

ULTRALIFE BATTERIES INC

Form DEF 14A

April 28, 2006

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by

Rule 14a-6(e)(2)) Definitive Proxy Statement Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

Ultralife Batteries, Inc.

(Name of Registrant as Specified In Its Charter)

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

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**ULTRALIFE BATTERIES, INC.
2000 TECHNOLOGY PARKWAY
NEWARK, NEW YORK 14513**

May 3, 2006

To Our Shareholders:

You are cordially invited to attend the Annual Meeting of Shareholders of Ultralife Batteries, Inc. on Thursday, June 8, 2006 at 10:30 A.M. at our corporate offices, 2000 Technology Parkway, Newark, New York 14513.

The accompanying Notice of Annual Meeting of Shareholders and Proxy Statement describe in detail the matters expected to be acted upon at the meeting. This package also contains our 2005 Annual Report to Shareholders, which consists of the Company's annual report and Form 10-K for the year ended December 31, 2005, and which sets forth important business and financial information concerning your Company.

We hope that you will be able to attend this year's Annual Meeting.

Very truly yours,

John D. Kavazanjian
President and Chief Executive Officer

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**ULTRALIFE BATTERIES, INC.
2000 TECHNOLOGY PARKWAY
NEWARK, NEW YORK 14513
NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
JUNE 8, 2006**

Notice is hereby given that the 2006 Annual Meeting of Shareholders (the Meeting) of Ultralife Batteries, Inc. (the Company) will be held on Thursday, June 8, 2006 at 10:30 A.M. at our corporate offices, 2000 Technology Parkway, Newark, New York 14513 for the following purposes:

1. to elect directors for a term of one year and until their successors are duly elected and qualified;
2. to ratify the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2006;
3. to approve the amendment of our Amended and Restated Long-Term Incentive Plan by increasing from 750,000 to 1,500,000 the number of shares of the Company s Common Stock authorized to be issued pursuant to that plan;
4. to ratify and approve the grant of a non-qualified stock option to John D. Kavazanjian, our Chief Executive Officer, to acquire up to 80,000 shares of our Common Stock; and
5. to transact such other business as may properly come before the Meeting and any adjournments thereof.

Only shareholders of record of Common Stock, par value \$.10 per share, of the Company at the close of business on April 12, 2006 are entitled to receive notice of, and to vote at and attend the Meeting. If you do not expect to be present, you are requested to fill in, date and sign the enclosed proxy, which is solicited by our Board of Directors, and to return it promptly in the enclosed envelope. In the event you decide to attend the Meeting in person, you may, if you desire, revoke your proxy and vote your shares in person.

Our Annual Report to Shareholders for the year ending December 31, 2005, which includes the Company s Form 10-K, is enclosed.

By Order of the Board of Directors

Ranjit C. Singh
Chairman of the Board of Directors

Dated: May 3, 2006

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IMPORTANT

REGARDLESS OF WHETHER YOU PLAN TO ATTEND THE MEETING, WE ENCOURAGE YOU TO COMPLETE, SIGN, DATE AND RETURN THE ENCLOSED PROXY IN THE ENVELOPE PROVIDED, WHICH REQUIRES NO POSTAGE IF MAILED IN THE UNITED STATES.

**ULTRALIFE BATTERIES, INC.
2000 TECHNOLOGY PARKWAY
NEWARK, NEW YORK 14513
(315) 332-7100**

**PROXY STATEMENT
ANNUAL MEETING OF SHAREHOLDERS
JUNE 8, 2006**

INFORMATION CONCERNING SOLICITATION AND VOTING

We are furnishing this proxy statement to our shareholders in connection with our Board of Directors' solicitation of proxies for use at our 2006 Annual Meeting of Shareholders (the Meeting) to be held on Thursday, June 8, 2006, at 10:30 A.M. and at any adjournments thereof. The Meeting will be held at our corporate offices, 2000 Technology Parkway, Newark, New York 14513.

The approximate date on which the enclosed form of proxy and this proxy statement are first being sent to our shareholders is May 3, 2006.

When a proxy is returned properly signed and dated, the shares represented thereby will be voted in accordance with the shareholder's directions. If the proxy is signed and returned without choices having been specified, the shares will be voted FOR the election of each director-nominee named herein, and FOR the other proposals identified herein. If for any reason any of the nominees for election as directors shall become unavailable for election, discretionary authority may be exercised by the proxies to vote for substitute nominees proposed by our Board of Directors. A shareholder has the right to revoke a previously granted proxy at any time before it is voted by filing with the Secretary of the Company a written notice of revocation, or a duly executed later-dated proxy, or by requesting return of the proxy at the Meeting and voting in person.

Only shareholders of record at the close of business on April 12, 2006 are entitled to notice of, and to vote at, the Meeting. As of April 12, 2006, there were 14,780,096 shares of our Common Stock, par value \$.10 per share (Common Stock), issued and outstanding, each entitled to one vote per share at the Meeting. A majority of the outstanding shares of Common Stock, represented in person or by proxy at the Meeting, will constitute a quorum for the transaction of all business.

Pursuant to the provisions of the Delaware General Corporation Law, our directors will be elected by a plurality of the votes cast by the holders of shares of Common Stock present in person or represented by proxy at the Meeting and entitled to vote at the Meeting. Because directors are elected by a plurality of the votes cast, withholding authority to vote with respect to one or more nominees will have no effect on the outcome of the election, although such shares would be counted as present for purposes of determining the existence of a quorum. The affirmative vote of holders of a majority of the shares of Common Stock represented at the Meeting and entitled to vote on the proposal to ratify the selection of the Company's independent registered public accounting firm, to approve the amendment of our Amended and Restated Long-Term Incentive Plan and to ratify and approve a stock option grant to our Chief Executive Officer is required for approval of those proposals. For purposes of the vote on these proposals, abstentions would have the effect of voting against the proposals because they are deemed to

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be present and entitled to vote but do not count toward the affirmative vote required to approve the proposals. Similarly, when brokers have discretionary authority to vote on a particular proposal, such as the ratification of the selection of our independent registered public accounting firm, shares held by them would be deemed present for quorum purposes and entitled to vote for voting purposes, meaning that a broker abstention would then have the effect of voting against the proposal. In contrast, broker non-votes (which occur when shares held by brokers or nominees for beneficial owners cannot be voted on matters deemed to be non-discretionary, absent instruction from the beneficial owner), which could occur with respect to the proposals to approve the amendment of the Amended and Restated Long-Term Incentive Plan and the option grant to our Chief Executive Officer, as these are non-discretionary matters as to which brokers cannot vote without instruction from the beneficial owners of shares, would not be entitled to vote on the proposals, and would therefore have no effect on the outcome.

We will bear the cost of soliciting proxies. In addition to the solicitation of proxies by use of the mails, some of our officers, directors and regular employees, without extra remuneration, may solicit proxies personally or by telephone, telefax or similar transmission. We will reimburse record holders for expenses in forwarding proxies and proxy soliciting material to the beneficial owners of the shares held by them.

**PROPOSAL 1
ELECTION OF DIRECTORS**

Our Board of Directors currently has seven directors, all of whom except Carl H. Rosner are running for re-election for a one year period. Mr. Rosner had previously notified our Board of Directors that he was retiring from our Board of Directors and would not be standing for re-election to our Board at the Meeting and accordingly, effective the date of the Meeting, Mr. Rosner will no longer sit on our Board of Directors or on any of its committees. Carole L. Anderson is being nominated for the first time. Each director shall serve until the next annual meeting of shareholders and until his or her successor shall have been elected and qualified. The names of, and certain information with respect to, the persons nominated for election as directors are presented on the following pages.

Name	Age	Present Principal Occupation and Employment History
Ranjit C. Singh	53	Mr. Singh has been a director of the Company since August 2000, and has served as Chairman of the Board since December 2001. Mr. Singh is currently President and Chief Executive Officer of Tech Books, a position he has held since February 2003. Since February 2002, he has served as President and Chief Executive Officer of Reliacast Inc., a video streaming software and services company. Prior to that, he was President and Chief Operating Officer of ContentGuard, a spinoff of Xerox Corporation that is jointly owned with Microsoft. ContentGuard develops and markets digital property rights software. Before joining ContentGuard earlier in 2000, Mr. Singh worked for Xerox as a corporate Senior Vice President in various assignments related to software businesses. Mr. Singh joined Xerox in 1997, having come from Citibank where he was Vice President of Global Distributed Computing. Prior to that, he was a principal at two start-up companies and also held executive positions at Data General and Digital Equipment Corporation.

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Carole L. Anderson	61	Ms. Anderson is a co-founder and principal of Suburban Capital Markets, Inc., a commercial real estate finance company, and President of MASDUN Capital Advisors, a private investment company. Prior to her affiliation with Suburban, Ms. Anderson was President and Chief Executive Officer of MNC Investment Bank and Managing Director for Merger and Acquisition Services. Prior to joining MNC Investment Bank, Ms. Anderson served for two years as Senior Vice President for Corporate Development of Hasbro Inc. and as President of its Infant Products Division. Prior to that, she was Managing Director, Mergers and Acquisitions at Paine Webber Inc. Ms. Anderson is currently a Trustee of the Hasbro Childrens Foundation and is a member of the Editorial Board of <i>Southeast Real Estate Business</i> .
Patricia C. Barron	63	Ms. Barron, who is currently retired, has been a director of the Company since September 2000. Ms. Barron serves as a director of Aramark Corporation, Quaker Chemical Corporation, Teleflex Incorporated and United Services Automobile Association, an insurance mutual corporation. She also serves on a number of non-profit organizations, with a focus on education and health. Ms. Barron had a 28-year career in business. She was an Associate at McKinsey and Company and then moved to Xerox Corporation where she became a corporate officer and held the positions of Vice President of Business Operation Support, President of Engineering Systems and President of Office Document Products. Most recently she has been a Clinical Associate Professor at the Leonard N. Stern School of Business of New York University, where she focused on issues of corporate governance and leadership.
Anthony J. Cavanna	66	Mr. Cavanna has been a director of the Company since December 2003. He is currently serving as Chairman and Chief Executive Officer and previously served as Executive Vice President and Chief Financial Officer of Trex Company, Inc., the nation's largest manufacturer of alternative decking products, from September 1998 until December 2003, and is currently a director of that company. Before forming Trex Company, Inc. in 1996 by leading a management buyout from Mobil Chemical Company, Mr. Cavanna spent 33 years with Mobil and held a variety of positions, including Group Vice President, Vice President-Planning and Finance, Vice President of Mobil Chemical and General Manager of its Films Division Worldwide, President and General Manager of Mobil Plastics Europe and Vice President-Planning and Supply of the Films Division.

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Daniel W. Christman	62	Mr. Christman was appointed to the Board of Directors in August 2001. He is currently Senior Vice President International Affairs for the U.S. Chamber of Commerce, a position he has held since June 2003, and was previously the Executive Director of the Kimsey Foundation in Washington, D.C. Prior to that, he was Superintendent for the U.S. Military Academy at West Point, New York from June 1996 until July 2001. He currently serves as a director of United Services Automobile Association and Entegris, Inc., a semi conductor equipment manufacturer.
Paula H.J. Cholmondeley	59	Ms. Cholmondeley has been a director of the Company since June 2004. She is currently an independent consultant with financial accounting expertise. From 2000 to 2004, she was Vice President and General Manager, Specialty Products of Sappi Fine Paper, North America. She has occupied management positions in Owens Corning, the Faxon Company and Blue Cross Blue Shield of Greater Philadelphia. Ms. Cholmondeley is a certified public accountant and our Sarbanes-Oxley designated financial expert and currently serves on the Board of Directors of Dentsply International, Inc., Minerals Technology Inc., Albany International Corp., Terex Corporation and Gartmore Capital, a mutual fund.
John D. Kavazanjian	55	Mr. Kavazanjian was elected as the Company's President and Chief Executive Officer effective July 12, 1999 and as a director on August 25, 1999. Prior to joining the Company, Mr. Kavazanjian worked for Xerox Corporation from 1994 in several capacities, most recently as Corporate Vice President, Chief Technology Officer, Document Services Group. Mr. Kavazanjian also serves on the Board of Directors of ViaHealth of Wayne Foundation.

Our Board of Directors has unanimously approved the above-named nominees for directors. Our Board of Directors recommends a vote **FOR** all of these nominees.

CORPORATE GOVERNANCE***General***

Pursuant to the General Corporation Law of the State of Delaware, the state under which we were organized, and our By-laws, our business, property and affairs are managed by or under the direction of our Board of Directors. Members of the Board of Directors are kept informed of Company business through discussions with our Chief Executive Officer and other corporate officers, by reviewing materials provided to them and by participating in meetings of the Board and its committees. Our Board of Directors has four standing committees: an Executive Committee, an Audit and Finance Committee, a Governance Committee and a Compensation and Management Committee. We also have a Mergers and Acquisitions Committee, which is an ad hoc committee formed in 2005 specifically for the purpose of identifying and evaluating acquisition opportunities. During 2005, our Board of Directors held six

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meetings and the committees of our Board of Directors, including the Mergers and Acquisition Committee, held a total of 24 meetings.

Each director attended at least 75% of the aggregate of: (1) the total number of meetings of the Board (held during the period for which such person has been a director); and (2) the total number of meetings held by all committees of the Board on which he or she served.

Our Board of Directors has adopted a charter for each of the four standing committees that addresses the composition and function of each committee and has also adopted corporate governance principles that address the composition and function of the Board of Directors. These charters and corporate governance principles are available on our website at www.ultralifebatteries.com under the heading Investor Relations.

Our Board of Directors has determined that all of the directors who serve on these committees (other than Mr. Kavazanjian who sits on the Executive Committee) are independent for purposes of the Nasdaq Corporate Governance Listing Standards, and that the members of the Audit and Finance Committee are also independent for purposes of Section 10A(m)(3) of the Securities Exchange Act of 1934, as amended (the Exchange Act). The Board of Directors based these determinations primarily on a review of the responses of the directors to questions regarding employment, compensation history, affiliations and family and other relationships, and on follow-up discussions.

Committees of the Board

Executive Committee

The current members of the Executive Committee are Ranjit C. Singh (Chair), Patricia C. Barron, Paula H.J. Cholmondeley, Daniel W. Christman and John D. Kavazanjian. This committee is responsible for overseeing such matters as the Board of Directors determines from time to time and takes action in between regularly scheduled meetings of our Board of Directors when it is infeasible to convene the entire Board. The Executive Committee did not meet during 2005.

Audit and Finance Committee

The current members of the Audit and Finance Committee are Paula H.J. Cholmondeley (Chair), Anthony J. Cavanna, Carl H. Rosner and Ranjit C. Singh. As previously noted, Mr. Rosner will not be standing for re-election at our 2006 Annual Meeting of Shareholders. This committee selects our independent registered public accounting firm and has oversight responsibility for reviewing the scope and results of the independent registered public accounting firm's annual examination of our financial statements and the quality and integrity of those financial statements, the qualifications and independence of the independent registered public accounting firm, meeting with our financial management and also the independent registered public accounting firm to review matters relating to internal accounting controls, our accounting practices and procedures and other matters relating to our financial condition. The Audit and Finance Committee met 11 times during 2005.

Our Board of Directors has determined that each of the members of the Audit and Finance Committee is financially literate in accordance with Nasdaq Corporate Governance Listing Standards. In addition, our Board of Directors has determined that Ms. Cholmondeley qualifies as an Audit Committee Financial Expert as defined in Item 401(h) of Regulation S-K.

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Governance Committee

The members of the Governance Committee are currently Patricia C. Barron (Chair), Paula H.J. Cholmondeley and Daniel W. Christman. This committee reviews the performance of our directors, makes recommendations to our Board of Directors for membership and committee assignments and manages the annual evaluation of the performance of our Chief Executive Officer. The Governance Committee met four times during 2005.

Compensation and Management Committee

The current members of the Compensation and Management Committee are Daniel W. Christman (Chair), Patricia C. Barron and Anthony J. Cavanna. The Compensation and Management Committee has general responsibility for recommending to our Board of Directors remuneration for the Chairman and determining the remuneration of other officers elected by the Board of Directors, granting stock options and otherwise administering our equity compensation plans, and approving and administering any other compensation plans or agreements. Our Amended and Restated Long-Term Incentive Plan is administered by the Compensation and Management Committee. The Compensation and Management Committee met six times during 2005.

Mergers and Acquisitions Committee

The current members of the Mergers and Acquisitions Committee are Ranjit C. Singh, Paula H.J. Cholmondeley and Anthony J. Cavanna. As noted earlier, this committee is an ad hoc committee which is responsible for identifying and evaluating acquisition opportunities. The Mergers and Acquisitions Committee met three times during 2005.

Shareholder Recommendations for Director Nominations

As noted above, the Governance Committee considers and establishes procedures regarding recommendations for nomination to our Board of Directors, including nominations submitted by shareholders. Such recommendations should be sent to Corporate Secretary, Ultralife Batteries, Inc., 2000 Technology Parkway, Newark, New York 14513. Any recommendations submitted to the Corporate Secretary should be in writing and should include any supporting material the shareholder considers appropriate in support of that recommendation, but must include the information that would be required under the rules of the Securities and Exchange Commission (SEC) in a proxy statement soliciting proxies for the election of such candidate and a signed consent of the candidate to serve as a director of the Company, if elected. The Governance Committee evaluates all potential candidates in the same manner, regardless of the source of the recommendation.

Based on the information provided to the Governance Committee, it will make an initial determination whether to conduct a full evaluation of a candidate. As part of the full evaluation process, the Governance Committee may conduct interviews, obtain additional background information and conduct reference checks of candidates. The Governance Committee may also ask the candidate to meet with management and other members of our Board of Directors. In evaluating a candidate, the Board, with the assistance of the Governance Committee, takes into account a variety of factors as described in our Corporate Governance Principles.

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Director Nominee

Our new director nominee, Carole L. Anderson, was recommended to our Governance Committee by one of our independent directors. Our Governance Committee then evaluated Ms. Anderson's candidacy in accordance with our Corporate Governance Principles.

Annual Meeting Attendance

Our policy is that all of the directors, absent special circumstances, should attend the Company's Annual Meeting of Shareholders. A regular meeting of the Board of Directors is typically scheduled in conjunction with the Annual Meeting of Shareholders. All directors attended last year's Annual Meeting of Shareholders.

Executive Sessions

Our Corporate Governance Principles require our Board of Directors to meet in executive session regularly by requiring our independent directors to have at least four regularly-scheduled meetings per year without any management present. Our Board of Directors met in executive session five times during 2005.

Communicating with the Board of Directors

Shareholders interested in communicating directly with our Board of Directors as a group may do so in writing to the Company's Corporate Secretary, Ultralife Batteries, Inc., 2000 Technology Parkway, Newark, New York 14513. The Corporate Secretary will review all such correspondence and forward to our Board of Directors a summary of that correspondence and copies of any correspondence that, in his opinion, deals with the functions of the Board of Directors or that he otherwise determines requires their attention. Directors may at any time review a log of all correspondence received by the Company that is addressed to members of the Board of Directors and request copies of any such correspondence. Any concerns relating to accounting, internal controls or auditing matters will be brought to the attention of the Audit and Finance Committee and handled in accordance with the procedures established by the Audit and Finance Committee with respect to such matters.

Code of Ethics

We have a Code of Ethics applicable to all employees, including the Chief Executive Officer and the Chief Financial Officer, and, to the extent it applies to their activities, all members of the Board of Directors. Our Code of Ethics incorporates the elements of a code of ethics specified in Item 406 of Regulation S-K and also complies with Nasdaq requirements for a code of conduct. Shareholders can find a link to this Code of Ethics on the Company's website at www.ultralifebatteries.com under the heading Investor Relations. We intend to post amendments to or waivers (express or implied) from the Code of Ethics (to the extent applicable to the Chief Executive Officer or Chief Financial Officer) at the same location on our website as the Code of Ethics.

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DIRECTORS COMPENSATION

In 2005, we retained an executive compensation consultant to conduct a survey of certain of our peer group companies to ascertain whether our overall executive compensation was appropriate and balanced. At the direction of our Governance Committee, management undertook a review of director compensation at those same peer group companies and provided their conclusions to our Governance Committee. After reviewing that information, our Governance Committee decided not to make any changes to director compensation at that time and made a recommendation to that effect to our Board of Directors.

Directors Cash Compensation

Each non-employee director received during 2005 a \$3,000 quarterly retainer, and the Chair of the Board received a \$5,000 quarterly retainer. Each non-employee director also received \$1,000 for each Board meeting attended; subject, however, to the provision that the meeting compensation was reduced by 50% if the director participated by conference call. Each non-employee director also received \$750 for each meeting of one of the four standing committee meetings attended, whether in person or by telephone, and \$1,000 for each meeting of the Mergers and Acquisition Committee attended, which amount was reduced to \$750 if the director participated by conference call. The Chair of the Audit and Finance Committee received a \$1,250 quarterly retainer, and the Chairs of the Governance and Compensation and Management Committees received a \$625 quarterly retainer. For board and committee service during 2005, we paid our directors an aggregate \$178,750.

Directors Options

In addition, during 2005, each incumbent non-employee director received options at the end of each calendar quarter to purchase an aggregate 3,000 shares of Common Stock. The Chair of our Board of Directors received an additional 2,000 share option at the end of each calendar quarter. All options are vested and have a term of seven years from the date of grant and were granted at an exercise price equal to the closing price of the Common Stock on the date of grant. In accordance with a policy adopted in December 2003, upon their appointment or election, newly appointed or elected directors receive an option for twice the number of shares subject to the normal quarterly option grant and thereafter receive their normal quarterly option grants. Unless otherwise decided by the Committee, a director whose term of directorship has terminated for a reason other than death or disability will have three months after such termination to exercise his or her options. If the term of directorship is terminated as a result of death or disability, the period within which to exercise the options is one year after the date of death or disability.

Options for an aggregate 20,000 shares were granted on March 31, 2005 at an exercise price of \$17.12 per share; options for 20,000 shares were granted on June 30, 2005 at an exercise price of \$16.15 per share; options for an aggregate 20,000 shares were granted on September 30, 2005 at an exercise price of \$12.92 per share; and options for an aggregate 20,000 shares were granted on December 30, 2005 at an exercise price of \$12.00 per share.

Table of Contents**EXECUTIVE OFFICERS**

The names of, and certain information with respect to our executive officers who are not director nominees are presented on the following pages.

Name	Age	Present Principal Occupation and Employment History
Julius M. Cirin	52	Mr. Cirin, a battery industry veteran, was named Vice President of Corporate Marketing and Technology in February 2006, having served as Vice President of Corporate Marketing since August 2000. Prior to joining the Company at its founding in March 1991 as Director of Marketing, Mr. Cirin served as Quality Assurance Manager for Eastman Kodak Company in the Ultra Technologies Division from 1986 to 1989. From 1979 to 1986, Mr. Cirin worked at Duracell USA in several product and process engineering and quality management positions. Mr. Cirin has a B.S. in Interdisciplinary Studies from St. John Fisher College, Rochester, New York.
Peter F. Comerford	48	Mr. Comerford was named Vice President of Administration and General Counsel on July 1, 1999 and was elected Secretary of the Company in December 2000. He joined the Company in May 1997 as Senior Corporate Counsel and was appointed Director of Administration and General Counsel in December of that year. Prior to joining the Company, Mr. Comerford was a practicing attorney for approximately fourteen years having worked primarily in municipal law departments including the City of Niagara Falls, New York where he served as the Corporation Counsel. Mr. Comerford has a B.A. from the State University of New York at Buffalo, an MBA from Canisius College and a J.D. from the University of San Diego School of Law.
Robert W. Fishback	50	Mr. Fishback joined the Company in December 1998 as Corporate Controller. He became Vice President of Finance and Chief Financial Officer in October 1999 and was appointed Treasurer of the Company in December 2002. Prior to joining the Company, Mr. Fishback served as Controller-Shared Services for ITT Industries, a diversified manufacturing company, from 1997 to 1998. From 1995 to 1997, he was Director-Corporate Accounting for Goulds Pumps Inc., a manufacturer of industrial and commercial pumps. From 1983 to 1995, Mr. Fishback served in various managerial capacities in finance and operations with Frontier Corporation, a provider of local and long-distance telecommunications services. He is a Certified Public Accountant and has an MBA in finance from the State University of New York at Buffalo. His undergraduate degree in accounting is from Grove City College.

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Patrick R. Hanna, Jr.	57	Mr. Hanna was named Vice President of Corporate Strategy and Business Integration in February 2006, having served as Vice President of Corporate Strategy since December 2001. He joined the Company in February 2000 as Director of Strategic Planning after a 23-year career with Xerox Corporation. Mr. Hanna served in many capacities in the areas of strategic and business planning development, most recently as the Strategic Planning Manager of the Xerox Internet and Software Services organization. Mr. Hanna has a B.S. in electrical engineering from Howard University and an MBA from the William E. Simon Graduate School of Business Administration of the University of Rochester.
Nancy C. Naigle	58	Ms. Naigle, currently Vice President of Sales and Marketing, joined the Company as Vice President of Worldwide Sales in January 2001 after a 20 year career with Xerox Corporation where she held multiple sales and general management positions, most recently as Vice President and General Manager of the Software Solutions Business Group. Ms. Naigle has an M.A. in English and Computer Science and a B.A. in English and Mathematics from the University of Texas at Arlington, and an MBA from the University of Dallas.
William A. Schmitz	43	Mr. Schmitz, currently Chief Operating Officer, joined the Company in December 1999 as Vice President, Manufacturing, Primary Batteries, and became Vice President and General Manager, Primary Batteries in 2001 and Chief Operating Officer in 2002. Before this, Mr. Schmitz worked for Bausch & Lomb from 1985 to 1999 in several positions, most recently as Director, New Product Development in the Eyewear Division from 1995 to 1999. Mr. Schmitz has an M.S. in Operations Management from the University of Rochester and a B.S. in Mechanical Engineering from the Rochester Institute of Technology.
Philip M. Meek	45	Mr. Meek has served as Vice President of Manufacturing since January 2002. He joined the Company in August 1998 as Production Manager, and in September 1999 became Director of Primary Battery Manufacturing. Prior to this, Mr. Meek worked for Duracell USA from 1989 to 1998 where he held several manufacturing management positions at Duracell's largest alkaline battery manufacturing facility. Mr. Meek has a B.S. from Indiana University of Pennsylvania.

Table of Contents**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS**

The following table sets forth certain information regarding the beneficial ownership of shares of the Company's Common Stock as of April 12, 2006 by each person known by the Company to beneficially own more than five percent of the outstanding shares of Common Stock, with percentages based on 14,780,096 shares issued and outstanding.

Name and Address of Beneficial Owner	Number of Shares Beneficially Owned	Percent Beneficially Owned
Grace Brothers, Ltd. (1) 1560 Sherman Avenue, Suite 900 Evanston, IL 60201	2,343,989	15.9%
FMR Corp. (2) 82 Devonshire Street Boston, MA 02109	1,428,300	9.7%
Babson Capital Management LLC (3) One Memorial Drive Cambridge, MA 02142	1,146,078	7.8%
UBS AG (4) Bahnhofstrasse 45 P.O. Box CH-8021 Zurich, Switzerland	1,107,988	7.5%

(1) This information as to the beneficial ownership of shares of the Company's Common Stock is based on the Schedule 13G/A (Amendment No. 4) dated March 31, 2006 filed with the SEC by Grace Brothers, Ltd., an Illinois limited partnership, Bradford T. Whitmore (Whitmore) and Spurgeon

Corporation (Spurgeon), its general partners. Grace Brothers, Ltd., Whitmore and Spurgeon share voting and dispositive power with respect to all of such shares. In addition, Whitmore has sole voting and dispositive power with respect to 25,815 shares.

- (2) This information as to the beneficial ownership of shares of the Company's Common Stock is based on the Schedule 13G/A (Amendment No. 2) dated February 14, 2006 filed with the SEC by FMR Corp. The number of shares shown is beneficially owned by Fidelity Management & Research Company, a wholly-owned subsidiary of FMR Corp., as a result of its acting as investment advisor to various investment

companies (the Funds) registered under Section 8 of the Investment Company Act of 1940. Fidelity Contrafund, one of the investment companies, owns 1,068,280 of such shares. Edward C. Johnson 3d, Chairman of FMR Corp., and FMR Corp., through its control of Fidelity Management & Research Company, and the Funds, each has sole dispositive power with respect to the shares owned by the Funds. Sole power to vote or direct the voting of these shares resides with the Funds Boards of Trustees.

- (3) This information as to the beneficial ownership of shares of the Company s Common Stock is based on the Schedule 13G/A (Amendment No. 1) dated February 3, 2006 filed with the SEC by Babson

Capital Management LLC. In its role as an investment advisor, Babson has the sole power to vote all 1,146,078 shares and sole dispositive power with respect to all 1,146,078 shares.

- (4) This information as to the beneficial ownership of shares of the Company's Common Stock is based on the Schedule 13G dated February 14, 2006 filed with the SEC by UBS AG (for the benefit and on behalf of the Traditional Investments division of the UBS Global Asset Management business group of UBS AG and its subsidiaries and affiliates), UBS Americas Inc. (having a principal business office at 677 Washington Blvd., Stamford, CT 06901) and UBS Global Asset Management

(Americas) Inc.
(having a
principal

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business office at One North Wacker, Chicago, IL 60606). USB AG has sole voting power with respect to 812,488 shares and shared dispositive power with respect to all 1,107,988 shares; USB Americas Inc. has sole voting power with respect to 584,188 shares and shared dispositive power with respect to 879,688 shares; and USB Global Asset Management (Americas) Inc. has sole voting power with respect to 520,588 shares and shared dispositive power with respect to 816,088 shares. UBS Global Asset Management (Americas) Inc. is a wholly-owned subsidiary of UBS Americas Inc., which is a wholly-owned subsidiary of UBS AG. UBS AG is reporting direct and indirect beneficial ownership of holdings. USB Americas Inc. is reporting indirect beneficial ownership by

reason of its ownership of UBS Global Asset Management (Americas) Inc. None of the reporting persons affirms the existence of a group within the meaning of Rule 13d-5(b)(1). USB AG, UBS Americas Inc. and USB Global Asset Management (Americas) Inc. each disclaims beneficial ownership of the securities reported. The filing reflects the securities beneficially owned by the Traditional Investment division of the UBS Global Asset Management business group of UBS AG and its subsidiaries and affiliates (UBS), and does not reflect securities, if any, beneficially owned by any other division or business group of UBS.

SECURITY OWNERSHIP OF MANAGEMENT

The following table sets forth certain information regarding the beneficial ownership of shares of the Company's Common Stock as of April 12, 2006 by (1) each director, director nominee and Named Executive Officer of the Company (see **EXECUTIVE COMPENSATION**), and (2) all directors, director nominee and executive officers of the Company as a group.

Number of Shares	Percent
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Name and Address of Beneficial Owner (1)	Beneficially Owned	Beneficially Owned (14)
Carole L. Anderson	-	*
Patricia C. Barron (2)	58,116	*
Anthony J. Cavanna (3)	35,000	*
Paula H.J. Cholmondeley (4)	29,065	*
Daniel W. Christman (5)	52,591	*
John D. Kavazanjian (6)	126,800	*
Carl H. Rosner (7)	93,611	*
Ranjit C. Singh (8)	93,505	*
Peter F. Comerford (9)	56,875	*
Robert W. Fishback (10)	53,335	*
Nancy C. Naigle (11)	43,500	*
William A. Schmitz (12)	90,493	*

All directors, director nominee and executive officers as a group

(15 persons)(13) 801,328 5.2%

* Less than 1%

(1) Except as otherwise indicated, the shareholders named in this table have sole voting and investment power with respect to the shares of Common Stock beneficially owned by them. The information provided in this table is based upon information provided to the Company by such shareholders. The table reports beneficial ownership for the Company's directors and executive

officers in
accordance with
Rule 13d-3
under the
Exchange Act.
This means all
Company
securities over
which directors
and executive
officers

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directly or indirectly have or share voting or investment power are listed as beneficially owned. The figures also include shares which may be acquired by exercise of stock options prior to June 11, 2006. The address of each of the directors and executive officers of the Company is c/o Ultralife Batteries, Inc., 2000 Technology Parkway, Newark, New York 14513.

- (2) Includes (i) 1,200 shares held jointly with Ms. Barron's husband, and (ii) 37,909 shares subject to options that may be exercised by Ms. Barron.
- (3) Includes 31,000 shares subject to options that may be exercised by Mr. Cavanna.
- (4) Includes 27,000 shares subject to option that may be exercised by Ms. Cholmondeley.
- (5) Includes 50,091 shares subject to options that may be exercised by Mr. Christman.

- (6) Includes (i) 1,800 shares held by Mr. Kavazanjian's wife, and (ii) 40,500 shares subject to options that may be exercised by Mr. Kavazanjian.
- (7) Includes 33,000 shares subject to options that may be exercised by Mr. Rosner.
- (8) Includes 91,505 shares subject to options that may be exercised by Mr. Singh.
- (9) Includes 50,335 shares subject to options that may be exercised by Mr. Comerford.
- (10) Includes 49,335 shares subject to options that may be exercised by Mr. Fishback.
- (11) Includes (i) 2,000 shares held jointly with Ms. Naigle's husband, and (ii) 41,500 shares subject to options that may be exercised by Ms. Naigle.
- (12) Includes (i) 82,693 shares subject to options that may be exercised by Mr. Schmitz, and (ii) 300 shares held by Mr. Schmitz

wife.

(13) Includes 602,305 shares subject to options which may be exercised by the named directors and executive officers.

(14) Based on 14,780,096 shares issued and outstanding.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires our directors, executive officers and persons who own greater-than-10% of our Common Stock to file with the SEC initial reports of ownership and reports of changes in ownership of Common Stock and other equity securities of the Company. To our knowledge, based solely on review of the copies of such reports furnished to us during 2005, all Section 16(a) filings applicable to our officers, directors and greater-than-10% beneficial owners were made within the timeframes required.

Table of Contents**EXECUTIVE COMPENSATION**

The individuals named in the following tables include, as of December 31, 2005, our Chief Executive Officer and our four other most highly compensated executive officers whose annualized salary and bonus during 2005 exceeded \$100,000 (Named Executive Officers).

The following table sets forth information concerning the annual and long-term compensation of the Named Executive Officers for all services in all capacities to the Company and its subsidiary during 2005, 2004 and 2003:

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Annual Compensation			Long Term Compensation			All Other Compensation (1)
		Salary(\$)	Bonus(\$)	Other Annual Compensation(\$)	Restricted Stock Awards (\$)	Underlying Options/SARs	LTIP Payouts(\$)	
John D. Kavazanjian President and Chief Executive Officer	2005	\$ 308,749	\$ 0	\$ 15,454	\$ 0	50,000	\$ 0	\$ 3,442,721
	2004	303,284	62,001	20,494	0	50,000	0	3,744,612
	2003	288,103	54,251	12,002	0	0	0	0
William A. Schmitz Chief Operating Officer	2005	\$ 199,778	\$ 0	\$ 8,697	\$ 0	25,000	\$ 0	\$ 18,331
	2004	189,462	25,840	5,719	0	31,000	0	458,585
	2003	147,538	39,697	2,578	0	31,000	0	84,228
Robert W. Fishback Vice President of Finance and Chief Financial Officer	2005	\$ 174,163	\$ 0	\$ 17,398	\$ 0	25,000	\$ 0	\$ 50,248
	2004	169,635	22,813	11,293	0	24,000	0	131,859
	2003	141,461	33,625	5,411	0	29,000	0	14,560
Nancy C. Naigle Vice President of Sales and Marketing	2005	\$ 159,946	\$ 0	\$ 13,344	\$ 0	11,000	\$ 0	\$ 163,845
	2004	154,576	28,600	11,400	0	26,000	0	441,787
	2003	138,000	51,940	4,901	0	26,000	0	0
Peter F. Comerford Vice President of Administration and General Counsel	2005	\$ 144,058	\$ 0	\$ 8,577	\$ 0	25,000	\$ 0	\$ 0
	2004	142,970	18,500	9,258	0	19,000	0	46,323
	2003	124,500	24,937	1,786	0	19,000	0	0

	John D. Kavazanjian	William A. Schmitz	Robert W. Fishback	Nancy C. Naigle	Peter F. Comerford
Insurance					
2005	\$ 8,204	\$ 4,338	\$ 12,900	\$ 6,881	\$ 4,233
2004	11,631	4,049	5,229	5,538	3,779
2003	12,002				