

SCHEDULE 13D/A

UNDER THE SECURITIES EXCHANGE ACT OF 1934  
(Amendment No. 3)

Ultralife Batteries, Inc.  
(Name of Issuer)

COMMON STOCK, par value \$.10  
(Title of Class of Securities)

903899102  
(CUSIP Number)

Jerald A. Trannel  
290 South County Farm Road, Third Floor  
Wheaton, Illinois 60187-4526  
Telephone: (630) 588-7200  
(Name, Address and Telephone Number of Person Authorized to  
Receive Notices and Communications)

September 29, 2006  
(Date of Event which Requires Filing of this Statement)

If the filing person has previously filed a statement on  
Schedule 13G to report the acquisition which is the subject  
of this Schedule 13D, and is filing this schedule because  
of Section 240.13d-1(e), 240.13d-1(f) or 240.13d-1(g),  
check the following box. [ ]

NOTE: Schedules filed in paper format shall include a  
signed original and five copies of the schedule, including  
all exhibits. See Section 240.13d-7(b) for other parties  
to whom copies are to be sent.

The remainder of this cover page shall be filled out for a  
reporting person's initial filing on this form with respect  
to the subject class of securities, and for any subsequent  
amendment containing information which would alter  
disclosures provided in a prior cover page.

The information required on the remainder of this cover  
page shall not be deemed to be "filed" for the purpose of  
Section 18 of the Securities Exchange Act of 1934 ("Act")  
or otherwise subject to the liabilities of that section of  
the Act but shall be subject to all other provisions of the  
Act (however, see the Notes).

2  
Schedule 13D/A

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1. Names of Reporting Person  
S.S. OR I.R.S. Identification No. of Above Persons  
Grace Brothers, Ltd.

2. Check the Appropriate Box if a Member of a Group (See  
instructions)  
(a) [ ]  
(b) [ ]

3. SEC Use Only

4. Source of Funds (See instructions)  
00

5. Check if Disclosure of Legal Proceedings is Required  
Pursuant to Items 2(d) or 2(e) [ ]

6. Citizenship or Place of Organization

Illinois Limited Partnership

7 Sole Voting Power  
Number of 0

Shares	8	Shared Voting Power
Beneficially	3,793,964	shares
Owned by		
Each		
Reporting	9	Sole Dispositive Power
Person	0	
With	10	Shared Dispositive Power
	3,793,964	shares

11. Aggregate Amount Beneficially Owned by Each Reporting Person

3,793,964 shares

12. Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See instructions) [  ]

13. Percent of Class Represented by Amount in Row (11)

25.4%

14. Type of Reporting Person (See instructions)

PN,

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1. Names of Reporting Person  
S.S. OR I.R.S. Identification No. of Above Persons

Bradford T. Whitmore

2. Check the Appropriate Box if a Member of a Group (See instructions)

(a)   
(b)

3. SEC Use Only

4. Source of Funds (See instructions)  
00

5. Check if Disclosure of Legal Proceedings is Required Pursuant to Items 2(d) or 2(e)

6. Citizenship or Place of Organization  
United States

Number of Shares Beneficially Owned by Each Reporting Person With	7 Sole Voting Power 25,815
	8 Shared Voting Power 3,793,964
	9 Sole Dispositive Power 25,815
	10 Shared Dispositive Power 3,793,964

11. Aggregate Amount Beneficially Owned by Each Reporting Person

3,819,779

12. Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See instructions)

13. Percent of Class Represented by Amount in Row (11)

25.6%

14. Type of Reporting Person (See instructions)

IN

1. Names of Reporting Person  
S.S. OR I.R.S. Identification No. of Above Persons

Spurgeon Corporation

2. Check the Appropriate Box if a Member of a Group (See instructions)

(a) [ ]  
(b) [ ]

3. SEC Use Only

4. Source of Funds (See instructions)

00

5. Check if Disclosure of Legal Proceedings is Required Pursuant to Items 2(d) or 2(e) [ ]

6. Citizenship or Place of Organization

Illinois Corporation

Number of Shares 7 Sole Voting Power  
0

Beneficially Owned by Each Reporting Person 8 Shared Voting Power  
3,793,964 shares

9 Sole Dispositive Power  
0

10 Shared Dispositive Power  
3,793,964 shares

11. Aggregate Amount Beneficially Owned by Each Reporting Person

3,793,964

12. Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See instructions) [ ]

13. Percent of Class Represented by Amount in Row (11)

25.4%

14. Type of Reporting Person (See instructions)

C0

The undersigned, Grace Brothers, Ltd. ("Grace") hereby amends its Schedule 13D as filed on June 7, 2006 relating to the Common Stock of Ultralife Batteries, Inc. Unless otherwise indicated, all capitalized terms used herein but not defined herein shall have the same meaning as set forth in the Schedule 13D. Except as set forth herein, the Schedule 13D, as previously amended, remains unchanged.

Item 5. Interest in Securities of the Issuer

(a) As of the date of this filing, Grace beneficially owns 3,793,964 shares of Common Stock, representing approximately 25.4% of the outstanding shares of Common Stock. As general partner of Grace, Spurgeon may be deemed beneficial owner of 3,793,964 shares of Common Stock, or 25.4% of the outstanding shares of Common Stock, although they otherwise disclaim beneficial ownership. As general partner of Grace, Whitmore may be deemed beneficial owner of 3,793,964 shares of Common Stock, and 25,815 shares of Common Stock as direct beneficial owner, or 25.6% of the outstanding shares of Common Stock.

(b) Grace: shared voting power (with Whitmore and Spurgeon)  
3,793,964 Shares

Whitmore: shared voting power (with Grace and Spurgeon)  
3,793,964 Shares  
sole voting power 25,815 Shares

Spurgeon: shared voting power (with Grace and Whitmore)  
3,793,964 Shares

(c) The transactions effected by the Filers since the most recent filing on September 28, 2006 of Schedule 13D set forth in Schedule A.

SIGNATURE

After reasonable inquiry and to the best of its knowledge and belief, the undersigned certifies that the information set forth in this Statement with respect to it is true, complete and correct.

Dated: October 10, 2006

Grace Brothers, Ltd.

By: /s/ Bradford T. Whitmore  
Name: Bradford T. Whitmore  
Its: General Partner

Bradford T. Whitmore

By: /s/ Bradford T. Whitmore  
Name: Bradford T. Whitmore

Spurgeon Corporation

By: /s/ Jerald A. Trannel  
Name: Jerald A. Trannel  
Its: Vice President

## SCHEDULE A

TRADE ACTIVITY FOR ULTRALIFE BATTERIES, INC.  
EFFECTED BY GRACE BROTHERS, LTD. FROM SEPTEMBER 29, 2006  
THROUGH OCTOBER 10, 2006.

Amount of Price per Date Security Shares Share Purchased
9/29/2006 COMMON STOCK 200 9.22500
9/29/2006 COMMON STOCK 100 9.28000
9/29/2006 COMMON STOCK 2,000 9.29950
9/29/2006 COMMON STOCK 100 9.34000
9/29/2006 COMMON STOCK 1,600 9.35000
9/29/2006 COMMON STOCK 100 9.37000
9/29/2006 COMMON STOCK 400 9.39000
9/29/2006 COMMON STOCK 2,920 9.39897
9/29/2006 COMMON STOCK 4,900 9.40000
9/29/2006 COMMON STOCK 231 9.40866
9/29/2006 COMMON STOCK 100 9.41000
9/29/2006 COMMON STOCK 200 9.41500
9/29/2006 COMMON STOCK 1,649

9.42000  
9/29/2006  
COMMON  
STOCK  
600  
9.42500  
9/29/2006  
COMMON  
STOCK  
2,999  
9.43000  
9/29/2006  
COMMON  
STOCK  
600  
9.43167  
9/29/2006  
COMMON  
STOCK  
4,300  
9.44000  
9/29/2006  
COMMON  
STOCK  
200  
9.44500  
9/29/2006  
COMMON  
STOCK  
3,700  
9.45000  
9/29/2006  
COMMON  
STOCK  
300  
9.45667  
9/29/2006  
COMMON  
STOCK  
903  
9.45889  
9/29/2006  
COMMON  
STOCK  
4,700  
9.46000  
9/29/2006  
COMMON  
STOCK  
3,500  
9.46914  
9/29/2006  
COMMON  
STOCK  
1,000  
9.47000  
9/29/2006  
COMMON  
STOCK  
1,300  
9.50000  
9/29/2006  
COMMON  
STOCK  
1,200  
9.51000  
9/29/2006  
COMMON  
STOCK  
200  
9.52000  
9/29/2006  
COMMON  
STOCK  
200  
9.53000  
9/29/2006  
COMMON  
STOCK  
200  
9.54500



9/29/2006  
COMMON  
STOCK  
1,540  
9.60000  
9/29/2006  
COMMON  
STOCK  
1,200  
9.60333  
9/29/2006  
COMMON  
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500  
9.62000  
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COMMON  
STOCK  
1,400  
9.63000  
9/29/2006  
COMMON  
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500  
9.64000  
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STOCK  
400  
9.64750  
9/29/2006  
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9.66000  
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9.70000  
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6,737  
9.71000  
9/29/2006

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