TRULITE INC
Form 10-Q
May 15, 2008

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

FORM 10-Q

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

For the quarterly period ended March 31, 2008

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

Commission file number 000-51696

Trulite, Inc.
(Exact name of small business issuer as specified in its charter)

Delaware	**20-1372858**
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification number)

1401 McKinney Street
Suite 900
Houston, TX 77010

(Address of principal executive offices)

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

Copies to:
James Ryan, III, Esq.
Jackson Walker L.L.P
901 Main St., Suite 6000
Dallas, TX 75202
Tel: (214) 953-5801
Fax: (214) 661-6688

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 x No o

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

Large accelerated filer o	Accelerated filer o
Non-accelerated filer o	Smaller reporting company x

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

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: 21,201,270 shares of Common Stock, par value $.0001 per share, outstanding as of May 15, 2008.

TRULITE, INC.

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PART I- FINANCIAL INFORMATION

Note Regarding Forward-looking Statements

This Form 10-Q for the quarter ended March 31, 2008, 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 estimate future expenditures;
- Our ability to sell our products;
- Our ability to retain and attract experienced and knowledgeable personnel; and
- Our ability to compete in the renewable energy industry

In addition, the words “believe,” “may,” “will,” “estimate,” “continue,” “anticipate,” “intend,” “expect,” and similar expressio 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. In light of these risks and uncertainties, the forward-looking events and circumstances discussed in this Form 10-QSB may not occur and actual results could differ materially from those anticipated or implied in the forward-looking statements.

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PART 1. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

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

	March 31 2008	December 31, 2007 Audited
ASSETS		
Current assets:		
Cash and cash equivalents	$ -	$ 374,134
Prepaid expenses and other current assets	9,273	23,793
Total current assets	9,273	397,927
Property and equipment, net	46,479	53,322
Patent application fees	43,092	41,963
Total assets	$ 98,844	$ 493,212
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable and accrued expenses	$ 394,865	$ 260,238
Due to affiliates	224,631	57,363
Notes payable, net of unamortized discount of $26,879 and $28,778 as of March 31, 2008 and December 31, 2007, respectively.	523,121	396,222
Total current liabilities	1,142,617	713,823
Commitments and contingencies		
Stockholders' deficit:		
8% Cumulative Convertible, Series A Preferred Stock; $0.0001 par value, 1,500,000 shares authorized, 0 shares issued and outstanding as of March 31, 2008 and December 31, 2007.	-	-
Common Stock; $0.0001 par value, 50,000,000 shares authorized, 21,201,270 shares issued and outstanding as of March 31, 2008 and December 31, 2007, respectively.	2,120	2,120
Additional paid-in-capital	15,678,945	15,572,927
Deficit accumulated during the development stage	(16,724,838)	(15,795,658)
Total stockholders' deficit	(1,043,773)	(220,611)
Total liabilities and stockholders' deficit	$ 98,844	$ 493,212

The accompanying notes are an integral part of these financial statements.

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

	Three Months Ended March 31, 2008	Three Months Ended March 31, 2007	Period From Inception (July 15, 2004) Through March 31, 2008
Sales	$ -	$ -	$ 29,633
Cost of sales	-		21,059
GROSS PROFIT	-	-	8,574
Operating expenses:			
Research and development	451,042	428,216	4,746,764
Depreciation	6,843	5,642	55,751
General and administrative	425,952	461,241	5,511,010
TOTAL OPERATING EXPENSES	883,837	895,099	10,313,525
LOSS FROM OPERATIONS	(883,837)	(895,099)	(10,304,951)
Other income (expense):			
Interest expense	(45,754)	(45,469)	(512,851)
Interest income	411	1,661	16,033
TOTAL OTHER INCOME (EXPENSE)	(45,343)	(43,808)	(496,818)
LOSS BEFORE INCOME TAXES	(929,180)	(938,907)	(10,801,769)
Income taxes	-	-	-
NET LOSS	(929,180)	(938,907)	$ (10,801,769)
Deemed dividend on warrant extension	-	(104,881)	
NET LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS	$ (929,180)	$ (1,043,788)	
NET LOSS PER COMMON SHARE			
Basic and diluted	$ (0.04)	$ (0.08)	
Deemed dividend	-	(0.01)	
Attributable to common stockholders	$ (0.04)	$ (0.09)	
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:			
Basic	21,201,270	11,785,491	

Diluted	21,201,270	11,785,491

The accompanying notes are an integral part of these financial statements.

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

	Three Months Ended March 31, 2008	2007	Period From Inception (July 15, 2004) Through March 31, 2008
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss	$ (929,180)	$ (938,907)	$ (10,801,769)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation	6,843	5,642	55,751
Amortization of debt discount	26,968	-	174,290
Common stock issued for consulting services	-	-	360,000
Common stock issued for management fees	-	-	133,840
Stock-based compensation expense	80,949	37,211	815,624
Warrants issued for consulting services	-	-	180,633
Write-off of research and development expenses	-	-	606,798
Debt conversion expense	-	-	177,147
Changes in operating assets and liabilities:			
Due to/from affiliate	12,268	(35,785)	529,725
Prepaid expenses and other current assets	14,520	10,672	(2,808)
Grants receivable	-	-	850
Accounts payable and accrued expenses	134,627	208,067	418,197
Net cash used in operating activities	(653,005)	(713,100)	(7,351,722)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of fixed and intangible assets	(1,129)	(6,731)	(138,866)
Net cash used in investing activities	(1,129)	(6,731)	(138,866)
CASH FLOWS FROM FINANCING ACTIVITIES			
Short-term working capital advaces from affiliates	155,000	-	155,000
Issuance of common stock	-	-	2,200,000
Exercise of stock options	-	-	50,088
Issuance of common stock warrants with debt financing	25,069	-	201,169
Issuance of preferred stock	-	-	1,250,000
Issuance of notes payable	99,931	600,000	848,831
Issuance of notes payable to affiliates	-	-	2,785,500
Net cash provided by financing activities	280,000	600,000	7,490,588
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(374,134)	(119,831)	-
CASH AND CASH EQUIVALENTS, beginning of period	374,134	275,957	-
CASH AND CASH EQUIVALENTS, end of period	$ -	$ 156,126	$ -

NON-CASH INVESTING AND FINANCING ACTIVITIES:						
Common stock issued for consulting services	$	-	$	-	$	360,000
Common stock issued for management fees	$	-	$	-	$	133,840
Warrants issued for consulting services	$	-	$	-	$	180,633
Common stock options issued for compensation	$	80,949	$	37,211	$	815,624
Preferred stock issued for acquisition	$	-	$	-	$	20,000
Common stock issued for acquisition	$	-	$	-	$	592,460
Common stock issued through coversion of notes payable	$	-	$	-	$	531,442
Common stock issued through coversion of notes payable to affiliates	$	-	$	-	$	3,245,593
Affiliate payable relieved through issuance of note payable	$	-	$	-	$	289,500
Cash paid for interest	$	-	$	-	$	28,897

The accompanying notes are an integral part of these financial statements.

Trulite, Inc. (a Development Stage Company)
Statements of Stockholders' Deficit
For the Periods From Inception (July 15, 2004) Through March 31, 2008

	8% Cumulative Convertible Series A Preferred Stock		Common Stock		Additional	Accumulated	
	Shares	Amount	Shares	Amount	Paid-in Capital	Deficit	Total
Cash issuances:							
July 28, 2004; issuance of preferred stock at $1.00 per share	100,000	$ 10	-	$ -	$ 99,990	$ -	$ 100,000
November 5, 2004; issuance of preferred stock at $1.00 per share	190,000	19	-	-	189,981	-	190,000
November 12, 2004; issuance of preferred stock at $1.00 per share	10,000	1	-	-	9,999	-	10,000
Non-cash issuances:							
July 22, 2004; preferred stock issued in the acquisition of Trulite Technology, LC based on fair value of stock issued of $1.00 per share	20,000	2	-	-	19,998	-	20,000
July 22, 2004; common stock issued in the acquisition of Trulite Technology, LC based on fair value of stock issued of $0.20 per share (post April 2005 split)	-	-	2,962,300	296	592,164	-	592,460
July 28, 2004; common stock issued for management services							

based on fair value of stock issued of $0.20 per share (post April 2005 split)	-	-	343,850	34	68,736	-	68,770
Accretion of dividends	-	6,624	-	-	(6,624)	-	-
Net loss	-	-	-	-	-	(878,022)	(878,022)
Balance, December 31, 2004	320,000	6,656	3,306,150	330	974,244	(878,022)	103,208
Cash issuances:							
February 1, 2005; issuance of preferred stock, at $1.00 per share	200,000	20	-	-	199,980	-	200,000
June 1, 2005; issuance of preferred stock at $0.80 per share	934,725	93	-	-	749,907	-	750,000
Non-cash issuances:							
January 28, 2005; common stock issued for management services based on fair value of stock issued of $0.20 per share (post April 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, 2005	1,454,725	90,843	3,631,500	363	1,905,094	(1,703,974)	292,326
Cash issuances:							
April 13, 2006; issuance of common stock and warrants	-	-	1,000,000	100	999,900	-	1,000,000
Non-cash issuances:							

April 26, 2006; common stock issued for consulting services based on fair value of stock issued of $0.95 per share	-	-	300,000	30	284,970	-	285,000
April 26, 2006; warrants to purchase common stock issued for consulting services based on fair value of warrants issued	-	-	-	-	162,155	-	162,155
Accretion of dividends	-	39,275	-	-	(39,275)	-	-
May 2, 2006; accretion of preferred stock for deemed dividend on conversion of accrued dividends to common stock	-	161,388	-	-	(161,388)	-	-
May 2, 2006; accretion of preferred stock for deemed dividend on conversion to common stock	-	1,424,762	-	-	(978,494)	(446,268)	-
May 2, 2006; conversion of preferred stock to common stock	(1,454,725)	(1,716,268)	6,853,991	685	6,853,306	(5,137,723)	-
Stock-based compensation	-	-	-	-	511,157	-	511,157
Net loss	-	-	-	-	-	(3,443,294)	(3,443,294)
Balance, December 31, 2006	-	-	11,785,491	1,178	9,537,425	(10,731,259)	(1,192,656)

The accompanying notes are an integral part of these financial statements.

Trulite, Inc. (a Development Stage Company)
Statements of Stockholders' Deficit (Continued)
For the Periods From Inception (July 15, 2004) Through March 31, 2008

	8% Cumulative Convertible Series A Preferred Stock		Common Stock		Additional Paid-in	Accumulated	
	Shares	Amount	Shares	Amount	Capital	Deficit	Total
Cash issuances:							
April 1, 2007; exercise of stock options	-	-	100	-	88	-	88
September 9, 2007; exercise of stock options	-	-	50,000	5	49,995	-	50,000
November 26, 2007; issuance of common stock	-	-	2,400,000	240	1,199,760	-	1,200,000
Non-cash issuance:							
June 26, 2007; common stock issued for consulting services based on fair value of stock issued of $0.75 per share	-	-	100,000	10	74,990	-	75,000
November 26, 2007; issuance of common stock through converion of related party notes payable	-	-	5,802,795	581	3,245,012	-	3,245,593
November 26, 2007; issuance of common stock through induced conversion of notes payable and recognition of conversion expense of $177,147.	-	-	1,062,884	106	708,483	-	708,589
February, 22, 2007; deemed dividend on warrant modification	-	-	-	-	104,881	(104,881)	-
April 19, 2007; warrants to purchase common stock issued for consulting services based on fair value of	-	-	-	-	18,478	-	18,478

warrants issued							
June 26, 2007; warrants issued with convertible debt	-	-	-	-	135,300	-	135,300
November 7, 2007; warrants issued with notes payable	-	-	-	-	40,800	-	40,800
November 19, 2007; deemed dividend on warrant modification	-	-	-	-	234,197	(234,197)	-
Stock-based compensation	-	-	-	-	223,518	-	223,518
Net Loss	-	-	-	-	-	(4,725,321)	(4,725,321)
Balance, December 31, 2007	-	-	21,201,270	2,120	15,572,927	(15,795,658)	(220,611)
February 12, 2008; warrants issued with notes payable	-	-	-	-	20,080	-	20,080
March 7, 2008; warrants issued with notes payable	-	-	-	-	4,989	-	4,989
Stock-based compensation	-	-	-	-	80,949	-	80,949
Net Loss	-	-	-	-		(929,180)	(929,180)
Balance March 31, 2008	-	$ -	21,201,270	$ 2,120	$ 15,678,945	$ (16,724,838)	$ (1,043,773)

The accompanying notes are an integral part of these financial statements.

Trulite, Inc. (a Development Stage Company)
Notes to Financial Statements

NOTE 1 - Basis of Presentation

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 America 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 financial statements and footnotes included in our Annual Report on Form 10-K for the year ended December 31, 2007. Interim results are not necessarily indicative of results to be expected for the full fiscal year ending December 31, 2008.

The Company from inception (July 15, 2004) through March 31, 2008, did not have significant revenues. The Company has no significant operating history as of March 31, 2008. The accompanying financial statements have been prepared assuming the Company will continue as a going concern. From inception (July 15, 2004) through March 31, 2008, 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.

Reclassifications

Certain reclassifications have been made to conform prior period amounts to the current period presentation. These reclassifications had no effect on net loss or stockholders’ deficit.

NOTE 2 - Recent Accounting Pronouncements

In December 2007, the FASB issued SFAS No. 141(R), “Business Combinations” (“SFAS No. 141(R)”). SFAS No. 141(R) requires the Company to continue to follow the guidance in SFAS No. 141 for certain aspects of business combinations, with additional guidance provided defining the acquirer, recognizing and measuring the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree, assets and liabilities arising from contingencies, defining a bargain purchase and recognizing and measuring goodwill or a gain from a bargain purchase. This statement is effective for all business combinations for which the acquisition date is on or after the beginning of an entity’s first fiscal year that begins after December 15, 2008. The Company will implement SFAS No. 141(R) for any business combinations occurring at or subsequent to January 1, 2009.

Trulite, Inc. (a Development Stage Company)
Notes to Financial Statements

NOTE 3 - Property and Equipment

Property and Equipment consists of the following:

		March 31, 2008		December 31, 2007
Office and other equipment	$	79,657	$	79,657
Manufacturing equipment		15,450		15,450
Test equipment		7,123		7,123
Total fixed assets		102,230		102,230
Accumulated depreciation		(55,751)		(48,908)
Property and equipment, net	$	46,479	$	53,322

NOTE 4 - Accounts Payable and Accrued Expenses

		March 31, 2008		December 31, 2007
Accounts payable	$	294,154	$	137,732
Accrued expenses		100,711		122,506
	$	394,865	$	260,238

NOTE 5 - Notes Payable

On February 12, 2008, the Company pursuant to the terms of a Note and Warrant Purchase Agreement dated February 12, 2008 (the “February Purchase Agreement”), sold a total of four units (“Units”), each Unit comprising (i) an unsecured promissory note (a “Note”), in the original principal amount of $25,000, and (ii) a warrant (a “Warrant”), to purchase 50,000 shares of the Company's common stock at a price of $0.50 per share. The Company sold a total of $100,000 in principal amount of Notes and Warrants to purchase a total of 200,000 shares of Common Stock for total proceeds of $100,000. Each Note bears interest at a rate of 15% per annum. Principal and accrued but unpaid interest on each Note are payable in full on August 12, 2008. Amounts outstanding under each Note may be prepaid without penalty. Each Warrant is exercisable until February 12, 2009, at an exercise price of $0.50 per share.

On March 7, 2008, the Company, pursuant to the terms of a Note and Warrant Purchase Agreement dated March 7, 2008 (the “March Purchase Agreement”), sold one Unit, at a price of $25,000 per Unit, with each Unit comprising (i) an unsecured promissory note (a “Note”), in the original principal amount of $25,000, and (ii) a Warrant to purchase 50,000 shares of the Company’s Common stock at a price of $0.50 per share. The Note bears interest at a rate of 15% per annum. Principal and accrued but unpaid interest on each Note are payable in full on August 7, 2008. Amounts outstanding under the Note may be prepaid without penalty. The Warrant is exercisable until March 7, 2009, at an exercise price of $0.50 per share.

In accordance with the guidelines of APB No. 14, “Accounting for Convertible Debt and Debt Issued with Stock Purchase Warrants,” the proceeds of the February Purchase Agreement and the March Purchase Agreement were allocated to the Warrants and to the Notes based on the relative fair values of the two instruments at the date of issuance. The fair value of the Warrants was determined using the Black-Scholes pricing model, assuming a risk-free interest rate of 2.06 % and 1.55%, a volatility factor of 62%, dividend yields of 0% and a contractual life of one year for the February and March Purchase Agreements, respectively. Of the $100,000 of proceeds received

Trulite, Inc. (a Development Stage Company)
Notes to Financial Statements

NOTE 5 - Notes Payable (Continued)

from the February Purchase Agreement $20,080 was recorded to additional paid-in capital to recognize the issuance of the Warrants and as a discount to the face amount of the Notes of $100,000. The discount will be amortized to interest expense through the date of maturity, August 12, 2008. Of the $25,000 of proceeds received from the March Purchase Agreement, $4,989 was recorded to additional paid-in capital to recognize the issuance of the Warrants and as a discount to the face amount of the Note of $25,000. The discount will be amortized to interest expense through date of maturity, August 7, 2008.

NOTE 6 - 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 5,000,000 shares are reserved for issuance and, as of March 31, 2008, 939,421 shares remained available for grant under the Plan.

For the three month period ended March 31, 2008 and 2007, total stock-based compensation expense recognized was $80,949 and $37,211, respectively. The total unrecognized compensation cost at March 31, 2008, relating to non-vested share-based compensation arrangements granted under the Plan, was $889,100. That cost is expected to be recognized over the weighted average period of 3.0 years.

During the three month period ended March 31, 2008, the Company granted options to purchase 702,000 shares of common stock under the plan. The exercise prices of the granted options were determined based on management's estimate of fair value on the date of grant. The options vest over a weighted average period of 3.8 years and have a contractual life of seven years. The weighted average fair value of each option was $0.26 and was based upon the weighted average assumptions noted below:

Risk free rate	2.72%
Expected life (in years)	4.6
Expected volatility	64%
Expected dividends	-

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. 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 option grants 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 has historically been based on an evaluation of similar companies' trading activity. The Company has not issued any cash dividends on its common stock.

Trulite, Inc. (a Development Stage Company)
Notes to Financial Statements

NOTE 6 - Stock-Based Compensation (Continued)

The following summary presents information regarding outstanding options as of March 31, 2008, and the changes during the three months then ended:

Option Activity

	Shares Under Options	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at January 1, 2008	3,425,676	$ 0.90		
Granted	702,000	0.52		
Exercised	-	-		
Forfeited/Cancelled	(15,000)	1.00		
Outstanding at March 31, 2008	4,112,676	0.83	5.0 years	$ 135,400
Vested or expected to vest at March 31, 2008	3,231,054	0.89		-
Exercisable at March 31, 2008	1,479,455	$ 0.90	3.0 years	$ -

NOTE 7 - 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 March 31, 2008 and December 31, 2007.

The Company adopted the provisions of FIN 48 on January 1, 2007. After application of the provisions of FIN 48, it was not necessary for the Company to recognize any liability for unrecognized tax benefits or adjustment to the balance of retained earnings as of January 1, 2007. The Company's policy is to classify interest and penalties related to unrecognized tax benefits in income tax expense. As of January 1, 2007, the Company had no accrued interest and penalties related to unrecognized tax benefits. As of January 1, 2007, after the implementation of FIN 48, the Company had no unrecognized tax benefits. Therefore, there is no amount, if recognized, that would affect the effective tax rate.

The Company files an income tax return in the U.S. federal jurisdiction. For federal tax purposes, the Company's 2004 through 2006 tax years remain open for examination by the tax authorities under the normal three year statute of limitations.

In May 2006, the State of Texas enacted a bill that replaced the existing franchise tax with a margin tax. Effective January 1, 2007 the margin tax applies to legal entities conducting business in Texas, including previously non-taxable entities such as limited partnership and limited liability partnerships. The margin tax is based on our Texas sourced taxable margin. The tax is calculated by applying a tax rate to a base that considers both revenues and expenses and therefore has the characteristics of an income tax. We did not need to accrue for any Texas margin tax.

NOTE 8 - Commitments and Contingencies

Concentrations of Credit Risk.

The Company maintains cash balances at a financial institution which at times exceeds federally insured amounts. The Company has not experienced any material losses in such accounts.

Trulite, Inc. (a Development Stage Company)
Notes to Financial Statements

NOTE 8 - Commitments and Contingencies (Continued)

Leases

Rent expense for the three month period ended March 31, 2008 and 2007 was $9,495 and $14,043, respectively. Rent expense is included in general and administrative expenses in the accompanying statements of operations. The Company's lease agreement will expire in May 2008, with future rental commitments of approximately $3,250.

NOTE 9 - Related Party Transactions

Due to affiliates

As of March 31, 2008 and December 31, 2007, amounts due to affiliates consisted of $69,631 and $57,363 due to Standard Renewable Energy Group, LLC and affiliates ("SREG") for management and administrative services, respectively. As of March 31, 2008, amounts due to affiliates also included short-term working capital advances from SREG in the amount of $155,000.

During the three month period ended March 31, 2008 and 2007, SREG billed the Company $63,240 and $96,947, respectively, for management and administrative services.

Interest

For the three month period ended March 31, 2008 the Company did not incur interest expense to related parties. For the three month period ended March 31, 2007 the Company incurred interest expense of $45,469, related to outstanding promissory notes with SREG and Contango Venture Capital Corporation ("CVCC").

NOTE 10 - Net Loss Per Share

	Three Months Ended March 31,			
		2008		**2007**
Numerator:				
Net loss	$	(929,180)	$	(938,907)
Increases to Net Loss:				
Deemed dividend on warrant extension		-		(104,881)
Net loss attributable to common stockholders	$	(929,180)	$	(1,043,788)
Denominator				
Basic earnings per share - weighted average common shares outstanding		21,201,270		11,785,491
Weighted-average dilutive effect of stock-based awards and common stock issuable upon exercise of warrants, net of assumed repurchase of				

treasury stock.		-		-
Fully-diluted earnings per share - weighted average common shares outstanding		21,201,270		11,785,491
Net loss per common share				
Basic and diluted	$	(0.04)	$	(0.08)
Deemed dividend		-		(0.01)
Attributable to common stockholders	$	(0.04)	$	(0.09)

Basic and diluted net loss per share for the three month period ended March 31, 2008 and 2007 are the same since the effect of all common stock equivalents are anti-dilutive to the Company's net loss in accordance with Statement of Financial Accounting Standards No. 128, *Earnings per Share*.

Trulite, Inc. (a Development Stage Company)
Notes to Financial Statements

NOTE 10 - Net Loss Per Share (Continued)

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

Anti-dilutive securities

	Three Months Ended March 31, 2008	2007
Common stock options	3,882,907	2,344,864
Common stock warrants	2,719,358	1,400,000

NOTE 11 - Subsequent Events

On April 11, 2008, the Company pursuant to the terms of a Note and Warrant Purchase Agreement dated April 11, 2008, sold a full and partial Unit totaling a 15% interest bearing unsecured promissory note in the principal amount of $30,000, with a maturity date of October 31, 2008 and Warrants to purchase 60,000 shares of the Company's Common Stock at an exercise price of $0.50 per share, which expire on April 11, 2009. The Company received proceeds of $30,000.

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

The following Management’s Discussion and Analysis and Plan of Operation 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 and should be read in conjunction with our unaudited financial statements for the three months ended March 31, 2008, with their explanatory notes included as part of this Form 10-Q, and our Management's Discussion and Analysis of Financial Condition and Results of Operations for the twelve months ended December 31, 2007 included in our Form 10-K.

Overview and Plan of Operation

Trulite is engaged in the development, production, sourcing, marketing and selling of portable, semi-portable and stationary products, components and systems that can generate power for use in off-grid applications requiring power up to one kilowatt. These products, components and systems include hydrogen fuel cells, photovoltaic solar panels, wind micro-turbines, batteries, charge controllers and inverters. Solar panels and on-site wind micro-turbines provide intermittent power that frequently must be stored to meet requirements when the panels are not producing. The Trulite fuel cells can provide power when the solar panels or wind turbines are not operating for extended and consistent power availability.

The Company announced the development of its new KH4 product in 2007. This hydrogen fuel cell generator can produce 150 watts of continuous power and up to 250 watts of peak power. The integrated advanced technology lithium ion battery can provide immediate power if the fuel cell is being used as a back-up for grid power. The system can manage the integration of power from solar panels and on-site wind micro-turbines together with power from the fuel cell to optimize the power available to meet the needs of the application. The KH4 uses dry sodium borohydride as the hydrogen source. The two 400 watt-hour fuel cartridges that are standard with the KH4 can provide over seven hours of run time with the unit operating at 60% of capacity. In the proper storage conditions, the fuel cartridges can be stored indefinitely before use. The Company has nine patents pending for the technology involved in the KH4 and other products.

Trulite has recently expanded its product offering to include smaller photovoltaic solar power systems and small on-site wind micro-turbines power systems. These products will be offered in the marketplace prior to the new KH4 product being available in production quantities but will be able to work in conjunction with the KH4.

Trulite believes that its off-grid products have application in several markets where electrical power is needed. The products can be used to recharge batteries such as those used in power tools on construction sites. Power can be provided in emergency situations where grid power is not available in the home or small business to recharge batteries, to power lights and small refrigerators and to power or recharge electronics. Power can also be provided for remote monitoring and electronics for security, industrial, telecommunications, and other applications. The products can also be used for recreational activities where grid power is not readily available such as camping, boating, fishing and hunting. Off-grid power is also useful for remote displays and for traffic control applications. The Trulite products can also be used to recharge uninterruptible power supply (“UPS”) battery back-up systems for computers where extended run times may be needed. Portable back-up power for batteries in cars, trucks, boats and RV’s also provides market opportunities.

The Company is a development stage company and, as such, has not had any meaningful revenues and has accumulated a deficit since it’s inception on July 15, 2004. From July 15, 2004 through December 31, 2004, the Company had $1,750 in sales. For the years ended December 31, 2005, 2006, and 2007, the Company had revenue of $16,667, $8,333, and $2,883, respectively. For the three months ended March 31, 2008, the Company had no sales. We expect increasing commercial sales during 2008, contingent on securing funding for manufacturing and application development. Research and development expenditures will be made to further enhance the performance of the hydrogen fuel sources, to develop the electronics that control the process to generate electricity, to improve the performance of the fuel cells and other components, to increase the electrical output of the products and to test the performance and reliability of the products. Since our inception, we have spent $4,746,764 in research and development and anticipate that we will spend at least $9.1 million in 2008 for manufacturing and application development costs and operating capital requirements. We will have ongoing research and development expenditures for the foreseeable future as products are developed for new applications and markets. The timing, amount and success of the research and development and manufacturing estimates are dependent on a number of factors that are difficult to project, including but not limited to the availability of qualified people, the success of the technologies under development, the cost to implement technologies, the cost of the product, the requirements of the marketplace, regulatory requirements, the availability of funds, and other factors.

We do not currently have sufficient capital to fully execute our business plan and we need to raise additional capital to develop, promote, and distribute our product. Historically, our activities have been funded through a combination of common and preferred stock issuances and loans from existing investors. Our current financial plans require us to secure approximately $10.0 - $15.0 million in 2008. Additional funding may not be available under favorable terms, if at all. If adequate funds are not available, we may be required to curtail operations significantly or to obtain funds on terms not as favorable as we would hope.

Results of Operations

***The following table summarizes our results of operations for the three* month period ended March 31, 2008 and 2007:**

	Three Months Ended March 31,	
	2008	**2007**
Sales	$ -	$ -
Cost of sales	-	-
GROSS PROFIT	-	-
Operating expenses:		
Research and development	451,042	428,216
Depreciation	6,843	5,642
General and administrative	425,952	461,241
TOTAL OPERATING EXPENSES	883,837	895,099
LOSS FROM OPERATIONS	(883,837)	(895,099)
Other income (expense):		
Interest expense	(45,754)	(45,469)
Interest income	411	1,661
TOTAL OTHER INCOME (EXPENSE)	(45,343)	(43,808)
LOSS BEFORE INCOME TAXES	(929,180)	(938,907)
Income taxes	-	-
NET LOSS	$ (929,180)	$ (938,907)

Revenues

For the three month period ended March 31, 2008 and 2007 there were no revenues.

Gross profit

For the three months ended March 31, 2008 and 2007 the Company had no gross profit or loss.

Operating expenses

For the three month period ended March 31, 2008, as compared to the three month period ended March 31, 2007, operating expenses decreased by $11,262. Research and development increased during this period by $22,826 and general and administrative expenses decreased by $35,289. The increase in research and development during the three month period ended March 31, 2008, as compared to the prior year period was due to a scale up of research and development of the KH4 150-watt power system through an increase in materials and supplies of $31,932 partially offset by a decrease in payroll and benefits of $9,106. The decrease in general and administrative expense during the three month period ended March 31, 2008 was the result of a decrease of $33,707 in management and administrative services provided by SREG, a decrease in professional fees of $78,954 and a decrease of $27,386 in travel and marketing expenses, partially offset by an increase of $43,738 in stock compensation and an increase in corporate salaries of $61,020.

Depreciation expense increased $1,201 for the three month period ended March 31, 2008, compared to the corresponding prior year period.

Loss from Operations

Operating losses were $883,837 for the three month period ended March 31, 2008, as compared to operating losses of $895,099 for the three month period ended March 31, 2007, due to the changes in operating expenses as noted above.

Other Income (Expense)

Other income (expense) for the three month period ended March 31, 2008, totaled a net expense of $45,343, and a net expense of $43,308 for the three month period ended March 31, 2007, due to interest expense on outstanding borrowings.

Net Loss

Net loss for the three month period ended March 31, 2008 was $929,180, as compared to $938,907 for the three month period ended March 31, 2007.

Cash position and sources and uses of cash

Our cash position at March 31, 2008 was $0 as compared to $374,134 at December 31, 2007.

Our operating activities for the three month period ended March 31, 2008 used cash in the amount of $653,005, as compared to $713,100 used in the three month period ended March 31, 2007. Cash used in operating activities for the three month period ended March 31, 2008 and 2007 reflected a net loss of $929,180 and $938,907, respectively. Non-cash charges were greater by $71,907 for the three month period ended March 31, 2008, primarily due to common stock options and amortization of debt discount on notes payable.

The Company used $1,129 and $6,731 in investing activities for the purchase of property and equipment and costs incurred for patent application fees, for the three month period ended March 31, 2008 and 2007, respectively.

The Company had cash inflows from financing activities of $280,000 for the three month period ended March 31, 2008, compared with $600,000 during the three month period ended March 31, 2007. For the three month period ended March 31, 2008, the Company's financing was primarily through short term advances from affiliates and promissory notes and warrants from third parties, whereas during the same period in 2007, the Company's financing was entirely with related parties.

On February 12, 2008, the Company pursuant to the terms of a Note and Warrant Purchase Agreement dated February 12, 2008 (the "February Purchase Agreement"), sold a total of four units ("Units"), each Unit comprising (i) an unsecured promissory note (a "Note"), in the original principal amount of $25,000, and (ii) a warrant (a "Warrant"), to purchase 50,000 shares of the Company's common stock at a price of $0.50 per share. The Company sold a total of $100,000 in principal amount of Notes and Warrants to purchase a total of 200,000 shares of Common Stock for total proceeds of $100,000. Each Note bears interest at a rate of 15% per annum. Principal and accrued but unpaid interest on each Note are payable in full on August 12, 2008. Amounts outstanding under each Note may be prepaid without penalty. Each Warrant is exercisable until February 12, 2009, at an exercise price of $0.50 per share.

On March 7, 2008, the Company, pursuant to the terms of a Note and Warrant Purchase Agreement dated March 7, 2008 (the "March Purchase Agreement"), sold one Unit, at a price of $25,000 per Unit, with each Unit comprising (i) an unsecured promissory note (a "Note"), in the original principal amount of $25,000, and (ii) a Warrant to purchase 50,000 shares of the Company's Common stock at a price of $.50 per share. The Note bears interest at a rate of 15% per annum. Principal and accrued but unpaid interest on each Note are payable in full on August 7, 2008. Amounts outstanding under the Note may be prepaid without penalty. The Warrant is exercisable until March 7, 2009, at an exercise price of $0.50 per share.

In accordance with the guidelines of APB No. 14, "Accounting for Convertible Debt and Debt Issued with Stock Purchase Warrants," the proceeds of the February Purchase Agreement and the March Purchase Agreement were allocated to the Warrants and to the Notes based on the relative fair values of the two instruments at the date of issuance. The fair value of the Warrants was determined using the Black-Scholes pricing model, assuming a risk-free interest rate of 2.06 % and 1.55%, a volatility factor of 62%, dividend yields of 0% and a contractual life of one year for the February and March Purchase Agreements, respectively. Of the $100,000 of proceeds received from the February Purchase Agreement $20,080 was recorded to additional paid-in capital to recognize the issuance of the Warrants and as a discount to the face amount of the Notes of $100,000. The discount will be amortized to interest expense through the date of maturity, August 12, 2008. Of the $25,000 of proceeds received from the March Purchase Agreement, $4,989 was recorded to additional paid-in capital to recognize the issuance of the Warrants and as a discount to the face amount of the Note of $25,000. The discount will be amortized to interest expense through date of maturity, August 7, 2008.

Capital Resources Going Forward

Our intended plan of operations for 2008 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 March 31, 2008, 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 incurrence of debt and the sale of additional securities.

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.

Going Concern

We received an audit report for the year ended December 31, 2007, from our independent registered accounting firm containing an explanatory paragraph expressing substantial doubt about our ability to continue as a going concern. We have had no significant operating history as of March 31, 2008, and since inception, we have not had significant revenues. We have raised additional equity and debt financing to fund operations and to provide additional working capital. However, the amount raised to date is not sufficient to meet our needs over the next twelve months and there are no assurances that we will be able to raise sufficient funds to continue our operations. These conditions raise substantial doubt about the Company's ability to continue as a going concern.

Contractual Obligations

The Company had an employment agreement with its President that expires July 31, 2008, under which the committed obligation is $110,000 at March 31, 2008.

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.

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 the 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 4. 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.

None.

Item 1A. Risk Factors.

We do not have material changes to our risk factors set forth under Item 1A of Part I of our most recently filed Form 10-K.

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

None

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.

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-Q for the quarter ended March 31, 2008.
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-Q for the quarter ended March 31, 2008.
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.

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: May 15, 2008 Trulite, Inc.

By: /s/ Jonathan Godshall
Jonathan Godshall
President (Principal Executive Officer)

By: /s/ G. Wade Stubblefield
G. Wade Stubblefield
Chief Financial Officer (Principal
Financial and Accounting Officer)