Table of Contents

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

FORM 8-K

Current Report
PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported):

December 30, 2005

ULTRALIFE BATTERIES, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

0-20852	16-1387013
(Commission File Number)	(I.R.S. Employer Identification No.)

2000 Technology Parkway, Newark, New York	14513
(Address of principal executive offices)	(Zip Code)

(315) 332-7100
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b)

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

TABLE OF CONTENTS

Item 1.01 Entry into a Material Definitive Agreement

On December 28, 2005, the Board of Directors of Ultralife Batteries, Inc. (the "Company") approved the acceleration of vesting of certain "underwater" unvested stock options held by certain current employees of the Company, including some of its executive officers. Options held by the Company's President and Chief Executive Officer, John D. Kavazanjian, were not included in the acceleration. Options held by non-employee directors also were not included as those options vest immediately upon grant.

A stock option was considered "underwater" if the exercise price was $12.90 per share or greater. The Board of Directors took action to accelerate the vesting of those options that were underwater and that had been granted prior to October 2, 2005.

The aggregate number of shares issuable upon options for which the vesting was accelerated and the weighted average exercise price per share for executive officers, all other employees, and total, respectively, are set forth below:

Summary of Options Subject to Acceleration

	Aggregate Number of Shares Issuable Upon Accelerated Stock Options	Weighted Average Exercise Price Per Share
Executive Officers[1]	109,486	$ 15.46
All Other Employees	236,700	$ 15.41
Total	346,186	$ 15.43

1 — excluding the Company's President and Chief Executive Officer

In taking these actions, and to avoid any unintended personal benefits to the Company's executive officers, the Company's Board of Directors imposed, as a condition of the acceleration, a holding period on the shares underlying the options for which the vesting was accelerated which were held by certain executive officers of the Company. The holding period requires all such executive officers to refrain from selling any shares of the Company's common stock acquired upon the exercise of the options until the earlier of the original vesting date applicable to such shares (or any portion thereof) underlying the stock option grant or the termination of the executive officer's employment.

The decision to accelerate vesting of these underwater stock options was based on two considerations. First, the Company took the action as an alternative to issuing additional options, in order to incentivize its employees who hold options that are currently underwater. With the broad distribution of options that the Company has, the Board of Directors felt that it was a non-dilutive way to incentivize these employees on a going forward basis.

Second, it would enable the Company to avoid recognizing future compensation expense associated with the accelerated stock options upon the effectiveness of FASB Statement No. 123R "Share-Based Payment" ("SFAS 123R"). The Company also believes that the underwater stock options may not be offering the intended incentives to the holders of those options when compared to the potential future compensation expense that the Company would have had to bear had it chosen not to accelerate their vesting. The Company expects the

acceleration to reduce the stock option expense it would otherwise be required to record in fiscal 2006 pursuant to SFAS 123R by approximately $1,045,000 on a pre-tax basis.

The 346,186 stock options affected by this accelerated vesting represent approximately 25% of the outstanding stock options awarded to the Company's employees under its long-term incentive plan and predecessor plans. The Company will report the avoided future compensation expense in its Form 10-K for fiscal 2005 as pro forma footnote disclosure, as permitted under the transition guidance provided by the Financial Accounting Standards Board.

Item 9.01 Financial Statements and Exhibits

Exhibits

10. Form of Resale Restriction Agreement with Executive Officers.

Table of Contents

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

ULTRALIFE BATTERIES, INC.

Dated: December 30, 2005

By: /s/*Peter F. Comerford*
Peter F. Comerford
Vice President of Administration &
General Counsel

Exhibit 10

Ultralife Batteries, Inc.

Resale Restriction Agreement

This Resale Restriction Agreement ("Agreement") dated as of December 28, 2005 is made by and between Ultralife Batteries, Inc., a Delaware corporation (the "Company") and the option holder set forth on the signature line below (the "Optionee") with respect to certain stock option awards (the "Option Awards") evidencing options granted to the Optionee by the Company.

Recitals

The Optionee is an executive officer of the Company and has been granted one or more options to acquire shares of the Company's $.10 par value Common Stock ("Common Stock") at an exercise price of $12.90 per share or greater and which were granted prior to October 2, 2005 (all of such options collectively referred to as the "Options") under the Company's Long-Term Incentive Plan or its predecessors.

All Options which have not vested on or prior to the date of this Agreement have been declared by the Company's Board of Directors to be fully vested and exercisable.

The Company desires to impose certain resale restrictions (the "Resale Restrictions") on the shares of Common Stock issued or issuable upon exercise of the Options (the "Option Shares") on the terms and conditions more fully set forth in this Agreement.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Exhibit A sets forth with respect to each Option the date of each Option grant, the number of shares of Common Stock subject to such Option, the exercise price and the date or dates of termination of the Resale Restrictions with respect to the Option Shares (which shall correspond to the vesting schedule applicable to the Options prior to the acceleration of vesting approved by the Board). Subject to Section 4 of this Agreement, with respect to any Option Shares, the period during which the Resale Restrictions will be effective (the "Restriction Period") is a period beginning on the date of this Agreement and ending on the date listed on Exhibit A under the heading "Restriction Termination Date". No Resale Restrictions will apply to Option Shares which have vested on or prior to the date of this Agreement.

2. The Optionee irrevocably agrees that the Optionee will not, directly or indirectly, whether for such Optionee or on behalf of any entity controlled by or affiliated with such Optionee:

(a) offer for sale, pledge, assign, hypothecate or otherwise create any interest in or dispose of (or enter into any transaction or device that is designed to, or could reasonably be

expected to, result in any of the foregoing) any Option Shares during the Restriction Period applicable to such Option Shares; or

(b) enter into any swap or other derivatives transaction that transfers to another, in whole or in part, any of the economic benefits or risks of ownership of such Option Shares during the Restriction Period applicable to such Option Shares, including, but not limited to, short sales, puts, calls or other hedging transactions, including private hedging transactions, whether any such transaction described in clause (a) or (b) of this Section 2 is to be settled by delivery of shares of Common Stock or other securities of the Company, in cash or otherwise, during the Restriction Period with respect to the applicable Option Shares.

3. The Company and its transfer agent are authorized to decline to make any transfer of securities of the Company if such transfer would constitute a violation or breach of this Agreement. Any attempted transfer by the Optionee in breach of this Agreement shall be null and void. Any Option Shares subject to a Restriction Period may be retained in the physical custody of the Company or may contain a restrictive legend, stop transfer order or other applicable restriction, at the Company's sole discretion.

4. Notwithstanding the provisions of the foregoing sections of this Agreement, the Resale Restrictions will be subject to the following:

(a) All of the Option Shares will become free from the Resale Restrictions: (i) upon the occurrence of any event that, prior to the acceleration of vesting approved by the Board, would have resulted in the acceleration of vesting of any Option Shares; or (ii) upon the termination of the Optionee's employment with the Company.

(b) If, prior to the acceleration of vesting approved by the Board, the vesting of the Options was subject to postponement or deferral upon the occurrence of a defined event or the Option Shares were subject to restrictions other than those imposed by this Agreement (the "Pre-existing Conditions"), then, notwithstanding the applicable Restriction Termination Date listed in Exhibit A, the Restriction Period will continue until such time as the Pre-existing Conditions, if any, lapse.

5. This Agreement, the applicable Option Awards and the applicable Plan (each, a "Plan") under which the Option Awards were granted, if any, constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior understandings and agreements of the Company and the Optionee with respect to the subject matter hereof, and this Agreement may not be modified except by an instrument duly signed by the Company and the Optionee. The Resale Restrictions will not be deemed to supersede, but shall be in addition to, any restrictions on resale of Option Shares pursuant to an applicable Option Award or Plan.

6. This Agreement is to be construed in accordance with and governed by the laws of the State of New York, without regard to any choice of law provisions thereof.

7. Nothing in this Agreement (except as expressly provided herein) is intended to confer any rights or remedies on any persons other than the Company and the Optionee. Should any provision of this Agreement be determined to be illegal or unenforceable, such provision will be enforced to the fullest extent allowed by law and the other provisions shall nevertheless remain in effect and enforceable.

8. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument. A copy of any signature page hereto executed and delivered by facsimile or other means of electronic image transmission will have the same force and effect as an original thereof.

IN WITNESS WHEREOF, the parties have executed or caused this Agreement to be executed as of the day, month and year first above written.

ULTRALIFE BATTERIES, INC.

By: _____

OPTIONEE

_____

EXHIBIT A

Option Grant Date	Option Shares	Exercise Price	Restriction Termination Date