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

FORM 8-K/A

(Amendment No. 1)

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

July 15, 2019 (May 1, 2019)
Date of Report (Date of Earliest Event Reported)

ULTRALIFE CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**000-20852**	**16-1387013**
(State of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

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

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

None
(Former name or former address, if changed since last report)

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))

Securities registered pursuant to Section 12(b) of the Act:

Common Stock, $0.10 par value per share	**ULBI**	**NASDAQ**
(Title of each class)	(Trading Symbol)	(Name of each exchange on which registered)

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR 240.12b-2). Emerging Growth Company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

EXPLANATORY NOTE

This Form 8-K/A (this "Amendment") amends the Current Report on Form 8-K of Ultralife Corporation (the "Company") as filed with the Securities and Exchange Commission on May 2, 2019 (the "Original Form 8-K") that announced the Company's acquisition of all issued and outstanding shares of Southwest Electronic Energy Corporation ("SWE") on May 1, 2019. The Company did not file audited historical financial statements of SWE and unaudited pro forma financial information when the Original Form 8-K was filed under authority granted by Item 9.01 of Form 8-K.

This Amendment is being filed solely to amend and supplement the Original Form 8-K to include the audited historical financial statements of SWE and unaudited pro forma financial information in accordance with the requirements of Item 9.01 of Form 8-K. This Amendment effects no other changes to the Original Form 8-K. The financial statements and unaudited pro forma financial information filed hereto should be read in conjunction with the Original Form 8-K.

Item 9.01 Financial Statements, Pro Forma Financials and Exhibits

(a) Financial Statements of Business Acquired

Audited consolidated financial statements of SWE for the twelve-month period ended December 31, 2018 are attached hereto as Exhibit 99.2 and incorporated herein by reference.

(b) Pro Forma Financial Information

Unaudited pro forma condensed combined financial information as of and for the year ended December 31, 2018 is attached hereto as Exhibit 99.3 and incorporated herein by reference.

(d) Exhibits

Exhibit Number	**Exhibit Description**
23.1	Consent of Briggs & Veselka Co., Independent Registered Public Accounting Firm
99.1	Press release of Ultralife Corporation dated May 2, 2019 *
99.2	Audited consolidated financial statements of Southwest Electronic Energy Corporation as of and for the twelve-month period ended December 31, 2018
99.3	Unaudited pro forma condensed combined financial information as of and for the year ended December 31, 2018

* Previously filed with Form 8-K filed May 2, 2019

SIGNATURES

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

Date: July 15, 2019

ULTRALIFE CORPORATION

By: /s/ Philip A. Fain

Philip A. Fain
Chief Financial Officer and Treasurer

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-117662, 333-136737, 333-155349, 333-179235 and 333-203037) of our report dated July 15, 2019 on the consolidated financial statements of Southwest Electronic Energy Corporation for the twelve-month period ended December 31, 2018, which appears in this Current Report on Form 8-K/A of Ultralife Corporation.

/s/ Briggs & Veselka Co.

Houston, Texas
July 15, 2019

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of
Southwest Electronic Energy Corporation
Missouri City, Texas

We have audited the accompanying consolidated financial statements of Southwest Electronic Energy Corporation (a Texas corporation), which comprise the consolidated balance sheet as of December 31, 2018, and the related consolidated statements of income and other comprehensive income (loss), changes in stockholders' equity and cash flows for the twelve-month period then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Board of Directors and Stockholders of
Southwest Electronic Energy Corporation
Re: Independent Auditors' Report

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southwest Electronic Energy Corporation as of December 31, 2018, and the results of their operations and their cash flows for the twelve-month period then ended in accordance with accounting principles generally accepted in the United States of America.

/s/Briggs & Veselka Co.

Houston, Texas
July 15, 2019

Southwest Electronic Energy Corporation
Consolidated Financial Statements
For the Twelve-Month Period Ended December 31, 2018

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SOUTHWEST ELECTRONIC ENERGY CORPORATION
CONSOLIDATED BALANCE SHEET
DECEMBER 31, 2018

ASSETS		
Current assets		
Cash and cash equivalents	$	2,951,814
Available-for-sale securities		4,500,577
Accounts receivable, net		4,399,818
Inventory, net		4,750,656
Prepaid and other current assets		507,321
Total current assets		17,110,186
Property, plant and equipment, net		7,634,041
Intangible assets, net		7,940
Deferred tax assets, net		69,029
TOTAL ASSETS	$	24,821,196
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$	1,403,650
Accrued and other liabilities		1,254,018
Total current liabilities		2,657,668
Stockholders' equity		
Common stock; $10 par value, 10,000,000 shares authorized, 62,247 shares issued and 37,010 shares outstanding		622,470
IC-DISC; $1 par value, 2,500 shares authorized, issued and outstanding		2,500
Additional paid-in capital		367,874
Retained earnings		21,925,121
Less: treasury stock, at cost (27,737 shares)		(630,034)
Accumulated other comprehensive loss		(124,403)
Total stockholders' equity		22,163,528
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$	24,821,196

The accompanying notes are an integral part of these consolidated financial statements.

SOUTHWEST ELECTRONIC ENERGY CORPORATION
CONSOLIDATED STATEMENT OF INCOME AND OTHER COMPREHENSIVE INCOME (LOSS)
FOR THE TWELVE-MONTH PERIOD ENDED DECEMBER 31, 2018

Net sales	$	28,679,950
Cost of sales		19,279,079
Gross profit		9,400,871
Operating expenses		
General and administrative		8,779,746
Depreciation and amortization		505,202
Total operating expenses		9,284,948
Income from operations		115,923
Other income (expense)		
Interest income		56,009
Dividend income		131,761
Realized gain on marketable securities, net		176,791
Interest expense		(21,623)
Total other income		342,938
Income before income taxes		458,861
Income tax expense		(118,797)
Net income		340,064
Other comprehensive income (loss):		
Change in net unrealized losses on securities available-for-sale during the period		(582,358)
Reclassification adjustment for gains included in net income		176,791
Total other comprehensive loss		(405,567)
TOTAL COMPREHENSIVE INCOME (LOSS)	$	(65,503)

The accompanying notes are an integral part of these consolidated financial statements.

SOUTHWEST ELECTRONIC ENERGY CORPORATION
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE TWELVE-MONTH PERIOD ENDED DECEMBER 31, 2018

	Common Stock		IC-DISC		Additional Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Amount	Shares	Amount					
BALANCE, DECEMBER 31, 2017	62,247	$ 622,470	2,500	$ 2,500	$ 367,874	$21,834,656	$ (630,034)	$ 281,164	$ 22,478,630
Distributions paid	-	-	-	-	-	(239,000)	-	-	(239,000)
Noncash distribution of property and equipment to owner	-	-	-	-	-	(10,599)	-	-	(10,599)
Net income	-	-	-	-	-	340,064	-	-	340,064
Other comprehensive loss	-	-	-	-	-	-	-	(405,567)	(405,567)
BALANCE, DECEMBER 31, 2018	62,247	$ 622,470	2,500	$ 2,500	$ 367,874	$21,925,121	$ (630,034)	$ (124,403)	$ 22,163,528

The accompanying notes are an integral part of these consolidated financial statements.

SOUTHWEST ELECTRONIC ENERGY CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE TWELVE-MONTH PERIOD ENDED DECEMBER 31, 2018

Cash flows from operating activities		
Net income	$	340,064
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization expense		592,311
Bad debt expense		5,000
Deferred tax expense		73,907
Realized gain on marketable securities, net		(176,791)
Change in operating assets and liabilities:		
Accounts receivable		(1,337,020)
Inventory		(912,629)
Prepaid and other current assets		35,480
Accounts payable		853,153
Accrued and other liabilities		8,092
Net cash from operating activities		(518,433)
Cash flows from investing activities		
Purchases of marketable securities		(4,884,767)
Proceeds from sale of marketable securities		7,643,739
Purchases of property and equipment		(100,964)
Net cash from investing activities		2,658,008
Cash flows from financing activities		
Distributions paid		(239,000)
Net cash from financing activities		(239,000)
Net change in cash and cash equivalents		1,900,575
Cash and cash equivalents, beginning of year		1,051,239
Cash and cash equivalents, end of year	$	2,951,814
Supplemental cash flow information:		
Interest paid	$	21,623
Noncash investing and financing activities:		
Distribution of property and equipment to owner	$	10,599

The accompanying notes are an integral part of these consolidated financial statements.

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Southwest Electronic Energy Corporation (SWE), together with its wholly-owned subsidiary, CLB, Inc. (CLB), both Texas corporations, was founded in 1964, and is located in Missouri City, Texas. SWE Disc. Inc., a Delaware corporation, is an Interest Charge Domestic International Sales Corporation and was formed on March 6, 2012. SWE, CLB, and SWE Disc. Inc. are hereinafter collectively referred to as the "Company". The Company is engaged in the design, manufacturing, and distribution of custom battery packs, battery chargers, and electro-mechanical assemblies to its customers' unique specifications. The Company's approximately 400 customers include oil field services, seismic, pipeline inspection, military, remote monitoring and process control, marine, aerospace and homeland security. A majority of the Company's customers are located in Texas.

Basis of Presentation – The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis of Consolidation – The consolidated financial statements include the accounts of SWE, CLB, and SWE Disc. Inc. All significant intercompany accounts and transactions have been eliminated in consolidation.

Fiscal Year – The Company followed a fiscal year end of March 31. As noted in *Note 11*, the Company changed its fiscal year end to a calendar year end. For the purpose of these consolidated financial statements, the financials will be for the twelve-month period ended January 1, 2018 to December 31, 2018.

Use of Estimates – The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Significant estimates include, but are not limited to, allowance for doubtful accounts and inventory valuation reserves, useful lives used in depreciation and amortization, income taxes, inputs used in estimating insurance, and environmental and legal obligations.

Revenue Recognition – Revenues from product sales are recognized when title passes to the customer, which is generally at the time of shipment. Revenue from services is recognized at the time the services are provided.

Cash and Cash Equivalents – The Company considers all highly liquid instruments purchased with an original maturity date of three months or less to be cash and cash equivalents.

Accounts Receivable – Accounts receivable are stated net of an allowance for doubtful accounts. The Company estimates the allowance for doubtful accounts based on an analysis of specific customers, taking into consideration the age of past due accounts and an assessment of the customer's ability to pay. At December 31, 2018, the Company had an allowance for doubtful accounts of $55,216.

Marketable Securities – The Company reviews its financial position, liquidity, and future plans in evaluating the criteria for classifying marketable securities. The marketable securities are classified as available-for-sale securities. Available-for-sale securities consist of all securities not classified as trading securities nor as held-to-maturity securities. Unrealized holding gains and losses, net of tax, on available-for-sale securities are reported as a net amount in a separate component of stockholders' equity until realized.

Gains and losses on the sale of available-for-sale securities are determined using the specific identification method. Declines in the fair value of individual available-for-sale securities below their cost that are other than temporary result in write-downs of the individual securities to their fair value. The related write-downs are included in earnings as realized losses. Premiums and discounts are recognized in interest income using the interest method over the period to maturity.

The fair value option allows entities to choose, at specified election dates, to measure eligible financial assets and financial liabilities at fair value that are not otherwise required to be measured at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. The Company classifies all other available-for-sale securities in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 320, *Investments – Debt and Equity Securities*.

Inventory – Inventory, which consists primarily of battery cells, electronic equipment and various components, is stated at the lower of cost, using the specific identification method, or net realizable value. The Company maintains a reserve for inventory obsolescence and regularly evaluates its inventory. Items with no movement in 12 months or more are generally reserved or written off. The Company recorded an inventory obsolescence reserve of $181,275 at December 31, 2018.

Depreciation and Amortization – Property, plant and equipment are recorded at cost. Depreciation is computed using a straight-line method for financial statement purposes over their useful lives which generally range from three to twenty-five years. Leasehold improvements are amortized on a straight-line method over the lesser of the useful life of the asset or the remaining term of the lease. Significant improvements and betterments are capitalized if they extend the useful life of the asset. Minor expenditures for repairs and maintenance are charged to expense as incurred. When property and equipment are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the other accounts and any resulting gain or loss is included in other income (expense) on the consolidated statement of income and other comprehensive income.

Impairment of Long-Lived Assets – Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If the carrying amount of the asset exceeds its estimated undiscounted net cash flow, excluding interest, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds its fair value. There was no impairment recognized as of December 31, 2018.

Patents and Trademarks – During 2007, the Company registered several patents and a trademark whose carrying values represent the costs incurred for related legal and filing fees. The patents are being amortized over 15 years while the trademark is evaluated for impairment on an annual basis.

Warranties – The Company accrues for standard warranty costs on rechargeable batteries based on historical trends in warranty charges. The accrual is reviewed regularly and periodically adjusted to reflect changes in warranty cost estimates. Estimated warranty charges are recorded within cost of sales at the time products are sold. The standard warranty accrual balance is included in accrued expenses on the consolidated balance sheet. The accrual balance amounted to approximately $61,000 at December 31, 2018.

Fair Value Considerations – The Company uses fair value to measure financial assets and liabilities and certain nonfinancial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date.

The fair value hierarchy established and prioritized fair value measurements into three levels based on the nature of the inputs. The hierarchy gives the highest priority to inputs based on market data from independent sources (observable inputs – Level 1) and the lowest priority to a reporting entity's internal assumptions based upon the best information available when external market data is limited or unavailable (unobservable inputs – Level 3).

Those financial instruments recorded at cost in the accompanying consolidated balance sheet (primarily cash equivalents, receivables and payables) are carried at amounts which reasonably approximate their fair value.

Income Taxes – Income taxes are provided based on the liability method for financial reporting purposes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to reverse. Valuation allowances are established when necessary to reduce deferred income tax assets to the amount expected to be realized.

Uncertain tax positions are recognized in the financial statements only if that position is more-likely-than-not of being sustained upon examination by taxing authorities, based on the technical merits of the position. The Company recognizes interest and penalties related to uncertain tax positions in income tax expense.

The state of Texas margin tax applies to legal entities conducting business in Texas. The margin tax is based on Texas sourced taxable margin. The tax is calculated by applying a tax rate to a base that considers both revenues and expenses and, therefore, has the characteristics of an income tax. As of December 31, 2018, margin tax expense amounted to $10,000 and is included in income tax benefit, net on the consolidated statement of net income and other comprehensive income.

Concentration of Credit Risk – Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash and cash equivalents and accounts receivable. The Company maintains deposits with financial institutions in excess of federally insured limits. Management monitors the credit ratings and concentration of risk with these financial institutions on a continuing basis to mitigate this risk. The Company performs ongoing credit evaluations as to the financial condition of its customers. Generally, no collateral is required as a condition of sale. The Company provides an allowance for doubtful accounts based upon current customer conditions.

The Company maintains a credit insurance policy, which insures the Company against credit losses from sales made in the United States of America to several of its largest customers. Sales covered under the policy are subject to the specific credit limit for each customer, as defined in the insurance policy. The policy covered all of the year from January 1, 2018 to December 31, 2018 and was not renewed for the 2019 calendar year.

During 2018, sales to four customers represented 55% of total net sales and amounts due from these customers accounted for approximately 71% of total accounts receivable.

During 2018, purchases from two vendors totaled approximately 57% of total purchases and amounts due to these two vendors was approximately 49% of total accounts payable.

Recent Accounting Pronouncements – In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, *Revenue From Contracts With Customers*. This guidance outlines a new, single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry specific guidance.

This new revenue recognition model provides a five-step analysis in determining when and how revenue is recognized. The new model will require revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration a company expects to receive in exchange for those goods or services.

In August 2015, the FASB issued ASU No. 2015-14, *Revenue From Contracts With Customers: Deferral of the Effective Date.* The amendment in this update defers the effective date of ASU No. 2014-09 for all entities by one year. Accordingly, this standard will be effective for private companies for annual reporting periods beginning after December 15, 2018. The Company is currently assessing the impact this new accounting standard will have on the consolidated financial statements and related disclosures.

In January 2016, the FASB issued ASU No. 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*. The new guidance makes targeted improvements to GAAP impacting equity investments (other than those accounted for under the equity method or consolidated), financial liabilities accounted for under the fair value election, and presentation and disclosure requirements for financial instruments, among other changes. The new guidance is effective for the nonpublic entities for annual reporting periods beginning after December 15, 2018, with early adoption prohibited other than for certain provisions. The Company is evaluating the impact that the new guidance would have on the consolidated financial statements and related disclosures.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which aims to make leasing activities more transparent and comparable and requires substantially all leases be recognized by lessees on their consolidated balance sheet as a right-of-use asset and corresponding lease liability, including leases currently accounted for as operating leases. This ASU is effective for all interim and annual reporting periods beginning after December 15, 2019, with early adoption permitted. The Company is currently evaluating the impact this new accounting standard will have on the consolidated financial statements and related disclosures.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The amendments in this ASU replace the incurred loss model for recognition of credit losses with a methodology that reflects expected credit losses over the life of the loan and requires consideration of a broader range of reasonable and supportable information to calculate credit loss estimates. The amendments are effective for nonpublic companies for fiscal years beginning after December 15, 2020. The Company is currently evaluating the impact this new accounting standard will have on the consolidated financial statements and related disclosures.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. This update provides guidance on how to record eight specific cash flow issues, and how the predominant principle should be applied when cash receipts and cash payments have more than one class of cash flows. This standard is effective for fiscal years beginning after December 15, 2018 and interim periods beginning after December 15, 2019, with early adoption permitted. Adoption will be applied retrospectively to all periods presented. The Company is assessing the method of adoption and the impact this new accounting standard will have on the consolidated financial statements and related disclosures.

NOTE 2 – FAIR VALUE MEASUREMENTS

Securities classified as available for sale are reported at fair value utilizing Level 1 or Level 2 inputs. For those securities classified as Level 1, fair value is based upon quoted market prices, where available. For those securities classified as Level 2, the Company obtains fair value measurements from an independent pricing service. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U. S. Treasury yield curve, live trading levels, trade execution data for similar securities, market consensus prepayments speeds, credit information and the bond’s terms and conditions, among other things.

The table below presents assets measured at fair value on a recurring basis by level within the hierarchy at December 31, 2018:

	Quoted Market Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	As of December 31, 2018
Available-for-sale:				
Equity securities	$ 2,772,279	$ -	$ -	$ 2,772,279
Mutual funds	988,145	-	-	988,145
Corporate bonds	-	160,155	-	160,155
Municipal bonds	-	579,998	-	579,998
Total available-for-sale securities, at fair value	$ 3,760,424	$ 740,153	$ -	$ 4,500,577

NOTE 3 – MARKETABLE SECURITIES

The following is a summary of the Company's marketable securities as of December 31, 2018:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	$ 2,811,088	$ -	$ (38,809)	$ 2,772,279
Mutual funds	1,050,392	-	(62,247)	988,145
Corporate bonds	165,445	-	(5,290)	160,155
Municipal bonds	578,351	2,290	(643)	579,998
Totals	$ 4,605,276	$ 2,290	$ (106,989)	$ 4,500,577

The scheduled maturities of marketable securities at December 31, 2018 were as follows:

	Available-for-Sale Securities	
	Amortized Cost	Fair Value
Due in one year or less	$ 1,050,393	$ 988,144
Due from one year to five years	229,671	230,071
Due from five years to ten years	228,716	227,268
Due after ten years	285,408	282,815
Subtotal	1,794,188	1,728,298
Equity securities	2,811,088	2,772,279
Totals	$ 4,605,276	$ 4,500,577

NOTE 4 – INVENTORY

Inventory consisted of the following at December 31, 2018:

Raw materials	$	2,995,469
Work in progress		499,797
Finished goods		1,436,665
		4,931,931
Less: reserve for obsolescence		(181,275)
Total inventory, net	$	4,750,656

NOTE 5 – PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of the following at December 31, 2018:

Buildings and improvements	$	8,198,057
Leasehold improvements		293,137
Furniture and fixtures		410,559
Machinery and equipment		986,055
Office equipment		817,821
Total depreciable property		10,705,629
Less: accumulated depreciation and amortization		(3,853,596)
Land		782,008
Total property, plant and equipment, net	$	7,634,041

Depreciation expense totaled $590,494, of which $87,109 is included in cost of sales and $503,385 is included in operating expenses on the consolidated statement of income and other comprehensive income (loss) for 2018.

NOTE 6 – INTANGIBLE ASSETS

Intangible assets consisted of the following at December 31, 2018:

Trademarks	$	2,470
Patents		27,325
		29,795
Less: accumulated amortization		(21,855)
Intangible assets, net	$	7,940

Amortization expense for 2018 totaled $1,817. Future amortization of the patents is expected to be $1,822 for each of the next two years and $1,826 in the subsequent year.

NOTE 7 – RELATED PARTY TRANSACTIONS

The Company rents various office equipment, computer hardware, production equipment and vehicles from Royal Marine Leasing Company (RML). RML is owned 100% by the Company's principal stockholder. During 2018, the Company incurred rent expense with RML in the amount of $319,286 (*see Note 10*).

During 2018, the Company made charitable contributions of $50,000 to a not-for-profit organization in which the Company's principal stockholder is chairman of the Board of Directors.

NOTE 8 – INCOME TAXES

The components of income tax expense as of December 31, 2018 were as follows:

Federal – current	$	34,890
Federal – deferred		73,907
State		10,000
Total income tax expense	$	118,797

Deferred tax assets and liabilities at December 31, 2018 consisted of the following:

Deferred tax assets		
Allowance for doubtful accounts	$	11,595
Inventory obsolescence reserve		38,068
Unrealized losses on marketable securities		33,069
Charitable contributions		64,157
Inventory UNICAP adjustment		145,784
Other		26,496
Total deferred tax assets		319,169
Deferred tax liabilities		
Book to tax depreciation		(250,140)
Total deferred tax liabilities		(250,140)
Total deferred tax assets, net	$	69,029

NOTE 9 – EMPLOYEE BENEFIT PLAN

The Company has a safe harbor 401(k) retirement plan (the "Plan") that covers all employees. Employees are eligible to participate in the Plan after 60 days of service and may elect to defer 1% to 100% of their compensation up to the maximum deferral of pretax annual compensation as defined by law.

The Company's safe harbor matching contribution is currently equal to 100% of each participant's salary deferral amount up to a maximum of 4%. The Company's contributions for 2018 totaled $148,181.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Litigation – From time-to-time, the Company is subject to various litigation and other claims in the normal course of business. The Company establishes liabilities in connection with legal actions that management deems to be probable and estimable. No material amounts have been accrued in the financial statements with respect to any matters.

Operating Leases – As discussed in *Note 7*, the Company leases certain other assets from a related party under noncancelable operating lease agreements with varying maturities through December 2022. Rent expense for these leases totaled $319,286 for 2018.

Future minimum lease payments under the noncancelable operating leases are as follows:

For the Years Ending December 31,	Amount
2019	$ 266,970
2020	212,496
2021	108,375
2022	21,175
Total	$ 609,016

NOTE 11 – SUBSEQUENT EVENTS

Effective January 1, 2019, the Company elected to change its status from a C corporation to an S corporation and effectively changed from a fiscal year-end to a calendar year-end.

On March 22, 2019, marketable securities held by the Company in the amount of $6,857,174 were liquidated and distributed to the stockholders, and securities amounting to $341,151 were transferred and distributed to the stockholders, proportionate to their respective investment percentages.

Effective March 28, 2019, the majority owner donated 100% of its shares to Southwest Electronic Energy Medical Research Institute (SWEMRI), resulting in SWEMRI having 100% ownership of SWE.

Effective May 1, 2019, SWEMRI transferred 100% of its shares in the Company through a business combination for an aggregate purchase price of $25,000,000 in cash, net of cash transferred and subject to customary post-closing working capital adjustments. The acquisition was completed pursuant to a Stock Purchase Agreement by and among Ultralife, SWE and SWEMRI (the “Seller”) and Claude Leonard Benckenstein, an individual (the “Shareholder”). The business combination was accounted for under the acquisition method of accounting. Under this method of accounting, assets acquired and liabilities assumed are recorded at their estimated fair values. The excess cost over fair value of net assets acquired is recorded as goodwill. As of the date of this report, the Company is still in the process of completing the purchase price allocation and the supporting valuation of its assets to finalize the business combination.

Management has evaluated subsequent events through July 15, 2019, the date the consolidated financial statements were available to be issued.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

As previously disclosed, on May 1, 2019, Ultralife Corporation (the "Company") completed its acquisition of 100% of the issued and outstanding shares of Southwest Electronic Energy Corporation ("SWE") for an aggregate purchase price of $25.0 million in cash, net of cash acquired and subject to customary post-closing working capital adjustments (the "SWE Acquisition"). The final purchase price of the SWE Acquisition was $26.2 million, inclusive of $0.9 million cash acquired and post-closing adjustments.

The SWE Acquisition was completed pursuant to a Stock Purchase Agreement dated May 1, 2019 (the "Stock Purchase Agreement") by and among Ultralife, SWE, Southwest Electronic Energy Medical Research Institute, a Texas non-profit (the "Seller"), and Claude Leonard Benckenstein, an individual (the "Shareholder").

The unaudited pro forma condensed combined statement of comprehensive income for the year ended December 31, 2018 gives effect to the acquisition as if it had occurred on January 1, 2018, the beginning of our fiscal year. The unaudited pro forma condensed combined balance sheet as of December 31, 2018 gives effect to the acquisition as if it had occurred on December 31, 2018.

The historical condensed combined financial information has been adjusted to give effect to pro forma events that are 1) directly attributable to the acquisition, 2) factually supportable, and 3) with respect to the pro forma condensed combined statement of comprehensive income, expected to have a continuing impact on the combined results. The assumptions and estimates underlying the pro forma adjustments are described in the accompanying notes, which should be read together with the pro forma condensed combined financial information.

The unaudited pro forma condensed combined financial information was derived from and should be read in conjunction with the Company's historical audited financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2018, and the historical audited financial statements of SWE for the year ended December 31, 2018, as filed hereto as Exhibit 99.2.

The unaudited pro forma condensed combined financial information is for informational purposes only and should not be considered indicative of the financial position or results of operations had the SWE Acquisition been completed as of the dates indicated and does not purport to indicate the future combined financial position or results of operations.

Unaudited Pro Forma Condensed Combined Balance Sheet
December 31, 2018
(Dollars In Thousands)

	Ultralife Corporation and Subsidiaries Historical	SWE Historical	Pro Forma Adjustments	Notes	Pro Forma Combined
Current Assets:					
Cash and Restricted Cash	$ 25,934	$ 2,952	$ (13,574)	a	$ 15,312
Marketable Securities	0	4,501	(4,501)	b	0
Trade Accounts Receivable, Net	16,015	4,400	(779)	c	19,636
Inventories, Net	22,843	4,751	(66)	c, d	27,528
Prepaid Expense and Other Current Assets	2,429	506	(75)	c	2,860
Total Current Assets	67,221	17,110	(18,995)		65,336
Property, Equipment and Improvements, Net	10,744	7,634	1,543	e	19,921
Goodwill	20,109	0	6,474	f	26,583
Other Intangible Assets, Net	6,504	8	3,641	g	10,153
Deferred Income Taxes, Net	15,444	69	(1,080)	h	14,433
Other Non-Current Assets	82	0	0		82
Total Assets	$ 120,104	$ 24,821	$ (8,417)		$ 136,508
Current Liabilities:					
Accounts Payable	$ 9,919	$ 1,404	$ (344)	c	$ 10,979
Accrued Compensation and Related Benefits	1,494	348	(68)	c	1,774
Accrued Expenses and Other Current Liabilities	3,413	898	(459)	c	3,852
Current Portion of Long-Term Debt	0	0	1,283	i	1,283
Income Taxes Payable	121	8	(8)	c	121
Total Current Liabilities	14,947	2,658	404		18,009
Long-Term Debt	0	0	13,342	i	13,342
Deferred Income Taxes, Net	591	0	0		591
Other Non-Current Liabilities	32	0	0		32
Total Liabilities	15,570	2,658	13,746		31,974
Total Shareholders' Equity	104,534	22,163	(22,163)	j	104,534
Total Liabilities and Shareholders' Equity	$ 120,104	$ 24,821	$ (8,417)		$ 136,508

See accompanying notes to the Unaudited Pro Forma Condensed Combined Financial Information

Unaudited Pro Forma Condensed Combined Statement of Comprehensive Income
Year Ended December 31, 2018
(Dollars In Thousands, Except Per Share Amounts)

	Ultralife Corporation and Subsidiaries Historical	SWE Historical	Pro Forma Adjustments	Notes	Pro Forma Combined
Revenues	$ 87,190	$ 28,680	$ 0		$ 115,870
Cost of Products Sold	61,607	19,279	(172)	e, k	80,714
Gross Profit	25,583	9,401	172		35,156
Operating Expenses:					
Selling, General & Administrative	14,520	6,446	11	e, g, k	20,977
Research & Development	4,508	2,839	(117)	e, k	7,230
	19,028	9,285	(106)		28,207
Operating Income	6,555	116	278		6,949
Other Expense (Income)					
Interest Expense, Net	63	0	660	l	723
Other Income, Net	(121)	(343)	343	m	(121)
	(58)	(343)	1,003		602
Income Before Income Taxes	6,613	459	(725)		6,347
Income Tax Benefit	18,386	(119)	152	n	18,419
Net Income	24,999	340	(573)		24,766
Net Income Attributable to Non-Controlling Interest	69	0	0		69
Net Income Attrributable to Ultralife Corporation	24,930	340	(573)		24,697
Other Comprehensive Loss	(1,175)	(406)	406	m	(1,175)
Comprehensive Income Attributable to Ultralife Corporation	23,755	(66)	(167)		23,522
Net Income Per Share Attributable to Ultralife Corporation Common Shareholders - Basic	$ 1.57				$ 1.56
Net Income Per Share Attributable to Ultralife Corporation Common Shareholders - Diluted	$ 1.53				$ 1.51
Weighted Average Shares Outstanding - Basic	15,882				15,882
Weighted Average Shares Outstanding - Diluted	16,347				16,347

See accompanying notes to the Unaudited Pro Forma Condensed Combined Financial Information

Notes to the Unaudited Pro Forma Condensed Combined Financial Information
(Dollars in Thousands)

Note 1 – Basis of Presentation

The historical consolidated financial statements have been adjusted in the pro forma condensed combined financial statements to give effect to the pro forma events that are (1) directly attributable to the business combination, (2) factually supportable and (3) with respect to the pro forma condensed combined statement of comprehensive income, expected to have a continuing impact on the combined results following the business combination.

The business combination was accounted for under the acquisition method of accounting in accordance with Accounting Standards Codification (ASC) Topic 805, *Business Combinations*. As an acquirer for accounting purposes, the Company has estimated the fair value of SWE's assets acquired and liabilities assumed and ensured that the accounting policies of SWE were consistent with that of the Company.

The pro forma condensed combined financial statements do not necessarily reflect what the combined company's financial condition or results of operations would have been had the acquisition occurred on the dates indicated. They also may not be useful in predicting the future financial condition and results of operations of the combined company. The actual financial position and results of operations may differ significantly from the pro forma amounts reflected herein due to a variety of factors.

The pro forma condensed combined financial information does not reflect the agreed upon departure of the Shareholder from SWE and the dissolution of the SWE Board upon consummation of the SWE Acquisition or the realization of any expected cost savings or other synergies from the acquisition of SWE as a result of restructuring activities, other cost savings initiatives or sales synergies following the completion of the business combination.

Note 2 – Funding Transaction

The Company completed the acquisition of SWE for a total aggregate purchase price of $26,190 inclusive of $942 cash acquired and final post-closing adjustments. The purchase price was funded by the Company through a combination of cash on-hand and borrowings under the Credit Facilities (as defined in Item 2.03 of the Original Form 8-K).

Note 3 – Preliminary Purchase Price Allocation

The Company has performed a preliminary valuation analysis of the fair market value of SWE's assets and liabilities. The following table summarizes the preliminary allocation of the purchase price as of the acquisition date.

Cash	$	942
Accounts Receivable		3,621
Inventories		4,685
Prepaid Expenses and Other Current Assets		431
Property, Equipment and Improvements		9,177
Goodwill		6,474
Other Intangible Assets		3,649
Accounts Payable		(1,060)
Other Current Liabilities		(718)
Deferred Tax Liability, Net		(1,011)
Net Assets Acquired	**$**	**26,190**

The preliminary purchase price allocation has been used to prepare pro forma adjustments in the pro forma condensed combined balance sheet and statement of comprehensive income. The final purchase price allocation will be determined as more detailed analyses are completed and additional information about the fair value of assets acquired and liabilities assumed becomes available. The final allocation could differ materially from the preliminary allocation used in the pro forma adjustments. The final allocation may include changes in the valuation of assets acquired and liabilities assumed, including but not limited to intangible assets, inventories, fixed assets, deferred taxes and residual goodwill.

Note 4 – Pro Forma Adjustments

The pro forma adjustments are based on our preliminary estimates and assumptions that are subject to change. The following adjustments have been reflected in the unaudited pro forma condensed combined financial information:

(a) Represents cash on-hand of $11,564 paid by the Company upon closing the SWE Acquisition, comprised of $11,407 paid to the Seller and $157 in debt issuance costs, net $942 cash acquired, and the elimination of the SWE cash balance at December 31, 2018.

(b) Reflects adjustment for marketable securities retained by the Seller under the terms of the Stock Purchase Agreement.

(c) Reflects changes in working capital as of the acquisition date based on the preliminary purchase price allocation as shown in Note 3.

(d) Reflects the net adjustment to recognize inventory at estimated fair value as of the acquisition date, inclusive of a $264 step-up adjustment determined based on the estimated selling price of the inventory less the remaining manufacturing and selling effort and a normal profit margin on those manufacturing and selling efforts. The step-up in inventory will increase cost of products sold by $264 over approximately three months from the date of acquisition as the inventory is sold. The increase is not reflected in the pro forma condensed combined statement of comprehensive income because it does not have a continuing impact.

(e) Reflects the estimated fair value of property, equipment and improvements as of the acquisition date. The estimated useful life of the SWE facility is 40 years. All other estimated useful lives range from 2 to 10 years. The following table summarizes the estimated change in depreciation expense.

	Year Ended December 31, 2018
Estimated depreciation expense	$ 388
Historical depreciation expense	590
Pro forma adjustment	$ 202

Pro forma adjustments of $21, $12 and $169 are reflected for cost of products sold, research and development, and selling, general & administrative expense, respectively, to reflect the estimated change in depreciation expense.

(f) Represents the goodwill resulting from the SWE Acquisition based on the preliminary valuation of the assets acquired and liabilities assumed as of the acquisition date. Refer to Note 3 for the preliminary purchase price allocation.

(g) Reflects the preliminary valuation of identifiable intangible assets. The estimated fair value of identifiable intangible assets was determined using the income approach requiring a forecast of all expected future cash flows and the use of certain assumptions and estimates. The following table summarizes the estimated fair value, the estimated useful life and the estimated annual amortization for each of the identifiable intangible assets resulting from the preliminary valuation analysis.

	Estimated Fair Value		Estimated Useful Lives in Years	Annual Estimated Amortization Expense	
Customer Relationships	$	2,522	15	$	168
Trade Name		1,127	15		75
Total	$	3,649		$	243

The estimated annual amortization is reflected as a pro forma adjustment to selling, general and administrative expense. The preliminary estimates of fair value and estimated useful lives for identifiable intangible assets are subject to change as more detailed analyses are completed, including the completion of an independent valuation by a third-party specialist, and the difference could have a material effect on the accompanying unaudited pro forma condensed combined financial statements. A halving or doubling of the attrition estimates used to estimate the fair value of the customer relationships could cause a corresponding 44% increase or 43% decrease, respectively, in the valuation of intangible assets. An increase or decrease in the estimated useful lives of the identifiable intangible assets by five years could cause a corresponding change in the valuation of intangible assets by approximately 2% or 3%, respectively. There would also be a corresponding impact to the annual intangible amortization expense.

(h) Reflects deferred tax liabilities of $765 and $360 recognized on the identifiable intangible assets acquired and the fair value step-up adjustment for property, equipment and improvements, respectively, partially offset by a deferred tax asset associated with the net adjustment to recognize inventory at fair value at the date of acquisition.

(i) Represents $14,782 in total borrowings under the Amended Credit Agreement used to finance the SWE Acquisition. Borrowings are comprised of $8,000 principal on the Term Loan Facility and $6,782 drawn against the Revolving Credit Facility. Debt issuance costs of $157, including placement, renewal and legal fees, are reflected as an offset against long-term debt and will be amortized over the term of the Credit Facilities.

(j) Represents the elimination of the historical shareholders' equity of SWE.

(k) Reflects the elimination of historic rent expense on certain machinery and equipment owned by Royal Marine Leasing Co., Inc., a Texas Corporation wholly owned by the Shareholder, and transferred to SWE under the terms of the Stock Purchase Agreement. Pro forma adjustments of $151, $105 and $63 are reflected for cost of products sold, research and development, and selling, general & administrative expense, respectively. The estimated fair value of the transferred machinery and equipment as of the acquisition date is reflected in the fair value step-up adjustment for property, equipment and improvements, and the annual depreciation based on the estimated useful lives is reflected in the depreciation pro forma adjustment. See (e) above.

(l) Represents estimated interest of $625 on borrowings drawn under the Amended Credit Agreement to finance the SWE Acquisition plus debt issuance cost amortization of $35.

(m) Reflects the elimination of net realized investment income and net unrealized investment loss on marketable securities retained by the Seller under the terms of the Stock Purchase Agreement.

(n) Reflects the income tax effect of pro forma adjustments.

Note 5 – Non-Recurring Transaction Costs

Non-recurring transaction costs of $165 directly related to the acquisition, including one-time accounting, legal and due diligence services, were incurred and expensed during the first half of 2019. These costs are not reflected in the pro forma condensed combined statement of comprehensive income because they do not have a continuing impact.