

SCHEDULE 13D/A

UNDER THE SECURITIES EXCHANGE ACT OF 1934
(Amendment No. 2)

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 25, 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).

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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	3,583,948	shares
Owned by		
Each		
Reporting	9	Sole Dispositive Power
Person	0	
With	10	Shared Dispositive Power
	3,583,948	shares

11. Aggregate Amount Beneficially Owned by Each Reporting Person

3,583,948 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)

24.0%

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

	7 Sole Voting Power
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Number of	25,815
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Shares

Beneficially	8 Shared Voting Power
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Owned by	3,583,948
----------	-----------

Each

Reporting	9 Sole Dispositive Power
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Person	25,815
--------	--------

With

	10 Shared Dispositive Power
--	-----------------------------

	3,583,948
--	-----------

11. Aggregate Amount Beneficially Owned by Each Reporting Person

3,609,763

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

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

24.2%

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 Beneficially Owned by Each Reporting Person With

7 Sole Voting Power
0

8 Shared Voting Power
3,583,948 shares

9 Sole Dispositive Power
0

10 Shared Dispositive Power
3,583,948 shares

11. Aggregate Amount Beneficially Owned by Each Reporting Person

3,583,948

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

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

24.0%

14. Type of Reporting Person (See instructions)

CO

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 3,583,948 shares of Common Stock, representing approximately 24.0% of the outstanding shares of Common Stock. As general partner of Grace, Spurgeon may be deemed beneficial owner of 3,583,948 shares of Common Stock, or 24.0% 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 3,583,948 shares of Common Stock, and 25,815 shares of Common Stock as direct beneficial owner, or 24.2% of the outstanding shares of Common Stock.

(b) Grace: shared voting power (with Whitmore and Spurgeon)
3,583,948 Shares

Whitmore: shared voting power (with Grace and Spurgeon)
3,583,948 Shares
sole voting power 25,815 Shares

Spurgeon: shared voting power (with Grace and Whitmore)
3,583,948 Shares

(c) The transactions effected by the Filers since the most recent filing on June 22, 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: September 28, 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 JUNE 22, 2006
THROUGH SEPTEMBER 28, 2006.

Amount of Price per Date Security Shares Share Purchased
9/22/2006 COMMON STOCK 100 8.90
9/22/2006 COMMON STOCK 100 8.91
9/22/2006 COMMON STOCK 200 8.92
9/22/2006 COMMON STOCK 5,300 8.94
9/22/2006 COMMON STOCK 200 8.95
9/22/2006 COMMON STOCK 100 8.99
9/22/2006 COMMON STOCK 5,300 9.00
9/22/2006 COMMON STOCK 200 9.01
9/22/2006 COMMON STOCK 4,100 9.02
9/22/2006 COMMON STOCK 400 9.03
9/22/2006 COMMON STOCK 100 9.04
9/22/2006 COMMON STOCK 11,509 9.05
9/22/2006 COMMON STOCK 700 9.06
9/22/2006 COMMON STOCK 200 9.08
9/22/2006 COMMON STOCK 1,897

9.09
9/22/2006
COMMON
STOCK
17,880
9.10
9/22/2006
COMMON
STOCK
100 9.11
9/22/2006
COMMON
STOCK
397 9.12
9/22/2006
COMMON
STOCK
2,000
9.13
9/22/2006
COMMON
STOCK
918 9.14
9/22/2006
COMMON
STOCK
5,400
9.15
9/22/2006
COMMON
STOCK
1,791
9.16
9/22/2006
COMMON
STOCK
400 9.17
9/22/2006
COMMON
STOCK
500 9.18
9/22/2006
COMMON
STOCK
2,200
9.19
9/22/2006
COMMON
STOCK
43,060
9.20
9/22/2006
COMMON
STOCK
1,400
9.22
9/22/2006
COMMON
STOCK
600 9.29
9/22/2006
COMMON
STOCK
3,877
9.30
9/22/2006
COMMON
STOCK
500 9.31
9/25/2006
COMMON
STOCK
200 9.12
9/25/2006
COMMON
STOCK
260 9.14
9/25/2006
COMMON
STOCK
18,176

9.15
9/25/2006
COMMON
STOCK
2,600
9.16
9/25/2006
COMMON
STOCK
11,253
9.17
9/25/2006
COMMON
STOCK
4,200
9.18
9/25/2006
COMMON
STOCK
3,200
9.19
9/25/2006
COMMON
STOCK
3,606
9.20
9/25/2006
COMMON
STOCK
200 9.21
9/25/2006
COMMON
STOCK
391 9.22
9/25/2006
COMMON
STOCK
4,400
9.23
9/26/2006
COMMON
STOCK
400
9.0200
9/26/2006
COMMON
STOCK
800
9.0486
9/26/2006
COMMON
STOCK
5,667
9.0500
9/26/2006
COMMON
STOCK
400
9.0600
9/26/2006
COMMON
STOCK
500
9.0700
9/26/2006
COMMON
STOCK
400
9.0775
9/26/2006
COMMON
STOCK
800
9.0800
9/26/2006
COMMON
STOCK
500
9.0940
9/26/2006
COMMON

STOCK
1,000
9.0960
9/26/2006
COMMON
STOCK
41,865
9.1000
9/26/2006
COMMON
STOCK
700
9.1100
9/26/2006
COMMON
STOCK
300
9.1200
9/26/2006
COMMON
STOCK
2,100
9.1300
9/26/2006
COMMON
STOCK
2,700
9.1400
9/26/2006
COMMON
STOCK
9,900
9.1500
9/26/2006
COMMON
STOCK
200
9.1600
9/26/2006
COMMON
STOCK
200
9.1800
9/26/2006
COMMON
STOCK
100
9.1900
9/26/2006
COMMON
STOCK
4,000
9.1993
9/26/2006
COMMON
STOCK
36,019
9.2000