

CRITICARE SYSTEMS INC /DE/
Form SC 13D/A
September 28, 2005

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Schedule 13D

Under the Securities Exchange Act of 1934
(Amendment No. 2)

Criticare Systems, Inc.
(Name of Issuer)

Common Stock
(Title of Class of Securities)

226901106
(CUSIP Number)

Scott A. Shuda
BlueLine Partners, LLC
4115 Blackhawk Plaza Circle, Suite 100
Danville, California 94506

(Name, Address and Telephone Number of Person
Authorized to Receive Notices and Communications)

Copy to:

James C. Creigh
Blackwell Sanders Peper Martin LLP
1620 Dodge Street, Suite 2100
Omaha, Nebraska 68102
(402) 964-5000

September 23, 2005
(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 that is the subject of this Schedule 13D, and is filing this schedule because of Rule 13d-1(e), Rule 13d-1(f) or Rule 13d-1(g), check the following box [].

Page 1 of 12

CUSIP No. 226901106

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1 NAME OF REPORTING PERSON/
I.R.S. IDENTIFICATION NO. OF ABOVE PERSON (entities only)
BlueLine Catalyst Fund VII, L.P.

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (See
Instructions) (a) []
(b) [X]

3 SEC USE ONLY

4 SOURCE OF FUNDS (See Instructions)
WC

5 CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO
ITEMS 2(d) or 2(e) []

6 CITIZENSHIP OR PLACE OF ORGANIZATION
Delaware

| | | | |
|-------------------------------------------------------------------------------------|---|----|--------------------------|
| | - | 7 | SOLE VOTING POWER |
| | - | | 0 |
| NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH | - | 8 | SHARED VOTING POWER |
| | - | | 670,300 |
| | - | 9 | SOLE DISPOSITIVE POWER |
| | - | | 0 |
| | - | 10 | SHARED DISPOSITIVE POWER |
| | - | | 670,300 |

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON
736,000

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN
SHARES []
(See Instructions)

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)
6.2%

14 TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)
PN

Page 2 of 12

CUSIP No. 226901106

1 NAME OF REPORTING PERSON/
I.R.S. IDENTIFICATION NO. OF ABOVE PERSON (entities only)
BlueLine Partners, L.L.C.

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2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (See Instructions) (a) []
(b) [X]

3 SEC USE ONLY

4 SOURCE OF FUNDS (See Instructions)
WC

5 CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e) []

6 CITIZENSHIP OR PLACE OF ORGANIZATION
California

| | | | |
|---------------|---|----|--------------------------|
| | - | 7 | SOLE VOTING POWER |
| | - | | 0 |
| NUMBER OF | - | 8 | SHARED VOTING POWER |
| SHARES | - | | 670,300 |
| BENEFICIALLY | - | 9 | SOLE DISPOSITIVE POWER |
| OWNED BY EACH | - | | 0 |
| REPORTING | - | 10 | SHARED DISPOSITIVE POWER |
| PERSON | - | | 670,300 |
| WITH | - | | |

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON
736,000

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES []
(See Instructions)

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)
6.2%

14 TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)
OO

CUSIP No. 226901106

1 NAME OF REPORTING PERSON/
I.R.S. IDENTIFICATION NO. OF ABOVE PERSON (entities only)
BlueLine Capital Partners, L.P.

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (See Instructions) (a) []

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(b) [X]

| | |
|---------------------|----------------------------------------------------------------------------------------------------|
| 3 | SEC USE ONLY |
| 4 | SOURCE OF FUNDS (See Instructions) WC |
| 5 | CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e) [] |
| 6 | CITIZENSHIP OR PLACE OF ORGANIZATION Delaware |
| | - 7 SOLE VOTING POWER |
| | - 0 |
| NUMBER OF SHARES | - 8 SHARED VOTING POWER |
| BENEFICIALLY | - 65,700 |
| OWNED BY EACH | - 9 SOLE DISPOSITIVE POWER |
| REPORTING | - 0 |
| PERSON | - 10 SHARED DISPOSITIVE POWER |
| WITH | - 65,700 |
| 11 | AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 736,000 |
| 12 | CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES [] (See Instructions) |
| 13 | PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) 6.2% |
| 14 | TYPE OF REPORTING PERSON (SEE INSTRUCTIONS) PN |

Page 4 of 12

CUSIP No. 226901106

| | |
|---|---------------------------------------------------------------------------------------------------------------------|
| 1 | NAME OF REPORTING PERSON/ I.R.S. IDENTIFICATION NO. OF ABOVE PERSON (entities only) BlueLine Partners, L.L.C. |
| 2 | CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (See Instructions) (a) [] (b) [X] |
| 3 | SEC USE ONLY |

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| | |
|-------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------|
| 4 | SOURCE OF FUNDS (See Instructions) WC |
| 5 | CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e) [] |
| 6 | CITIZENSHIP OR PLACE OF ORGANIZATION Delaware |
| | - 7 SOLE VOTING POWER - 0 |
| NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH | - 8 SHARED VOTING POWER - 65,700 |
| | - 9 SOLE DISPOSITIVE POWER - 0 |
| | - 10 SHARED DISPOSITIVE POWER - 65,700 |
| 11 | AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 736,000 |
| 12 | CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES [] (See Instructions) |
| 13 | PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) 6.2% |
| 14 | TYPE OF REPORTING PERSON (SEE INSTRUCTIONS) OO |

Page 5 of 12

This Amendment No. 2 (this "Amendment") amends and supplements the statement on Schedule 13D filed by BlueLine Catalyst Fund VII, L.P. ("BlueLine Catalyst") and BlueLine Partners, L.L.C. ("BlueLine Partners") on December 14, 2004 (the "Schedule 13D") and Amendment No. 1 to such filing made by the same entities on April 11, 2005 relating to the common stock (the "Common Stock") of Criticare Systems, Inc. (the "Company"). Items designated as "no change" indicate that the information previously included in the Schedule 13D remains current as of the date of this Amendment.

Item 1. Security and Issuer

No change.

Item 2. Identity and Background

Item 2 is hereby amended and restated to read as follows:

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- (a)-(b) This statement is filed on behalf of BlueLine Catalyst Fund VII, L.P. ("BlueLine Catalyst VII"), BlueLine Capital Partners, L.P. ("BCP"), BlueLine Partners, L.L.C., a California limited liability company and the sole general partner of BlueLine Catalyst VII ("BlueLine California"), and BlueLine Partners, L.L.C., a Delaware limited liability company and the sole general Partner of BCP ("BlueLine Delaware"). BlueLine Catalyst, BCP, BlueLine California and BlueLine Delaware are referred to herein collectively as the "Reporting Entities". BlueLine California has an interest in the profits of BlueLine Catalyst and BlueLine Delaware has an interest in the profits of BCP. Timothy Bacci and Scott Shuda are both Managing Directors of each of BlueLine California and BlueLine Delaware. Messrs. Bacci and Shuda each disclaims beneficial ownership for purposes of Rule 13d-3 under the Securities Exchange Act of 1934, as amended (the "Act"). The address of the principal business office of each of the Reporting Entities and Messrs. Bacci and Shuda is 4115 Blackhawk Plaza Circle, Suite 100, Danville, California 94506.

Page 6 of 12

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- (c) Both BlueLine Catalyst VII and BCP are private investment limited partnerships. The principal business of BlueLine California is to serve as investment manager to BlueLine Catalyst VII. The principal business of BlueLine Delaware is to serve as investment manager to a variety of private investment funds, including BCP. BlueLine California and BlueLine Delaware control the investing and trading in securities of BlueLine Catalyst VII and BCP, respectively. The principal business of Messrs. Bacci and Shuda is to act as Managing Directors of BlueLine California and BlueLine Delaware (together referred to herein as "BlueLine Partners").
- (d) None of the Reporting Entities nor Messrs. Bacci and Shuda has, during the last five years, been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors).
- (e) None of the Reporting Entities nor Messrs. Bacci and Shuda has, during the last five years, been a party to a civil proceeding of a judicial or administrative body of competent jurisdiction and as a result of such proceeding was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities laws or finding any violation with respect to such laws.
- (f) Both BlueLine Catalyst VII and BCP are Delaware limited partnerships. BlueLine California is a California limited liability company. BlueLine Delaware is a Delaware limited liability company. Messrs. Bacci and Shuda are each U.S. citizens.

Item 3. Source and Amount of Funds

Item 3 is hereby amended and restated to read as follows:

As of the date hereof, the Reporting Entities may, in the aggregate, be deemed to beneficially own 736,000 shares of Common Stock (the "Shares"). The Shares were purchased by BlueLine Catalyst VII and BCP in the open market with their investment capital.

Item 4. Purpose of the Transaction

Item 4 is hereby amended and restated to read as follows:

BlueLine Partners and its affiliated investment entities, including BCP and BlueLine Catalyst VII, seek to make investments in companies that are undervalued relative to their potential and in situations where they believe their efforts can help to create or unlock value. As part of its investment strategy, BlueLine Partners has made contact with members of management and the board of directors of the Company to discuss areas where it believes performance can be improved. Principal among these are: (i) better managing the Company's cost structure so that it can become consistently profitable and (ii) improving governance practices by, among other things, increasing the participation of the Company's board of directors.

Page 7 of 12

The Reporting Entities believe that the company has made progress in its efforts to reduce fixed costs. In coming quarters, BlueLine Partners hopes to continue working with the Company to effect similar operating improvements in the area of variable costs.

Unfortunately, similar reforms have not yet occurred with respect to the Company's governance practices. BlueLine Partners believes governance reforms are critical to the Company's future. Recent developments have raised expectations for the Company, but many potential investors and analysts remain wary given the Company's long history of underperformance. Only the board of directors has the opportunity and the power to provide the oversight necessary during the coming quarters. Such oversight depends upon motivated individuals and established policies and procedures.

Since their investment began in July 2004, the Reporting Entities have sought a dialog with members of the Company's board of directors in an effort to communicate the perspective of outside shareholders and the importance of proper governance practices. Having seen little effect from this private dialog with the Company's board members, the Reporting Entities now wish to initiate a public discussion on the need for oversight and governance reforms at the Company. The Reporting Entities expect this discussion to continue through the Company's annual meeting of shareholders scheduled for December 1, 2005 in Waukesha, Wisconsin. Representatives of the Reporting Entities will attend this meeting and be prepared to question why the minimal reforms listed below have not been adopted.

Governance reforms that the Reporting Entities would like to see adopted and instituted as soon as possible include:

- (1) consideration of new independent board members and the rotation off the board of existing board members who are not prepared to substantially increase their involvement with the Company;
- (2) reforms to the nominating and corporate governance committee to improve monitoring of the changing regulatory environment for public companies and ensure the Company's compliance with best practices;
- (3) reforms to the Company's audit committee procedures to provide independent oversight of the Company's accounting practices and assure the appropriateness of and compliance with the Company's accounting policies;

- (4) reforms to the compensation committee to establish a performance-based compensation plan for the Company's executive officers to better align the interests of management with those of the shareholders;
- (5) regular, in-person board meetings scheduled with sufficient notice to permit travel and advance review of agenda items;
- (6) executive sessions as part of every regularly scheduled board meetings; and
- (7) succession planning for management and the board of directors.

Depending on market conditions, general economic conditions and other factors, including the degree of their participation in the Company's business affairs, the Reporting Entities may purchase additional shares of Common Stock in the open market or in private transactions, or

Page 8 of 12

may dispose of all or a portion of the shares of Common Stock that they or any of them presently own or may hereafter acquire

Item 5. Interest in Securities of the Issuer

Item 5 is hereby amended and restated to read as follows:

- (a) As of the date of this Amendment, each of the Reporting Entities may be deemed to own 736,000 shares of Common Stock. The Shares represent approximately 6.2% of the shares of Common Stock outstanding based on 11,823,629 shares of the Company's Common Stock outstanding as reported in the Company's Annual Report on Form 10-K for the Company's fiscal year ended June 30, 2005 as filed with the Securities and Exchange Commission on September 12, 2005.

The Reporting Entities are making this single, joint filing because they may be deemed to constitute a "group" within the meaning of Section 13(d)(3) of the Act. Each Reporting Entity expressly disclaims beneficial ownership of any of the shares of Common Stock other than those reported herein as being owned by it.

- (b) As of the date of this Amendment No. 2 to Schedule 13D: (i) BlueLine Catalyst VII beneficially owns 670,300 shares of Common Stock with which BlueLine Catalyst VII has shared voting power and shared dispositive power with the other Reporting Entities; (ii) BlueLine California beneficially owns 670,300 shares of Common Stock with which BlueLine California has shared voting power and shared dispositive power with the other Reporting Entities; (iii) BCP beneficially owns 65,700 shares of Common Stock with which BCP has shared voting power and shared dispositive power with the other Reporting Entities; and (iv) BlueLine Delaware beneficially owns 65,700 shares of Common Stock with which BlueLine Delaware has shared voting power and shared dispositive power with the other Reporting Entities.
- (c) Information concerning transactions in the Common Stock effected by the Reporting Entities during the past sixty days is set forth in Exhibit B hereto and is incorporated by this reference. All of the transactions set forth in Exhibit B were open market transactions for cash.

(d) No person (other than the Reporting Entities) is known to have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, the Shares.

(e) Not applicable.

Item 6. Contracts, Arrangements, Understandings or Relationships with Respect to Securities of the Issuer

No change.

Item 7. Materials to be Filed as Exhibits

Page 9 of 12

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1. Exhibit A - Joint Filing Agreement dated September 28, 2005, signed by each of the Reporting Entities.
 2. Exhibit B - Transactions in the Common Stock by the Reporting Entities during the past 60 days.

SIGNATURES

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Date: September 28, 2005

BlueLine Catalyst Fund VII, L.P.

By: BlueLine Partners, L.L.C.
Its: General Partner

By: /s/ Scott Shuda

Name: Scott Shuda
Title: Manager

BlueLine Partners, L.L.C.

By: /s/ Scott Shuda

Name: Scott Shuda
Title: Manager

BlueLine Capital Partners, L.P.

By: BlueLine Partners, L.L.C.
Its: General Partner

By: /s/ Scott Shuda

Name: Scott Shuda
Title: Manager

BlueLine Partners, L.L.C.

By: /s/ Scott Shuda

Name: Scott Shuda

Title: Manager

Page 10 of 12

EXHIBIT A

Joint Filing Agreement

The undersigned acknowledge and agree that the foregoing statement on Schedule 13D is filed on behalf of each of the undersigned and that all subsequent amendments to this statement on Schedule 13D shall be filed on behalf of each of the undersigned without the necessity of filing additional joint filing agreements. The undersigned acknowledge that each shall be responsible for the timely filing of such amendments, and for the completeness and accuracy of the information concerning it contained therein, but shall not be responsible for the completeness and accuracy of the information concerning the others, except to the extent it knows or has reason to believe that such information is inaccurate. This Joint Filing Agreement may be executed in any number of counterparts and all of such counterparts taken together shall constitute one and the same instrument.

Date: September 28, 2005

BlueLine Catalyst Fund VII, L.P.

By: BlueLine Partners, L.L.C.

Its: General Partner

By: /s/ Scott Shuda

Name: Scott Shuda

Title: Manager

BlueLine Capital Partners, L.P.

By: BlueLine Partners, L.L.C.

Its: General Partner

By: /s/ Scott Shuda

Name: Scott Shuda

Title: Manager

BlueLine Partners, L.L.C.

By: /s/ Scott Shuda

Name: Scott Shuda

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Title: Manager

BlueLine Partners, L.L.C.

By: /s/ Scott Shuda

Name: Scott Shuda

Title: Manager

Page 11 of 12

EXHIBIT B

Transactions in the Common Stock effected by the Reporting Entities during the past sixty days.

| Date | BlueLine Catalyst VII | | BCP | |
|---------|-----------------------|-----------------|---------------|-----------------|
| | No. of Shares | Price per Share | No. of Shares | Price per Share |
| 8/3/05 | | | 4500 | \$ 4.67 |
| 8/4/05 | | | 4400 | \$ 4.62 |
| 8/10/05 | | | 2300 | \$ 4.52 |
| 8/11/05 | | | 8500 | \$ 4.46 |
| 8/15/05 | | | 7100 | \$ 4.39 |
| 8/16/05 | | | 1000 | \$ 4.36 |
| 8/17/05 | | | 3600 | \$ 4.19 |
| 8/18/05 | | | 2700 | \$ 4.05 |
| 8/19/05 | | | 5300 | \$ 4.10 |
| 8/22/05 | | | 4100 | \$ 4.50 |
| 8/23/05 | | | 1500 | \$ 4.73 |
| 8/29/05 | | | 1000 | \$ 5.07 |
| 8/31/05 | | | 100 | \$ 5.09 |
| 9/6/05 | | | -800 | \$ 5.18 |
| 9/7/05 | -1200 | \$ 5.29 | | |
| 9/12/05 | -2000 | \$ 5.50 | 1000 | \$ 5.04 |
| 9/13/05 | -1200 | \$ 5.08 | | |
| 9/14/05 | | | 1000 | \$ 5.00 |
| 9/15/05 | | | 1000 | \$ 5.01 |
| 9/16/05 | | | 4200 | \$ 5.00 |
| 9/20/05 | | | 100 | \$ 5.08 |
| 9/22/05 | | | 2000 | \$ 5.00 |

Page 12 of 12