

CRITICARE SYSTEMS INC /DE/
Form SC 13D/A
February 16, 2006

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Schedule 13D

Under the Securities Exchange Act of 1934
(Amendment No. 4)

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

February 7, 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 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 [].

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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
	-		449,800
	-	9	SOLE DISPOSITIVE POWER
	-		0
	-	10	SHARED DISPOSITIVE POWER
	-		449,800

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON
974,600

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)
8.1%

14 TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)
PN

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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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6 CITIZENSHIP OR PLACE OF ORGANIZATION
California

	-	7	SOLE VOTING POWER
	-		0
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	-	8	SHARED VOTING POWER
	-		449,800
	-	9	SOLE DISPOSITIVE POWER
	-		0
	-	10	SHARED DISPOSITIVE POWER
	-		449,800

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON
974,600

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CUSIP No. 226901106 -

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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) [] (b) [X]

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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
	-		524,800
	-	9	SOLE DISPOSITIVE POWER
	-		0
	-	10	SHARED DISPOSITIVE POWER
	-		524,800

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WC

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This Amendment No. 4 (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 California") on December 14, 2004 (the "Schedule 13D") and Amendment No. 1 to such filing made by the same entities on April 11, 2005 and Amendment No. 2 filed on September 28, 2005 and Amendment No. 3 filed on December 14, 2005 by the above named entities and BlueLine Capital Partners, L.P ("BCP") and BlueLine Partners, L.L.C., a Delaware limited liability company and the sole general Partner of BCP ("BlueLine Partners") 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

No change.

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 974,600 shares of Common Stock (the "Shares"). The Shares were purchased by BlueLine Catalyst and BCP in the open market with their investment capital.

Item 4. Purpose of the Transaction

Item 4 is hereby amended to include the following:

The Reporting Entities invest in companies they believe are undervalued relative to their potential. These are not companies that are broken, but rather, those in situations where if certain issues were addressed and identified problems fixed, the companies could be expected to trade at significantly higher values. As part of each investment, the Reporting Entities identify these issues and seek to work with management, the board of directors and other shareholders to address and correct the problems and thereby create shareholder value. Because BlueLine's perspective and advice relate to operational issues and not financial engineering, BlueLine's participation is usually well received by other stakeholders.

The Company is clearly performing better now than it did prior to BlueLine's investment. Published analyst reports project that revenues will reach record levels in fiscal year 2006 and the Company has reported three consecutive quarters of profitable operations. In addition, management is to be commended for the job it has done in creating opportunities around new products and recent developments in the marketplace. There remains, however, significant room for improvement in the areas of cost controls, financial planning and investor relations. The Company must leverage top line growth to improve net margins and increase its profitability.

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The Company must also exhibit greater control over its business and the message it communicates to investors.

The Company's management has been promoting its product initiatives and new OEM relationships for some time. Investors are growing impatient with promises of future performance and the Company's management must begin delivering against the expectations that it has set. To this end, the Reporting Entities have advocated governance reforms and a greater role for the Company's board of directors. A more active board should help management set priorities, produce budgets and financial projections, develop a better defined investor message, and, most importantly, hold management accountable if it fails to achieve established performance metrics. This last item could be effectively done by creating an executive compensation plan that links pay to performance. BlueLine takes some encouragement from the recent appointment of a new director with public company experience, but will continue to press for governance reforms until it believes that the board will adhere to its own written governance policies as well as accepted norms of good corporate governance.

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

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open market or in private transactions, or 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 974,600 shares of Common Stock. The Shares represent approximately 8.1% of the shares of Common Stock outstanding based on 12,062,268 shares of the Company's Common Stock outstanding as reported in the Company's report on Form 10-Q for the Company's fiscal quarter ended September 30, 2005 as filed with the Securities and Exchange Commission on November 10, 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. 4 to Schedule 13D: (i) BlueLine Catalyst beneficially owns 449,800 shares of Common Stock with which BlueLine Catalyst has shared voting power and shared dispositive power with the other Reporting Entities; (ii) BlueLine California beneficially owns 449,800 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 524,800 shares of Common Stock with which BCP has shared voting power and shared dispositive power with the other Reporting Entities; and (iv) BlueLine Partners beneficially owns 524,800 shares of Common Stock with which BlueLine

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Partners 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

1. Exhibit A - Joint Filing Agreement dated September 28, 2005, signed by

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each of the Reporting Entities.*

2. Exhibit B - Transactions in the Common Stock by the Reporting Entities during the past 60 days.

* Incorporated by reference to the Amendment No. 2 Schedule 13D filed on September 28, 2005.

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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: February 15, 2006

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

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EXHIBIT B

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

Date	BCP		BlueLine Catalyst	
	No. of Shares	Price per Share	No. of Shares	Price per Share
12/12/2005	-1,000	\$4.70		
12/12/2005	340,000	\$4.54		
12/16/2005	1,500	\$4.94		
12/27/2005	-3,000	\$5.11		
1/4/2006	500	\$4.95		
1/5/2006	1,000	\$4.90		
1/6/2006	1,000	\$4.85		
1/9/2006	1,000	\$4.75		
1/10/2006	1,000	\$4.70		
1/13/2006	1,700	\$4.48		
1/19/2006	2,000	\$4.56		
1/26/2006			-3,000	\$4.59
1/27/2006			-3,000	\$4.62
2/1/2006			-7,000	\$5.18
2/6/2006			-6,000	\$5.11
2/7/2006			-206,500	\$5.30
2/9/2006	4,000	\$4.88		
2/13/2006	5,000	\$4.80		