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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

June 1, 2011  
(Date of Report)

**ULTRALIFE CORPORATION**

(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 1.01 Entry into a Material Definitive Agreement.**

As disclosed in our Form 8-K dated April 29, 2011, Ultralife Corporation (the "Company") had received a proposed settlement from the U.S. Attorney's office with respect to ongoing discussions it had regarding three exigent, non-bid contracts with the U.S. government that have been subject to an audit and final price adjustment. In September 2005, the Defense Contracting Audit Agency ("DCAA") presented its findings related to its audits of the three exigent contracts and suggested a potential pricing adjustment of \$1.4 million related to reductions in the cost of materials that occurred prior to the final negotiation of these contracts. The Company fully cooperated with these audits and furnished the government with requested information and documents.

Under applicable federal law, the Company may have been subject to treble damages and penalties associated with the potential pricing adjustment. In light of the uncertainty, the Company decided to enter into discussions with the U.S. Attorney's office in April 2011 to negotiate a settlement. On April 21, 2011, the Company was advised by the U.S. Attorney's Office that there was a \$2.7 million settlement-in-principle to resolve all claims related to the contracts.

On June 1, 2011, the Company entered into a Settlement Agreement with the United States of America, acting through the United States Department of Justice and on behalf of the Department of Defense which provides that the Company shall pay the United States the amount of \$2.7 million (the "Settlement Amount") plus interest accrued thereon at the rate of 2.625% per annum from May 6, 2011, with principal payments of \$1 million, \$566,667.00, \$566,667.00 and \$566,666.00 being due on June 8, 2011, December 1, 2011, June 1, 2012 and December 1, 2012, respectively. Each principal payment will be accompanied by a payment of accrued interest.

In consideration of and subject to the Company's full payment of the Settlement Amount and subject to certain exceptions enumerated in the agreement, the United States released the Company, together with its current and former parent corporations, direct and indirect subsidiaries, brother or sister corporations, divisions, current or former owners, officers, directors and affiliates, and the successors and assigns of any of them, from any civil or administrative monetary claim the United States has for the Company's conduct that gave rise to the potential pricing adjustment arising out of the three exigent contracts that were subject to the DCAA audit.

By entering into the agreement, the Company did not admit to any impropriety, wrongdoing or liability of any sort.

The summary of the Settlement Agreement set forth above is qualified in its entirety by reference to the full text of the Settlement Agreement attached hereto as Exhibit 10.1 and incorporated herein by reference.

### **Forward-Looking Statements**

This report on Form 8-K may contain forward-looking statements based on current expectations that involve a number of risks and uncertainties. The potential risks and uncertainties that could cause actual results to differ materially include: worsening global economic conditions, increased competitive environment and pricing pressures, and disruptions

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related to restructuring actions and delays. The Company cautions investors not to place undue reliance on forward-looking statements, which reflect our analysis only as of the date of this filing. We undertake no obligation to publicly update forward-looking statements to reflect subsequent events or circumstances. Further information on these factors and other factors that could affect the Company's financial results is included in our filings with the United States Securities & Exchange Commission, including our latest Annual Report on Form 10-K.

**Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits. The following exhibit is being furnished as part of this Report.

<b>Exhibit Number</b>	<b>Description</b>
10.1	Settlement Agreement, dated June 1, 2011, among the United States of America, acting through the United States Department of Justice and on behalf of the Department of Defense and Ultralife Corporation

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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: June 2, 2011

ULTRALIFE CORPORATION

By: /s/ Peter F. Comerford

Peter F. Comerford

Vice President of Administration, General Counsel and  
Secretary

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## EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description</u>
10.1	Settlement Agreement, dated June 1, 2011, among the United States of America, acting through the United States Department of Justice and on behalf of the Department of Defense and Ultralife Corporation

**SETTLEMENT AGREEMENT**

This Settlement Agreement (Agreement) is entered into among the United States of America, acting through the United States Department of Justice and on behalf of Department of Defense (collectively the “United States”) and Ultralife Corporation, formerly known as Ultralife Batteries, Inc. (hereafter collectively referred to as “the Parties”), through their authorized representatives.

**RECITALS**

A. Ultralife Corporation (“Ultralife”) is a Delaware corporation headquartered in Newark, New York that develops, manufactures and markets high-energy power and communication systems including, among other things, a variety of non-rechargeable and rechargeable batteries, charging systems and accessories for use in military products and applications. At all relevant times herein, Ultralife has sold its BA5390 lithium-manganese dioxide non-rechargeable battery to the United States, including sales pursuant to Contract Nos. DAAB07-03-C-A214; DAAB07-03-C-A220; and W15P7T-04-C-C002.

B. The United States contends that it has certain civil claims against Ultralife arising from Ultralife’s failure to furnish accurate, complete, and current cost or pricing data to the United States pursuant 10 U.S.C. § 2306a for Contract Nos. DAAB07-03-C-A214; DAAB07-03- C-A220; and W15P7T-04-C-C002. As a result, the United States contends that Ultralife overstated material costs for several direct material items, and the United States was overcharged under Contract Nos. DAAB07-03-C-A214; DAAB07-03-C-A220; and W15P7T-04-C-C002 during the period from May 15, 2003 through March 14, 2005. That conduct is referred to below as the Covered Conduct.

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C. This Settlement Agreement is neither an admission of liability by Ultralife nor a concession by the United States that its claims are not well founded. By entering into this Agreement, Ultralife does not admit to any impropriety, wrongdoing or liability of any sort.

To avoid the delay, uncertainty, inconvenience, and expense of protracted litigation of the above claims, and in consideration of the mutual promises and obligations of this Settlement Agreement, the Parties agree and covenant as follows:

#### **TERMS AND CONDITIONS**

1. Ultralife shall pay to the United States the sum of two million, seven hundred thousand (\$2,700,000) (the "Settlement Amount"), plus interest accrued thereon at the rate of 2.625% per annum from May 6, 2011, and continuing until and including the day before the final payment is made under this Agreement. On the Effective Date of this Agreement, this sum shall constitute a debt due and immediately owing to the United States. The Settlement Amount shall be paid as follows:

a. Ultralife shall pay to the United States the Settlement Amount plus interest accrued thereon at the rate of 2.625% per annum, in accordance with the payment schedule attached hereto as Exhibit A ("Payment Schedule"). Within 7 business days after the Effective Date of this Agreement, Ultralife shall pay the United States the initial fixed payment in the amount of \$1,000,000 and thereafter make principal payments with interest according to the schedule in Exhibit A.

b. All payments set forth in Paragraph 1(a) shall be made to the United States by electronic funds transfer pursuant to written instructions to be provided by the Office of the United States Attorney for the Western District of New York to Peter F. Comerford, Esq., counsel for Ultralife. The entire balance of the Settlement Amount, or any portion thereof, plus

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any interest accrued on the principal as of the date of any prepayment, may be prepaid without penalty.

2. If Ultralife fails to make any of the payments described in Paragraph 1(a) above at the specified time, upon written notice to Ultralife of this default, Ultralife shall have ten (10) calendar days to cure the default. If the default is not cured within the ten-day period: (a) the remaining unpaid principal portion of the Settlement Amount shall become accelerated and immediately due and payable, with interest at a simple rate of 2.625% from the Effective Date of this Agreement to the date of default, and at a simple rate of 12% per annum from the date of default until the date of payment; (b) the United States may pursue any and all actions for collection as it may choose, including, without limitation, filing an action for specific performance of this Agreement; and (c) the United States may offset the remaining unpaid balance of the Settlement Amount (inclusive of interest) from any amounts due and owing to Ultralife by any department, agency, or agent of the United States. Ultralife agrees not to contest any collection action undertaken by the United States pursuant to this Paragraph 2, and to pay the United States all reasonable costs incurred in any such collection action, including attorney's fees and expenses.

3. Subject to the exceptions in Paragraph 4 (concerning excluded claims) below, and conditioned upon Ultralife's full payment of the Settlement Amount, the United States releases Ultralife, together with its current and former parent corporations; direct and indirect subsidiaries; brother or sister corporations; divisions; current or former owners, officers, directors, and affiliates; and the successors and assigns of any of them, from any civil or administrative monetary claim the United States has for the Covered Conduct under the False Claims Act, 31 U.S.C. §§ 3729-3733; the Program Fraud Civil Remedies Act, 31 U.S.C. §§

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3801-3812; the Truth in Negotiations Act, 10 U.S.C. § 2306a; the anti-fraud section of the Contract Disputes Act, as amended, 41 U.S.C. § 7101(c); or the common law theories of breach of contract, payment by mistake, unjust enrichment, and fraud.

4. Notwithstanding the release given in paragraph 3 of this Agreement, or any other term of this Agreement, the following claims of the United States are specifically reserved and are not released:

- a. Any liability arising under Title 26, U.S. Code (Internal Revenue Code);
- b. Any criminal liability;
- c. Any administrative liability, including the suspension and debarment rights of any federal agency;
- d. Any liability to the United States (or its agencies) for any conduct other than the Covered Conduct;
- e. Any liability based upon obligations created by this Agreement;
- f. Any liability for express or implied warranty claims or other claims for defective or deficient products or services, including quality of goods and services;
- g. Any liability for failure to deliver goods or services due; and
- h. Any liability for personal injury or property damage or for other consequential damages arising from the Covered Conduct.

5. Ultralife waives and shall not assert any defenses Ultralife may have to any criminal prosecution or administrative action relating to the Covered Conduct that may be based in whole or in part on a contention that, under the Double Jeopardy Clause in the Fifth Amendment of the Constitution, or under the Excessive Fines Clause in the Eighth Amendment

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of the Constitution, this Agreement bars a remedy sought in such criminal prosecution or administrative action. Nothing in this paragraph or any other provision of this Agreement constitutes an agreement by the United States concerning the characterization of the Settlement Amount for purposes of the Internal Revenue laws, Title 26 of the United States Code.

6. Ultralife fully and finally releases the United States, its agencies, officers, agents, employees, and servants, from any claims (including attorney's fees, costs, and expenses of every kind and however denominated) that Ultralife has asserted, could have asserted, or may assert in the future against the United States, its agencies, officers, agents, employees, and servants, related to the Covered Conduct and the United States' investigation and prosecution thereof.

7. Ultralife agrees to the following:

a. Unallowable Costs Defined: All costs (as defined in the Federal Acquisition Regulation, 48 C.F.R. § 31.205-47) incurred by or on behalf of Ultralife, and its present or former officers, directors, employees, shareholders, and agents in connection with:

- (1) the matters covered by this Agreement;
- (2) the United States' audit(s) and civil and criminal investigations of the matters covered by this Agreement;
- (3) Ultralife's investigation, defense, and corrective actions undertaken in response to the United States' audit(s) and civil and any criminal investigations in connection with the matters covered by this Agreement (including attorney's fees);
- (4) the negotiation and performance of this Agreement;

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(5) the payment Ultralife makes to the United States pursuant to this Agreement, are unallowable costs for government contracting purposes (hereinafter referred to as Unallowable Costs).

b. Future Treatment of Unallowable Costs: Unallowable Costs will be separately determined and accounted for by Ultralife, and Ultralife shall not charge such Unallowable Costs directly or indirectly to any contract with the United States.

c. Treatment of Unallowable Costs Previously Submitted for Payment: Within 90 days of the Effective Date of this Agreement, Ultralife shall identify and repay by adjustment to future claims for payment or otherwise any Unallowable Costs included in payments previously sought by Ultralife or any of its subsidiaries or affiliates from the United States. Ultralife agrees that the United States, at a minimum, shall be entitled to recoup from Ultralife any overpayment plus applicable interest and penalties as a result of the inclusion of such Unallowable Costs on previously-submitted requests for payment. The United States, including the Department of Justice and/or the affected agencies, reserves its rights to audit, examine, or re-examine Ultralife's books and records and to disagree with any calculations submitted by Ultralife or any of its subsidiaries or affiliates regarding any Unallowable Costs included in payments previously sought by Ultralife, or the effect of any such Unallowable Costs on the amount of such payments.

8. Ultralife warrants that it has reviewed its financial situation and that it currently is solvent within the meaning of 11 U.S.C. §§ 547(b)(3) and 548(a)(1)(B)(ii)(I), and shall remain solvent following payment to the United States of the Settlement Amount. Further, the Parties warrant that, in evaluating whether to execute this Agreement, they (a) have intended that the

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mutual promises, covenants, and obligations set forth constitute a contemporaneous exchange for new value given to Ultralife, within the meaning of 11 U.S.C. § 547(c)(1); and (b) conclude that these mutual promises, covenants, and obligations do, in fact, constitute such a contemporaneous exchange. Further, the Parties warrant that the mutual promises, covenants, and obligations set forth herein are intended to and do, in fact, represent a reasonably equivalent exchange of value that is not intended to hinder, delay, or defraud any entity to which Ultralife was or became indebted to on or after the date of this transfer, within the meaning of 11 U.S.C. § 548(a)(1).

9. If within 91 days of the Effective Date of this Agreement or of any payment made under this Agreement, Ultralife commences, or a third party commences, any case, proceeding, or other action under any law relating to bankruptcy, insolvency, reorganization, or relief of debtors (a) seeking to have any order for relief of Ultralife's debts, or seeking to adjudicate Ultralife as bankrupt or insolvent; or (b) seeking appointment of a receiver, trustee, custodian, or other similar official for Ultralife or for all or any substantial part of Ultralife's assets, Ultralife agrees as follows:

a. Ultralife's obligations under this Agreement may not be avoided pursuant to 11 U.S.C. § 547, and Ultralife shall not argue or otherwise take the position in any such case, proceeding, or action that: (i) Ultralife's obligations under this Agreement may be avoided under 11 U.S.C. § 547; (ii) Ultralife was insolvent at the time this Agreement was entered into, or became insolvent as a result of the payment made to the United States; or (iii) the mutual promises, covenants, and obligations set forth in this Agreement do not constitute a contemporaneous exchange for new value given to Ultralife.

b. If Ultralife's obligations under this Agreement are avoided for any reason, including, but not limited to, through the exercise of a trustee's avoidance powers under the

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Bankruptcy Code, the United States, at its sole option, may rescind the releases in this Agreement and bring any civil and/or administrative claim, action, or proceeding against Ultralife for the claims that would otherwise be covered by the releases provided in Paragraph 3, above. Ultralife agrees that (i) any such claims, actions, or proceedings brought by the United States (including any proceedings to exclude Ultralife from participation in) are not subject to an “automatic stay” pursuant to 11 U.S.C. § 362(a) as a result of the action, case, or proceedings described in the first clause of this Paragraph, and Ultralife shall not argue or otherwise contend that the United States’ claims, actions, or proceedings are subject to an automatic stay; (ii) Ultralife shall not plead, argue, or otherwise raise any defenses under the theories of statute of limitations, laches, estoppel, or similar theories, to any such civil or administrative claims, actions, or proceeding that are brought by the United States within 60 calendar days of written notification to Ultralife that the releases have been rescinded pursuant to this Paragraph, except to the extent such defenses were available on April 16, 2010; and (iii) the United States has a valid claim against Ultralife in an amount not less than \$2,700,000, and the United States may pursue its claim in the case, action, or proceeding referenced in the first clause of this Paragraph, as well as in any other case, action, or proceeding.

c. Ultralife acknowledges that its agreements in this Paragraph are provided in exchange for valuable consideration provided in this Agreement. This Agreement is intended to be for the benefit of the Parties only.

10. Each Party shall bear its own legal and other costs incurred in connection with this matter, including the preparation and performance of this Agreement.

11. Each party and signatory to this Agreement represents that it freely and voluntarily enters in to this Agreement without any degree of duress or compulsion.

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12. This Agreement is governed by the laws of the United States. The exclusive jurisdiction and venue for any dispute relating to this Agreement is the United States District Court for the Western District of New York. For purposes of construing this Agreement, this Agreement shall be deemed to have been drafted by all Parties to this Agreement and shall not, therefore, be construed against any Party for that reason in any subsequent dispute.

13. This Agreement constitutes the complete agreement between the Parties. This Agreement may not be amended except by written consent of the Parties.

14. The undersigned counsel represent and warrant that they are fully authorized to execute this Agreement on behalf of the persons and entities indicated below.

15. This Agreement may be executed in counterparts, each of which constitutes an original and all of which constitute one and the same Agreement.

16. This Agreement is binding on Ultralife's successors, transferees, heirs, and assigns.

17. All parties consent to the United States' disclosure of this Agreement, and information about this Agreement, to the public.

18. This Agreement is effective on the date of signature of the last signatory to the Agreement (Effective Date of this Agreement). Facsimiles of signatures shall constitute acceptable, binding signatures for purposes of this Agreement.

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**THE UNITED STATES OF AMERICA**

DATED: June 1, 2011

/s/ Robert G. Trusiak  
\_\_\_\_\_  
Robert G. Trusiak  
Assistant U.S. Attorney  
Western District of New York

and

DATED: June 1, 2011

/s/ Colin M. Huntley  
\_\_\_\_\_  
Colin M. Huntley  
Trial Attorney  
Commercial Litigation Branch  
Civil Division  
United States Department of Justice

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**ULTRALIFE CORPORATION**  
**Formerly Known As Ultralife Batteries, Inc.**

DATED: 1 June 2011

/s/ Peter F. Comerford  
Peter F. Comerford  
Vice President of Administration & General Counsel  
Ultralife Corporation

DATED: 6/1/2011

/s/ Thomas A. DeSimon  
Thomas A. DeSimon  
Harris Beach PLLC  
  
Counsel to Ultralife Corporation

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**EXHIBIT A**

**SETTLEMENT PAYMENT SCHEDULE**

<b>Date</b>	<b>Payment</b>	<b>Interest (2.625%)</b>	<b>Principal</b>	<b>Balance</b>
06-08-2011	\$1,005,048.63	\$ 5,048.63	\$ 1,000,000	\$ 1,700,000
12-01-2011	\$ 588,979.50	\$22,312.50	\$ 566,667.00	\$1,133,333.00
06-01-2012	\$ 581,542.00	\$14,875.00	\$ 566,667.00	\$ 566,666.00
12-01-2012	\$ 574,103.49	\$ 7,437.49	\$ 566,666.00	\$ 0
<b>Total</b>	<b>\$2,749,673.62</b>	<b>\$49,673.62</b>	<b>\$2,700,000.00</b>	

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