

INTEL CORP  
Form 10-K  
February 23, 2009

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

**FORM 10-K**

**(Mark One)**

- x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the fiscal year ended December 27, 2008.**

**or**

- o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_.**

**Commission File Number 000-06217**

**INTEL CORPORATION**

(Exact name of registrant as specified in its charter)

**Delaware**

State or other jurisdiction of  
incorporation or organization

**94-1672743**

(I.R.S. Employer  
Identification No.)

**2200 Mission College Boulevard, Santa Clara,  
California**

(Address of principal executive offices)

**95054-1549**

(Zip Code)

Registrant's telephone number, including area code **(408) 765-8080**

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

**Title of each class**

Common stock, \$0.001 par value

**Name of each exchange on which registered**

The NASDAQ Global Select Market\*

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

None

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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒      Accelerated filer ☐      Non-accelerated filer ☐      Smaller reporting company ☐  
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

Aggregate market value of voting and non-voting common equity held by non-affiliates of the registrant as of June 27, 2008, based upon the closing price of the common stock as reported by The NASDAQ Global Select Market\* on such date, was approximately

\$120.9 billion  
5,562 million shares of common stock outstanding as of February 6, 2009

### DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement related to its 2009 Annual Stockholders' Meeting to be filed subsequently Part III of this Form 10-K.

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**INTEL CORPORATION**  
**FORM 10-K**  
**FOR THE FISCAL YEAR ENDED DECEMBER 27, 2008**

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**PART I**

**ITEM 1. BUSINESS**

**Industry**

We are the world's largest semiconductor chip maker, based on revenue. We develop advanced integrated digital technology products, primarily integrated circuits, for industries such as computing and communications. Integrated circuits are semiconductor chips etched with interconnected electronic switches. We also develop platforms, which we define as integrated suites of digital computing technologies that are designed and configured to work together to provide an optimized user computing solution compared to components that are used separately. Our goal is to be the preeminent provider of semiconductor chips and platforms for the worldwide digital economy.

We were incorporated in California in 1968 and reincorporated in Delaware in 1989. Our Internet address is [www.intel.com](http://www.intel.com). On this web site, we publish voluntary reports, which we update annually, outlining our performance with respect to corporate responsibility, including environmental, health, and safety compliance.

We use our Investor Relations web site, [www.intc.com](http://www.intc.com), as a channel for routine distribution of important information, including news releases, analyst presentations, and financial information. We post filings as soon as reasonably practicable after they are electronically filed with, or furnished to, the U.S. Securities and Exchange Commission (SEC), including our annual, quarterly, and current reports on Forms 10-K, 10-Q, and 8-K; our proxy statements; and any amendments to those reports or statements. All such postings and filings are available on our Investor Relations web site free of charge. In addition, this web site allows investors and other interested persons to sign up to automatically receive e-mail alerts when we post news releases and financial information on our web site. The SEC also maintains a web site, [www.sec.gov](http://www.sec.gov), that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The content on any web site referred to in this Form 10-K is not incorporated by reference into this Form 10-K unless expressly noted.

**Products**

We strive to design and manufacture computing and communications components and platforms with improved overall performance and/or improved energy efficiency. Improved overall performance can include faster processing performance and other improved capabilities, such as multithreading and multitasking. Performance can also be improved through enhanced connectivity, storage, security, manageability, utilization, reliability, ease of use, and interoperability among devices. Improved energy-efficient performance is achieved by balancing performance factors with lower power consumption. Lower power consumption may extend utilization time for battery-powered form factors and reduce system heat output, thereby providing power savings and reducing the total cost of ownership.

We offer products at various levels of integration, to allow our customers flexibility in creating computing and communications systems.

***Components***

***Microprocessors***

A microprocessor—the central processing unit (CPU) of a computer system—processes system data and controls other devices in the system, acting as the “brains” of the computer. We offer microprocessors with one or multiple processor

cores designed for desktops, nettops, workstations, servers, embedded products, communications products, notebooks, netbooks, mobile Internet devices (MIDs), and consumer electronics. The following are characteristics of our microprocessors:

Multi-core microprocessors contain two or more processor cores, which can enable improved multitasking and energy-efficient performance by distributing computing tasks across multiple cores.

Cache is a memory that can be located directly on the microprocessor, permitting quicker access to frequently used data and instructions. Incorporating additional amounts and/or levels of cache can enable higher performance.

Our microprocessors can also include integrated memory controllers, which increase the speed of data transfer from cache and system memory.

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During 2008, we introduced a new microarchitecture based on our 45-nanometer (nm) Hi-k metal gate silicon process technology (latest generation Intel® Core™ microarchitecture). Microarchitecture refers to the layout, density, and logical design of a microprocessor. The latest generation Intel Core microarchitecture incorporates features designed to increase performance and energy efficiency, such as:

<b>Feature</b>	<b>Performance Enhancement</b>
Intel® QuickPath Technology	Utilizes an integrated memory controller to allow faster memory access than a standard front side bus
Intel® Turbo Boost Technology	Increases processor frequency when applications demand more performance
Intel® Hyper-Threading Technology	Allows each processor core to process two software tasks or threads simultaneously

During 2008, we also introduced the Intel® Atom™ processor family. These low-power processors are specifically designed for embedded solutions, MIDs, consumer electronics, and two new classes of simple and affordable Internet-focused computers called netbooks and nettops.

### *Chipsets*

The chipset operates as the nervous system in a PC or other computing device, sending data between the microprocessor and input, display, and storage devices, such as the keyboard, mouse, monitor, hard drive, and CD or DVD drive. We offer chipsets designed for desktops, nettops, workstations, servers, embedded products, communications products, notebooks, netbooks, MIDs, and consumer electronics. The following are functions of chipsets:

- Chipsets perform essential logic functions, such as balancing the performance of the system and removing bottlenecks.
- Chipsets extend the graphics, audio, video, and other capabilities of many systems.
- Chipsets may also control access between the CPU and system memory.

### *Motherboards*

We offer motherboard products designed for our desktop, workstation, and server platforms. A motherboard is the principal board within a system, and typically contains the CPU, chipset, memory, and other components. The motherboard also has connectors for attaching devices to the bus, which is the subsystem that transfers data between various components of a computer.

### *Wired and Wireless Connectivity*

We offer wired and wireless connectivity products, including network adapters and embedded wireless cards, based on industry-standard protocols used to translate and transmit data across networks. Wireless connectivity products based on WiFi technology allow users to wirelessly connect to high-speed local area networks, typically within a close range. We have also developed wireless connectivity products for both mobile and fixed networks based on WiMAX, a standards-based wireless technology providing high-speed broadband connectivity, which links users and networks up to several miles apart.

### *Platforms*

We offer platforms that incorporate various components and technologies. A platform typically includes a microprocessor, chipset, and enabling software, and may include additional hardware, services, and support. In developing our platforms, we may include components made by other companies. A component is one of any number of software or hardware features that may be incorporated into a computer, handheld device, or other computing system, including a microprocessor, chipset, motherboard, memory, wired or wireless connectivity device, or software. Platforms based on our latest generation Intel Core microarchitecture integrate a memory controller into each microprocessor and connect processors and other components with a high-speed interconnect. We refer to certain platform brands within our product offerings as processor technologies.



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***Microprocessor and Platform Technologies***

We offer features to improve microprocessor and platform capabilities that can enhance system performance and user experience. For example, we offer technologies that can help information technology managers diagnose, fix, and protect enabled systems that are plugged into a power source and connected to a network, even if a computer is turned off or has a failed hard drive or operating system. Additional features can enable virtualization, in which a single computer system can function as multiple virtual systems by running multiple operating systems and applications. Virtualization can consolidate workloads and provide increased security and management capabilities. To take advantage of these and other features that we offer, a computer system must have a microprocessor that supports a chipset and BIOS (basic input/output system) that use the technology, and software that is optimized for the technology. Performance will vary depending on the system hardware and software used.

***Additional Product Offerings***

*NAND flash memory* is a specialized type of memory component primarily used in memory cards, digital audio players, and system-level applications, such as solid-state drives used to store data and program code. NAND flash memory retains information even when the power is off, and provides faster access to data than traditional hard drives. Flash memory does not have any moving parts, unlike a device such as a rapidly spinning disk drive, allowing flash memory to be more tolerant of bumps and shocks.

*Communications infrastructure products* are the basic building blocks for modular communications platforms and include advanced, fully programmable processors used in networking equipment to rapidly manage and direct data moving across networks and the Internet.

*Network and server storage products* include small-business and home-network memory systems built for performance, security, and manageability. These products allow data storage resources to be added to either of the two most prevalent types of networking technology: Ethernet or Fibre Channel.

*Software products* primarily help enable the creation of applications with software development tools designed to complement our latest hardware technologies.

***Revenue by Major Operating Segment***

Net revenue for our major operating segments, the Digital Enterprise Group (DEG) and the Mobility Group (MG), presented as a percentage of our consolidated net revenue, was as follows:

**Percentage of Revenue**  
(Dollars in Millions)

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Revenue from sales of microprocessors for our major operating segments, presented as a percentage of our consolidated net revenue, was as follows:

### **Percentage of Revenue** (Dollars in Millions)

Below, we discuss the key products and processor technologies, including some key introductions, of our major operating segments. For a discussion of our strategy, see Strategy in Part II, Item 7 of this Form 10-K.

#### ***Digital Enterprise Group***

The Digital Enterprise Group offers products that are incorporated into desktop and nettop computers, enterprise computing servers and workstations, a broad range of embedded applications, and other products that help make up the infrastructure for the Internet. DEG's products include microprocessors and related chipsets and motherboards designed for the desktop and enterprise computing market segments; microprocessors and chipsets for embedded applications; components for communications infrastructure equipment, such as network processors; wired connectivity devices; and products for network and server storage.

#### ***Desktop Market Segment***

Our current desktop microprocessor offerings include the:

Intel® Core™ i7 processor Extreme Edition	Intel® Pentium® Dual-Core processor
Intel® Core™ i7 processor	Intel® Celeron® Dual-Core processor
Intel® Core™2 Extreme processor	Intel® Celeron® processor
Intel® Core™2 Quad processor	Intel® Atom™ processor
Intel® Core™2 Duo processor	

Most of these Intel Core microarchitecture-based processors are manufactured using our 45nm Hi-k metal gate silicon technology (45nm process technology). We offer desktop microprocessors at a variety of price/performance points, from the high-end Intel Core i7 processor Extreme Edition – a quad-core processor based on our latest generation Intel Core microarchitecture designed for processor-intensive tasks in demanding multitasking environments – to the Intel Celeron processor designed to provide value, quality, and reliability for basic computing needs. In addition, we offer the Intel Atom processor designed for low-power and affordable Internet-focused devices. The related chipsets for our desktop microprocessor offerings primarily include Intel® 4 Series Express Chipsets, Intel® 3 Series Express Chipsets, and Intel® 900 Series Express Chipsets.

We also offer processor technologies based on our microprocessors, chipsets, and motherboard products that are optimized for the desktop market segment. For business desktop PCs, we offer the Intel® Core™2 Duo processor with vPro™ technology and the Intel® Core™2 Quad processor with vPro™ technology, which are designed to provide increased security and manageability, energy-efficient performance, and lower cost of ownership.

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Our new product offerings in 2008 and early 2009 include:

The Intel Core i7 processor family, including the Intel Core i7 processor Extreme Edition, based on our latest generation Intel Core microarchitecture, and designed for high-performance, power-efficient computing.

Intel Atom processors designed for low-power and affordable Internet-focused devices.

Intel 4 Series Express Chipsets designed to be used with 45nm Intel Core 2 Duo and Intel Core 2 Quad processors, helping to improve mainstream desktop system performance, energy efficiency, and video and sound quality.

Desktop motherboards that support a new generation of Intel® vPro™ technology for business desktop PCs with enhanced manageability and security features.

### *Enterprise Market Segment*

Our current server and workstation microprocessor offerings include the Intel® Xeon® processor and the Intel® Itanium® processor. Our Intel Xeon processor family of products supports a range of entry-level to high-end technical and commercial computing applications such as IP data centers. Compared to our Intel Xeon processor family, our Intel Itanium processor family generally supports an even higher level of reliability and computing performance for data processing, handling high transaction volumes, and other compute-intensive applications for enterprise-class servers, as well as supercomputing solutions. Servers, which usually have multiple microprocessors or cores working together, manage large amounts of data, direct data traffic, perform complex transactions, and control central functions in local and wide area networks and on the Internet. Workstations typically offer higher performance than standard desktop PCs and are used for applications such as engineering design, digital content creation, and high-performance computing.

Our new product offerings in 2008 and early 2009 include:

Low-voltage Quad-Core Intel Xeon processors based on our 45nm process technology.

Intel Xeon processors designed to reduce the use of environmentally sensitive materials.

Intel Xeon processors with up to six processing cores and 16 megabytes (MB) of shared cache memory. These processors are built using our 45nm process technology, and are designed for high-end servers with up to 16 processor sockets.

### *Embedded and Communications Market Segments*

We offer microprocessors and chipsets for embedded applications, and components such as network processors for communications infrastructure equipment.

Our new product offerings in 2008 and early 2009 include:

Quad-Core and Dual-Core Intel Xeon processors for embedded market segments, based on our 45nm process technology. These processors are designed for storage, router, security, medical, communications, and other high-performance, memory-intensive applications.

Intel Atom processors designed for embedded applications such as in-vehicle information/entertainment systems, portable point-of-sale retail devices, and industrial robotics.

A new category of highly integrated, purpose-built System on Chip (SoC) products designed for embedded security, storage, communications, and industrial robotic applications. SoC products integrate core processing functionality with specific components, such as graphics, audio, and video, onto a single chip with reduced power consumption and size. These SoC products are based on Intel® architecture.

### *Mobility Group*

The Mobility Group offers products including microprocessors and related chipsets designed for the notebook and netbook market segments, wireless connectivity products, and energy-efficient products designed for the MID and ultra-mobile PC market segments. We also offer Intel® Centrino® and Intel® Centrino® 2 processor technologies based on our microprocessors, chipsets, and wireless network connections.

Our current mobile microprocessor offerings include the:

Intel® Core™2 Extreme mobile processor  
Intel® Core™2 Quad mobile processor  
Intel® Core™2 Duo mobile processor  
Intel® Core™2 Solo mobile processor

Intel® Celeron® Dual-Core processor  
Intel® Celeron® M processor  
Intel® Celeron® processor  
Intel® Atom™ processor

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We offer mobile microprocessors for notebooks at a variety of price/performance points, from the Intel Core 2 Extreme mobile processor designed for gaming to the Intel Celeron processor designed to provide value, quality, and reliability for basic computing needs. In addition, we offer the Intel Atom processor designed for netbooks, MIDs, and ultra-mobile PCs. We offer these processors in various packaging options, giving our customers flexibility for a wide range of system designs for notebook PCs and other mobile computing devices. The related chipsets for our mobile microprocessor offerings primarily include Mobile Intel® 4 Series Express Chipsets and Mobile Intel® 900 Series Express Chipsets.

In 2008, the majority of the revenue in the MG operating segment was from the sale of products that make up our Intel Centrino and Intel Centrino 2 processor technologies. These technologies are designed to provide high performance with improved multitasking, power-saving features to improve battery life, smaller form factors, wireless network connectivity, and improved boot times compared to similar microprocessors that do not incorporate our Intel Centrino and Intel Centrino 2 processor technologies. Intel® Centrino® with vPro™ technology and Intel® Centrino® 2 with vPro™ technology include the features of Intel Centrino and Intel Centrino 2 processor technologies, respectively, and are designed to provide mobile business PCs with increased security, manageability, and energy-efficient performance.

Our new product offerings in 2008 and early 2009 include:

- Intel Core 2 Quad mobile processors, designed to handle complex compute and visualization tasks on notebook workstations.

- Intel Centrino 2 processor technology and Intel Centrino 2 with vPro technology, designed to deliver higher performance, longer battery life, faster wireless connectivity, and enhanced manageability and security capabilities compared to earlier versions of Intel Centrino processor technology. These platforms are based on new versions of Intel Core 2 Duo mobile processors.

- Mobile Intel 4 Series Express Chipsets designed to be used with 45nm Intel Core 2 Duo and Intel Core 2 Quad mobile processors.

- Intel Atom processors specifically designed for MIDs and netbooks.

## ***Other Products***

### ***NAND Solutions Group***

We offer NAND flash memory products primarily used in memory cards and system-level applications, such as solid-state drives. Our solid-state drives, available in densities ranging from 1 gigabyte (GB) to 160 GB, are designed to enable faster boot times, lower power consumption, increase reliability, improve performance, and weigh less than standard hard disk drives. Components for our NAND flash memory products are manufactured by IM Flash Technologies, LLC (IMFT) using 34nm or 50nm process technology. See Note 6: Equity Method and Cost Method Investments in Part II, Item 8 of this Form 10-K.

Our new product offerings in 2008 and early 2009 include:

- 80-GB and 160-GB solid-state drives based on NAND flash technology, designed for laptop and desktop computers.

- High-performance, 32-GB and 64-GB solid-state drives based on NAND flash technology, designed for use in servers, workstations, and storage systems.

### ***Digital Home Group***

The Digital Home Group offers products, including SoC designs, for use in consumer electronics devices designed to access and share Internet, broadcast, optical media, and personal content through a variety of linked digital devices

within the home. In addition, we offer components for consumer electronics devices such as digital TVs, high-definition media players, and set-top boxes, which receive, decode, and convert incoming data signals.

*Digital Health Group*

The Digital Health Group offers technology-enabled products for healthcare providers as well as for use in personal healthcare. In 2008, we introduced the Intel® Health Guide, a personal health system designed to allow clinicians to remotely monitor and manage patients' care through an online interface.

**Table of Contents****Manufacturing and Assembly and Test**

As of December 27, 2008, 70% of our wafer fabrication, including microprocessors and chipsets, was conducted within the U.S. at our facilities in Arizona, Oregon, Massachusetts, New Mexico, and California. The remaining 30% of our wafer fabrication was conducted outside the U.S. at our facilities in Ireland and Israel.

As of December 27, 2008, we primarily manufactured our products in wafer fabrication facilities at the following locations:

<b>Products</b>	<b>Wafer Size</b>	<b>Process Technology</b>	<b>Locations</b>
Microprocessors	300mm	45nm	Arizona, New Mexico, Israel
Chipsets and microprocessors	300mm	65nm	Ireland, Arizona, Oregon
Chipsets, microprocessors, and other products	300mm	90nm	Ireland
Chipsets	200mm	130nm	Oregon, Massachusetts, Arizona, California
NOR flash memory	200mm	65nm 130nm	Ireland
Chipsets	200mm	180nm and above	Ireland

We expect to increase the capacity of certain facilities listed above through additional investments in capital equipment. In addition to our current facilities, we are building a 300mm wafer fabrication facility in China. Subsequent to the end of 2008, management approved plans to restructure some of our manufacturing and assembly and test operations, and align our manufacturing and assembly and test capacity to current market conditions. These actions, which are expected to take place beginning in 2009, include stopping production at a 200mm wafer fabrication facility in Oregon and ending production at our 200mm wafer fabrication facility in California.

As of December 27, 2008, the substantial majority of our microprocessors were manufactured on 300mm wafers using our 45nm process technology. In the second half of 2009, we expect to begin manufacturing microprocessors using our 32nm process technology. As we move to each succeeding generation of manufacturing process technology, we incur significant start-up costs to prepare each factory for manufacturing. However, continuing to advance our process technology provides benefits that we believe justify these costs. The benefits of moving to each succeeding generation of manufacturing process technology can include using less space per transistor, reducing heat output from each transistor, and/or increasing the number of integrated features on each chip. These advancements can result in microprocessors that are higher performing, consume less power, and/or cost less to manufacture.

To augment capacity, we use third-party manufacturing companies (foundries) to manufacture wafers for certain components, including networking and communications products. In addition, we primarily use subcontractors to manufacture board-level products and systems, and purchase certain communications networking products from external vendors, principally in the Asia-Pacific region.

Our NAND flash memory products are manufactured by IMFT, a NAND flash memory manufacturing company that we formed with Micron Technology, Inc. We currently purchase 49% of the manufactured output of IMFT. Assembly and test of NAND flash memory products is performed by Micron and other external subcontractors. See Note 6: Equity Method and Cost Method Investments in Part II, Item 8 of this Form 10-K.

During the second quarter of 2008, we completed the divestiture of our NOR flash memory business in exchange for an ownership interest in Numonyx B.V. We entered into supply and services agreements that involved the manufacture and the assembly and test of NOR flash memory products for Numonyx through 2008. In the fourth

quarter of 2008, we agreed with Numonyx to extend certain supply and service agreements through the end of 2009. In addition, we are leasing a wafer fabrication facility located in Israel to Numonyx. That facility is not shown in our above listing of wafer fabrication facilities. See Note 6: Equity Method and Cost Method Investments in Part II, Item 8 of this Form 10-K.

Following the manufacturing process, the majority of our components are subject to assembly and test. We perform our components assembly and test at facilities in Malaysia, China, Costa Rica, and the Philippines. We are building a new assembly and test facility in Vietnam that is expected to begin production in 2010. To augment capacity, we use subcontractors to perform assembly of certain products, primarily chipsets and networking and communications products. The restructuring plans described above include closing two assembly and test facilities in Malaysia, one facility in the Philippines, and one facility in China, and are expected to take place beginning in 2009.



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Our employment practices are consistent with, and we expect our suppliers and subcontractors to abide by, local country law. In addition, we impose a minimum employee age requirement as well as progressive environmental, health, and safety (EHS) requirements, regardless of local law.

We have thousands of suppliers, including subcontractors, providing our various materials and service needs. We set expectations for supplier performance and reinforce those expectations with periodic assessments. We communicate those expectations to our suppliers regularly and work with them to implement improvements when necessary. We seek, where possible, to have several sources of supply for all of these materials and resources, but we may rely on a single or limited number of suppliers, or upon suppliers in a single country. In those cases, we develop and implement plans and actions to reduce the exposure that would result from a disruption in supply. We have entered into long-term contracts with certain suppliers to ensure a portion of our silicon supply.

Our products typically are produced at multiple Intel facilities at various sites around the world, or by subcontractors who have multiple facilities. However, some products are produced in only one Intel or subcontractor facility, and we seek to implement actions and plans to reduce the exposure that would result from a disruption at any such facility. See Risk Factors in Part I, Item 1A of this Form 10-K.

## **Research and Development**

We are committed to investing in world-class technology development, particularly in the design and manufacture of integrated circuits. Research and development (R&D) expenditures in 2008 were \$5.7 billion (\$5.8 billion in fiscal year 2007 and \$5.9 billion in fiscal year 2006).

Our R&D activities are directed toward developing the technology innovations that we believe will deliver our next generation of products and platforms, which will in turn enable new form factors and new usage models for businesses and consumers. Our R&D activities range from design and development of products, to developing and refining manufacturing processes, to researching future technologies and products.

We are focusing our R&D efforts on advanced computing, communications, and wireless technologies as well as energy efficiency by developing new microarchitectures, advancing our silicon manufacturing process technology, delivering the next generation of microprocessors and chipsets, improving our platform initiatives, and developing software solutions and tools to support our technologies. Our R&D efforts enable new levels of performance and address areas such as scalability for multi-core architectures, energy efficiency, system manageability and security, ease of use, and new communications capabilities. In addition, we are making significant R&D investments in growth areas such as SoC, MIDs, embedded applications, consumer electronics, and graphics.

As part of our R&D efforts, we plan to introduce a new microarchitecture for our mobile, desktop, and Intel Xeon processors approximately every two years and ramp the next generation of silicon process technology in the intervening years. We refer to this as our tick-tock technology development cadence. Our leadership in silicon technology has enabled us to make Moore's Law a reality. Moore's Law predicted that transistor density on integrated circuits would double about every two years. Our leadership in silicon technology has also helped to expand on the advances anticipated by Moore's Law by bringing new capabilities into silicon and producing new products and platforms optimized for a wider variety of applications. In 2008, we introduced a new microarchitecture using our 45nm process technology. We are currently developing 32nm process technology, our next-generation process technology, and expect to begin manufacturing products using that technology in the second half of 2009.

Our R&D model is based on a global organization that emphasizes a collaborative approach to identifying and developing new technologies, leading standards initiatives, and influencing regulatory policy to accelerate the adoption of new technologies. Our R&D initiatives are performed by various business groups within the company,

and we centrally manage key cross-business group product initiatives to align and prioritize our R&D activities across these groups. In addition, we may augment our R&D initiatives by investing in companies or entering into agreements with companies that have similar R&D focus areas. For example, we have an agreement with Micron for joint development of NAND flash memory technologies.

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### **Employees**

As of December 27, 2008, we had approximately 83,900 employees worldwide, with more than 50% of these employees located in the U.S. Worldwide, we had approximately 86,300 employees as of December 29, 2007 and 94,100 as of December 30, 2006.

### **Sales and Marketing**

#### ***Customers***

We sell our products primarily to original equipment manufacturers (OEMs) and original design manufacturers (ODMs). ODMs provide design and/or manufacturing services to branded and unbranded private-label resellers. In addition, we sell our products to other manufacturers, including makers of a wide range of industrial and communications equipment. Our customers also include PC and network communications products users who buy PC components and our other products through distributor, reseller, retail, and OEM channels throughout the world. In certain instances, we have entered into supply agreements to continue to manufacture and sell products of divested business lines to acquiring companies during certain transition periods.

Our worldwide reseller sales channel consists of thousands of indirect customers who are systems builders that purchase Intel microprocessors and other products from our distributors. We have a boxed processor program that allows distributors to sell Intel microprocessors in small quantities to these systems-builder customers; boxed processors are also available in direct retail outlets.

In 2008, Hewlett-Packard Company accounted for 20% of our net revenue (17% in 2007) and Dell Inc. accounted for 18% of our net revenue (18% in 2007). No other customer accounted for more than 10% of our net revenue. For information about revenue and operating income by operating segment, and revenue from unaffiliated customers by geographic region/country, see Results of Operations in Part II, Item 7 and Note 25: Operating Segment and Geographic Information in Part II, Item 8 of this Form 10-K.

#### ***Sales Arrangements***

Our products are sold or licensed through sales offices throughout the world. Sales of our products are typically made via purchase orders that contain standard terms and conditions covering matters such as pricing, payment terms, and warranties, as well as indemnities for issues specific to our products, such as patent and copyright indemnities. From time to time, we may enter into additional agreements with customers covering, for example, changes from our standard terms and conditions, new product development and marketing, private-label branding, and other matters. Most of our sales are made using electronic and web-based processes that allow the customer to review inventory availability and track the progress of specific goods ordered. Pricing on particular products may vary based on volumes ordered and other factors. We also offer discounts, rebates, and other incentives to customers to increase acceptance of our products and technology.

Our products are typically shipped under terms that transfer title to the customer, even in arrangements for which the recognition of revenue and related costs of sales is deferred. Our standard terms and conditions of sale typically provide that payment is due at a later date, generally 30 days after shipment, delivery, or the customer's use of the product. Our credit department sets accounts receivable and shipping limits for individual customers to control credit risk to Intel arising from outstanding account balances. We assess credit risk through quantitative and qualitative analysis, and from this analysis, we establish credit limits and determine whether we will seek to use one or more credit support devices, such as obtaining some form of third-party guaranty or standby letter of credit, or obtaining credit insurance for all or a portion of the account balance if necessary. Credit losses may still be incurred due to

bankruptcy, fraud, or other failure of the customer to pay. For information about our allowance for doubtful receivables, see Schedule II Valuation and Qualifying Accounts in Part IV of this Form 10-K.

Most of our sales to distributors are made under agreements allowing for price protection on unsold merchandise and a right of return on stipulated quantities of unsold merchandise. Under the price protection program, we give distributors credits for the difference between the original price paid and the current price that we offer. On most products, there is no contractual limit on the amount of price protection, nor is there a limit on the time horizon under which price protection is granted. The right of return granted generally consists of a stock rotation program in which distributors are able to exchange certain products based on the number of qualified purchases made by the distributor. Although we have the option to grant credit for, repair, or replace defective product, there is no contractual limit on the amount of credit granted to a distributor.

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### ***Distribution***

Typically, distributors handle a wide variety of products, including those that compete with our products, and fill orders for many customers. We also utilize third-party sales representatives who generally do not offer directly competitive products but may carry complementary items manufactured by others. Sales representatives do not maintain a product inventory; instead, their customers place orders directly with us or through distributors.

### ***Backlog***

We do not believe that backlog as of any particular date is meaningful, as our sales are made primarily pursuant to standard purchase orders for delivery of products. Only a small portion of our orders is non-cancelable, and the dollar amount associated with the non-cancelable portion is not significant.

### ***Seasonal Trends***

Our microprocessor sales generally have followed a seasonal trend. Historically, our sales have been higher in the second half of the year than in the first half of the year. Consumer purchases of PCs have historically been higher in the second half of the year, primarily due to back-to-school and holiday demand. In addition, purchases from businesses have also historically tended to be higher in the second half of the year. This seasonal trend did not occur in 2008, and there can be no assurance that it will resume in the future.

### ***Marketing***

Our corporate marketing objectives are to build a strong Intel corporate brand that connects with consumers, and have a limited set of product brands for our advanced microprocessors and related technologies. Our intention is to have a limited number of meaningful and valuable brands in our portfolio to aid in making informed choices and making technology purchase decisions easier for both businesses and consumers. The Intel Core i7, Intel Core 2 Extreme, Intel Core 2 Quad, Intel Core 2 Duo, Intel Atom, Pentium, Celeron, Intel Xeon, and Itanium trademarks make up our processor brands. Microprocessors are at the center of our most advanced processor technologies, which include Intel Centrino processor technology and Intel Core 2 processors with vPro technology.

We promote brand awareness and generate demand through our own direct marketing as well as co-marketing programs. Our direct marketing activities include television, print and web-based advertising, as well as press relations, consumer and trade events, and industry and consumer communications. We market to consumer and business audiences, and focus on building awareness and generating demand for increased performance, power efficiency, and new capabilities.

Purchases by customers often allow them to participate in cooperative advertising and marketing programs such as the Intel Inside® Program. This program broadens the reach of our brands beyond the scope of our own direct advertising. Through the Intel Inside Program, certain customers are licensed to place Intel logos on computers containing our microprocessors and processor technologies, and to use our brands in marketing activities. The program includes a market development component that accrues funds based on purchases and partially reimburses the OEMs for marketing activities for products featuring Intel brands, subject to the OEMs meeting defined criteria. These marketing activities primarily include television, web-based marketing, and print; and in the beginning of 2008, we increased our focus on web-based marketing. We have also entered into joint marketing arrangements with certain customers.

### ***Competition***

The semiconductor industry is dynamic, characterized by rapid advances in technology and frequent product introductions. As unit volumes of a product grow, production experience is accumulated and costs typically decrease, further competition develops, and prices decline. The life cycle of our products is very short, sometimes less than a year. These short product life cycles and other factors lead to frequent negotiations with our OEM cus

**ALIGN=LEFT> Poor Revenue Growth.** Criticare's revenues for fiscal 2006 were up from 2005's depressed level. However, 80% of the increase came in the first six months of the year with a large portion simply a replacement of the previously lost Alaris business. The last two quarters each reported sequential declines in revenues. Despite Criticare's acknowledged product development strengths, between 1998 and the near-record year in 2006, Criticare's average annual revenue growth has been only 1.46%.

Since June 1999, Criticare has been focusing on a strategy of selling to OEMs. Now seven years into that strategy, OEM sales account for less than one-quarter of total sales and that percentage has declined in each of the last two years. This strongly suggests that Criticare is either pursuing the wrong strategy or executing its chosen strategy poorly. Recognizing this, BlueLine previously offered to pay for a consultant to assist Criticare with its OEM strategy. We believe a re-formed board of directors would take similar, long-overdue action to address the obvious deficiencies in executing against this aspect of the company's business plan.

2. *Ongoing Operations Are Not Profitable.* Criticare recently reported its first profit in 11 years but that profit was not from its operating activities, as the company reported an operating loss of \$447,000. Criticare managed a profit only because of \$692,000 in other income. Of the \$4.6 million in increased revenue in 2006, less than \$300,000 dropped to the bottom line.

As in the past, Criticare's management explained that several one-time charges prevented reporting stronger operating results. Given how infrequently Criticare reports a profit, BlueLine does not believe the problem lies in one-time charges, but rather in Criticare's inflated cost structure. BlueLine has frequently made this point and we believe a re-formed board of directors would insist upon cost cuts and an operating plan that includes provisions for unexpected one-time charges while still permitting consistently profitable operations.

3. *Gross Margin Decline.* Criticare's gross margin fell to 34.4% in Q4 2006 from 39.1% in Q4 2005. BlueLine recently observed that Criticare's product development strengths can take the company only so far there is probably no better proof of this assertion than Criticare's ongoing struggle to efficiently manufacture its products. There is no point in Criticare targeting niche OEM product sales if the resulting gross margins consistently fall below industry norms. BlueLine believes a re-formed board of directors would immediately seek to determine why Criticare's manufacturing processes consistently return such low margins and what operating changes can be made to improve the situation.
4. *Alarming Rise in Inventory.* Finished goods inventory was reported at \$5.7 million at June 30, 2006 versus \$1.3 million a year earlier. This number has grown steadily over recent quarters. This is obvious cause for concern given Criticare's history of frequent large write-offs of unused or obsolete inventory. As with the issue around gross margins, BlueLine believes a re-formed board of directors would seek to address and correct Criticare's chronic weaknesses in inventory management.
5. *Excessive Stock Option Grants.* In 2006, Criticare once again reported negative cash flow from operations. The company obtained the cash it needed from the exercise of options for 473,045 shares of common stock at an average exercise price of \$2.57. While BlueLine has previously expressed its concern over the large number of option shares sold by Criticare insiders, equally troubling is the company's dependence on this inefficient financing mechanism. Since 1998, the number of outstanding shares has increased by almost 50% causing significant dilution for Criticare's long-term stockholders. BlueLine believes a re-formed board of directors would seek to both improve cash flow from operations and adopt compensation policies more closely aligned with the interests of Criticare's stockholders.
6. *International Sales Miscues.* BlueLine has been calling for proper treatment of the Mexico receivable for more than a year. Management responded with assurances that payments would be made and, on more than one occasion, indicated that partial payments had been received. Nonetheless, management wrote-off a substantial portion of this receivable in Q4. The explanation for management's reversal events related to the total regime change in Mexico strike BlueLine as odd given that Mexican presidents are limited to a single 6-year term and the former president's hand-picked successor was recently elected to office. This write-down follows a similar international miscue in 2004 involving an attempted joint-venture in the Black Sea region. BlueLine believes a re-formed board of directors would review the policies and decisions leading to the Mexico and Black Sea write-downs and implement new procedures to ensure that similar mistakes are avoided in the future and the persons responsible are held accountable.

### **Criticare's Disregard for Stockholder Interests**

7. *Ignoring Stockholder Communications.* Over the last two years, BlueLine has made more than a dozen SEC filings, written half as many letters to the board, on three occasions submitted recommendations for board members and called various board members numerous times. The vast majority of these communications were ignored by the board and no apparent efforts were made to address BlueLine's concerns or contact anyone BlueLine recommended as a board nominee. BlueLine believes a re-formed board of directors would abide by Criticare's published policies on communications with board members and would take seriously the questions and concerns of the company's stockholders. Stockholders should not need to initiate consent solicitations in order to receive a response from the company.
8. *Tactics of Obstruction.* In initiating the current stockholder consent solicitation, BlueLine is exercising rights specifically authorized by Delaware law and Criticare's bylaws. Despite this, for almost two weeks, the company and its lawyers denied BlueLine's request for a stockholder list telling us that we hadn't sufficiently proven our status as a stockholder. This tactic wasted corporate assets and was clearly intended to interfere with the stockholder franchise. BlueLine believes a re-formed board of directors would honor the governance principals articulated within its own charter documents.
9. *Spending on Proxy Solicitors.* In a recent filing, Criticare announced that in addition to other legal costs, its plans to spend \$250,000 on its own proxy solicitation to counter BlueLine's proposals. This includes hiring a proxy solicitation firm that will involve up to 25 of its employees in soliciting Criticare's stockholders. We suspect management knows BlueLine's proposals have a lot of support and that is why they are committing so much time and money to fighting them. Inasmuch as it is the board's job is to represent the stockholder interests in the company, we think the non-management directors should call the company's five or ten largest stockholders and gauge stockholder support for the proposals before more money is spent fighting the consent solicitation. BlueLine believes a re-formed board of directors would include members who will undertake such action on their own initiative and without having to first be prompted.
10. *False and Misleading Statements.* One would hope that in situations as important to the company as the stockholder consent solicitation, the company would take seriously the requirement for professional and responsible communications. In a letter to stockholders and in filings with the SEC, the company has attempted to attribute motives and words to BlueLine that are materially false and misleading. This is not only a potential breach of the fiduciary duties directors owe to stockholders, but also places the company (and each director) at risk of securities law liability. BlueLine believes a re-formed board of directors would exhibit greater respect for Criticare's stockholders by addressing disagreements in an honest manner.

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### **Criticare's Lack of Proper Governance Procedures and Oversight**

11. *Board and Committee Meetings.* From recent Criticare filings, BlueLine understands that the board and its various committees are now meeting on a regular basis. Whether (i) the meetings are in person, (ii) agendas are circulated in advance, (iii) executive sessions are conducted, or (iv) directors exercise their own initiative on matters of concern to the company, is still not known to BlueLine. Also not known is the extent to which board members continue to delegate their responsibilities to Criticare's CEO as was explained by Criticare's CEO during last year's annual meeting of stockholders. BlueLine also does not know the extent to which the independent directors are truly independent of management. As Delaware law makes clear, the question of independence turns not only on whether a director has a financial interest in a particular decision, but rather whether a director is, for any substantial reason, incapable of making a decision with only the best interests of the corporation in mind. BlueLine believes a re-formed board of directors would seek to correct the board's governance practices, show more independence and begin to take actions motivated by a desire to represent and protect stockholder interests.
12. *Understanding of Board's Role in Governance Framework.* During an informal conversation immediately following last year's annual meeting of stockholders, Criticare's chairman of the board and its CEO both explained to BlueLine that the role of Criticare's board is to support the CEO and that the CEO has no interest in his board participating in operating decisions. Other directors present took turns challenging BlueLine's motives and questioned the legitimacy of a stockholder using public SEC filings to articulate concerns over operating and governance issues despite the board's prior repeated refusal to discuss those concerns privately. BlueLine believes a re-formed board of directors would play a more active oversight role and understand that a CEO works for the board, not the other way around.
13. *Relevant Experience and Expertise.* BlueLine believes that many of the problems it sees with Criticare's current board of directors result from the members' lack of experience with public healthcare companies. Outside the company, much has changed in recent years with new regulatory requirements associated with Sarbanes-Oxley being the most widely cited of these changes. Inside the company, however, little appears to have changed. Sam Humphries is the only new director added since 2001. Mr. Humphries is the only director that currently serves on other public company boards. Criticare's audit committee chairman not only has no other public company board experience, he has

never worked within a public company and is not currently qualified to provide accounting services to public companies. BlueLine believes each member it has proposed for a re-formed board of directors has the experience and qualifications necessary to contribute to a public healthcare company.

14. *Fiduciary Obligations and Duty of Care.* Based on what we know from the public record, there is strong reason to believe that the board's approval of the recent employment agreement amendments may have breached the board's fiduciary duties. The board owes duties of due care and loyalty to the corporation. These duties require, among other things, that directors refrain from self-dealing, act in an informed manner and act in the best interests of the corporation. In situations such as this, the board's actions are subject to higher scrutiny to ensure that the board is acting on behalf of stockholder interests rather than acting to entrench itself and management.

When the board approved the amendments, it should have understood and considered the broader effects these amendments would have on the company—not just whether the definition of change in control was customary. These broader effects include, but are not limited to: (i) whether the amended agreements would promote or discourage the retention of senior executives, (ii) whether prior flaws in these agreements could have been corrected, (iii) whether other changes could have accomplished the same goal

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without the coercive effect on stockholder voting, (iv) the impact these changes would have on the company's operations, (v) the tax impact these amendments would have on the company, (vi) the impact these amendments would have on the company's liquidity, (vii) the impact these amendments would have on overall employee morale, and (viii) the impact these amendments would have on the company's operations. It should be noted that, in this context, Delaware courts are unlikely to accept at face value actions that tend to coerce stockholders who are otherwise appropriately exercising their rights.

While properly crafted severance arrangements can serve to retain management, these changes do exactly the opposite. These changes provide no benefit to stockholders. Numerous courts have found that changes to executive employment arrangements in situations such as this violated directors' fiduciary duties, and invalidated or enjoined such changes. In light of the adverse effects these amendments will have on the company, BlueLine believes that there was no legitimate business purpose to the recent amendments.

As BlueLine has been saying for two years, none of the foregoing items, taken in isolation, represents an unmanageable problem for the company. Collectively, however, they represent compelling reasons for reform. After two years of efforts and no productive action on the part of Criticare's current board, BlueLine has initiated action to re-form the board with a new majority that it believes able and willing to address Criticare's current challenges, and work toward a better performing and more valuable company. Criticare's stockholders deserve and have the right to expect a board of directors that understands and pursues its duties and that works to represent and protect the interests of the company's stockholders.

Very Truly Yours,

/s/ William M. Moore

Distribution:

Higgins D. Bailey  
102 Celano Circle  
Palm Desert, CA 92211

Jeffrey T. Barnes  
222 Berkeley Street, Suite 1650  
Boston, Massachusetts 02116-3733

Sam Humphries7919  
Wyoming Co  
Bloomington, MN 55438

N.C. Joseph Lai  
W302 N6117 Spence Road  
Hartland, WI 53029



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Emil Soika  
Criticare Systems, Inc.  
20925 Crossroads Circle  
Waukesha, WI 53186

Stephen K. Tannenbaum  
4155 East Jewell Avenue, Suite 610  
Denver, CO 80222

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### FORM OF CONSENT CARD

#### BLUELINE PARTNERS, L.L.C. IN OPPOSITION TO THE BOARD OF DIRECTORS OF CRITICARE SYSTEMS, INC.

Unless otherwise indicated below, the undersigned, a stockholder of record of Criticare Systems, Inc. (the "Company") on November 17, 2006 (the "Record Date"), hereby consents pursuant to Section 228(a) of the General Corporation Law of the State of Delaware with respect to all shares of common stock of the Company held by the undersigned to the taking of the following actions in the following order without a meeting of the stockholders of the Company:

1. Repeal each provision of the Company By-laws or amendments thereto adopted subsequent to March 13, 2006 and prior to the effectiveness of the Proposals.

CONSENTS                      DOES NOT CONSENT                      ABSTAIN

2. Amendment of Section 3.02 of Article III of the Company's By-laws to provide that the entire board of directors will be elected each year.

CONSENTS                      DOES NOT CONSENT                      ABSTAIN

3. The removal of each incumbent director of the Company as follows: Higgins D. Bailey, Jeffrey T. Barnes, Sam Humphries, N.C. Joseph Lai, Emil H. Soika, and Stephen K. Tannenbaum, and any other person who is a director of the Company at the time the action taken by this written consent becomes effective.

CONSENTS                      DOES NOT CONSENT                      ABSTAIN

INSTRUCTION FOR PROPOSAL NO. 3: To consent, withhold consent or abstain from consenting to the removal of all of the above-named directors and any other person who is a director of the Company at the time the action taken by this written consent becomes effective, check the appropriate box above. If you wish to consent to the removal of certain of the above-named directors and/or certain of the directors not named above who are directors of the Company at the time the action taken by this written consent becomes effective, but not all of them, check the "CONSENTS" box above and write the name of each person you do not wish removed in the following space:

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If no box is marked above with respect to this Proposal No. 3, the undersigned will be deemed to consent to such Proposal, except that the undersigned will not be deemed to consent to the election of any candidate whose name is written-in in the space provided above.

4. Amendment of Section 3.01 of Article III of the Company's By-laws to fix the number of directors of the Company at five (5).

CONSENTS                      DOES NOT CONSENT                      ABSTAIN

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5. The election of the following persons as directors of the Company to hold office until their successors are elected and qualified: William Moore, Cindy Collier, Robert Munzenrider, Emil Soika and Sam Humphries.

CONSENTS

DOES NOT CONSENT

ABSTAIN

INSTRUCTION FOR PROPOSAL NO. 5: To consent, withhold consent or abstain from consenting to the election of all of the above-named persons, check the appropriate box above. If you wish to consent to the election of certain of the above-named persons, but not all of them, check the CONSENTS box above and write the name of each such person you do not wish elected in the following space:

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Initial: \_\_\_\_\_

Date: \_\_\_\_\_

If no box is marked above with respect to this Proposal No. 5, the undersigned will be deemed to consent to such Proposal, except that the undersigned will not be deemed to consent to the election of any candidate whose name is written-in in the space provided above.

The provisions of the Consent Statement dated [November \_\_\_\_, 2006] of BlueLine Partners, L.L.C., which more fully sets forth the amendments to the By-laws of the Company described in Items 1, 2 and 4 above, including the precise wording of such amendments, are incorporated herein by reference.

IN THE ABSENCE OF DISSENT OR ABSTENTION BEING INDICATED ABOVE, THE UNDERSIGNED HEREBY CONSENTS TO EACH ACTION LISTED ABOVE.

The effectiveness of each of the proposals set forth above is subject to, and conditioned upon, the sequential adoption of each of the proposals in the order set forth above by the holders of record as of the close of business on the Record Date of the majority of shares of the Company's common stock then outstanding (including the receipt of consents from such holders to the removal of each member of the Board of Directors of the Company and to the election of each Nominee).

**Signature for Beneficial Owners that are Also  
Registered Holders**

Please initial the first page of this consent card and sign below exactly as your name appears on stock certificates. When shares are held by joint tenants, both should sign. In case of joint owners, EACH joint owner should sign. When signing as attorney, executor, administrator, trustee, guardian, corporate officer, etc., give full title as such

Dated: \_\_\_\_\_

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature, if held jointly

\_\_\_\_\_  
Title or Authority (if held by corporation  
or partnership)

\_\_\_\_\_  
Number of Shares Held as of the Record Date  
(November \_\_\_\_, 2006)

**Signature for Registered Holders (such as a brokerage  
firm) acting at the Instruction of Beneficial Owners**

Please initial the first page of this consent card and sign below per the instructions of the beneficial owner.

Dated: \_\_\_\_\_

\_\_\_\_\_  
Name of Registered Holder

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Name/Title

\_\_\_\_\_  
Number of Shares Held as of the Record Date  
(November \_\_\_\_, 2006)

**IN ORDER FOR YOUR CONSENT TO BE VALID, IT MUST BE DATED. PLEASE SIGN, DATE AND MAIL YOUR CONSENT PROMPTLY TO THE FOLLOWING:**

**BLUELINE PARTNERS, L.L.C.  
4115 BLACKHAWK PLAZA CIRCLE, SUITE 100  
DANVILLE, CALIFORNIA 94506  
TELEPHONE: (925) 648-2085  
FACSIMILE: (925) 648-2086  
ATTENTION: SCOTT A. SHUDA**

**THIS SOLICITATION IS BEING MADE BY BLUELINE PARTNERS, L.L.C. AND NOT ON BEHALF OF THE BOARD OF DIRECTORS OF CRITICARE SYSTEMS, INC.**

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**IMPORTANT INSTRUCTIONS ON VOTING YOUR SHARES**

If your shares of Criticare's common stock are registered in your own name, please sign, date and fax the enclosed consent card to BlueLine Partners, L.L.C., 4115 Blackhawk Plaza Circle, Suite 100, Danville, California, 94506, Facsimile: (925) 648-2086, Attn: Scott A. Shuda.

If (and more likely) your shares of Criticare's common stock are held in the name of a brokerage firm, bank nominee or other institution, please follow the instructions enclosed in the mailing from your broker.

If you have any questions about executing your consent or require assistance, please contact:

BlueLine Partners, L.L.C.  
4115 Blackhawk Plaza Circle, Suite 100  
Danville, California 94506  
Telephone: (925) 648-2085  
Facsimile: (925) 648-2086  
Attention: Scott A. Shuda

THIS SOLICITATION IS BEING MADE BY BLUELINE PARTNERS, L.L.C. AND NOT ON BEHALF OF THE BOARD