

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934 or Section 30(h) of the Investment Company Act of 1940

| OMB APPROVAL | |
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| 1. Name and Address of Reporting Person* GRACE BROTHERS LTD (Last) (First) (Middle) 1560 SHERMAN AVE SUITE 900 (Street) EVANSTON IL 60201 (City) (State) (Zip) | 2. Issuer Name and Ticker or Trading Symbol ULTRALIFE BATTERIES INC [ULBI] | 5. Relationship of Reporting Person(s) to Issuer (Check all applicable) Director <input checked="" type="checkbox"/> 10% Owner Officer (give title below) Other (specify below) |
| | 3. Date of Earliest Transaction (Month/Day/Year) 09/26/2006 | |
| | | 6. Individual or Joint/Group Filing (Check Applicable Line) <input checked="" type="checkbox"/> Form filed by One Reporting Person Form filed by More than One Reporting Person |

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

| 1. Title of Security (Instr. 3) | 2. Transaction Date (Month/Day/Year) | 2A. Deemed Execution Date, if any (Month/Day/Year) | 3. Transaction Code (Instr. 8) | | 4. Securities Acquired (A) or Disposed Of (D) (Instr. 3, 4 and 5) | | | 5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4) | 6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 7. Nature of Indirect Beneficial Ownership (Instr. 4) |
|---------------------------------|--------------------------------------|--|--------------------------------|---|---|------------|----------|---|--|---|
| | | | Code | V | Amount | (A) or (D) | Price | | | |
| Common Stock | 09/26/2006 | | P | | 400 | A | \$9.02 | 3,475,797 | D | |
| Common Stock | 09/26/2006 | | P | | 800 | A | \$9.0486 | 3,476,597 | D | |
| Common Stock | 09/26/2006 | | P | | 5,667 | A | \$9.05 | 3,482,264 | D | |
| Common Stock | 09/26/2006 | | P | | 400 | A | \$9.06 | 3,482,664 | D | |
| Common Stock | 09/26/2006 | | P | | 500 | A | \$9.07 | 3,483,164 | D | |
| Common Stock | 09/26/2006 | | P | | 400 | A | \$9.0775 | 3,483,564 | D | |
| Common Stock | 09/26/2006 | | P | | 800 | A | \$9.08 | 3,484,364 | D | |
| Common Stock | 09/26/2006 | | P | | 500 | A | \$9.094 | 3,484,864 | D | |
| Common Stock | 09/26/2006 | | P | | 1,000 | A | \$9.096 | 3,485,864 | D | |
| Common Stock | 09/26/2006 | | P | | 41,865 | A | \$9.1 | 3,527,729 | D | |
| Common Stock | 09/26/2006 | | P | | 700 | A | \$9.11 | 3,528,429 | D | |
| Common Stock | 09/26/2006 | | P | | 300 | A | \$9.12 | 3,528,729 | D | |
| Common Stock | 09/26/2006 | | P | | 2,100 | A | \$9.13 | 3,530,829 | D | |
| Common Stock | 09/26/2006 | | P | | 2,700 | A | \$9.14 | 3,533,529 | D | |
| Common Stock | 09/26/2006 | | P | | 9,900 | A | \$9.15 | 3,543,429 | D | |
| Common Stock | 09/26/2006 | | P | | 200 | A | \$9.16 | 3,543,629 | D | |
| Common Stock | 09/26/2006 | | P | | 200 | A | \$9.18 | 3,543,829 | D | |
| Common Stock | 09/26/2006 | | P | | 100 | A | \$9.19 | 3,543,929 | D | |
| Common Stock | 09/26/2006 | | P | | 4,000 | A | \$9.1992 | 3,547,929 | D | |
| Common Stock | 09/26/2006 | | P | | 36,019 | A | \$9.2 | 3,583,948 | D | |

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)

| 1. Title of Derivative Security (Instr. 3) | 2. Conversion or Exercise Price of Derivative Security | 3. Transaction Date (Month/Day/Year) | 3A. Deemed Execution Date, if any (Month/Day/Year) | 4. Transaction Code (Instr. 8) | | 6. Date Exercisable and Expiration Date (Month/Day/Year) | | 7. Title and Amount of Securities Underlying Derivative Security (Instr. 3 and 4) | 8. Price of Derivative Security (Instr. 5) | 9. Number of derivative Securities Beneficially Owned Following Reported Transaction(s) (Instr. 4) | 10. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 11. Nature of Indirect Beneficial Ownership (Instr. 4) |
|--|--|--------------------------------------|--|--------------------------------|---|--|-----|---|--|--|---|--|
| | | | | Code | V | (A) | (D) | | | | | |

Explanation of Responses:

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

* If the form is filed by more than one reporting person, see Instruction 4 (b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB Number.