance with the original provisions of SFAS No. 123. As required by SFAS No. 123R, compensation expense recognized in future periods for share-based compensation granted prior to adoption of the standard will be adjusted for the effects of estimated forfeitures.

For the three and six months ended June 30, 2006, the total stock-based compensation expense recognized in our net loss was \$431,787. Basic and diluted loss per common share were therefore \$0.05 and \$0.07 greater, for the three and six months ended June 30, 2006, respectively, than if the Company had continued to account for the stock-based compensation under APB 25.

The total unrecognized compensation cost at June 30, 2006, relating to non-vested share-based compensation arrangements granted under the Plan, was \$137,992. That cost is expected to be recognized over 3.8 years, with a weighted average period of 3.6 years.

During the first six months of 2006, the Company granted options to purchase 1,280,339 shares of common stock under the Plan. With respect to 1,180,339 of these shares, the exercise price is \$0.88 per common share, whereas the fair value of a share of common stock on the date of grant was \$0.95. With respect to options to purchase 100,000 shares of common stock, the exercise price is \$1.00 per common share. 1,050,407 were vested immediately, whereas the remaining 229,932 options vest over four years and have varying contractual lives ranging from four to seven years. For the six months ended June 30, 2005, the Company granted 347,120 options to purchase shares of common stock with an exercise price of \$0.88, whereas the fair value of a share of common stock on the date of grant was \$0.18. All of these options vest over four years and have a seven year contractual life. The weighted average assumptions for the periods indicated are noted in the following table:

|                          | <b>Six months ended June 30,</b> |             |
|--------------------------|----------------------------------|-------------|
|                          | <b>2006</b>                      | <b>2005</b> |
| Risk free rate           | 4.86%                            | 4.10%       |
| Expected life (in years) | 2.49 years                       | 4.75 years  |
| Expected volatility      | 69%                              | 86%         |
| Expected dividends       | \$ -                             | \$ -        |
| Fair value               | \$ 0.44                          | \$ 0.07     |

TRULITE, INC. (A DEVELOPMENT STAGE COMPANY)  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE QUARTERLY PERIODS ENDED JUNE 30, 2006 AND 2005  
 RESTATED (Unaudited)

The Company estimates the fair value of stock options under SFAS No. 123R at the date of grant using a Black-Scholes-Merton valuation model, which is consistent with the valuation technique previously utilized to value options for the footnote disclosures required under SFAS No. 123. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant. The expected term (estimated period of time outstanding) of options granted in 2006 is based on the "simplified" method of estimating expected term for "plain vanilla" options allowed by SEC Staff Accounting Bulletin No. 107, and varies based on the vesting period and contractual term of the option. Expected volatility for options granted in 2006 is based on an evaluation of similar companies' trading activity. The Company has not issued any cash dividends on its common stock.

The following summary presents information regarding outstanding options as of June 30, 2006, and the changes during the six months then ended:

|   | <b>Shares<br/>Under<br/>Options</b> | <b>Weighted Average<br/>Exercise Price<br/>Per Share</b> | <b>Weighted Average<br/>Remaining<br/>Contractual Term</b> | <b>Aggregate<br/>Intrinsic<br/>Value</b> |
|---|-------------------------------------|--|--|--|
| Outstanding at January 1, 2006              | 466,692                             | \$ 0.88  |  |  |
| Granted                                     | 1,280,339                           | \$ 0.89  |  |  |
| Exercised                                   | -                                   | \$ -   |  |  |
| Forfeited                                   | (42,164)                            | \$ 0.88  |  |  |
| Outstanding at June 30, 2006                | 1,704,867                           | \$ 0.89  | 4.7 years  | \$ 112,341                               |
| Vested or expected to vest at June 30, 2006 | 1,639,421                           | \$ 0.89  |  | \$ 108,459                               |
| Exercisable at June 30, 2006                | 1,111,471                           | \$ 0.88  | 3.9 years  | \$ 77,803                                |

No options were exercised during the six months ended June 30, 2006 and 2005.

TRULITE, INC. (A DEVELOPMENT STAGE COMPANY)  
NOTES TO FINANCIAL STATEMENTS  
FOR THE QUARTERLY PERIODS ENDED JUNE 30, 2006 AND 2005  
RESTATED (Unaudited)

The following table provides the pro forma net loss attributable to common stock and net loss per common share had the Company applied the fair value method of SFAS No. 123 for the three and six month periods ended June 30, 2005. The pro forma effects for the periods presented are not necessarily indicative of the pro forma effects in future years:

|  | <b>Three Months<br/>Ended<br/>June 30, 2005</b> | <b>Six Months<br/>Ended<br/>June 30, 2005</b> |
|--|---|---|
| Net loss attributable to common stock, as reported   | \$ (302,391)                                    | \$ (488,767)                                  |
| Add: Stock-based employee compensation expense included in reported net loss                     | -   | -   |
| Deduct: Total stock-based employee compensation expense determined under fair value based method | (980)   | (980)   |
| Pro Forma net loss attributable to common stock  | \$ (303,371)                                    | \$ (489,747)                                  |
| Loss per share   |   |   |
| Basic - as reported  | \$ (0.08)                                       | \$ (0.14)                                     |
| Basic - pro forma  | \$ (0.08)                                       | \$ (0.14)                                     |
| Loss per share   |   |   |
| Diluted - as reported  | \$ (0.08)                                       | \$ (0.14)                                     |
| Diluted - pro forma  | \$ (0.08)                                       | \$ (0.14)                                     |

### NOTE 3 - Property and Equipment

Property and Equipment consists of the following:

|                             | <b>June 30,<br/>2006</b> | <b>December 31,<br/>2005</b> |
|-----------------------------|--------------------------|------------------------------|
| Office equipment            | \$ 38,774                | \$ 27,360                    |
| Manufacturing equipment     | 9,491                    | 9,491                        |
| Test equipment              | 4,150                    | 4,150                        |
| Total fixed assets          | 52,415                   | 41,001                       |
| Accumulated depreciation    | (13,404)                 | (7,963)                      |
| Property and equipment, net | \$ 39,011                | \$ 33,038                    |

TRULITE, INC. (A DEVELOPMENT STAGE COMPANY)  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE QUARTERLY PERIODS ENDED JUNE 30, 2006 AND 2005  
 RESTATED (Unaudited)

**NOTE 4 - Accounts Payable and Accrued liabilities**

|                  | June 30,<br>2006 | December 31,<br>2005 |
|------------------|------------------|----------------------|
| Accounts payable | \$ 115,943       | \$ 24,531            |
| Accrued payroll  | 71,816           | 20,290               |
|                  | \$ 187,759       | \$ 44,821            |

**NOTE 5 - Income taxes**

Since inception, the Company has incurred net operating losses and, accordingly, no provision for current income taxes has been recorded in these financial statements. In addition, no benefit for income taxes has been recorded in respect of the net deferred tax assets as management believes it is more likely than not that the deferred tax assets will not be fully realizable. Accordingly, the Company has provided for a full valuation allowance against its net deferred tax assets at June 30, 2006 and December 31, 2005.

**NOTE 6 - Research and Development Costs**

Expenditures for research activities relating to product development and improvement are charged to expense as incurred. Such expenditures amounted to \$276,442 and \$124,284 for the quarters ended June 30, 2006 and June 30, 2005, respectively. The cumulative expenditures for the six months ended June 30, 2006 and June 30, 2005 were \$424,988 and \$199,199, respectively.

**NOTE 7 - Series A Preferred Stock**

In May 2006, all of the Company's 8% Cumulative Convertible Series A Preferred Stock was converted into the Company's common stock.

The 8% Cumulative Convertible Series A Preferred Stock ("Series A Preferred Stock") had a liquidation value of \$1.00 per share plus dividends whether or not earned or declared from the issuance date thereof at the annual rate of eight percent (8%) (the "Preferred Dividends") of \$1.00 per share (the "Original Issue Price"), payable at the option of the Company in cash or in shares of Series A Preferred Stock. In addition, the Preferred Stock had preferential treatment in liquidation to all Common Stock and any other stock of the Company ranking junior to the Series A Preferred Stock. Accretion of cumulative dividends outstanding on these shares was \$39,275 and \$32,202 for the six months ended June 30, 2006 and June 30, 2005, respectively.

Each share of Series A Preferred Stock was convertible at any time into common shares of the Company by dividing the original issue price by a conversion price as defined.

The Series A Preferred Stock was redeemable at the option of the majority holders in cash at \$1.00 per share plus all accrued and unpaid Preferred Dividends on the fifth anniversary of the date of initial issuance or other events relating to change in 25% or more of the outstanding voting stock of the Company or a merger or consolidation as defined. Each holder of Series A Preferred Stock was entitled to the number of votes equal to the number of whole shares of Common Stock into which the shares of Series A Preferred Stock was convertible.



TRULITE, INC. (A DEVELOPMENT STAGE COMPANY)  
NOTES TO FINANCIAL STATEMENTS  
FOR THE QUARTERLY PERIODS ENDED JUNE 30, 2006 AND 2005  
RESTATED (Unaudited)

On May 2, 2006, 1,454,725 shares of Series A Preferred Stock were converted to 6,562,630 shares of common stock. In addition, the cumulative accreted dividends of \$129,973 were converted to 291,361 shares of common.

Upon the conversion of the Series A Preferred Stock, the Company recorded a non-cash charge of \$1,424,762 to reflect the deemed dividend on conversion. In addition, the Company recorded a non-cash charge of \$161,388 to reflect the deemed dividend on conversion of accreted dividends. The total of the two "deemed dividends" was \$1,586,150. This relates to application of EITF Topic D-42, "The Effect on the Calculation of Earnings per Share for the Redemption or Induced Conversion of Preferred Stock." The amount of charge is equal to the difference in the value at the time of exchange of the shares of common stock exchanged for the preferred stock minus the value of the shares that the holders of the preferred stock otherwise would have had the right to receive upon conversion of the preferred stock. The charge did not affect the Company's reported revenue, operating income, net loss, assets, liabilities or stockholders' equity.

**NOTE 8 - Related Party Transactions**

As of June 30, 2006, the Company advanced certain funds to an affiliated entity. These advances were on a non-interest basis with no fixed terms of repayment, and amounted to \$27,083 as of June 30, 2006.

**NOTE 9 - Stockholders' Equity**

Common Stock Split

In April 2005, the Company's Board of Directors authorized a five-for-one split of the Company's common stock. In conjunction with the stock split, the Company amended its certificate of incorporation to increase its authorized common stock to 20,000,000 shares and retained the par value of \$0.0001 per share. Accordingly, all references to the number of common shares authorized and common shares issued and outstanding in the accompanying financial statements have been adjusted to reflect the effects of the common stock split on a retroactive basis.

Warrants:

The Company raised additional equity of \$1,000,000 during April 2006 through the issuance of common stock for cash consideration of \$1.00 per share. These issuances of common stock also included one year warrants to purchase an additional 1,000,000 shares of common stock of the Company at an exercise price of \$1.50 per common share that shall expire on April 13, 2007. The value of the warrants is included in additional paid in capital.

In April 2006, the Company had entered into two consulting agreements for investment banking services, under which the Company is required to issue 300,000 shares of restricted common stock and 400,000 five-year warrants to purchase the Company's common stock at \$3.00 per share. One of the agreements terminates on April 25, 2008 and the second terminates on June 30, 2008. The fair value of the warrants, utilizing the Black-Scholes method and assuming a risk-free interest rate of 4.97%, expected volatility of 77%, expected life of 5 years and no dividend yield, resulted in a fair value of \$162,155, which was recorded as a component of general and administrative expense in the second quarter of 2006.

TRULITE, INC. (A DEVELOPMENT STAGE COMPANY)  
NOTES TO FINANCIAL STATEMENTS  
FOR THE QUARTERLY PERIODS ENDED JUNE 30, 2006 AND 2005  
RESTATED (Unaudited)

**NOTE 10 - Commitments**

*Leases*

Rent expense during the six months ended June 30, 2006 and 2005, was \$12,754 and \$4,176, respectively. Rent expense is included in general and administrative expenses in the accompanying statements of operations.

As of June 30, 2006, future rental commitment for a lease expiring in February 2007 was approximately \$21,912.

*Other*

As of June 30, 2006, the Company had employment agreements with certain employees that expire through 2007, under which the total obligations were approximately \$408,000.

On June 15, 2006, the Company entered into a consulting agreement with Mr. Jonathan Godshall for services assigned by the Board of Directors that expires on December 31, 2006. Mr. Godshall will be paid \$10,000 a month until the closing of the next round of funding or November 30, 2006, whichever occurs first. After one of these events, Mr. Godshall's fees increase to \$16,667 until the end of December 2006. Mr. Godshall will be granted, upon Board approval, an option to purchase 5% of the outstanding shares of the Company's common stock on the date of grant. The exercise value will be equal to the fair market value per share on the date the options are granted. See Note 12.

On June 1, 2006, the Company entered into a consulting agreement for product development that expires on December 31, 2006, with Mr. Ken Pearson. Mr. Pearson will be paid \$9,583 per month for the term of the agreement and received a one time bonus of \$15,000 in June 2006. In addition, Mr. Pearson was also granted options to purchase 315,000 common shares at \$1.00 per share. In December 2006, Mr. Pearson was also awarded a \$15,000 performance bonus and an option to purchase an additional 40,000 common shares. The agreement provides that if Mr. Pearson is terminated without cause or he terminates for good reason (as such terms are defined in the consulting agreement) he will be entitled to receive his base salary for six months following such termination and his unexercised stock options will continue to vest for twelve months following such termination. See Note 12.



TRULITE, INC. (A DEVELOPMENT STAGE COMPANY)  
NOTES TO FINANCIAL STATEMENTS  
FOR THE QUARTERLY PERIODS ENDED JUNE 30, 2006 AND 2005  
RESTATED (Unaudited)

**NOTE 11 - Net Loss Per Share**

|  | <b>Three Months Ended June 30,</b> |              | <b>Six Months Ended June 30,</b> |              |
|--|------------------------------------|--------------|----------------------------------|--------------|
|  | <b>2006</b>                        | <b>2005</b>  | <b>2006</b>                      | <b>2005</b>  |
| Numerator:   |                                    |              |                                  |              |
| Net loss   | \$ (1,519,729)                     | \$ (279,219) | \$ (1,898,963)                   | \$ (456,565) |
| Increases to Net Loss:   |                                    |              |                                  |              |
| Preferred dividends  | (10,180)                           | (23,172)     | (39,275)                         | (32,202)     |
| Deemed dividend on conversion of preferred stock to common stock   | (1,586,150)                        | -            | (1,586,150)                      | -            |
| Net loss attributable to common stock  | \$ (3,116,059)                     | \$ (302,391) | \$ (3,524,388)                   | \$ (488,767) |
| Denominator  |                                    |              |                                  |              |
| Basic earnings per share - weighted average common shares outstanding  | 9,236,879                          | 3,631,500    | 6,449,674                        | 3,582,967    |
| Weighted-average dilutive effect of stock-based awards and common stock issuable upon conversion of preferred stock, net of assumed repurchase of treasury stock | -                                  | -            | -                                | -            |
| Fully-diluted earnings per share - weighted average common shares outstanding  | 9,236,879                          | 3,631,500    | 6,449,674                        | 3,582,967    |
| Net loss per common share  |                                    |              |                                  |              |
| Basic and diluted  | \$ (0.16)                          | \$ (0.08)    | \$ (0.29)                        | \$ (0.13)    |
| Preferred and deemed dividends   | (0.17)                             | (0.01)       | (0.25)                           | (0.01)       |
| Attributable to common stock   | \$ (0.34)                          | \$ (0.08)    | \$ (0.55)                        | \$ (0.14)    |

Basic and diluted net loss per share for the six months ended June 30, 2006, and June 30, 2005 is the same since the effect of all common stock equivalents are antidilutive to the Company's net loss in accordance with Statement of Financial Accounting Standards No. 128, Earnings per Share. The sum of the basic and diluted net loss per common share and preferred and deemed dividends per common share do not equal the total net loss attributable to common stock due to rounding.

The following weighted average securities are not included in the computation of diluted loss per share as their effect would have been anti-dilutive:

|                       | <b>Three Months Ended June 30,</b> |             | <b>Six Months Ended June 30,</b> |             |
|-----------------------|------------------------------------|-------------|----------------------------------|-------------|
|                       | <b>2006</b>                        | <b>2005</b> | <b>2006</b>                      | <b>2005</b> |
| Common stock options  | 1,647,154                          | 295,574     | 1,072,498                        | 148,603     |
| Common stock warrants | 1,125,275                          | -           | 565,746                          | -           |

|  |         |         |         |         |
|--|---------|---------|---------|---------|
| 8% cumulative convertible series A preferred stock | 511,552 | 817,879 | 980,533 | 634,403 |
|--|---------|---------|---------|---------|

17

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TRULITE, INC. (A DEVELOPMENT STAGE COMPANY)  
NOTES TO FINANCIAL STATEMENTS  
FOR THE QUARTERLY PERIODS ENDED JUNE 30, 2006 AND 2005  
RESTATED (Unaudited)

**NOTE 12 - Subsequent Events**

On July 24, 2006, Thomas Samson, resigned as a director on the Board of Directors (the "Board") and Chairman of the Trulite Audit Committee.

On August 1, 2006, Trulite subleased office space from Standard Renewable Energy Group, LLC, an affiliated company. The monthly rent is \$1,905 beginning August 1, 2006 with future rental commitments for a lease expiring in July 2007 of approximately \$22,860.

On August 7, 2006, John Sifonis announced his intention to resign, effective August 11, 2006, from his positions as President and Chief Executive Officer of Trulite, Inc. On August 9, 2006, Mr. Sifonis resigned, effective August 11, 2006, from such positions. Mr. Sifonis will continue to serve as a director of the Company.

On August 7, 2006, the Board of Directors of the Company appointed Mr. Jonathan Godshall as President and Chief Executive Officer of the Company. In connection with entering into a one-year employment agreement with Mr. Godshall, the Company terminated the consulting agreement entered into with Mr. Godshall on June 15, 2006 (see Note 10). Under the employment agreement, Mr. Godshall will receive an annual base salary of \$120,000, provided that such salary will increase to \$200,000 per year upon the earlier of (1) November 30, 2006 or (2) the completion of a financing round. Mr. Godshall will develop a cash incentive bonus plan by February 7, 2007 and submit such plan to the Board for approval. The employment agreement provides that if Mr. Godshall is terminated without cause or he terminates for good reason (as such terms are defined in the employment agreement) he will be entitled to receive his base salary for six months following such termination and his unexercised stock options will continue to vest for twelve months following such termination. In addition, if the Company does not renew the employment agreement at the end of the one-year term, Mr. Godshall will be entitled to receive his base salary for four months.

On August 7, 2006, the Board granted Mr. Godshall a stock option to acquire 676,626 shares of Company common stock, at an exercise price of \$1.00 per share and which vests 25% each year with the first year starting one year after the date of employment as a consultant which was June 15, 2006. The stock option expires on August 7, 2013. In addition, Mr. Godshall's employment agreement provides that the Board will grant him additional stock options to acquire a number of shares equal to 5% of any new stock issued and any new stock options granted after August 7, 2006, such grant to occur on the earlier of (1) December 31, 2006 and (2) the completion of a financing round. The exercise price of such stock options will be the fair market value on the date of grant, and the vesting terms of such stock options will be the same as described above with respect to Mr. Godshall's stock option to acquire 676,626 shares. All of such stock options will automatically vest upon a change in control, merger or buyout of the Company.

On August 7, 2006, the Board granted Mr. Ken Pearson the following stock options to acquire shares of the Company's common stock: in connection with his consulting agreement (see Note 10): (1) 15,000 shares at \$1.00 per share, instead of the 12,000 shares at \$0.88 per share as stated in the original consulting agreement and (2) 300,000 shares, at an exercise price of \$1.00 per share which vests 25% on each of June 13, 2007, June 13, 2008, June 13, 2009, and June 13, 2010.

On August 9, 2006, the Company incurred indebtedness of \$250,000 pursuant to the terms of two \$125,000 promissory notes. Under the terms of the first promissory note, the Company borrowed \$125,000 from Contango Venture Capital Corporation, LLC ("CVCC") which beneficially owns approximately 17.0% of the Company's common

stock. Under the terms of the second promissory note, the Company borrowed \$125,000 from Standard Renewable Energy, LP., a wholly owned subsidiary of Standard Renewable Energy Group, LLC (“SREG”). SREG also wholly owns NewPoint Energy Solutions, LP (“NewPoint”), the owner of approximately 45% of the Company’s common stock. Both notes bear interest at a rate of 11.25% until February 8, 2007, at which time the rate will become the prime rate plus 3%. Both notes mature on May 1, 2007 and may be prepaid by the Company at any time without penalty.

TRULITE, INC. (A DEVELOPMENT STAGE COMPANY)  
NOTES TO FINANCIAL STATEMENTS  
FOR THE QUARTERLY PERIODS ENDED JUNE 30, 2006 AND 2005  
RESTATED (Unaudited)

On September 21, 2006, Company incurred indebtedness of \$250,000 pursuant to the terms of a promissory note with SREG. The note bears interest at a rate of 11.25% until May 21, 2007, at which time the rate will become the prime rate plus 3%. The note matures on June 18, 2007, and may be prepaid by the Company at any time without penalty.

On October 26, 2006, the Company incurred indebtedness of \$250,000 pursuant to the terms of a promissory note with SREG. The note bears interest at a rate of 11.25% until April 24, 2007, at which time the rate will become the prime rate plus 3%. The note matures on July 22, 2007 and may be prepaid by the Company at any time without penalty.

On November 22, 2006, the Company incurred indebtedness of \$400,000 pursuant to the terms of a promissory note with CVCC. The note bears interest at a rate of 11.25% until April 24, 2007, at which time the rate will become the prime rate plus 3%. The note matures on July 22, 2007 and may be prepaid by the Company at any time without penalty.

On November 28, 2006, the Company incurred indebtedness of \$100,000 pursuant to the terms of a promissory note with SREG. The note bears interest at a rate of 11.25% until April 24, 2007, at which time the rate will become the prime rate plus 3%. The note matures on July 22, 2007 and may be prepaid by the Company at any time without penalty.

## **Item 2. Management's Discussion and Analysis or Plan of Operation**

The following Management's Discussion and Analysis of Financial Condition and Results of Operations highlights the principal factors that have affected the Company's financial condition and results of operations as well as the Company's liquidity and capital resources for the periods described.

### **Restatement**

As discussed under the heading "Amendment No.1 Explanatory Note" on page 3 and further described in the Note 1 to the financial statements, we have restated certain financial statements and other financial information.

### **Business Overview**

Trulite is an emerging technology company engaged in the development and production of portable and stationary products that produce hydrogen for the generation of electricity for the commercial and consumer markets. The Company has developed, tested, sold and delivered its first hydrogen storage product - the HydroCell, an environmentally-friendly alternative to battery power. The Company has submitted two patent applications for the HydroCell.

Trulite, Inc. was incorporated in Delaware on July 15, 2004. Later that month, Trulite purchased all membership interests of Trulite Technology, LC ("Trulite Technology"), a Utah limited liability company, and merged with Trulite Technology, whereby Trulite survived the merger.

In January 2002, members of Trulite Technology submitted a proposal in response to a Small Business Innovation Research ("SBIR") solicitation from the Defense Threat Reduction Agency ("DTRA") to research and develop a high energy density hydrogen source to ultimately power nuclear, chemical and biological detection equipment in the field. The intended applications of the hydrogen fuel source were for use by the military as a source of portable power.

Trulite Technology, LC was incorporated in May 20, 2002, upon receipt of notification from the DTRA that Trulite Technology would receive a 6 month, \$100,000, Phase 1 SBIR award to develop a hydrogen fuel source (that is, a technology for producing hydrogen gas) that could convert hydrogen gas into electricity. All patent, software and other technical rights in any products are retained by Trulite.

Work on the project commenced in August 2002, and in January 2003, Trulite Technology built and tested its first dry chemical hydride hydrogen fuel source. In January 2003 Trulite Technology submitted a proposal to the United States Air Force ("USAF") for a very high energy density hydrogen source for larger fuel cell systems. Trulite Technology received notification from the USAF in May 2003 that it had been selected for another six month, \$100,000 Phase 1 SBIR award. All patent, software and other technical rights in any products are retained by Trulite.

In January 2004, Trulite Technology received an order from Jadoo Power Systems for two prototype chemical hydride cartridges. These were shipped in March 2004. Trulite Technology also received an order from the Naval Research Laboratory for four larger cartridges. These were shipped in July 2004. In October 2003, Trulite had been introduced to William Jackson Berger (a.k.a. "John Berger") of Contango Capital Partners, LP ("CCP") through Jadoo Power Systems. CCP became interested in Trulite Technology's hydrogen source technology, and Trulite Technology concluded its first round of private funding with CCP in July 2004. Also in July 2004, Trulite Technology merged with, and transferred all of its interests to, the Company, a newly-formed Delaware corporation.

In February 2005, the Company entered into a strategic relationship with Synexus Energy, Inc., ("Synexus") a supplier of fuel cell stack and control technology. Synexus, a research and development company was working on a product

that can be used in conjunction with Trulite's HydroCell and was primarily funded by CCP. Synexus ceased doing business in June 2006. Receivables or payables between the two companies were settled in July 2006.

In August, 2005, the Company demonstrated its first, complete, commercially packaged, integrated, hydrogen fuel cell power system. In September 2005, the Company introduced its Kitty Hawk system. The product consists of three technologies: one that generates hydrogen gas from powdered chemical compounds (the HydroCell); one that transforms the hydrogen gas into electricity (the fuel cell stack) and, one that controls the flow of hydrogen for the actual generation of electricity (the control technology). The Company believes the Kitty Hawk is the least expensive energy source on the market capable for producing 25 Watts of power for several hours (as an example, 25 Watts of power is sufficient to power a DVD player for several hours while concurrently charging a cell phone).

In November 2005, the Company received its first orders for twenty-five Kitty Hawk systems. The units were manufactured in its Utah product development facility and were delivered to a selected target audience in February and March, 2006. Also in November 2005, the Company received a \$25,000 contract from Protonex to develop three high energy density prototype HydroCells.

Trulite has developed the next generation of the Kitty Hawk (the KH-3X), which has a number of enhancements: improved physical design; noise reduction; faster start up cycle (several seconds versus 2 to 3 minutes); fuel level gauge to indicate the level of energy remaining in the cartridge; an attached carrying handle; a status display screen indicating the power output of the unit; interior technical modifications to eliminate hose pinching; and increased power output to 30 watts of power. Each of these enhancements required several steps including designing and building the enhancement; testing the enhancement to ensure it performs as specified; incorporating and testing the enhancement in the Kitty Hawk unit; and testing the Kitty Hawk unit in a customer environment.

Trulite is also developing the Kitty Hawk 4. The product will be designed to have a power output over three times greater than the KH-3X. Product enhancements to the Kitty Hawk 4 will include: reducing the overhead required to run the Kitty Hawk 4 power system; increased ruggedness; and enhanced ergonomics and physical design. Each of these enhancements will also require going through the proving process set forth above prior to commercial availability.

The design of the Kitty Hawk 4 system is anticipated to commence in September 2006 and is anticipated to be completed by the third quarter of 2007. The Kitty Hawk 4 system is anticipated to be available for field testing by the end of the second quarter of 2007. Field testing is anticipated to take eight to ten weeks. Upon completion of field testing of the Kitty Hawk 4 system, expected to be by the end of the third quarter of 2007, we anticipate units will be available for sale and delivery into selected commercial and consumer markets.

The primary drivers for future earnings growth will be developing, manufacturing and selling a commercially viable product. Trulite believes its integrated Kitty Hawk units powered by Trulite's HydroCell technology provides consumers with a superior alternative energy product. As compared to conventional battery technologies, the HydroCell does not lose the ability to generate electricity even when put in storage for long periods of time (up to three years). By comparison, conventional lithium-ion batteries will lose their ability to generate energy if they are not used before their expiration date. Trulite believes it has the ability to bring this power to numerous kinds of portable electronic devices through its Kitty Hawk power system. The primary markets we currently seek to enter for Trulite's products are the pipeline and well head market for remote sensing and monitoring of operating conditions in oil and gas fields, the high end recreational camping market, and the back-up power generation market for home and commercial applications. The opportunity in the pipeline market resulted from estimating the number of oil and gas wells in the United States (the data was obtained from available public information from companies such as Shell, ChevronTexaco and British Petroleum), estimating the existing operating and maintenance costs to service and repair these wells, assuming a 20% adoption rate over the next five years for companies implementing a Trulite Kitty Hawk solution and calculating the cost differential between existing operating costs and Trulite's Kitty Hawk solution. Trulite intends to seek out oil field service companies, trying to identify the most viable operators and influence both large and small energy companies, as well as other providers to the oil and gas industry, to adopt the Kitty Hawk integrated power system as an alternative power source. As currently envisioned, the manufacture and distribution of



the Kitty Hawk power system to alliance partners will occur from the Company's manufacturing facilities, which will most likely be located in Houston, Texas.

The Company plans to distribute its consumer Kitty Hawk products through three different channels: (1) direct to consumer sales (expected to be on a limited basis); (2) bundling; and (3) retail stores. The Company also plans on using the Internet, through sites such as eBay, Amazon, Overstock and Yahoo, to sell directly to consumers on a limited basis in order to test market its products, as well as establish consumer price points. The Company is also targeting original equipment manufacturers (“OEM”) in an attempt to bundle its products with those of the OEM. Advantages to partnering with an OEM include leveraging the OEM’s customer base and cross-selling Trulite’s products with existing OEM products. Lastly, the Company intends to attempt to market the Kitty Hawk to major high-end retail stores, such as REI, Northface, Patagonia and Brookstone in an attempt to attract the high end camping market.

The principal challenges we face include:

- We expect to have a need for additional capital as we continue to execute our business plan.
  - Technological changes could force us to alter our business plan.
- We must demonstrate value and reliability in order to gain consumer acceptance.
  - We have limited experience manufacturing and selling fuel cell systems.
- A large scale consumer market for our products may never develop or take longer to develop than we anticipate.
  - Attract and retain key personnel

## Results of Operations

*The following table summarizes our results of operations for the three and six months ended June 30, 2006 and 2005*

|                                 | Three Months Ended June 30, |                     | Six Months Ended June 30, |                     |
|---------------------------------|-----------------------------|---------------------|---------------------------|---------------------|
|                                 | 2006                        | 2005                | 2006                      | 2005                |
|                                 | Restated                    |                     | Restated                  |                     |
| Sales                           | \$ -                        | \$ -                | \$ 8,333                  | \$ -                |
| Cost of sales                   | -                           | -                   | 5,912                     | -                   |
| <b>GROSS PROFIT</b>             | -                           | -                   | 2,421                     | -                   |
| Operating expenses:             |                             |                     |                           |                     |
| Research and development        | 276,442                     | 124,284             | 424,988                   | 199,199             |
| Depreciation                    | 2,721                       | 1,460               | 5,441                     | 2,351               |
| General and administrative      | 1,243,301                   | 153,937             | 1,474,102                 | 255,477             |
| <b>LOSS FROM OPERATIONS</b>     | <b>(1,522,464)</b>          | <b>(279,681)</b>    | <b>(1,902,110)</b>        | <b>(457,027)</b>    |
| Other income (expense):         |                             |                     |                           |                     |
| Interest expense                | -                           | (345)               | (59)                      | (345)               |
| Interest income                 | 2,735                       | 807                 | 3,206                     | 807                 |
| Other                           | -                           | -                   | -                         | -                   |
| <b>LOSS BEFORE INCOME TAXES</b> | <b>(1,519,729)</b>          | <b>(279,219)</b>    | <b>(1,898,963)</b>        | <b>(456,565)</b>    |
| Income taxes                    | -                           | -                   | -                         | -                   |
| <b>NET LOSS</b>                 | <b>\$ (1,519,729)</b>       | <b>\$ (279,219)</b> | <b>\$ (1,898,963)</b>     | <b>\$ (456,565)</b> |

*Three and six months ended June 30, 2006, compared to the three and six months ended June 30, 2005*

### Revenues

The Company did not have any revenue for the three month period ended June 30, 2006 and June 30, 2005.

For the six months ended June 30, 2006, revenues totaled \$8,333 versus zero for the same period ended June 30, 2005.

### Gross profit

The Company did not have any gross profit for the three month period ended June 30, 2006 and June 30, 2005.

For the six months ended June 30, 2006, gross profit was \$2,421 compared to zero for the same six month period in 2005.

### **Operating expenses**

For the three months ended June 30, 2006, as compared to 2005, operating expenses increased by \$1,242,783. Operating expenses were \$1,522,464 for the three month period ended June 30, 2006, as compared to \$279,681 for the period ending June 30, 2005. Research and development expenses increased to \$276,442 for the three month period ended June 30, 2006, as compared to \$124,284 for the corresponding prior year period. This increase was due to development and production of demonstration units in 2006, as compared to 2005 when no demonstration units were produced. Depreciation expense increased \$1,261 for the three months ended June 30, 2006, compared to the corresponding prior year period. This increase was due to additions of equipment purchased for research and development. General and administrative costs increased to \$1,243,301 for the three months ended June 30, 2006, as compared to \$153,937 for the corresponding prior period in 2005, primarily due to higher personnel related costs as well as increased legal and accounting fees resulting from the level of effort to register the Company's securities.

Operating expenses were \$1,904,531 for the six months ended June 30, 2006. This compares to operating expenses of \$457,027 for the six months ended June 30, 2005. Research and development expenses increased to \$424,988 for the six months ended June 30, 2006, compared to \$199,199 for the six months ended June 30, 2005. The Company increased its research and development expenditures during 2006 and produced its first demonstration units. Depreciation expense increased \$3,090 for the six month period ended June 30, 2006, as compared to the six month period ended June 30, 2005. General and administrative costs increased to \$1,474,102 for the six months ended June 30, 2006, as compared to \$255,477 for the corresponding prior period in 2005, primarily due to higher personnel related costs as well as increased legal and accounting fees resulting from the level of effort to register the Company's securities.

### **Loss from Operations**

Operating losses were \$1,522,464 for the three months ended June 30, 2006, as compared to operating losses of \$279,681 for the three months ended June 30, 2005, due to the increases in operating expenses noted above.

Operating losses for the six months ended June 30, 2006 were \$1,902,110, as compared to an operating loss of \$457,027 during the six months ended June 30, 2005, due to the increases in operating expenses noted above.

### **Other Income (expense)**

Other income (expense), consisting primarily of interest income, for the three months ended June 30, 2006, totaled \$2,735, net, an increase over the \$462, net, of other income for the three months ended June 30, 2005, primarily due to higher average cash balances.

For the six months ended June 30, 2006, other income (expense) was \$3,147, net, compared to \$462, net, for the six month period ended June 30, 2005, primarily due to having higher average cash balances.

### **Net Loss**

Net loss for the three months ended June 30, 2006, was \$1,519,729 as compared to \$279,219 for the three months ended June 30, 2005. The increase was due to increased operating expenses.

For the six months ended June 30, 2006, the net loss was \$1,898,963 as compared to \$456,565 for the six months ended June 30, 2005. The increased loss was due to increased operating expenses.



## Historical Sources of Cash

During the period from inception (July 15, 2004) through December 31, 2004, the Company financed its operations principally through the sale of an aggregate of \$300,000 of preferred stock. The Company, for the year ended December 31, 2005, financed its operations through the sale of an aggregate of \$950,000 of preferred stock, along with sale of three Kitty Hawk units. The Company conducted a private placement in April 2006, raising \$1,000,000 through the sale of 1,000,000 shares of Common Stock and warrants. In addition, subsequent to June 30, 2006, the Company borrowed \$1,250,000 pursuant to six promissory notes with related parties.

## Cash position and sources and uses of cash

Our cash position at June 30, 2006, was \$337,626 as compared to \$235,982 at December 31, 2005.

Our operating activities for the six months ended June 30, 2006, used cash in the amount of \$886,942, as compared to \$449,154 used in the six months ended June 30, 2005. Cash used in operating activities for the six month period ending June 30, 2006, and June 30, 2005, reflected a net loss of \$1,898,963 and \$456,565, respectively, both partially offset by adding back the non-cash charges associated with depreciation, common stock and warrants issued for consulting and management services and stock-based compensation.

The Company used \$11,414 and \$15,459 in investing activities for the purchase of property and equipment for the six months ended June 30, 2006, and 2005, respectively.

The Company had cash inflows from financing activities of \$1,000,000 during 2006 from the issuance of common stock and warrants and \$950,000 during 2005 from issuances of preferred stock.

## Capital Resources Going Forward

Our intended plan of operations for the twelve month period beginning July 1, 2006, is to manufacture, sell and distribute limited quantities of our product and to continue to develop our products. In the past, the Company primarily used funds derived from the private placement of its securities to fund its operations.

Cash on hand as of June 30, 2006, and cash generated by operations in conjunction with our working capital, will not be sufficient to continue our business for the next twelve months. We continually review our overall capital and funding needs, taking into account current business needs, as well as the Company's future goals and requirements. Based on our business strategy, we believe we will need to increase our available capital through the sale of additional securities.

On August 9, 2006, the Company incurred indebtedness of \$250,000 pursuant to the terms of two \$125,000 promissory notes. Under the terms of the first promissory note, the Company borrowed \$125,000 from Contango Venture Capital Corporation, LLC ("CVCC") which beneficially owns approximately 17.0% of the Company's common stock. Under the terms of the second promissory note, the Company borrowed \$125,000 from Standard Renewable Energy, LP., a wholly owned subsidiary of Standard Renewable Energy Group, LLC ("SREG"). SREG also wholly owns NewPoint Energy Solutions, LP ("NewPoint"), the owner of approximately 45% of the Company's common stock. Both notes bear interest at a rate of 11.25% until February 8, 2007, at which time the rate will become the prime rate plus 3%. Both notes mature on May 1, 2007 and may be prepaid by the Company at any time without penalty.

On September 21, 2006, Trulite, Inc. (the "Company") incurred indebtedness of \$250,000 pursuant to the terms of a promissory note with SREG. The note bears interest at a rate of 11.25% until May 21, 2007, at which time the rate will become the prime rate plus 3%. The note matures on June 18, 2007, and may be prepaid by the Company at any

time without penalty.

On October 26, 2006, the Company incurred indebtedness of \$250,000 pursuant to the terms of a promissory note with SREG. The note bears interest at a rate of 11.25% until April 24, 2007, at which time the rate will become the prime rate plus 3%. The note matures on July 22, 2007 and may be prepaid by the Company at any time without penalty.

25

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On November 22, 2006, the Company incurred indebtedness of \$400,000 pursuant to the terms of a promissory note with CVCC. The note bears interest at a rate of 11.25% until April 24, 2007, at which time the rate will become the prime rate plus 3%. The note matures on July 22, 2007 and may be prepaid by the Company at any time without penalty.

On November 28, 2006, the Company incurred indebtedness of \$100,000 pursuant to the terms of a promissory note with SREG. The note bears interest at a rate of 11.25% until April 24, 2007, at which time the rate will become the prime rate plus 3%. The note matures on July 22, 2007 and may be prepaid by the Company at any time without penalty.

Should our costs and expenses prove to be greater than we currently anticipate, or should we change our current business plan in a manner that will increase or accelerate our anticipated costs and expenses, the depletion of our working capital would be accelerated. To the extent it becomes necessary to raise additional cash in the future as our cash on hand and working capital resources are depleted, we intend to raise additional capital through the sale of additional equity securities, public or private sale of debt or equity securities, debt financing or short term loans, or a combination of these options. We currently do not have a binding commitment for, or readily available sources of, additional financing. We cannot give any assurance that we will be able to secure the additional cash or working capital that we may require to continue our operations under such circumstances or that it will be on terms that would not hinder our ability to execute our business strategy.

Our anticipated costs are estimates based upon our current business plan. Our actual costs could vary materially from these estimates. Further, we could change our current business plans, which may also result in a change in our anticipated costs.

### **Off Balance Sheet Arrangements**

There are no guarantees, commitments, lease and debt agreements or other agreements that would trigger adverse changes in our credit rating, earnings, or cash flows, including requirements to perform under stand by agreements.

### **Critical Accounting Policies**

The discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America.

#### *Impairment of Long Lived Assets*

On an ongoing basis, we evaluate our estimates and impairment of long lived assets. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates, including those for the above described items are reasonable.

The Company reviews the recoverability of its long-lived assets, such as property and equipment, when events or changes in circumstances occur that indicate the carrying value of the asset or asset group may not be recoverable. The assessment of possible impairment is based on the Company's ability to recover the carrying value of the asset or asset group from the expected future pre-tax cash flows (undiscounted) of the related operations. If these cash flows are less than the carrying value of such asset, an impairment loss is recognized for the difference between estimated fair value and carrying value.





### *Revenue Recognition*

Although at this stage in our development we have had no significant revenues we consider revenue recognition a critical accounting policy as it affects timing of earnings recognition. We recognize revenues on delivery and to date our operations have not involved any uncertainty of accounting treatment, subjective judgment or estimates over revenue recognition.

### **Item 3. Controls and Procedures**

Evaluation of disclosure controls and procedures.

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports filed pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules, regulations and related forms, and that such information is accumulated and communicated to our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Within the 90 days prior to the filing date of this quarterly report, we carried out an evaluation, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective.

Changes in internal controls.

There have been no significant changes in our internal controls or in other factors that could significantly affect these controls and procedures subsequent to the date we completed our evaluation. Therefore, no corrective actions were taken.

## **PART II — OTHER INFORMATION**

### **Item 1. Legal Proceedings.**

To the best knowledge of the officers and directors, the Company is not a party to any legal proceeding or litigation.

### **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**

On April 13, 2006, pursuant to Rule 504 of Regulation D promulgated under the Securities Act, Trulite issued 1,000,000 shares of Common Stock and 1,000,000 one-year warrants to purchase Common Stock, at an exercise price of \$1.50 per share, to 12 accredited investors for an aggregate purchase price of \$1,000,000.

In addition, in April 2006, the Company issued 300,000 shares of Common Stock and warrants to purchase 400,000 shares of Common Stock at an exercise price of \$3.00 per share to Jelco, Inc. and Boru Enterprises, Inc., pursuant to each of their consulting agreements.

All purchasers of the Company's securities represented in writing that they were accredited investors and acquired the securities for their own accounts. A legend was placed on the stock certificates stating that the securities have not been registered under the Securities Act and cannot be sold or otherwise transferred without an effective registration or an

exemption therefrom.

27

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**Item 3. Defaults Upon Senior Securities.** None.

**Item 4. Submission of Matters to a Vote of Security Holders.** None.

**Item 5. Other Information.** None.

**Item 6. Exhibits.**

(a) Exhibits required by Item 601 of Regulation S-B.

| Exhibit No. | Description   |
|-------------|---|
| 31.1        | Certification of the Company's Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, with respect to the registrant's Quarterly Report on Form 10-QSB/A for the quarter ended June 30, 2006. |
| 31.2        | Certification of the Company's Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, with respect to the registrant's Quarterly Report on Form 10-QSB/A for the quarter ended June 30, 2006. |
| 32.1        | Certification of the Company's Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.  |
| 32.2        | Certification of the Company's Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.  |

28

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused the Report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: December 22, 2006

Trulite, Inc.

By: /s/ Jonathan Godshall

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Jonathan Godshall  
President