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**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**

**April 21, 2007**  
(Date of Report)

**ULTRALIFE BATTERIES, INC.**  
(Exact name of registrant as specified in its charter)

**Delaware**  
(State of incorporation)

**000-20852**  
(Commission File Number)

**16-1387013**  
(IRS Employer Identification No.)

**2000 Technology Parkway, Newark, New York**  
(Address of principal executive offices)

**14513**  
(Zip Code)

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

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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 (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.**

**A. New Short-Term Cash Incentive Plan for Vice President of Finance and Chief Financial Officer**

On April 21, 2007, the Board of Directors (the “*Board*”) of Ultralife Batteries, Inc. (the “*Registrant*”) approved a new short-term cash incentive plan for fiscal year 2007 (the “*2007 Plan*”) for Robert W. Fishback, the vice president of finance and chief financial officer of the Registrant.

Under the terms of the 2007 Plan, Mr. Fishback will be eligible to receive a cash bonus in an amount equal to up to 50% of his annual base compensation. The determination as to whether to pay a cash bonus to Mr. Fishback, as well as the amount of the cash bonus, if any, shall be made by the Board, in its sole discretion, based solely upon its assessment of the performance of the Registrant during fiscal year 2007. Under the terms of Mr. Fishback’s previous short-term cash incentive plan, the determination as to whether to pay a cash bonus, as well as the amount of the cash bonus, if any, depended on two factors, each of which was equally important. The first factor was the achievement of the specific performance goals established for Mr. Fishback and the second factor was the overall assessment by the Board of the Registrant’s performance.

The short-term cash incentive plans previously adopted and disclosed by the Board for the Registrant’s other executive officers remain in place without change.

**B. New Employment Agreements for Executive Officers**

On April 27, 2007, the Registrant entered into new employment agreements with each of John D. Kavazanjian, the president and chief executive officer of the Registrant, William A. Schmitz, the chief operating officer of the Registrant, Robert W. Fishback, the vice president of finance and chief financial officer of the Registrant, and Peter F. Comerford, the vice president of administration and general counsel of the Registrant. The new employment agreements superseded any existing employment agreements between the Registrant and each of the aforementioned executive officers. The terms and conditions of the agreements and the amounts payable under them are summarized below.

**1. Mr. Kavazanjian**

Under the terms of his new employment agreement, Mr. Kavazanjian will receive an annual salary of \$331,250 per year. This new salary went into effect as of January 1, 2007. The initial term of Mr. Kavazanjian’s employment agreement runs through December 31, 2007. The agreement will be extended automatically for successive one-year terms commencing on January 1, 2008, unless either party provides advance written notice of such party’s desire not to renew the agreement. Such written notice must be provided at least 90 days prior to the scheduled expiration date of the then current term of the agreement.

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If the Registrant terminates Mr. Kavazanjian's employment agreement without "Business Reasons" (as defined in the employment agreement) or because Mr. Kavazanjian experiences a "Disability" (as defined in the employment agreement), or if a "Constructive Termination" (as defined in the employment agreement) occurs, then Mr. Kavazanjian will be entitled to the following benefits: (1) salary and the cash value of any accrued vacation (consistent with the Registrant's vacation policies then in effect) through the termination date of his employment plus continued salary for an additional 24 months; (2) an amount equal to the average of the bonuses paid to him during the two preceding fiscal years or, if no bonuses were paid during such period, an amount equal to his then current annual target bonus; and (3) acceleration of vesting of all outstanding stock options, and other equity arrangements subject to vesting and held by him, provided that the acceleration shall not cover more than two years from the termination date of his employment (and in this regard, all such options and other exercisable rights held by Mr. Kavazanjian will remain exercisable for one year following such termination date). In such circumstances, Mr. Kavazanjian would also be entitled to continued health benefits for him and his family at his cost.

A copy of Mr. Kavazanjian's new employment agreement is attached as [Exhibit 99.1](#) to this report.

## **2. Mr. Schmitz**

Under the terms of his new employment agreement, Mr. Schmitz will receive an annual salary of \$230,000 per year. This new salary rate went into effect as of January 1, 2007. The initial term of Mr. Schmitz's employment agreement runs through December 31, 2007. The agreement will be extended automatically for successive one-year terms commencing on January 1, 2008, unless either party provides advance written notice of such party's desire not to renew the agreement. Such written notice must be provided at least 90 days prior to the scheduled expiration date of the then current term of the agreement.

If the Registrant terminates Mr. Schmitz's employment agreement without "Business Reasons" (as defined in the employment agreement) or because Mr. Schmitz experiences a "Disability" (as defined in the employment agreement), or if a "Constructive Termination" (as defined in the employment agreement) occurs, then Mr. Schmitz will be entitled to the following benefits: (1) salary and the cash value of any accrued vacation (consistent with the Registrant's vacation policies then in effect) through the termination date of his employment plus continued salary for an additional 18 months; (2) an amount equal to the average of the bonuses paid to him during the two preceding fiscal years or, if no bonuses were paid during such period, an amount equal to his then current annual target bonus; and (3) acceleration of vesting of all outstanding stock options, and other equity arrangements subject to vesting and held by him, provided that the acceleration shall not cover more than two years from the termination date of his employment (and in this regard, all such options and other exercisable rights held by Mr. Schmitz will remain exercisable for one year following such termination date). In such circumstances, Mr. Schmitz would also be entitled to continued health benefits for him and his family at his cost.

A copy of the form of Mr. Schmitz's new employment agreement is attached as [Exhibit 99.2](#) to this report.

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### **3. Mr. Fishback & Mr. Comerford**

Under the terms of their new employment agreements, Mr. Fishback will receive an annual salary of \$202,500 per year and Mr. Comerford will receive an annual salary of \$178,750 per year. The other terms and conditions of the employment agreements for Mr. Fishback and Mr. Comerford are identical to the terms and conditions of Mr. Schmitz's new employment agreement, which is summarized above.

A copy of the form of Mr. Fishback's new employment agreement and the form of Mr. Comerford's new employment agreement is attached as Exhibit 99.2 to this report.

### **Item 9.01 Financial Statements and Exhibits**

#### **(d) Exhibits.**

99.1 Employment Agreement, dated as of April 27, 2007, between Ultralife Batteries, Inc. and John D. Kavazanjian

99.2 Form of Employment Agreement between Ultralife Batteries, Inc. and each of William A. Schmitz, Robert W. Fishback and Peter F. Comerford

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**SIGNATURES**

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.

Date: As of April 27, 2007

**ULTRALIFE BATTERIES, INC.**

/s/ Peter F. Comerford

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Peter F. Comerford

Vice President of Administration & General Counsel

**EMPLOYMENT AGREEMENT**

This Employment Agreement (the "Agreement") is entered into on April \_\_\_\_, 2007, by and between John D. Kavazanjian, an individual ("Executive") and Ultralife Batteries, Inc., a Delaware corporation (the "Company").

**Recitals**

The Company and Executive desire to set forth their agreement pursuant to which Executive will be retained as the President and Chief Executive Officer of the Company, effective January 1, 2007, and to provide for Executive's employment by the Company upon the terms and conditions set forth herein.

**Agreement**

**Now, Therefore**, in consideration of the mutual covenants contained herein, the parties hereby agree as follows:

1. Employment. Executive will serve as President and Chief Executive Officer of the Company for the Employment Term specified in Section 2 below. Executive will report to the Board of Directors of the Company (the "Board"), and Executive will render such services, consistent with the foregoing role, as the Board may from time to time direct.
  2. Term. The employment of Executive pursuant to this Agreement shall continue from the effective date noted in the Recitals through December 31, 2007 (the "Employment Term"), unless extended or earlier terminated as provided in this Agreement. The Employment Term shall automatically be extended for additional one-year periods commencing on January 1, 2008 and continuing each year thereafter, unless either Executive or the Company gives the other written notice, in accordance with Section 12(a) and at least ninety (90) days prior to the then scheduled expiration of the Employment Term, of such party's intention not to extend the Employment Term.
  3. Salary. As compensation for the services rendered by Executive under this Agreement, the Company shall pay to Executive a base salary initially equal to \$331,250 per year ("Base Salary") for calendar year 2007, payable to Executive in accordance with the Company's payroll practices as in effect from time to time during the Employment Term. The Base Salary shall be subject to adjustment by the Board or the Compensation and Management Committee of the Board, in the sole discretion of the Board or such Committee, on an annual basis; provided, however, that Executive's salary may not be decreased other than any such reduction consistent with a general reduction of pay across the executive staff as a group, as an economic or strategic measure due to poor financial performance by the Company.
  4. Bonus. In addition to his Base Salary, Executive shall be entitled to participate in the Company's executive bonus program. The annual target bonus shall be established by the Board
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or its Compensation and Management Committee, in the discretion of the Board or such Committee, and shall be payable based on achievement of specified Company objectives.

5. Executive Benefits.

(a) Employee and Executive Benefits. Executive will be entitled to receive all benefits provided to senior executives, executives and employees of the Company generally from time to time, including medical, dental, life insurance and long-term disability, and the executive split-dollar life insurance and executive disability plan, in each case so long as and to the extent the same exist; provided, that in respect to each such plan Executive is otherwise eligible and insurable in accordance with the terms of such plans.

(b) Vacation, Sick Leave, Holidays and Sabbatical. Executive shall be entitled to vacation, sick leave, holidays and sabbatical in accordance with the policies of the Company as they exist from time to time. Vacation which is not used during any calendar year will roll over to the following year only to the extent provided under the Company's vacation policies as they exist from time to time.

6. Severance Benefits.

(a) At Will Employment. Executive's employment shall be "at will." Either the Company or Executive may terminate this Agreement and Executive's employment at any time, with or without Business Reasons (as defined in Section 7(a) below), in its or his sole discretion, upon sixty (60) days' prior written notice of termination.

(b) Involuntary Termination. If at any time during the term of this Agreement, other than following a Change in Control to which Section 6(c) applies, the Company terminates the employment of Executive without Business Reasons or a Constructive Termination occurs, then Executive shall be entitled to receive the following: (i) salary and the cash value of any accrued vacation (consistent with the Company's vacation policies then in effect) through the Termination Date plus continued salary for a period of twenty-four (24) months following the Termination Date, payable in accordance with the Company's regular payroll schedule as in effect from time to time, (ii) an amount equal to the average of the bonuses paid to Executive during the two preceding fiscal years or, if no bonuses were paid during such period, an amount equal to Executive's then current annual target bonus, (iii) acceleration of vesting of all outstanding stock options, and other equity arrangements subject to vesting and held by Executive subject to the provision, however, that the acceleration shall not cover more than two (2) years from the Termination Date (and in this regard, all such options and other exercisable rights held by Executive shall remain exercisable for one year following the Termination Date), (iv) to the extent COBRA shall be applicable to the Company, continuation of health benefits for Executive, Executive's spouse and any dependent children, at Executive's cost, for a period of 18 months after the Termination Date or such longer period as may be applicable under the Company's policies then in effect, provided the Executive makes the appropriate election and



payments, and (v) no other compensation, severance or other benefits, except only that this provision shall not limit any benefits otherwise available to Executive under Section 6(c) in the case of a termination following a Change in Control.

(c) Change in Control.

(i) Benefits. If at any time during the term of this Agreement a “Change in Control” occurs (as defined below), and the Company terminates the employment of Executive without Business Reasons or a Constructive Termination occurs within eighteen (18) months of the date of the Change in Control, then Executive shall be entitled to receive the following: (i) salary and the cash value of any accrued vacation (consistent with the Company’s vacation policies then in effect) through the Termination Date plus an amount equal to twenty-four (24) months of Executive’s salary as then in effect, payable immediately upon the Termination Date, (ii) an amount equal to the greater of the average of the bonuses paid to Executive during the two preceding fiscal years or Executive’s then current annual target bonus, (iii) acceleration in full of vesting of all outstanding stock options, and other equity arrangements subject to vesting and held by Executive (and in this regard, all such options and other exercisable rights held by Executive shall remain exercisable one year following the Termination Date), (iv) to the extent COBRA shall be applicable to the Company, continuation of health benefits for Executive, Executive’s spouse and any dependent children, at Executive’s cost, for a period of eighteen (18) months after the Termination Date or such longer period as may be applicable under the Company’s policies then in effect, provided Executive makes the appropriate election and payments, and (v) no other compensation, severance or other benefits.

(ii) Additional Payments by the Company. If it is determined that any payment or distribution by the Company to or for the benefit of Executive, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise pursuant to or by reason of any other agreement, policy, plan, program or arrangement, including without limitation any stock option, stock appreciation right or similar right, or the lapse or termination of any restriction on or the vesting or exercisability of any of the foregoing (a “Payment”), would be subject to the excise tax imposed by Section 4999 of the Code (or any successor provision thereto) or to any similar tax imposed by state or local law, or any interest or penalties with respect to such excise tax (such tax or taxes, together with any such interest and penalties, are hereafter collectively referred to as the “Excise Tax”), then Executive will be entitled to receive an additional payment or payments (a “Gross-Up Payment”) in an amount such that, after payment by Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including any Excise Tax, imposed upon the Gross-Up Payment, Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments.

(d) Termination for Disability. If at any time during the term of this Agreement, other than following a Change in Control to which Section 6(c) applies, Executive shall become unable to perform his duties as an employee as a result of incapacity, which gives rise to

termination of employment for Disability, then Executive shall be entitled to receive the following: (i) salary and the cash value of any accrued vacation (consistent with the Company's vacation policies then in effect) through the Termination Date plus continued salary for a period of twenty-four (24) months following the Termination Date, payable in accordance with the Company's regular payroll schedule as in effect from time to time, (ii) an amount equal to the annual target bonus for the fiscal year in which the Termination Date occurs (plus any unpaid bonus from the prior fiscal year), (iii) acceleration in full of vesting of all outstanding stock options held by Executive subject to the provision, however, that the acceleration shall not cover more than two (2) years from the Termination Date (and in this regard, all such options and other exercisable rights held by Executive shall remain exercisable one year following the Termination Date), (iv) to the extent COBRA shall be applicable to the Company, continuation of health benefits for Executive, Executive's spouse and any dependent children, at Executive's cost, for a period of 18 months after the Termination Date, or such longer period as may be applicable under the Company's policies then in effect, provided Executive makes the appropriate election and payments, and (v) no other compensation, severance or other benefits, except only that this provision shall not limit any benefits otherwise available to Executive under Section 6(c) in the case of a termination following a Change in Control. Notwithstanding the foregoing, however, the Company may deduct from the salary specified in clause (i) hereof the amount of any payments then received by Executive under any disability benefit program maintained by the Company.

(e) Voluntary Termination or Involuntary Termination for Business Reasons. If (A) Executive voluntarily terminates his employment (other than in the case of a Constructive Termination), or (B) Executive is terminated involuntarily for Business Reasons, then in any such event Executive or his representatives shall be entitled to receive the following: (i) salary and the cash value of any accrued vacation (consistent with the Company's vacation policies then in effect) through the Termination Date only, (ii) the right to exercise, for thirty (30) days following the Termination Date (or such longer period as may be provided in the applicable stock option plan or agreement), all stock options held by Executive, but only to the extent vested as of the Termination Date, (iii) to the extent COBRA shall be applicable to the Company, continuation of health benefits for Executive, Executive's spouse and any dependent children, at Executive's cost, for a period of eighteen (18) months after the Termination Date, or such longer period as may be applicable under the Company's policies then in effect, provided Executive makes the appropriate election and payments, and (iv) no other compensation, severance, or other benefits.

(f) Termination Upon Death. If Executive's employment is terminated because of death, then Executive's representatives shall be entitled to receive the following: (i) salary and the cash value of any accrued vacation (consistent with the Company's vacation policies then in effect) through the Termination Date, (ii) an amount equal to the annual target bonus for the fiscal year in which the Termination Date occurs (plus any unpaid bonus from the prior fiscal year), (iii) except in the case of any such termination following a Change in Control to which Section 6(c) applies, acceleration in full of vesting of all outstanding stock options, and other

equity arrangements subject to vesting and held by Executive subject to the provision, however, that the acceleration shall not cover more than two (2) years from the Termination Date (and in this regard, all such options and other exercisable rights held by Executive shall remain exercisable for one year following the Termination Date (iv) to the extent COBRA shall be applicable to the Company, continuation of health benefits for Executive's spouse and any dependent children, at their cost, for a period of eighteen (18) months after the Termination Date, or such longer period as may be applicable under the Company's policies then in effect provided Executive's estate makes the appropriate election and payments, (v) any benefits payable to Executive or his representatives upon death under insurance or other programs maintained by the Company for the benefit of the Executive, and (vi) no further benefits or other compensation, except only that this provision shall not limit any benefits otherwise available to Executive under Section 6(c) in the case of a termination following a Change in Control.

(g) Exclusivity. The provisions of this Section 6 are intended to be and are exclusive and in lieu of any other rights or remedies to which Executive or the Company may otherwise be entitled, either at law, tort or contract, in equity, or under this Agreement, in the event of any termination of Executive's employment. Executive shall be entitled to no benefits, compensation or other payments or rights upon termination of employment other than those benefits expressly set forth in paragraph (b), (c), (d), (e) or (f) of this Section 6, whichever shall be applicable and those benefits required to be provided by law.

7. Definition of Terms. The following terms referred to in this Agreement shall have the following meanings:

(a) Business Reasons. "Business Reasons" means (i) gross negligence, willful misconduct or other willful malfeasance by Executive in the performance of his duties, (ii) Executive's conviction of a felony, or an other criminal offense involving moral turpitude, (iii) Executive's material breach of this Agreement, including without limitation any repeated breach of Section 8 hereof or of any provision of any confidentiality, non-disclosure or non-competition agreements between the Company and Executive, provided that, in the case of any such breach, the Board provides written notice of breach to the Executive, specifically identifying the manner in which the Board believes that Executive has materially breached this Agreement, and Executive shall have the opportunity to cure such breach to the reasonable satisfaction of the Board within thirty (30) days following the delivery of such notice. For purpose of this paragraph, no act or failure to act by Executive shall be considered "willful" unless done or omitted to be done by Executive in bad faith or without reasonable belief that Executive's action or omission was in the best interests of the Company or its affiliates. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or based upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by Executive in good faith and in the best interests of the Company. The Board must notify Executive of any event constituting Business Reasons within ninety (90) days following the Board's actual knowledge of its existence (which period shall be extended during the period

of any reasonable investigation conducted in good faith by or on behalf of the Board) or such event shall not constitute Business Reasons under this Agreement.

(b) Disability. “Disability” shall mean that Executive has been unable to perform his duties as an employee as the result of his incapacity due to physical or mental illness, and such inability, at least twenty-six (26) weeks after its commencement, is determined to be total and permanent by a physician selected by the Company or its insurers and acceptable to Executive or Executive’s legal representative (such Agreement as to acceptability not to be unreasonably withheld). Termination resulting from Disability may only be effected after at least sixty (60) days written notice by the Company of its intention to terminate Executive’s employment. In the event that Executive resumes the performance of substantially all of his duties hereunder before the termination of his employment becomes effective, the notice of intent to terminate shall automatically be deemed to have been revoked.

(c) Termination Date. “Termination Date” shall mean (i) if this Agreement is terminated on account of death, the date of death; (ii) if this Agreement is terminated for Disability, the date specified in Section 7(b); (iii) if this Agreement is terminated by the Company, the date which is indicated in a notice of termination is given to Executive by the Company in accordance with Sections 6(a) and 9; (iv) if the Agreement is terminated by Executive, the date which is indicated in a notice of termination given to the Company by Executive in accordance with Sections 6(a) and 9(a); or (v) if this Agreement expires by its terms, then the last day of the term of this Agreement.

(d) Constructive Termination. A “Constructive Termination” shall be deemed to occur if (A) (1) Executive’s position changes as a result of an action by the Company such that (w) Executive shall no longer be President and Chief Executive Officer of the Company, (x) Executive shall have duties and responsibilities demonstrably less than those typically associated with a President and Chief Executive Officer or (y) Executive shall no longer report directly to the Company’s Chief Executive Officer or the Board or (2) Executive is required to relocate his place of employment, other than a relocation within fifty (50) miles of Executive’s current residence or the Company’s current Newark, New York headquarters, (3) there is a reduction in Executive’s base salary or target bonus other than any such reduction consistent with a general reduction of pay across the executive staff as a group, as an economic or strategic measure due to poor financial performance by the Company or (4) there occurs any other material breach of this Agreement by the Company (other than a reduction of Executive’s base salary or target bonus which is not described in the immediately preceding clause (3)) after a written demand for substantial performance is delivered to the Board by Executive which specifically identifies the manner in which Executive believes that the Company has materially breached this Agreement, and the Company has failed to cure such breach to the reasonable satisfaction of Executive within thirty (30) days following the delivery of such notice and (B) within the ninety (90) day period immediately following an action described in clauses (A)(1) through (4), Executive elects to terminate his employment voluntarily.

(e) Change in Control. A “Change in Control” shall be deemed to have occurred if:

(i) any “Person,” as such term is used for purposes of Section 13(d) or 14(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) (other than (i) the Company, (ii) any trustee or other fiduciary holding securities under an employee benefit plan of the Company, or (iii) any company owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company), becomes the “Beneficial Owner” (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 51% or more of the combined voting power of the Company’s then-outstanding securities;

(ii) the stockholders of the Company approve any transaction or series of transactions under which the Company is merged or consolidated with any other company, other than a merger or consolidation (A) which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 66 2/3% of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation and (B) after which no Person holds 20% or more of the combined voting power of the then-outstanding securities of the Company or such surviving entity;

(iii) the stockholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company’s assets;

(iv) the Board adopts a resolution to the effect that, for purposes of this Agreement, a Change in Control has occurred; or

(v) a majority of the Board is replaced in a 12-month period by directors whose appointment or election was not endorsed by a majority of the Board before their appointment or election.

#### 8. No Conflicts.

(a) Executive agrees that in his individual capacity he will not enter into any agreement, arrangement or understanding, whether written or oral, with any supplier, contractor, distributor, wholesaler, sales representative, representative group or customer, relating to the business of the Company or any of its subsidiaries, without the express written consent of the Company.

(b) As long as Executive is employed by the Company or any of its subsidiaries, Executive agrees that he will not, except with the express written consent of the Company, become engaged in, render services for, or permit his name to be used in connection with, any

for-profit business other than the business of the Company, any of its subsidiaries or any corporation or partnership in which the Company or any of its subsidiaries have an equity interest.

9. Miscellaneous Provisions.

(a) Notice. Notices and all other communications contemplated by this Agreement shall be in writing, shall be effective when given, and in any event shall be deemed to have been duly given (i) when delivered, if personally delivered, (ii) three (3) business days after deposit in the U.S. mail, if mailed by U.S. registered or certified mail, return receipt requested, or (iii) one (1) business day after the business day of deposit with Federal Express or similar overnight courier, if so delivered, freight prepaid. In the case of Executive, notices shall be addressed to him at the home address which he most recently communicated to the Company in writing. In the case of the Company, notices shall be addressed to its corporate headquarters, and all notices shall be directed to the attention of its Corporate Secretary.

(b) Notice of Termination. Any termination by the Company or Executive shall be communicated by a notice of termination to the other party hereto given in accordance with paragraph (a) hereof. Such notice shall indicate the specific termination provision in this Agreement relied upon.

(c) Successors.

(i) Company's Successors. Any successor to the Company (whether direct or indirect and whether by purchase, lease, merger, consolidation, liquidation or otherwise) to all or substantially all of the Company's business and/or assets shall be entitled to assume the rights and shall be obligated to assume the obligations of the Company under this Agreement and shall agree to perform the Company's obligations under this Agreement in the same manner and to the same extent as the Company would be required to perform such obligations in the absence of a succession. For all purposes under this Agreement, the term "Company" shall include any successor to the Company's business and/or assets which executes and delivers the assumption agreement described in this subsection (i) or which becomes bound by the terms of this Agreement by operation of law.

(ii) Executive's Successors. The terms of this Agreement and all rights of Executive hereunder shall inure to the benefit of, and be enforceable by, Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

(iii) No Other Assignment of Benefits. Except as provided in this Section 9(c), the rights of any person to payments or benefits under this Agreement shall not be made subject to option or assignment, either by voluntary or involuntary assignment or by

operation of law, including (without limitation) bankruptcy, garnishment, attachment or other creditor's process, and any action in violation of this subsection (iii) shall be void.

(d) Waiver. No provision of this Agreement shall be modified, waived or discharged unless the modification, waiver or discharge is agreed to in writing and signed by Executive and by an authorized officer of the Company (other than Executive). No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

(e) Entire Agreement. This Agreement shall supersede any and all prior agreements, representations or understandings (whether oral or written and whether express or implied) between the parties with respect to the subject matter hereof.

(f) Severability. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision hereof, which shall remain in full force and effect.

(g) Arbitration and Governing Law. Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration in Rochester, New York, in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction. No party shall be entitled to seek or be awarded punitive damages. All attorneys fees and costs shall be allocated or apportioned as agreed by the parties or, in the absence of an agreement, in such manner as the arbitrator or court shall determine to be appropriate to reflect the final decision of the deciding body as compared to the initial positions in arbitration of each party. This Agreement shall be construed in accordance with and governed by the laws of the State of New York as they apply to contracts entered into and wholly to be performed within such State by residents thereof.

(h) Employment Taxes. All payments made pursuant to this Agreement will be subject to withholding of applicable taxes.

(i) Indemnification. In the event Executive is made, or threatened to be made, a party to any legal action or proceeding, whether civil or criminal, by reason of the fact that Executive is or was a director or officer of the Company or serves or served any other entity of which the Company owns 50% or more of the equity in any capacity, Executive shall be indemnified by the Company, and the Company shall pay Executive's related expenses when and as incurred, all to the full extent permitted by law, pursuant to Executive's existing indemnification agreement with the Company, if any, in the form made available to all Executive and all other officers and directors or, if it provides greater protection to Executive, to the maximum extent allowed under the law of the State of the Company's incorporation.

(j) Legal Fees. The Company will pay directly the reasonable fees and expenses of counsel retained by Executive in connection with the preparation, negotiation and execution of this Agreement.

(k) Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together will constitute one and the same instrument.

IN WITNESS WHEREOF, each of the parties has executed this Agreement, in the case of the Company by its duly authorized officer, as of the day and year first above written.

**ULTRALIFE BATTERIES, INC.**

By: \_\_\_\_\_

Daniel Christman  
Chair of Compensation and  
Management Committee

**JOHN D. KAVAZANJIAN**

\_\_\_\_\_  
John D. Kavazanjian



**EMPLOYMENT AGREEMENT**

This Employment Agreement (the "Agreement") is entered into on April \_\_\_\_, 2007, by and between \_\_\_\_\_, an individual ("Executive") and Ultralife Batteries, Inc., a Delaware corporation (the "Company").

**Recitals**

The Company and Executive desire to set forth their agreement pursuant to which Executive will be retained as the \_\_\_\_\_ of the Company, effective January 1, 2007, and to provide for Executive's employment by the Company upon the terms and conditions set forth herein.

**Agreement**

**Now, Therefore**, in consideration of the mutual covenants contained herein, the parties hereby agree as follows:

1. Employment. Executive will serve as \_\_\_\_\_ of the Company for the Employment Term specified in Section 2 below. Executive will report to the Chief Executive Officer of the Company (the "Chief Executive Officer") and the Board of Directors of the Company (the "Board"), and Executive will render such services, consistent with the foregoing role, as the Chief Executive Officer or the Board may from time to time direct.

2. Term. The employment of Executive pursuant to this Agreement shall continue from the effective date noted in the Recitals through December 31, 2007 (the "Employment Term"), unless extended or earlier terminated as provided in this Agreement. The Employment Term shall automatically be extended for additional one-year periods commencing on January 1, 2008 and continuing each year thereafter, unless either Executive or the Company gives the other written notice, in accordance with Section 12(a) and at least ninety (90) days prior to the then scheduled expiration of the Employment Term, of such party's intention not to extend the Employment Term.

3. Salary. As compensation for the services rendered by Executive under this Agreement, the Company shall pay to Executive a base salary initially equal to \$\_\_\_\_\_ per year ("Base Salary") for calendar year 2007, payable to Executive in accordance with the Company's payroll practices as in effect from time to time during the Employment Term. The Base Salary shall be subject to adjustment by the Board or the Compensation and Management Committee of the Board, in the sole discretion of the Board or such Committee, on an annual basis; provided, however, that Executive's salary may not be decreased other than any such reduction consistent with a general reduction of pay across the executive staff as a group, as an economic or strategic measure due to poor financial performance by the Company.

4. Bonus. In addition to his Base Salary, Executive shall be entitled to participate in the Company's executive bonus program. The annual target bonus shall be established by the Board

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or its Compensation and Management Committee, in the discretion of the Board or such Committee, and shall be payable based on achievement of specified Company objectives.

5. Executive Benefits.

(a) Employee and Executive Benefits. Executive will be entitled to receive all benefits provided to senior executives, executives and employees of the Company generally from time to time, including medical, dental, life insurance and long-term disability, and the executive split-dollar life insurance and executive disability plan, in each case so long as and to the extent the same exist; provided, that in respect to each such plan Executive is otherwise eligible and insurable in accordance with the terms of such plans.

(b) Vacation, Sick Leave, Holidays and Sabbatical. Executive shall be entitled to vacation, sick leave, holidays and sabbatical in accordance with the policies of the Company as they exist from time to time. Vacation which is not used during any calendar year will roll over to the following year only to the extent provided under the Company's vacation policies as they exist from time to time.

6. Severance Benefits.

(a) At Will Employment. Executive's employment shall be "at will." Either the Company or Executive may terminate this Agreement and Executive's employment at any time, with or without Business Reasons (as defined in Section 7(a) below), in its or his sole discretion, upon sixty (60) days' prior written notice of termination.

(b) Involuntary Termination. If at any time during the term of this Agreement, other than following a Change in Control to which Section 6(c) applies, the Company terminates the employment of Executive without Business Reasons or a Constructive Termination occurs, then Executive shall be entitled to receive the following: (i) salary and the cash value of any accrued vacation (consistent with the Company's vacation policies then in effect) through the Termination Date plus continued salary for a period of \_\_\_(\_\_\_\_) months following the Termination Date, payable in accordance with the Company's regular payroll schedule as in effect from time to time, (ii) an amount equal to the average of the bonuses paid to Executive during the two preceding fiscal years or, if no bonuses were paid during such period, an amount equal to Executive's then current annual target bonus, (iii) acceleration of vesting of all outstanding stock options, and other equity arrangements subject to vesting and held by Executive subject to the provision, however, that the acceleration shall not cover more than two (2) years from the Termination Date (and in this regard, all such options and other exercisable rights held by Executive shall remain exercisable for one year following the Termination Date), (iv) to the extent COBRA shall be applicable to the Company, continuation of health benefits for Executive, Executive's spouse and any dependent children, at Executive's cost, for a period of \_\_\_(\_\_\_\_) months after the Termination Date or such longer period as may be applicable under the Company's policies then in effect, provided the Executive makes the appropriate

election and payments, and (v) no other compensation, severance or other benefits, except only that this provision shall not limit any benefits otherwise available to Executive under Section 6(c) in the case of a termination following a Change in Control.

(c) Change in Control.

(i) Benefits. If at any time during the term of this Agreement a “Change in Control” occurs (as defined below), and the Company terminates the employment of Executive without Business Reasons or a Constructive Termination occurs within \_\_\_(\_\_\_) months of the date of the Change in Control, then Executive shall be entitled to receive the following: (i) salary and the cash value of any accrued vacation (consistent with the Company’s vacation policies then in effect) through the Termination Date plus an amount equal to eighteen (18) months of Executive’s salary as then in effect, payable immediately upon the Termination Date, (ii) an amount equal to the greater of the average of the bonuses paid to Executive during the two preceding fiscal years or Executive’s then current annual target bonus, (iii) acceleration in full of vesting of all outstanding stock options, and other equity arrangements subject to vesting and held by Executive (and in this regard, all such options and other exercisable rights held by Executive shall remain exercisable one year following the Termination Date), (iv) to the extent COBRA shall be applicable to the Company, continuation of health benefits for Executive, Executive’s spouse and any dependent children, at Executive’s cost, for a period of \_\_\_(\_\_\_) months after the Termination Date or such longer period as may be applicable under the Company’s policies then in effect, provided Executive makes the appropriate election and payments, and (v) no other compensation, severance or other benefits.

(ii) Additional Payments by the Company. If it is determined that any payment or distribution by the Company to or for the benefit of Executive, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise pursuant to or by reason of any other agreement, policy, plan, program or arrangement, including without limitation any stock option, stock appreciation right or similar right, or the lapse or termination of any restriction on or the vesting or exercisability of any of the foregoing (a “Payment”), would be subject to the excise tax imposed by Section 4999 of the Code (or any successor provision thereto) or to any similar tax imposed by state or local law, or any interest or penalties with respect to such excise tax (such tax or taxes, together with any such interest and penalties, are hereafter collectively referred to as the “Excise Tax”), then Executive will be entitled to receive an additional payment or payments (a “Gross-Up Payment”) in an amount such that, after payment by Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including any Excise Tax, imposed upon the Gross-Up Payment, Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments.

(d) Termination for Disability. If at any time during the term of this Agreement, other than following a Change in Control to which Section 6(c) applies, Executive shall become unable to perform his duties as an employee as a result of incapacity, which gives rise to

termination of employment for Disability, then Executive shall be entitled to receive the following: (i) salary and the cash value of any accrued vacation (consistent with the Company's vacation policies then in effect) through the Termination Date plus continued salary for a period of \_\_\_(\_\_\_\_) months following the Termination Date, payable in accordance with the Company's regular payroll schedule as in effect from time to time, (ii) an amount equal to the annual target bonus for the fiscal year in which the Termination Date occurs (plus any unpaid bonus from the prior fiscal year), (iii) acceleration in full of vesting of all outstanding stock options held by Executive subject to the provision, however, that the acceleration shall not cover more than two (2) years from the Termination Date (and in this regard, all such options and other exercisable rights held by Executive shall remain exercisable one year following the Termination Date), (iv) to the extent COBRA shall be applicable to the Company, continuation of health benefits for Executive, Executive's spouse and any dependent children, at Executive's cost, for a period of \_\_\_ (\_\_\_\_) months after the Termination Date, or such longer period as may be applicable under the Company's policies then in effect, provided Executive makes the appropriate election and payments, and (v) no other compensation, severance or other benefits, except only that this provision shall not limit any benefits otherwise available to Executive under Section 6(c) in the case of a termination following a Change in Control. Notwithstanding the foregoing, however, the Company may deduct from the salary specified in clause (i) hereof the amount of any payments then received by Executive under any disability benefit program maintained by the Company.

(e) Voluntary Termination or Involuntary Termination for Business Reasons. If (A) Executive voluntarily terminates his employment (other than in the case of a Constructive Termination), or (B) Executive is terminated involuntarily for Business Reasons, then in any such event Executive or his representatives shall be entitled to receive the following: (i) salary and the cash value of any accrued vacation (consistent with the Company's vacation policies then in effect) through the Termination Date only, (ii) the right to exercise, for thirty (30) days following the Termination Date (or such longer period as may be provided in the applicable stock option plan or agreement), all stock options held by Executive, but only to the extent vested as of the Termination Date, (iii) to the extent COBRA shall be applicable to the Company, continuation of health benefits for Executive, Executive's spouse and any dependent children, at Executive's cost, for a period of \_\_\_(\_\_\_\_) months after the Termination Date, or such longer period as may be applicable under the Company's policies then in effect, provided Executive makes the appropriate election and payments, and (iv) no other compensation, severance, or other benefits.

(f) Termination Upon Death. If Executive's employment is terminated because of death, then Executive's representatives shall be entitled to receive the following: (i) salary and the cash value of any accrued vacation (consistent with the Company's vacation policies then in effect) through the Termination Date, (ii) an amount equal to the annual target bonus for the fiscal year in which the Termination Date occurs (plus any unpaid bonus from the prior fiscal year), (iii) except in the case of any such termination following a Change in Control to which Section 6(c) applies, acceleration in full of vesting of all outstanding stock options, and other

equity arrangements subject to vesting and held by Executive subject to the provision, however, that the acceleration shall not cover more than two (2) years from the Termination Date (and in this regard, all such options and other exercisable rights held by Executive shall remain exercisable for one year following the Termination Date (iv) to the extent COBRA shall be applicable to the Company, continuation of health benefits for Executive's spouse and any dependent children, at their cost, for a period of \_\_\_(\_\_\_) months after the Termination Date, or such longer period as may be applicable under the Company's policies then in effect provided Executive's estate makes the appropriate election and payments, (v) any benefits payable to Executive or his representatives upon death under insurance or other programs maintained by the Company for the benefit of the Executive, and (vi) no further benefits or other compensation, except only that this provision shall not limit any benefits otherwise available to Executive under Section 6(c) in the case of a termination following a Change in Control.

(g) Exclusivity. The provisions of this Section 6 are intended to be and are exclusive and in lieu of any other rights or remedies to which Executive or the Company may otherwise be entitled, either at law, tort or contract, in equity, or under this Agreement, in the event of any termination of Executive's employment. Executive shall be entitled to no benefits, compensation or other payments or rights upon termination of employment other than those benefits expressly set forth in paragraph (b), (c), (d), (e) or (f) of this Section 6, whichever shall be applicable and those benefits required to be provided by law.

7. Definition of Terms. The following terms referred to in this Agreement shall have the following meanings:

(a) Business Reasons. "Business Reasons" means (i) gross negligence, willful misconduct or other willful malfeasance by Executive in the performance of his duties, (ii) Executive's conviction of a felony, or an other criminal offense involving moral turpitude, (iii) Executive's material breach of this Agreement, including without limitation any repeated breach of Section 8 hereof or of any provision of any confidentiality, non-disclosure or non-competition agreements between the Company and Executive, provided that, in the case of any such breach, the Board provides written notice of breach to the Executive, specifically identifying the manner in which the Board believes that Executive has materially breached this Agreement, and Executive shall have the opportunity to cure such breach to the reasonable satisfaction of the Board within thirty (30) days following the delivery of such notice. For purpose of this paragraph, no act or failure to act by Executive shall be considered "willful" unless done or omitted to be done by Executive in bad faith or without reasonable belief that Executive's action or omission was in the best interests of the Company or its affiliates. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or based upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by Executive in good faith and in the best interests of the Company. The Board must notify Executive of any event constituting Business Reasons within ninety (90) days following the Board's actual knowledge of its existence (which period shall be extended during the period

of any reasonable investigation conducted in good faith by or on behalf of the Board) or such event shall not constitute Business Reasons under this Agreement.

(b) Disability. “Disability” shall mean that Executive has been unable to perform his duties as an employee as the result of his incapacity due to physical or mental illness, and such inability, at least twenty-six (26) weeks after its commencement, is determined to be total and permanent by a physician selected by the Company or its insurers and acceptable to Executive or Executive’s legal representative (such Agreement as to acceptability not to be unreasonably withheld). Termination resulting from Disability may only be effected after at least sixty (60) days written notice by the Company of its intention to terminate Executive’s employment. In the event that Executive resumes the performance of substantially all of his duties hereunder before the termination of his employment becomes effective, the notice of intent to terminate shall automatically be deemed to have been revoked.

(c) Termination Date. “Termination Date” shall mean (i) if this Agreement is terminated on account of death, the date of death; (ii) if this Agreement is terminated for Disability, the date specified in Section 7(b); (iii) if this Agreement is terminated by the Company, the date which is indicated in a notice of termination is given to Executive by the Company in accordance with Sections 6(a) and 9; (iv) if the Agreement is terminated by Executive, the date which is indicated in a notice of termination given to the Company by Executive in accordance with Sections 6(a) and 9(a); or (v) if this Agreement expires by its terms, then the last day of the term of this Agreement.

(d) Constructive Termination. A “Constructive Termination” shall be deemed to occur if (A) (1) Executive’s position changes as a result of an action by the Company such that (w) Executive shall no longer be \_\_\_ of the Company, (x) Executive shall have duties and responsibilities demonstrably less than those typically associated with a \_\_\_ or (y) Executive shall no longer report directly to the Company’s Chief Executive Officer or the Board or (2) Executive is required to relocate his place of employment, other than a relocation within fifty (50) miles of Executive’s current residence or the Company’s current Newark, New York headquarters, (3) there is a reduction in Executive’s base salary or target bonus other than any such reduction consistent with a general reduction of pay across the executive staff as a group, as an economic or strategic measure due to poor financial performance by the Company or (4) there occurs any other material breach of this Agreement by the Company (other than a reduction of Executive’s base salary or target bonus which is not described in the immediately preceding clause (3)) after a written demand for substantial performance is delivered to the Board by Executive which specifically identifies the manner in which Executive believes that the Company has materially breached this Agreement, and the Company has failed to cure such breach to the reasonable satisfaction of Executive within thirty (30) days following the delivery of such notice and (B) within the ninety (90) day period immediately following an action described in clauses (A)(1) through (4), Executive elects to terminate his employment voluntarily.

(e) Change in Control. A “Change in Control” shall be deemed to have occurred if:

(i) any “Person,” as such term is used for purposes of Section 13(d) or 14(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) (other than (i) the Company, (ii) any trustee or other fiduciary holding securities under an employee benefit plan of the Company, or (iii) any company owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company), becomes the “Beneficial Owner” (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 51% or more of the combined voting power of the Company’s then-outstanding securities;

(ii) the stockholders of the Company approve any transaction or series of transactions under which the Company is merged or consolidated with any other company, other than a merger or consolidation (A) which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 66 2/3% of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation and (B) after which no Person holds 20% or more of the combined voting power of the then-outstanding securities of the Company or such surviving entity;

(iii) the stockholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company’s assets;

(iv) the Board adopts a resolution to the effect that, for purposes of this Agreement, a Change in Control has occurred; or

(v) a majority of the Board is replaced in a 12-month period by directors whose appointment or election was not endorsed by a majority of the Board before their appointment or election.

#### 8. No Conflicts.

(a) Executive agrees that in his individual capacity he will not enter into any agreement, arrangement or understanding, whether written or oral, with any supplier, contractor, distributor, wholesaler, sales representative, representative group or customer, relating to the business of the Company or any of its subsidiaries, without the express written consent of the Company.

(b) As long as Executive is employed by the Company or any of its subsidiaries, Executive agrees that he will not, except with the express written consent of the Company, become engaged in, render services for, or permit his name to be used in connection with, any

for-profit business other than the business of the Company, any of its subsidiaries or any corporation or partnership in which the Company or any of its subsidiaries have an equity interest.

9. Miscellaneous Provisions.

(a) Notice. Notices and all other communications contemplated by this Agreement shall be in writing, shall be effective when given, and in any event shall be deemed to have been duly given (i) when delivered, if personally delivered, (ii) three (3) business days after deposit in the U.S. mail, if mailed by U.S. registered or certified mail, return receipt requested, or (iii) one (1) business day after the business day of deposit with Federal Express or similar overnight courier, if so delivered, freight prepaid. In the case of Executive, notices shall be addressed to him at the home address which he most recently communicated to the Company in writing. In the case of the Company, notices shall be addressed to its corporate headquarters, and all notices shall be directed to the attention of its Corporate Secretary.

(b) Notice of Termination. Any termination by the Company or Executive shall be communicated by a notice of termination to the other party hereto given in accordance with paragraph (a) hereof. Such notice shall indicate the specific termination provision in this Agreement relied upon.

(c) Successors.

(i) Company's Successors. Any successor to the Company (whether direct or indirect and whether by purchase, lease, merger, consolidation, liquidation or otherwise) to all or substantially all of the Company's business and/or assets shall be entitled to assume the rights and shall be obligated to assume the obligations of the Company under this Agreement and shall agree to perform the Company's obligations under this Agreement in the same manner and to the same extent as the Company would be required to perform such obligations in the absence of a succession. For all purposes under this Agreement, the term "Company" shall include any successor to the Company's business and/or assets which executes and delivers the assumption agreement described in this subsection (i) or which becomes bound by the terms of this Agreement by operation of law.

(ii) Executive's Successors. The terms of this Agreement and all rights of Executive hereunder shall inure to the benefit of, and be enforceable by, Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

(iii) No Other Assignment of Benefits. Except as provided in this Section 9(c), the rights of any person to payments or benefits under this Agreement shall not be made subject to option or assignment, either by voluntary or involuntary assignment or by



operation of law, including (without limitation) bankruptcy, garnishment, attachment or other creditor's process, and any action in violation of this subsection (iii) shall be void.

(d) Waiver. No provision of this Agreement shall be modified, waived or discharged unless the modification, waiver or discharge is agreed to in writing and signed by Executive and by an authorized officer of the Company (other than Executive). No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

(e) Entire Agreement. This Agreement shall supersede any and all prior agreements, representations or understandings (whether oral or written and whether express or implied) between the parties with respect to the subject matter hereof.

(f) Severability. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision hereof, which shall remain in full force and effect.

(g) Arbitration and Governing Law. Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration in Rochester, New York, in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction. No party shall be entitled to seek or be awarded punitive damages. All attorneys fees and costs shall be allocated or apportioned as agreed by the parties or, in the absence of an agreement, in such manner as the arbitrator or court shall determine to be appropriate to reflect the final decision of the deciding body as compared to the initial positions in arbitration of each party. This Agreement shall be construed in accordance with and governed by the laws of the State of New York as they apply to contracts entered into and wholly to be performed within such State by residents thereof.

(h) Employment Taxes. All payments made pursuant to this Agreement will be subject to withholding of applicable taxes.

(i) Indemnification. In the event Executive is made, or threatened to be made, a party to any legal action or proceeding, whether civil or criminal, by reason of the fact that Executive is or was a director or officer of the Company or serves or served any other entity of which the Company owns 50% or more of the equity in any capacity, Executive shall be indemnified by the Company, and the Company shall pay Executive's related expenses when and as incurred, all to the full extent permitted by law, pursuant to Executive's existing indemnification agreement with the Company, if any, in the form made available to all Executive and all other officers and directors or, if it provides greater protection to Executive, to the maximum extent allowed under the law of the State of the Company's incorporation.

(j) Legal Fees. The Company will pay directly the reasonable fees and expenses of counsel retained by Executive in connection with the preparation, negotiation and execution of this Agreement.

(k) Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together will constitute one and the same instrument.

IN WITNESS WHEREOF, each of the parties has executed this Agreement, in the case of the Company by its duly authorized officer, as of the day and year first above written.

**ULTRALIFE BATTERIES, INC.**

By: \_\_\_\_\_

John D. Kavazanjian  
President and Chief Executive Officer

**EXECUTIVE**

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