

WINLAND ELECTRONICS INC
Form DEF 14A
November 29, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE 14A
(Rule 14a-101)
INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to § 240.14a-12

Winland Electronics, Inc.

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
 - (1) Title of each class of securities to which transaction applies: N/A
 - (2) Aggregate number of securities to which transaction applies: N/A

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(1) Amount previously paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Winland Electronics, Inc.
1950 Excel Drive
Mankato, Minnesota 56001

November 29, 2010

To our Shareholders:

It is our pleasure to invite you to a special meeting of the shareholders of Winland Electronics, Inc. to be held on Wednesday, December 29, 2010 at 2:00 p.m., local time, at the offices of Fredrikson & Byron, P.A., 200 South Sixth Street, Suite 4000, Minneapolis, MN 55402.

At the special meeting, you will be asked to consider and vote upon (i) a proposal to sell the operating assets of our Electronic Manufacturing Services (EMS) business unit pursuant to an asset purchase agreement, dated November 15, 2010, and (ii) a proposal to adjourn the special meeting to a later date, if necessary or appropriate, to allow for the solicitation of additional proxies.

After careful consideration, our board of directors determined that the asset sale and the related asset purchase agreement are fair to, advisable and in the best interests of Winland Electronics, Inc. and our shareholders. Our board of directors unanimously approved the asset sale and recommends that you vote "FOR" the proposal to approve the asset sale and "FOR" the adjournment or postponement of the special meeting, if necessary or appropriate, to allow for the solicitation of additional proxies.

Your vote is extremely important, regardless of the number of shares you own. Whether or not you plan to attend the special meeting, we ask that you promptly sign, date and return the enclosed proxy card or voting instruction card in the envelope provided, or submit your proxy by telephone or over the Internet (if those options are available to you) in accordance with the instructions on the enclosed proxy card or voting instruction card.

The enclosed proxy statement provides you with detailed information about the special meeting, the asset purchase agreement and the asset sale. A copy of the asset purchase agreement is attached as Annex A to the proxy statement. We encourage you to read the proxy statement and all annexes thereto carefully and in their entirety. You may also obtain additional information about us from documents we have filed with the Securities and Exchange Commission.

Thank you in advance for your continued support and your consideration of this matter.

Sincerely,

/s/ Thomas J. de Petra

Thomas J. de Petra
Chief Executive Officer and President

This proxy statement is dated November 29, 2010 and is first being mailed to shareholders on or about November 29, 2010.

Winland Electronics, Inc.

1950 Excel Drive
Mankato, Minnesota 56001

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS
TO BE HELD ON DECEMBER 29, 2010

To our Shareholders:

Notice is hereby given that a special meeting of the shareholders of Winland Electronics, Inc. will be held on Wednesday, December 29, 2010 at 2:00 p.m., local time, at the offices of Fredrikson & Byron, P.A., 200 South Sixth Street, Suite 4000, Minneapolis, MN 55402. At the special meeting or any postponement, adjournment or delay thereof (the "Special Meeting"), you will be asked to consider and vote upon the following proposals:

1. to approve the sale of the operating assets of our Electronic Manufacturing Services (EMS) business unit (the "Asset Sale") pursuant to the Asset Purchase Agreement, dated November 15, 2010 (the "Asset Purchase Agreement"), between Winland Electronics, Inc., a Minnesota corporation, and Nortech Systems Incorporated, a Minnesota corporation;
2. to adjourn the Special Meeting to a later date, if necessary or appropriate, to allow for the solicitation of additional proxies in favor of the proposal to approve the Asset Sale if there are insufficient votes to approve the Asset Sale; and
3. to transact such other business as may properly come before the Special Meeting or any adjournment or postponement thereof.

Only shareholders of record at the close of business on November 10, 2010 are entitled to notice of and to vote at the Special Meeting.

OUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE "FOR" THE PROPOSAL TO APPROVE THE ASSET SALE AND "FOR" THE ADJOURNMENT OR POSTPONEMENT OF THE SPECIAL MEETING, IF NECESSARY OR APPROPRIATE, TO ALLOW FOR THE SOLICITATION OF ADDITIONAL PROXIES.

The affirmative vote of the holders of a majority of the outstanding shares of our common stock is required to approve the Asset Sale. Approval of the proposal to adjourn the Special Meeting to a later date, if necessary or appropriate, to allow for the solicitation of additional proxies, requires the favorable vote of a majority of the shares of common stock present or represented by proxy at the Special Meeting and entitled to vote thereon.

The failure of any shareholder to submit a signed proxy card or to vote in person by ballot at the Special Meeting will have the same effect as a vote "AGAINST" the proposal to approve the Asset Sale, but will not have an effect on the adjournment proposal. If you hold your shares through a bank, broker or other nominee (in "street name"), the failure to instruct your bank, broker or other nominee how to vote your shares will have the same effect as a vote "AGAINST" the proposal to approve the Asset Sale, but will not have an effect on the adjournment proposal.

Your vote is extremely important, regardless of the number of shares you own. Whether or not you plan to attend the Special Meeting, we ask that you promptly sign, date and return the enclosed proxy card or voting instruction card in the envelope provided, or submit your proxy by telephone or over the Internet (if those options are available to you) in

accordance with the instructions on the enclosed proxy card or voting instruction card.

The proxy statement accompanying this notice provides a more complete description of the matters to be acted upon at the Special Meeting. We encourage you to read the proxy statement and all annexes thereto carefully and in their entirety.

Company Name

By: /s/ Thomas J. de Petra
Thomas J. de Petra
Chief Executive Officer and President

Important Notice Regarding the Availability of Proxy Materials for
the Special Meeting of Shareholders to be Held on December 29, 2010

The proxy statement and form of proxy card are available on the Internet at www.proxyvote.com.

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QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND THE ASSET SALE

The following questions and answers are intended to address briefly some commonly asked questions regarding the Asset Sale, the Asset Purchase Agreement and the Special Meeting. These questions and answers may not address all questions that may be important to you as a shareholder of Winland Electronics, Inc. Please refer to the "Summary Term Sheet" beginning on page 1 and the more detailed information contained elsewhere in this proxy statement, the annexes to this proxy statement and the documents referred to or incorporated by reference in this proxy statement. See "Where You Can Find Additional Information" beginning on page 45.

Unless the context otherwise requires, in this proxy statement, (i) references to "Winland," "we," "our," "us" and "the Company" refer to Winland Electronics, Inc., (ii) references to "Nortech" refer to Nortech Electronic, Inc., (iii) references to the "Asset Purchase Agreement" refer to that certain asset purchase agreement, dated November 15, 2010, between Winland and Nortech, and (iv) references to the "Asset Sale" refer to the sale of the Winland Electronic Manufacturing Services (EMS) business unit pursuant to the Asset Purchase Agreement.

Q: Why did I receive these materials?

A: The Board is soliciting your proxy to vote at a special meeting of our shareholders being held for the purpose of, among other things, obtaining shareholder approval for the Asset Sale (the "Special Meeting"). The Board is seeking shareholder approval of the Asset Sale because, although we will continue to operate our Proprietary Products business unit ("Proprietary"), the Asset Sale may constitute the sale of "substantially all" of our property and assets under the Minnesota Business Corporations Act Section 302A.661 requires that a Minnesota corporation obtain the approval of the holders of a majority of the corporation's outstanding stock entitled to vote thereon for the sale of "all or substantially all of its property and assets." Additionally, approval of the Asset Sale by holders of a majority of our issued and outstanding common stock is a closing condition under the Asset Purchase Agreement.

Q: When and where is the Special Meeting?

A: The Special Meeting will be held at the offices of Fredrikson & Byron, P.A., 200 South Sixth Street, Suite 4000, Minneapolis, MN 55402 on Wednesday, December 29, 2010 at 2:00 p.m., local time.

Q: Who is entitled to vote at the Special Meeting?

A: Only shareholders at the close of business on November 10, 2010, the record date for the Special Meeting (the "Record Date"), are entitled to notice of and to vote at the Special Meeting. If you hold your shares through a bank, broker or other nominee (in "street name"), you must obtain from the record holder a "legal proxy" issued in your name in order to vote in person at the Special Meeting.

At the close of business on the Record Date, there were 3,699,230 shares of our common stock outstanding and entitled to vote.

Q: What am I being asked to vote on at the Special Meeting?

A: You will be asked to consider and vote upon the following proposals:

1. to approve the sale of the operating assets of our Electronic Manufacturing Services (EMS) business unit pursuant to the Asset Purchase Agreement, dated November 15, 2010, between Winland Electronics, Inc. and Nortech Systems Incorporated; and

2. to adjourn the Special Meeting to a later date, if necessary or appropriate, to allow for the solicitation of additional proxies in favor of the proposal to approve the Asset Sale if there are insufficient votes to approve the Asset Sale.

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Q: How does the Board recommend that I vote?

A: After careful consideration of a variety of factors described in this proxy statement, the Board unanimously recommends that you vote “FOR” the proposal to approve the Asset Sale and “FOR” the adjournment or postponement of the Special Meeting to a later date, if necessary or appropriate, to allow for the solicitation of additional proxies. You should read “The Asset Sale (Proposal No. 1) — Business Conditions and Winland's Financial Performance” beginning on page 22 for a discussion of the factors that the Board considered in deciding to recommend approval of the Asset Sale.

Q: Who is buying our Electronic Manufacturing Services (EMS) business unit and for what consideration?

A: We are proposing to sell the operating assets of our Electronic Manufacturing Services (EMS) business unit to Nortech Systems Incorporated

Pursuant to the Asset Purchase Agreement, Nortech will buy our Electronic Manufacturing Services (EMS) business unit for a purchase price of Two Million Dollars (\$2,000,000), plus an inventory consumption obligation of at least Two Million Two Hundred Thousand Dollars (\$2,200,000), subject to potential net receivables adjustment. Nortech will assume certain of our liabilities and obligations associated with the Electronic Manufacturing Services (EMS) business unit. The terms of the Asset Purchase Agreement are more fully described below under “The Asset Purchase Agreement” beginning on page 31.

Q: What assets are being sold to and what liabilities are being assumed by Nortech?

A: We are proposing to sell substantially all of the property used in conducting the business of Electronic Manufacturing Services (EMS), including, among other things, all accounts receivable of Electronic Manufacturing Services (EMS). Nortech will assume certain liabilities of Electronic Manufacturing Services (EMS).

Q: What will the net proceeds from the Asset Sale be used for?

A: On November 15, 2010, in connection with our announcement of our entry into the Asset Purchase Agreement, Thomas J. de Petra, our Chief Executive Officer, stated that, proceeds from the Asset Sale will be used to satisfy existing contractual, banking and employee contracts, as well as give us enough capital to move forward with our proprietary products business unit.

Q: What will happen if the Asset Sale is not approved by shareholders or is not completed for any other reason?

A: If the Asset Sale is not completed, (i) we may have difficulty recouping the significant transaction costs incurred in connection with negotiating the Asset Sale, (ii) our relationships with the customers, business partners and employees of Winland may be damaged and the business of Winland may be harmed, and (iii) the market price for our common stock may decline.

If the Asset Sale is not completed, we may explore other potential transactions involving Electronic Manufacturing Services (EMS) or Winland in its entirety. The terms of an alternative transaction may be less favorable to us than the terms of the Asset Sale and there can be no assurance that we will be able to reach agreement with or complete an alternative transaction with another party.

Q: When is the Asset Sale expected to be completed?

A:

If the Asset Sale is approved by shareholders at the Special Meeting, we expect to complete the Asset Sale no later than the third business day after the date all of the remaining closing conditions under the Asset Purchase Agreement have been satisfied or waived, which we anticipate will occur promptly following the Special Meeting. The exact timing of the completion of the Asset Sale cannot be predicted, although the Asset Purchase Agreement may be terminated by any of the parties thereto if closing has not occurred by January 1, 2011, provided, however, that this termination right will not be available to any party whose failure to fulfill any obligation under the Asset Purchase Agreement is the cause of, or results in, the failure to complete the Asset Sale on or before such outside date.

Q: How will the Asset Sale affect outstanding equity awards held by our directors, executive officers and other employees? Will the Asset Sale trigger payments for any executive officers pursuant to their employment agreements?

A: In the event that the Asset Sale is completed, it may constitute a “change in control” as defined under our 2005 Equity Incentive Plan and our 2008 Equity Incentive Plan (collectively, the “Incentive Plans”). Under the Incentive Plans, a change in control will be deemed to occur in circumstances including but not limited to our sale of substantially all of our assets. If the Asset Sale is deemed to constitute a change in control under the Incentive Plans, the Compensation Committee of the Board (the “Compensation Committee”), in its sole discretion, may accelerate the vesting and exercisability of awards granted under the Incentive Plans. The Compensation Committee has not determined whether to exercise such authority should it arise in connection with the completion of the Asset Sale. As of November 1, 2010, options to purchase 96,600 shares of our common stock issued under the Incentive Plans remained unvested. Options to purchase 180,900 shares of our common stock were held by our directors and executive officers.

Pursuant to our employment agreements with Thomas de Petra, our Chief Executive Officer, and Glenn Kermes, our Chief Financial Officer, we have agreed that the completion of the Asset Sale will, among other things, trigger certain severance payments. As a result, if and when the Asset Sale is completed, an aggregate of 57,000 options held by Mr. de Petra and Mr. Kermes will vest immediately upon the completion of the Asset Sale. Additionally, if and when the Asset Sale is completed, we will be required to pay Mr. de Petra severance equal to twelve (12) months of his base salary and Mr. Kermes six (6) months of his base salary. These payments will be made on the same terms and in the same manner as their salary is currently paid.

For additional information regarding these matters, see “The Asset Sale (Proposal No. 1) — Interests of Our Directors and Executive Officers in the Asset Sale” beginning on page 26.

Q: Will Winland continue to be publicly traded following the Asset Sale?

A: Winland’s Board of Directors does not currently intend to change its status as being publicly traded on the NYSE AMEX and remain subject to the rules and regulations of the Securities and Exchange Commission (the “SEC”) and NYSE AMEX after the Asset Sale is completed.

Q: What will be the nature of our business following completion of the Asset Sale?

A: Following the Asset Sale, we will continue to operate our proprietary products business unit. Our proprietary products business unit represents an established line of environmental security products that can monitor critical environments including simple and sophisticated microprocessor and mechanically-controlled sensors and alarms. These products monitor and detect critical environmental changes, such as changes in temperature or humidity, water leakage, and power failures. The proprietary products business unit will also hold the title to our current building which it will lease to Nortech:

For pro forma historical financial information giving effect to the sale of our Electronic Manufacturing Services (EMS) business unit, the receipt of the net proceeds from the Asset Sale and certain assumptions and adjustments, see “Unaudited Pro Forma Condensed Consolidated Financial Statements” beginning on page 46.

Q: Am I entitled to appraisal rights in connection with the Asset Sale?

A: No. Minnesota law does not provide for shareholder appraisal rights in connection with the Asset Sale.

Q: What vote is required for shareholders to approve of the proposals at the Special Meeting?

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A: The affirmative “FOR” vote of the holders of a majority of the outstanding shares of our common stock is required to approve the Asset Sale pursuant to the Asset Purchase Agreement. Approval of the proposal to adjourn the Special Meeting to a later date, if necessary or appropriate, to allow for the solicitation of additional proxies, requires the affirmative “FOR” vote of a majority of the shares of common stock present or represented by proxy at the Special Meeting and entitled to vote thereon.

Q: How many shares must be present or represented to conduct business at the Special Meeting?

A: A quorum must be present or represented at the Special Meeting for our shareholders to conduct business at the Special Meeting. A quorum will be present or represented at the Special Meeting if the holders of a majority of the outstanding shares of our common stock entitled to vote at the Special Meeting, or 1,853,315 shares, are present at the Special Meeting, either in person or represented by proxy. Abstentions and “broker non-votes” are counted as present for the purpose of determining whether a quorum is present. Generally, a broker non-vote occurs on a matter when a broker is not permitted to vote on that matter without instructions from the beneficial owner and instructions are not given. In the event that a quorum is not present at the Special Meeting, it is expected that the Special Meeting will be adjourned or postponed to allow for the solicitation of additional proxies.

Q: How do I vote?

A: You may vote using any of the following methods:

- Proxy card or voting instruction card. Be sure to complete, sign and date the card and return it in the prepaid envelope.
- By telephone or over the Internet. If you are a shareholder of record, you may vote over the Internet by following the instructions on your proxy card. If you hold shares in street name, you will receive separate voting instructions from your bank, broker or other nominee and may vote by telephone or over the Internet if they offer that alternative. Although most brokers, banks and nominees offer telephone and Internet voting, availability and the specific procedures vary.
- In person at the Special Meeting. All shareholders may vote in person at the Special Meeting. You may also be represented by another person at the Special Meeting by executing a proper proxy designating that person. If you hold shares in street name, you must obtain a legal proxy from your bank, broker or other nominee and present it to the inspector of election with your ballot when you vote at the Special Meeting.

Q: What can I do if I change my mind after I vote my shares?

A: If you are a shareholder of record, you may revoke your proxy at any time before it is voted at the Special Meeting by:

- sending a written notice of revocation to our Corporate Secretary;
- submitting a new, proper proxy dated later than the date of the revoked proxy;
 - voting over the Internet at a later time; or
- attending the Special Meeting and voting in person.

If you hold shares in street name through your bank, broker or other nominee, you may submit new voting instructions by contacting your bank, broker or other nominee. You may also vote in person at the Special Meeting if you obtain a legal proxy as described in the answer to the next question. Attendance at the Special Meeting will not, by itself, revoke a proxy.

Q: How can I attend the Special Meeting?

A: You are entitled to attend the Special Meeting only if you were a shareholder of Winland as of the close of business on November 10, 2010, the Record Date for the Special Meeting, or hold a valid proxy for the Special Meeting. You should be prepared to present photo identification for admittance. In addition, if you are a shareholder of record, your ownership will be verified against the list of shareholders of record on the Record Date prior to being admitted. If you are not a shareholder of record but hold shares in street name, you should be prepared to provide proof of beneficial ownership as of the Record Date (such as your most recent account statement prior to the Record Date), a copy of the voting instruction card provided to you by your bank, broker, or other nominee, or similar evidence of ownership. If you do not provide photo identification or comply with the other procedures outlined above, you will not be admitted to the Special Meeting.

The Special Meeting will begin promptly on Wednesday, December 29, 2010 at 2:00 p.m., local time, at the offices of Fredrikson & Byron, P.A., 200 South Sixth Street, Suite 4000, Minneapolis, MN 55402. You should allow adequate time for the check-in procedures.

Q: What happens if additional matters are presented at the Special Meeting?

A: Other than the two items of business described in this proxy statement, we are not aware of any other business to be acted upon at the Special Meeting. If you grant a proxy, the persons named as proxy holders, Glenn Kermes and Brian Lawrence, will have the discretion to vote your shares on any additional matters properly presented for a vote at the Special Meeting.

Q: What if I return a signed proxy card, but do not vote for some of the matters listed on the proxy card?

A: If you return a signed proxy card without indicating your vote, your shares will be voted in accordance with the Board's recommendations as follows: "FOR" the proposal to approve the Asset Sale; and "FOR" the adjournment or postponement of the Special Meeting to a later date, if necessary or appropriate, to allow for the solicitation of additional proxies.

Q: If my shares are held in "street name" by my bank, broker or other nominee, will my bank, broker or other nominee vote my shares for me?

A: Your bank, broker or other nominee will only be permitted to vote your shares held in street name if you instruct them how to vote. You should follow the procedures on the voting instruction card provided by your bank, broker or other nominee regarding the voting of your shares. The failure to instruct your bank, broker or other nominee how to vote your shares will have the same effect as a vote "AGAINST" the proposal to approve the Asset Sale, but will not have an effect on the proposal to adjourn the Special Meeting to a later date. Please vote using your voting instruction card so your vote can be counted.

Q: What do I do if I receive more than one proxy or set of voting instructions?

A: If your shares are registered differently or are held in more than one account, you may receive more than one proxy and/or set of voting instructions relating to the Special Meeting. To ensure that all of your shares are voted, please complete, sign, date and return each proxy card and voting instruction card that you receive, or vote your shares by telephone or over the Internet (if those options are available to you).

Q: What is the deadline for voting my shares?

A: If you hold shares as the shareholder of record, your vote by proxy must be received before the polls close at the Special Meeting.

If you hold shares in street name, please follow the voting instructions provided by your broker, trustee or nominee. You may vote your shares in person at the Special Meeting only if you obtain a legal proxy from your bank, broker or other nominee and present it to the inspector of election with your ballot when you vote at the Special Meeting.

Q: Is my vote confidential?

A: Proxy instructions, ballots and voting tabulations that identify individual shareholders are handled in a manner that protects your voting privacy. Your vote will not be disclosed either within Winland or to third parties, except (i) as necessary to meet applicable legal requirements, (ii) to allow for the tabulation of votes and certification of the vote, and (iii) to facilitate a successful proxy solicitation. Occasionally, shareholders provide on their proxy card written comments, which are then forwarded to our management.

Q: Who will bear the cost of this solicitation?

A: Winland is making this solicitation and will bear the entire cost of the solicitation, including the preparation, assembly, printing and mailing of this proxy statement and any additional materials furnished to our shareholders. The initial solicitation of proxies by mail may be supplemented by telephone, fax, e-mail, Internet and personal solicitation by our directors, officers or other regular employees. No additional compensation for soliciting proxies will be paid to our directors, officers or other regular employees for their proxy solicitation efforts. We expect to reimburse banks, brokers and other persons for their reasonable out-of-pocket expenses in handling proxy materials for beneficial owners of our common stock.

Q: Who can help answer any other questions that I have?

A: If you have additional questions about the Asset Sale, need assistance in submitting your proxy or voting your shares of our common stock, or need additional copies of this proxy statement or the enclosed proxy card, please contact us at Winland Electronics, Inc., 1950 Excel Drive, Mankato, Minnesota 56001, Attention: Corporate Secretary.

SUMMARY TERM SHEET

This summary term sheet highlights selected information contained in this proxy statement and may not contain all the information that may be important to you. Accordingly, we encourage you to carefully read this proxy statement, its annexes and the documents referred to or incorporated by reference in this proxy statement in their entirety. Each item in this summary includes a page reference directing you to a more complete description of that topic. See “Where You Can Find Additional Information” beginning on page 45.

The Parties to the Asset Sale (page 21)

Winland Electronics, Inc.

Winland designs, produces, and distributes products in two segments defined as Electronic Manufacturing Services (EMS) for original equipment manufacturer (“OEM”) Customers and proprietary products primarily for the security industry.

Winland’s Electronic Manufacturing Services (EMS) segment consists of the design and manufacture of printed circuit board assemblies and higher level products sold mainly to OEM customers. Winland offers complete solutions to OEM customer needs by providing value-added services that complement its contract manufacturing capabilities. This is part of a “concept to product realization” strategy, the elements of which may include, among other things, product concept studies, product design, printed circuit board design, design for manufacturing, higher level assembly and box build, repair service, and legacy support. These services differentiate Winland from many of its competitors and are intended to increase customer satisfaction, confidence, and loyalty. Winland views Electronic Manufacturing Services (EMS) customers as strategic partners and works to provide these partners with high levels of production flexibility, product quality, on-time delivery, cost efficiency, and engineering proficiency.

Winland’s proprietary products segment represents an established line of environmental security products that can monitor critical environments including simple and sophisticated microprocessor and mechanically controlled sensors and alarms. These products monitor and detect critical environmental changes, such as changes in temperature or humidity, water leakage, and power failures. Our common stock is quoted on AMEX NYSE under the symbol “WEX”.

Nortech Systems Incorporated

Nortech is an Electronic Manufacturing Service (EMS) contract manufacturing company with its headquarters in Wayzata, Minnesota. Nortech maintains manufacturing facilities in Minnesota including Bemidji, Fairmont, Blue Earth, Baxter, and Merrifield as well as Augusta, Wisconsin; and Monterrey, Mexico. Nortech manufactures wire harness and cable assemblies, electronic sub-assemblies, and printed circuit board assemblies. Nortech provides value added services and technical support including design, testing, prototyping, and supply chain management. The vast majority of Nortech’s revenue is derived from products built to the customer’s design specifications.

Nortech provides a high degree of manufacturing expertise using statistical process controls to ensure product quality, total supply chain solution techniques, and the systems necessary to effectively manage the business. This level of sophistication enables Nortech to attract major OEMs and to expand and diversify its customer base across several markets to avoid the effects of fluctuations within a given industry. Nortech’s primary focus is in three major markets: Aerospace and Defense, Medical, and Industrial Equipment.

The Special Meeting (page 18)

Date, Time, Place and Purpose (page 18)

The Special Meeting will be held at the offices of Fredrikson & Byron, P.A., 200 South Sixth Street, Suite 4000, Minneapolis, MN 55402 on Wednesday, December 29, 2010 at 2:00 p.m., local time.

The purpose of the Special Meeting is for our shareholders to consider and vote upon the following proposals:

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1. to approve the sale of the operating assets of our Electronic Manufacturing Services (EMS) business unit pursuant to the Asset Purchase Agreement, dated November 15, 2010, between Winland Electronics, Inc., a Minnesota corporation, and Nortech Systems Incorporated, a Minnesota corporation; and
2. to adjourn the Special Meeting to a later date, if necessary or appropriate, to allow for the solicitation of additional proxies in favor of the proposal to approve the Asset Sale if there are insufficient votes to approve the Asset Sale.

Record Date, Quorum, Voting (page 18)

Only holders of our common stock at the close of business on November 10, 2010, the Record Date, are entitled to notice of and to vote at the Special Meeting. As of the Record Date, there were 3,699,230 shares of our common stock outstanding and entitled to vote.

A quorum must be present or represented at the Special Meeting for our shareholders to conduct business at the Special Meeting. A quorum will be present or represented at the Special Meeting if the holders of a majority of the outstanding shares of our common stock entitled to vote at the Special Meeting, or 1,853,315 shares, are present at the Special Meeting, either in person or represented by proxy.

Each share of our common stock entitles its holder to one vote on all matters properly coming before the Special Meeting. The affirmative "FOR" vote of the holders of a majority of the outstanding shares of our common stock is required to approve the Asset Sale pursuant to the Asset Purchase Agreement. Approval of the proposal to adjourn the Special Meeting to a later date, if necessary or appropriate, to allow for the solicitation of additional proxies, requires the affirmative "FOR" vote of a majority of the shares of common stock present or represented by proxy at the Special Meeting and entitled to vote thereon.

Revocation of Proxies (page 19)

Proxies received at any time before the Special Meeting and not revoked or superseded before being voted will be voted at the Special Meeting. If you are a shareholder of record, you may revoke your proxy at any time before it is voted at the Special Meeting by:

- sending a written notice of revocation to our Corporate Secretary;
- submitting a new, proper proxy dated later than the date of the revoked proxy;
 - voting over the Internet at a later time; or
 - attending the Special Meeting and voting in person.

If you hold shares in street name, you may submit new voting instructions by contacting your bank, broker or other nominee. You may also vote in person at the Special Meeting if you obtain a legal proxy as described in the answer to the previous question. Attendance at the Special Meeting will not, by itself, revoke a proxy.

The Asset Sale (page 21)

General

On November 15, 2010, we entered into the Asset Purchase Agreement, pursuant to which we agreed to sell the operating assets of our Electronic Manufacturing Services (EMS) business unit, subject to shareholder approval. A

copy of the Asset Purchase Agreement is attached as Annex A. We encourage you to read the Asset Purchase Agreement carefully and in its entirety.

Recommendation of the Board of Directors (page 24)

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After careful consideration, the Board unanimously recommends that you vote “FOR” the approval of the Asset Sale and “FOR” the adjournment or postponement of the Special Meeting, if necessary or appropriate, to solicit additional proxies.

Net Proceeds from the Asset Sale and Their Expected Use (page 25)

Pursuant to the Asset Purchase Agreement, we will receive an aggregate of Two Million Dollars (\$2,000,000) as the Purchase Price. One Million Five Hundred Thousand Dollars (\$1,500,000) will be paid on the Closing Date, Two Hundred Fifty Thousand Dollars (\$250,000) on July 1, 2011, and an additional Two Hundred Fifty Thousand dollars (\$250,000) on October 1, 2011. Nortech will also agree in the Asset Purchase Agreement to a minimum inventory consumption obligation of at least Two Million Two Hundred Thousand Dollars (\$2,200,000). The payments we are entitled to under the Asset Purchase Agreement may increase or decrease based on a potential purchase price adjustment for net receivables. Additionally, the net proceeds will vary based on the final transaction expenses and any potential taxes payable related to the Asset Sale (none anticipated). The amount by which the purchase price exceeds the net tax basis of the sold assets is subject to federal and state income taxes.

The Asset Sale will be a taxable event to us for U.S. federal income tax purposes. However, we expect, subject to the completion and outcome of certain tax analysis and studies currently in process, that the Asset Sale will not result in any material adverse U.S. federal income tax consequences to us or to our shareholders. The Asset Sale may result in our being subject to state or local sales, use or other taxes in jurisdictions in which we file tax returns or have assets.

On November 15, 2010, in connection with our announcement of our entry into the Asset Purchase Agreement, Thomas J. de Petra, our Chief Executive Officer, stated that, proceeds from the Asset Sale will be used to satisfy existing contractual, banking and employee contracts, as well as give us enough capital to move forward with our proprietary products business unit.

Nature of Our Business Following the Asset Sale (page 25)

Following the Asset Sale, we will continue to operate our remaining business unit, proprietary products: The Board is considering all its potential options with respect to the proprietary products business unit. The proprietary products business unit will also hold the title to our current building which it will lease to Nortech.

Effect of the Asset Sale on Stock Options and Stock-Based Awards and Interests of Our Directors and Executive Officers in the Asset Sale (page 26)

Thomas J. de Petra Employment Agreement

Pursuant to our employment agreement with Mr. de Petra, if Mr. de Petra’s employment is terminated by Winland without cause or by Mr. de Petra for good reason, Mr. de Petra is entitled to his base salary for twelve months and health care benefits for six months; provided, however, if such termination occurs within two years after a change of control, Mr. de Petra will be entitled to an amount equal to his salary and bonus payments for the two completed fiscal years immediately preceding termination payable over the 24 months following the termination. The Asset Sale does not constitute a change of control as defined in the employment agreement.

Glenn A. Kermes Employment Agreement

Pursuant to our employment agreement with Mr. Kermes, if the Mr. Kermes’ employment is terminated by Winland without cause or by Mr. Kermes for good reason, Mr. Kermes is entitled to his base salary for six months and health care benefits for three months; provided, however, if such termination occurs within two years after a change of control, Mr. Kermes will be entitled to an amount equal to his salary and bonus payments for the one completed fiscal

year immediately preceding termination payable over the 12 months following the termination. The Asset Sale does not constitute a change of control as defined in the employment agreement.

In the event that the Asset Sale is completed, it may constitute a “change in control” as defined under the Incentive Plans. Under the Incentive Plans, a change in control will be deemed to occur in circumstances including but not limited to our sale of substantially all of our assets. If the Asset Sale is deemed to constitute a change in control under the Incentive Plans, the Compensation Committee, in its sole discretion, may accelerate the vesting and exercisability of awards granted under the Incentive Plans. The Compensation Committee has not determined whether to exercise such authority should it arise in connection with the completion of the Asset Sale. As of November 1, 2010, options to purchase 96,600 shares of our common stock issued under the Incentive Plans remained unvested.

As of November 1, 2010, options to purchase 80,400 shares of our common stock issued under the Incentive Plans and held by our directors and executive officers remained unvested.

Appraisal Rights in Respect of the Asset Sale (page 27)

Under Minnesota law, our shareholders are not entitled to appraisal rights in connection with the Asset Sale.

The Asset Purchase Agreement (page 31)

General (page 31)

Under the terms of the Asset Purchase Agreement, Nortech will buy Winland’s Electronic Manufacturing Services (EMS) business unit for a purchase price of Two Million Dollars (\$2,000,000), plus a minimum inventory consumption obligation of at least Two Million Two Hundred Thousand Dollars (\$2,200,000), subject to a potential net receivables adjustment. Nortech will assume certain of our liabilities and obligations associated with the Electronic Manufacturing Services (EMS) business unit.

Assets to be Sold; Excluded Assets (page 31)

We will convey, sell, transfer, assign and deliver to Nortech free and clear of all liens, security interests, claims, pledges, charges, encumbrances, equities, rights of use, levies, taxes, imposts and restrictions, all right, title and interest in and to substantially all of the assets, properties and rights (contractual or otherwise) that are used in connection with our Electronic Manufacturing Services (the “Property”), including, without limitation: specified machinery and equipment, accounts receivable, permits and licenses, intellectual property, personal and real property leases, contracts, books and accounts, claims and causes of action, warranty rights and goodwill.

The following assets and properties related to or used in connection with the business of Winland will not be sold to Nortech under the Asset Purchase Agreement (collectively, the “Excluded Property”):

- all cash and cash equivalents;
- all losses, loss carryforwards and rights to receive refunds, credits, and credit carryforwards with respect to any and all taxes, to the extent attributable to a taxable period ending on or prior to the Closing Date;
- all corporate minute books and records;
- all insurance recoveries due to us and relating to periods prior to the Closing Date;
- except as otherwise set forth in the Asset Purchase Agreement, all assets of any of our employee benefit plans;
- the “Winland Electronics” name and logo and any and all right to the tradenames and trademarks;

- stock, shares, units, interests and other ownership and/or equity or debt securities held by us in another entity;

- any and all assets not used exclusively in the Electronic Manufacturing Services (EMS) business unit;
- all assets to be retained by Winland but made available to Nortech pursuant to the Purchaser Lease Agreement or other agreements between Winland and Nortech;
- all rights existing under all contracts to which Winland is a party, except for any contracts assumed by Nortech;
- any of Winland's rights under or pursuant to the Asset Purchase Agreement and any agreements entered into pursuant to the Asset Purchase Agreement; and
 - control of the attorney-client privilege with respect to Winland.
- certain other specified leasehold interests, agreements, properties, rights and other assets.

Assumed Liabilities and Retained Liabilities (page 32)

Nortech will assume and fully discharge only the following liabilities and obligations under the Asset Purchase Agreement (the "Assumed Liabilities"):

- any obligations of Winland under any transferred contract, but solely to the extent that such obligations relate to contractual rights under such contracts whose benefits accrue to Nortech from and after the closing date and are not attributable to any breach or default by Winland that occurred prior to the Closing; and
 - certain other specified liabilities.

Except for the Assumed Liabilities, Winland will retain all of its liabilities and obligations, including any liabilities arising out of or relating to the following:

- liabilities resulting from indebtedness for borrowed money;
- liabilities for which Winland expressly has responsibility for pursuant to the terms of the Asset Purchase Agreement;
 - liabilities associated with the Excluded Assets; and
- liabilities to employees with respect to periods prior to the Closing, including warranty obligations.

Purchase Price (page 32)

The consideration for the sale of the operating assets of our Electronic Manufacturing Services (EMS) business line will be One Million Five Hundred Thousand (\$1,500,000) in cash by wire transfer to Winland on the Closing Date, Two Hundred Fifty Thousand (\$250,000) on July 1, 2011 and a final Two Hundred Fifty Thousand (\$250,000) on October 1, 2011. Each of the One Million Five Hundred Thousand (\$1,500,000) and the two Hundred Fifty Thousand (\$250,000) will be subject to a Net Receivables Adjustment, as described below.

Net Receivables Adjustment (page 33)

Winland shall prepare a statement of the Net Receivables of its Electronic Manufacturing Services (EMS) business unit (the "Net Receivables Statement") and will deliver a copy of the Net Receivables Statement to Purchaser at Closing. Net receivables mean in the aggregate, the accounts receivable of the Electronic Manufacturing Services

(EMS) business unit less the accounts payable of the Electronic Manufacturing Services (EMS) business unit. The Net Receivables Statement, which will be unaudited, shall be prepared and the valuations therein made on a basis consistent with the calculation of the target Net Receivables, or Six Hundred Thousand Dollars (\$600,000). Nortech shall assist Winland in the preparation of the Net Receivables Statement. If Nortech agrees with the Net Receivables Statement, the Purchase Price shall be adjusted to the extent that the Net Receivables Statement is less than or greater than the Target Net Receivables, or Six Hundred Thousand Dollars (\$600,000).

If Nortech disagrees with the Net Receivables Statement, Nortech may, within ten (10) business days after its receipt of the Net Receivables Statement, deliver a written notice to Winland disagreeing with the Net Receivable Statement (a "Notice of Disagreement"). Any such Notice of Disagreement shall specify those items or amounts as to which Nortech disagrees, and Winland shall be deemed to have agreed with all other items and amounts contained in the Net Receivables Statement.

If a Notice of Disagreement shall be timely delivered, the parties shall, during the ten (10) business days following such delivery (as such time period may be extended by the mutual agreement of the parties), use their reasonable best efforts to reach agreement on the disputed items. If, during such period (or extension thereof), the parties are unable to reach agreement, KPMG LLP (the "Independent Accounting Firm") shall promptly review the Asset Purchase Agreement and the disputed items or amounts. In connection therewith, the Independent Accounting Firm shall consider only those items or amounts in the applicable Net Receivables Statement as to which Nortech has disagreed. The Independent Accounting Firm shall deliver to Winland and Nortech, as promptly as possible, a report prepared and the valuations therein made on a basis consistent with the calculation of the Target Net Receivables, or Six Hundred Thousand Dollars (\$600,000) and shall set forth therein its adjustments, if any, to the applicable Net Receivables Statement and the calculations supporting such adjustments. Such report shall be final and binding on the parties. The cost of such review and report shall be borne by Winland and Nortech in inverse proportion as they may prevail on matters resolved by the Independent Accounting Firm, which proportionate allocation also shall be determined by the Independent Accounting Firm at the time such report is rendered by the Independent Accounting Firm. "Final Net Receivables" means (i) if no Notice of Disagreement is delivered by Winland within the period, the Net Receivables of the Business as shown in the Net Receivables Statement, or (ii) if such a Notice of Disagreement is delivered by Winland, either (A) the Net Receivables of the Electronic Manufacturing Services (EMS) business unit as agreed to in writing by Winland and Nortech or (B) the Net Receivables of the Electronic Manufacturing Services (EMS) business unit as shown in the Independent Accounting Firm's calculation.

Following the determination of the Final Net Receivables (i) in the event the Final Net Receivables is less than the Target Net Receivables, then Winland shall pay to Nortech, as an adjustment to the Purchase Price, or from the two subsequent Two Hundred Fifty Thousand Dollars (\$250,000) post-closing payments, the amount of such deficiency, and (ii) in the event the Final Net Receivables is greater than the Target Net Receivables, Nortech shall pay to Winland, as an adjustment to the Purchase Price, the amount of such surplus. Any payments shall be made by wire transfer of immediately available funds to an account or accounts designated by Winland or Nortech, as applicable, on or before the fifth (5th) Business Day following the date on which the Final Net Receivables was determined.

Nortech will make commercially reasonable efforts to collect the acquired receivable. To the extent that Nortech is unable to collect any receivables, the amount of such uncollectible receivables will be deducted from the two Two Hundred Fifty Thousand Dollars (\$250,000) post-closing payments, and such receivables will be reassigned to Winland.

Inventory Obligations (page 33)

Nortech agrees to purchase inventory, as it is consumed by Nortech, from Winland for a period of twenty-four (24) months after the Closing Date. Nortech will purchase inventory from Winland pursuant to Nortech's normal purchasing cycles and will give Winland a detailed report of such inventory purchases to date on the first day of each month after the Closing.

The inventory consumed by Nortech from Winland shall be subject to a minimum consumption obligation of at least Two Million Two Hundred Thousand Dollars (\$2,200,000) (the "Minimum Inventory Consumption Amount").

Until the Minimum Inventory Consumption Amount is reached, Nortech shall consume the inventory from Winland on a first priority basis before it looks to third parties for inventory. After the Minimum Inventory Consumption Amount is reached, Nortech shall not be obligated to purchase additional Inventory from Winland.

If any inventory is not consumed by Nortech within the twenty-four (24) month period after the Closing Date, at Winland's option, the inventory will be returned to Winland or Winland will give Nortech disposition instructions for the remaining inventory. Nortech shall execute such disposition instructions and remit to Winland any funds received from the disposition of the remaining inventory, after deducting its reasonable expenses.

Restrictions on Solicitation of Other Offers (page 36)

During the term of the Asset Purchase Agreement, we will not directly or indirectly, solicit, encourage, initiate, or participate in any way in discussions or negotiations with, knowingly provide any information to, any corporation, partnership, person, or other entity or group (other than Nortech or any affiliate or agent of Nortech), or otherwise facilitate any effort or attempt to make or implement and discussions, concerning any merger, sale or licensing of any significant portion of the assets, sale of shares of capital stock (including without limitation any proposal or offer to Winland's shareholders), or similar transactions involving Winland (an "Alternative Proposal").

Notwithstanding these restrictions, prior to obtaining shareholder approval of the Asset Sale, we may furnish information with respect to the Electronic Manufacturing Services (EMS) business unit to any person making an Alternative Proposal and participate in related discussions or negotiations so long as:

- Winland's Board of Directors determines in good faith that such action is required for the Board of Directors to comply with its fiduciary duties to shareholders imposed by law, the Board of Directors has been so advised in writing by outside counsel, in its judgment and opinion, as being so required and the Board of Directors so represents to Nortech that the Board of Directors has been so advised;
- prior to furnishing information to, or entering into discussions and negotiations with, such person or entity, Winland promptly provides written notice to Nortech to the effect that it is furnishing information to, or entering into discussions or negotiations with, such person or entity; and
- Winland keeps Nortech informed of all material terms and events with respect to such Alternative Proposal.

Non-Compete and Non-Solicitation (page 37)

In connection with the Asset Sale, we agreed that for two years after the closing, none of us, Thomas de Petra and Glenn Kermes, will do any of the following, within a sixty (60) mile range from Winland's current offices in Mankato, Minnesota:

- engage in any business that is in competition with the Electronic Manufacturing Services (EMS) business unit;
- solicit any customer of Nortech or any subsidiary of Nortech with respect to any business competitive with the Electronic Manufacturing Services (EMS) business unit;
- assist any person or entity in any way to do, including but not limited to performing consulting services, or attempt to do, anything that competes with the Electronic Manufacturing Services (EMS) business unit or solicits any customer of Nortech or any subsidiary of Nortech;
- hire, solicit or encourage any employee or independent contractor of Nortech or any subsidiary of Nortech to leave the employment or terminate its contract relationship, as the case may be, with Nortech or any subsidiary of Nortech; or
-

make any negative, disparaging, or defamatory statement about the Electronic Manufacturing Services (EMS) business unit, Nortech, or their management or employees.

Conditions to Closing (page 37)

Each party's obligation to complete the Asset Sale is subject to the satisfaction or waiver, prior to the consummation of the Asset Sale, of the following conditions:

- the absence of any statute, rule, regulation, executive order, decree, injunction or other order that has been enacted, issued, promulgated, enforced or entered by any governmental authority that has the effect of restricting in any material respect, preventing or prohibiting the closing of the Asset Sale; and
- the absence of any legal proceeding challenging or seeking damages in connection with the Asset Sale or seeking to restrain, prohibit or limit the exercise of full rights of ownership or operation by Nortech of all or any portion of Electronic Manufacturing Services (EMS) business unit that would reasonably be expected to have a Material Adverse Effect;

The obligation of Nortech to complete the Asset Sale is subject to the satisfaction or waiver of the following additional conditions, as well as others:

- the representations and warranties of Winland in the Asset Purchase Agreement shall be true and correct as of the Closing Date, except for such failures as would not have a Material Adverse Effect;
- the covenants and agreements of Winland to be performed on or prior to the Closing shall have been duly performed in all material respects;
- Winland and Nortech shall have obtained any and all governmental authorizations or other consents necessary to sell, transfer and convey the Property to Nortech in accordance with the Asset Purchase Agreement; and
- Nortech's Board of Directors shall have approved the Asset Sale and its bank shall have approved the financing.
- Winland shall have delivered such other instruments and documents that may be reasonably requested or required by Nortech to consummate the transfer of the Property and assignment and assumption of the Assumed Liabilities pursuant to the Asset Purchase Agreement.

The obligation of Winland to complete the Asset Sale is subject to the satisfaction or waiver of the following additional conditions, as well as others:

- the representations and warranties of Nortech in the Asset Purchase Agreement shall be true and correct as of the Closing Date, except for such failures as would not have a Material Adverse Effect;
- the covenants and agreements of Nortech to be performed on or prior to the Closing shall have been duly performed in all material respects;
- Winland and Nortech shall have obtained any and all governmental authorizations or other consents necessary to sell, transfer and convey the Property to Nortech in accordance with the Asset Purchase Agreement;
- Winland shall have obtained all authorizations, consents and approvals required to be obtained by Winland to consummate the transactions contemplated by the Asset Purchase Agreement. Winland shall have obtained releases pursuant to UCC-3's, as applicable, or otherwise, of all liens with respect to the Property;
- Winland's Board of Directors and its shareholders shall have approved the Asset Sale.

Termination (page 39)

The Asset Purchase Agreement may be terminated at any time prior to closing as follows:

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- by mutual written agreement of the parties;
- by either us or Nortech, if:
 - the closing has not occurred on or before January 1, 2011, so long as the failure of the closing to occur by such date was not caused by or the result of the terminating party's failure to fulfill any obligation under the Asset Purchase Agreement;
 - a governmental authority has enacted, issued, promulgated, enforced or entered any final and non-appealable law that has the effect of making the Asset Sale illegal or otherwise preventing or prohibiting the consummation of the Asset Sale, so long as the government action was not caused by or the result of the terminating party's failure to fulfill any obligation under the Asset Purchase Agreement; or
 - shareholder approval of Asset Sale is not obtained at the Special Meeting.
- by us if we have entered into a definitive agreement with respect to an Alternative Proposal.

Indemnification (page 39)

Following the completion of the Asset Sale, we will continue to honor all rights, including rights to indemnification, advancement of expenses and exculpation, existing in favor of, and all exculpations and limitations of the personal liability of, the officers, employees and agents of Winland as of the execution date of the Asset Purchase Agreement and any other such person who becomes a director, officer, employee or agent of Winland prior to the closing.

After the Closing, we will indemnify Nortech against all losses, liabilities, damages, demands, legal proceedings, judgments, assessments and costs and expenses arising from (i) any inaccuracy or breach of our representations and warranties contained in the Asset Purchase Agreement or in any related document or the breach or non-performance of any of our covenants or obligations, (ii) any liability arising out of or relating to the ownership or operation of the Property prior to the closing, other than the Assumed Liabilities and (iii) any retained liabilities. Additionally, Nortech will indemnify us against all losses, liabilities, damages, demands, proceedings, judgments, assessments and costs and expenses arising from (i) any inaccuracy or breach of their representations and warranties contained in the Asset Purchase Agreement or in any related document or the breach or non-performance of any covenant or obligation of Nortech, (ii) any liability arising out of Nortech's conduct of the business of Preparedness Services following the closing, other than any retained liabilities and (iii) any Assumed Liabilities.

Subject to certain exceptions, our indemnifications to Nortech with respect to representations and warranties will be provided only in excess of losses exceeding Twenty-Five Thousand Dollars (\$25,000) in the aggregate and shall not be in excess of Seven Hundred Fifty Thousand (\$750,000) in the aggregate. Notwithstanding the foregoing, indemnifications with respect to representations and warranties will expire on the date twelve months after the Closing Date.

Agreements Related to the Asset Purchase Agreement (page 25)

Manufacturing Agreement (page 25)

At the Closing, we will enter into a Manufacturing Agreement with Nortech, whereby after the Closing Date, Nortech will manufacture certain products for Winland related to the production of Winland's proprietary monitoring devices. The proprietary products business unit will also hold the title to our current building which it will lease to Nortech.

At the Closing, Winland, as well as Thomas de Petra and Glenn Kermes will enter into Covenant-Not-To-Compete Agreements, and thereby will agree that for two years after the Closing, neither Winland, nor Mr. de Petra and Mr. Kermes, will do any of the following, within a sixty (60) mile range from Winland' current offices in Mankato, Minnesota: (i) engage in any business that is in competition with the Electronic Manufacturing Services (EMS) business unit; (ii) solicit any customer of Nortech or any subsidiary of Nortech with respect to any business competitive with the Electronic Manufacturing Services (EMS) business unit; (ii) assist any person or entity in any way to do, including but not limited to performing consulting services, or attempt to do, anything that competes with the Electronic Manufacturing Services (EMS) business unit or solicits any customer of Nortech or any subsidiary of Nortech; (iii) hire, solicit or encourage any employee or independent contractor of Nortech or any subsidiary of Nortech to leave the employment or terminate its contract relationship, as the case may be, with Nortech or any subsidiary of Nortech; or (iv) make any negative, disparaging, or defamatory statement about the Electronic Manufacturing Services (EMS) business unit, Nortech, or their management or employees.

Nortech Lease Agreement (page 26)

At the Closing, Winland will enter into a Lease Agreement with Nortech whereby Winland will lease to Nortech, and Nortech will lease from Winland its office and manufacturing facility and improvements located at 1950 Excel Drive, Mankato Minnesota, 56001. The building that is being leased is a 58,000 square foot building consisting of 32,500 square feet of manufacturing space, 10,000 square feet of warehouse space and 15,500 square feet of office space. The term of the lease runs until January 1, 2017. Base rent will be payable to Winland at \$5.25 per square feet, or \$25,375 per month. Nortech's obligation to pay base rent shall commence one year after the Closing Date.

Winland Sublease Agreement (page 26)

At the Closing, Winland will enter into a Sublease Agreement with Nortech whereby Nortech will sublease to Winland, and Winland will sublease from Nortech approximately 1,000 square feet of the building that Winland will be leasing to Nortech pursuant to the Lease Agreement entered into at the Closing. The term of the lease runs until January 1, 2012. Base rent will be payable to Nortech at \$5.25 per square feet, or approximately \$437.50 per month.

CAUTIONARY STATEMENT CONCERNING FORWARD LOOKING INFORMATION

This proxy statement, and the documents to which we refer you in this proxy statement, contain “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Forward-looking statements are often identified by the use of words such as, but not limited to, “believes,” “estimates,” “anticipates,” “continues,” “contemplates,” “expects,” “may,” “will,” “could,” “should” or “would” and other similar words or phrases. These statements, which are based on information currently available to us, are not guarantees of future performance and may involve risks and uncertainties that could cause our actual growth, results of operations, performance and business prospects, and opportunities to materially differ from those expressed in, or implied by, these statements. These forward-looking statements speak only as of the date on which the statements were made and, except as required by applicable securities laws, we expressly disclaim any obligation to release publicly any updates or revisions to any forward-looking statement included in this proxy statement or elsewhere. In addition to other factors and matters contained or incorporated in this proxy statement, these statements are subject to risks, uncertainties, and other factors, including, among others:

- the occurrence of any event, change or other circumstances that could give rise to the termination of the Asset Purchase Agreement;
- the effect of the announcement of the Asset Sale on our business relationships (including with employees, customers and suppliers), operating results and business generally;
 - the failure of our shareholders to approve the Asset Sale;
 - the failure of the Asset Sale to close for any reason;
- the outcome of any litigation or governmental proceedings instituted against us;
- the amount of the costs, fees, expenses and charges related to the Asset Sale;
 - our failure to comply with regulations and any changes in regulations;
 - the loss of any of our senior management; and
- increased competitive pressures that may reduce revenues or increase costs.

Additionally, we are subject to risks and uncertainties and other factors detailed in our annual report on Form 10-K for the fiscal year ended December 31, 2009, filed with the SEC on March 19, 2010, which should be read in conjunction with this proxy statement. See “Where You Can Find Additional Information” on page 45. In light of the significant uncertainties inherent in forward-looking statements, readers should not place undue reliance on forward-looking statements.

THE SPECIAL MEETING

Date, Time and Place

The Special Meeting will be held at the offices of Fredrikson & Byron, P.A., 200 South Sixth Street, Suite 4000, Minneapolis, MN 55402 on Wednesday, December 29, 2010 at 2:00 p.m., local time.

Purpose of the Special Meeting

The purpose of the Special Meeting is for our shareholders to consider and vote upon the following proposals:

1. to approve the sale of the operating assets of our Electronic Manufacturing Services (EMS) business unit pursuant to the Asset Purchase Agreement, dated November 15, 2010, between Winland Electronics, Inc. and Nortech Systems Incorporated; and
2. to adjourn the Special Meeting to a later date, if necessary or appropriate, to allow for the solicitation of additional proxies in favor of the proposal to approve the Asset Sale if there are insufficient votes to approve the Asset Sale.

Record Date; Shareholders Entitled to Vote

Only holders of our common stock at the close of business on November 10, 2010, the Record Date, are entitled to notice of and to vote at the Special Meeting. If you hold your shares through a bank, broker or other nominee (in "street name"), you must obtain from the record holder a "legal proxy" issued in your name in order to vote in person at the Special Meeting.

As of the Record Date, there were 3,699,230 shares of our common stock outstanding and entitled to vote. Each share of our common stock entitles its holder to one vote on all matters properly coming before the Special Meeting.

Quorum

A quorum must be present or represented at the Special Meeting for our shareholders to conduct business at the Special Meeting. A quorum will be present or represented at the Special Meeting if the holders of a majority of the outstanding shares of our common stock entitled to vote at the Special Meeting, or 1,853,315 shares, are present at the Special Meeting, either in person or represented by proxy. Abstentions and "broker non-votes" are counted as present for the purpose of determining whether a quorum is present. Generally, a broker non-vote occurs on a matter when a broker is not permitted to vote on that matter without instructions from the beneficial owner and instructions are not given. In the event that a quorum is not present at the Special Meeting, it is expected that the Special Meeting will be adjourned or postponed to allow for the solicitation of additional proxies.

Vote Required for Approval of Proposals

The affirmative "FOR" vote of the holders of a majority of the outstanding shares of our common stock is required to approve the Asset Sale pursuant to the Asset Purchase Agreement. Approval of the proposal to adjourn the Special Meeting to a later date, if necessary or appropriate, to allow for the solicitation of additional proxies, requires the affirmative "FOR" vote of a majority of the shares of common stock present or represented by proxy at the Special Meeting and entitled to vote thereon.

Shares voted as abstentions will be counted for purposes of determining the presence of a quorum at the Special Meeting, but will be treated as unvoted, although present and entitled to vote, for purposes of determining whether a proposal is approved. As a result, a vote of “ABSTAIN” will have the same effect as a vote “AGAINST” a proposal.

The failure of any shareholder to submit a signed proxy card or to vote in person by ballot at the Special Meeting will have the same effect as a vote “AGAINST” the proposal to approve the Asset Sale, but will not have an effect on the proposal to adjourn the Special Meeting to a later date, if necessary or appropriate, to allow for the solicitation of additional proxies. If you hold your shares in street name, the failure to instruct your bank, broker or other nominee how to vote your shares will constitute a “broker non-vote” and will have the same effect as a vote “AGAINST” the proposal to approve the Asset Sale, but will not have an effect on the proposal to adjourn the Special Meeting to a later date. Please vote your proxy so your vote can be counted.

Voting and Proxies

For each item of business to come before the Special Meeting, you may vote “FOR,” “AGAINST” or “ABSTAIN.” You may vote using any of the following methods:

- Proxy card or voting instruction card. Be sure to complete, sign and date the card and return it in the prepaid envelope.
- By telephone or over the Internet. If you are a shareholder of record, you may vote over the Internet by following the instructions on your proxy card. If you hold shares in street name, you will receive separate voting instructions from your bank, broker or other nominee and may vote by telephone or over the Internet if they offer that alternative. Although most brokers, banks and nominees offer telephone and Internet voting, availability and the specific procedures vary.
- In person at the Special Meeting. All shareholders may vote in person at the Special Meeting. You may also be represented by another person at the Special Meeting by executing a proper proxy designating that person. If you hold shares in street name, you must obtain a legal proxy from your bank, broker or other nominee and present it to the inspector of election with your ballot when you vote at the Special Meeting.

Proxies received at any time before the Special Meeting and not revoked or superseded before being voted will be voted at the Special Meeting as indicated. If you return a signed proxy card without indicating your vote, your shares will be voted in accordance with the Board’s recommendations as follows: “FOR” the proposal to approve the Asset Sale and “FOR” the adjournment or postponement of the Special Meeting to a later date, if necessary or appropriate, to allow for the solicitation of additional proxies.

If your shares of common stock are held in street name, you will receive instructions from your bank, broker or other nominee that you must follow in order to have your shares voted. Your bank, broker or other nominee will only be permitted to vote your shares held in street name if you instruct them how to vote. The failure to instruct your bank, broker or other nominee how to vote your shares will have the same effect as a vote “AGAINST” the proposal to approve the Asset Sale, but will not have an effect on the proposal to adjourn the Special Meeting to a later date.

Please vote using your proxy or voting instruction card, or by telephone or over the Internet (if those options are available to you), so your vote can be counted.

Revocation of Proxies

Proxies received at any time before the Special Meeting and not revoked or superseded before being voted will be voted at the Special Meeting. If you are a shareholder of record, you may revoke your proxy at any time before it is voted at the Special Meeting by:

- sending a written notice of revocation to our Corporate Secretary;
- submitting a new, proper proxy dated later than the date of the revoked proxy;
 - voting over the Internet at a later time; or
- attending the Special Meeting and voting in person.

If you hold shares in street name, you may submit new voting instructions by contacting your bank, broker or other nominee. You may also vote in person at the Special Meeting if you obtain a legal proxy as described in the answer to the previous question. Attendance at the Special Meeting will not, by itself, revoke a proxy.

Attending the Special Meeting

You are entitled to attend the Special Meeting only if you were a shareholder of Winland at the close of business on the Record Date, or hold a valid proxy for the Special Meeting. You should be prepared to present photo identification for admittance. In addition, if you are a shareholder of record, your ownership will be verified against the list of shareholders of record on the record date prior to being admitted. If you are not a shareholder of record but hold shares in street name, you should be prepared to provide proof of beneficial ownership on the Record Date (such as your most recent account statement prior to the Record Date), a copy of the voting instruction card provided to you by your bank, broker, or other nominee, or similar evidence of ownership. If you do not provide photo identification or comply with the other procedures outlined above, you will not be admitted to the Special Meeting.

Solicitation of Proxies

This proxy solicitation is being made and paid for by us on behalf of the Board. The initial solicitation of proxies by mail may be supplemented by telephone, fax, e-mail, Internet and personal solicitation by our directors, officers or other regular employees. No additional compensation for soliciting proxies will be paid to our directors, officers or other regular employees for their proxy solicitation efforts. We expect to reimburse banks, brokers and other persons for their reasonable out-of-pocket expenses in handling proxy materials for beneficial owners of our common stock. Winland Electronics, Inc. has engaged Morrow & Co., LLC to assist in the solicitation of proxies for the special meeting and will pay Morrow & Co., LLC a fee of approximately \$6,000, plus reimbursement of out-of-pocket expenses. The address of Morrow & Co., LLC is 470 West Avenue, Stamford, CT 06902. You can call Morrow & Co., LLC at (203) 658-9400.

Adjournments

Although it is not currently expected, the Special Meeting may be adjourned for the purpose of soliciting additional proxies. Any adjournment may be made without notice, other than by an announcement made at the Special Meeting of the time, date and place of the adjourned meeting. Whether or not a quorum exists, holders of a majority of the common stock present in person or represented by proxy at the Special Meeting and entitled to vote may adjourn the Special Meeting at any time. Any signed proxies received by us in which no voting instructions are provided on the matter will be voted in accordance with the Board's recommendation "FOR" the adjournment or postponement of the Special Meeting, if necessary or appropriate, to allow for the solicitation of additional proxies. Any adjournment or postponement of the Special Meeting for the purpose of soliciting additional proxies will allow our shareholders who have already sent in their proxies to revoke them at any time prior to their use at the Special Meeting as adjourned or postponed.

Other Matters

At this time, we know of no other matters to be submitted to our shareholders at the Special Meeting. If any other matters properly come before the Special Meeting in which your proxy has provided discretionary authority, your shares of common stock will be voted in accordance with the discretion of the persons named on the enclosed proxy card in accordance with their best judgment.

THE ASSET SALE (PROPOSAL NO. 1)

The Parties to the Asset Sale

Winland Electronics, Inc.
1950 Excel Drive
Mankato, MN 56001

Winland designs, produces, and distributes products in two segments defined as Electronic Manufacturing Services (EMS) for original equipment manufacturer (“OEM”) Customers and proprietary products primarily for the security industry. Winland’s Electronic Manufacturing Services (EMS) segment consists of the design and manufacture of printed circuit board assemblies and higher level products sold mainly to OEM customers. Winland offers complete solutions to OEM customer needs by providing value-added services that complement its contract manufacturing capabilities. This is part of a “concept to product realization” strategy, the elements of which may include, among other things, product concept studies, product design, printed circuit board design, design for manufacturing, higher level assembly and box build, repair service, and legacy support. These services differentiate Winland from many of its competitors and are intended to increase customer satisfaction, confidence, and loyalty. Winland views Electronic Manufacturing Services (EMS) customers as strategic partners and works to provide these partners with high levels of production flexibility, product quality, on-time delivery, cost efficiency, and engineering proficiency. Winland’s proprietary products segment represents an established line of environmental security products that can monitor critical environments including simple and sophisticated microprocessor and mechanically controlled sensors and alarms. These products monitor and detect critical environmental changes, such as changes in temperature or humidity, water leakage, and power failures. Our common stock is quoted on AMEX NYSE under the symbol “WEX”.

Nortech Systems Incorporated
1120 Wayzata Boulevard East, #201
Wayzata, MN 55391

Nortech is an Electronic Manufacturing Service (EMS) contract manufacturing company with its headquarters in Wayzata, Minnesota. Nortech maintains manufacturing facilities in Minnesota including Bemidji, Fairmont, Blue Earth, Baxter, and Merrifield as well as Augusta, Wisconsin; and Monterrey, Mexico. Nortech manufactures wire harness and cable assemblies, electronic sub-assemblies, and printed circuit board assemblies. Nortech provides value added services and technical support including design, testing, prototyping, and supply chain management. The vast majority of Nortech’s revenue is derived from products built to the customer’s design specifications. Nortech provides a high degree of manufacturing expertise using statistical process controls to ensure product quality, total supply chain solution techniques, and the systems necessary to effectively manage the business. This level of sophistication enables Nortech to attract major OEMs and to expand and diversify its customer base across several markets to avoid the effects of fluctuations within a given industry. Nortech’s primary focus is in three major markets: Aerospace and Defense, Medical, and Industrial Equipment.

Business Conditions and Winland's Financial Performance

Late in 2007 and into the first two quarters of 2008, Winland's sales and earnings performance began deteriorating, primarily due to customer retention problems and inconsistent sales volumes from key Electronic Manufacturing Services (EMS) customers. Following a management transition in January 2008, Winland embarked on a series of quality and process improvement initiatives, largely undertaken by a new leadership team, that were intended to improve customer retention and increase sales by acquiring new customers. By establishing more mature business practices and expanding and diversifying its sales and customer base, Winland believed it would have more choices in how to pursue growth objectives, either organically or through strategic alternatives that could improve shareholder value.

In June 2008, Winland listed its 56,000 square foot headquarters and manufacturing facility for sale with a commercial real estate agent to secure a 10 or 15 year sale/leaseback that could turn nearly \$2 million in equity into growth capital and a cash reserve. That listing was active until February 2009 and then cancelled due to the downturn in the commercial real estate market. This downturn, combined with Winland's operating losses, were deemed to create a less attractive transaction by prospective purchasers.

During the third quarter of 2008, Winland began to see signs that earlier customer retention problems were beginning to reverse course and that quality metrics were improving. Although many of Winland's competitors were beginning to suffer significant declines in customer orders, weakness in the economy had not, at that time, directly impacted Winland. In the third quarter, Winland began addressing its three-year Master Supply Agreement with Select Comfort, scheduled for renewal in April 2009. At that time, Select Comfort notified Winland of its decision to single-source its electronic supply chain requirements with a competing supplier.

Events Leading up to Merger and Acquisition Decisions

In December 2008, Winland was approached by a regional competitor (the "Initial Suitor") who, by letter, expressed interest in purchasing Winland. This Initial Suitor had, in previous years, made gestures to Winland's former Chief Executive Officer, indicating its interest in purchasing Winland. None of these earlier discussions materialized, either because the interest was perceived to be without substance or there was no follow through on the part of the suitor. However in December 2008, the current Chief Executive Officer agreed to a meeting in early January 2009 with the Initial Suitor. On January 8, 2009, the co-owners of Initial Suitor met Winland's Chief Executive Officer off site for discussion. Winland's response based on this discussion was to inform the Initial Suitor that Winland was not for sale. The parties agreed that the Initial Suitor was welcome to express its interest, in writing, to Winland's Board of Directors.

On January 22, 2009 a follow-up letter was received from the Initial Suitor, with a similar expression of interest. Like before, the letter was general in nature, without any specific guidance as to what the Initial Suitor was willing to pay for the purchase of Winland. This letter was responded to by Winland's Chairman of the Board on April 23, 2009 stating that at that time, Winland's Board of Directors did not believe it was in the best interests of the Company to sell.

Through the first and second quarters of 2009, the effects of the economic downturn on Winland worsened significantly, with most customers pushing manufacturing orders into the future and ceasing to provide Winland forecasts of future demand. However, during the first and second quarters, Winland was beginning to add new customers, as it executed on its process and quality improvement initiatives. However, like the majority of new customer relationships, these newly acquired customers were limited to low-volume new product introductions (NPIs) or qualification builds which consume substantial amounts of resources with limited revenue compared to normal production volumes.

Although Winland continued to develop new customer relationships and NPIs, production revenues continued to be pushed out and losses continued to accumulate. This caused Winland's relationship with its lenders to become strained as Winland continued to seek relief through various amendments each quarter with its revolving line of credit agreement.

In August 2009, Winland's Board of Directors received an unsolicited expression of interest in investing in Winland. Also, in August 2009, an investment banker that Winland had previously had discussions with recommended that Winland contact a private equity group for discussion of a possible purchase. Calls to the private equity group yielded no return responses.

In September 2009, Winland met with three additional banks in efforts to secure a more favorable lending agreement. In addition, that month Winland met with a local economic development representative to explore the possibility of identifying local private investors.

Based on Winland's worsening financial condition and the receipt of the second letter from the regional competitor, on August 31, 2009, Winland's Board of Directors formed a Merger and Acquisitions Committee (the M&A Committee) in order to establish an independent, structured vehicle with which to assess the validity of any unsolicited expressions of interest. Members of the M&A Committee were all independent directors and were Thomas J. Brady, Committee Chairman, Thomas J. Goodmanson and Rick Speckmann. Upon formation of the M&A Committee, Management and the M&A Committee began exploring M&A advisory firms with relevant experience assisting small companies in the Electronic Manufacturing Services (EMS) market. Winland had detailed conversations with investment banking and M&A advisory firms in Saint Louis, MO, Houston, TX and Chicago, IL. Two finalists were chosen and on November 12, 2009, the M&A Committee engaged Lincoln International, a middle market investment banking and M&A Advisory firm with office in the US, Europe and Asia. Lincoln has well-recognized expertise in the Electronic Manufacturing Services (EMS) industry and many relationships based on repeat M&A transactions with middle market and smaller Electronic Manufacturing Services (EMS) companies like Winland.

Based on information and discussion during our pre-engagement meeting with Lincoln on August 21, 2009, Winland's Board of Directors concluded it was in the best interests of Winland to pursue prospective merger or acquisition partners. Utilizing personal relationships formed over many years between Lincoln's team and its current or former clients several companies were contacted to explore the possibility of acquiring Winland. This approach was chosen instead of putting Winland up for auction during a time when many EMS companies had too much capacity and/or were suffering operating losses. The M&A Committee and Lincoln also recognized that Winland's status as a publicly traded company could have either positive or negative ramifications depending on the prospective M&A partner's corporate and ownership structure. Based on discussions with Winland's management team and Winland's Board of Directors, Lincoln established a list of prospective buyers or merger partners where in each case it was believed that there might be opportunities based on a combination of financial strength, strategic advantages, cultural similarities to Winland, or complimentary and accretive outcomes due to geographical location, customer type and the cost-savings achievable through integration. Fifteen such prospective buyers were identified by Lincoln and agreed to by Winland and its Board of Directors (the "Prospective Buyers List"), Lincoln then began reaching out to these companies and, where appropriate, making introductions to the company under Non-Disclosure Agreements to protect Winland's interests.

The Initial Suitor engaged the M&A Committee again on September 8, 2009, with a written response to Winland's letter of April 23, 2009. Winland again responded to the Initial Suitor on September 22, 2009, requesting additional clarity about price and valuation assumptions being made by the Initial Suitor.

In early November 2009, the Initial Suitor executed a non-disclosure agreement. The Chairman of the M&A Committee then met the co-owners on November 11, 2009, accompanied by Winland's legal counsel, in efforts to establish whether there was genuine substance behind the Initial Suitor's expressions of interest. The parties agreed to continue discussions and to provide more definitive information characterizing the Initial Suitor's interest.

In December 2009, both Winland's Chief Executive Officer and the Chairman of the M&A Committee made a visit to a privately held Southern California-based Electronic Manufacturing Services (EMS) company that was on the Prospective Buyers List. This prospective M&A partner is well known to Lincoln and was believed by Lincoln to be

open to the idea of a reverse merger with a publicly traded company. Under this scenario, the shareholders of the private company could be able to exchange their shares for the marketable shares of a public company like Winland. The visit to Southern California was productive, and the parties agreed the cultures of the two companies were very compatible and, from an operational perspective, there could be advantages to a merger transaction. On the downside, the management of the other company made clear its concern about Winland's operating losses and the uncertainty about when – and to what degree – our NPIs and new customer relationships could become meaningful revenue. However, the other party agreed to revisit Winland's financial results over the next quarter and if there was improvement, management would make a recommendation to their board of directors to continue discussions around a potential merger of the two companies. However, Winland's subsequent quarterly financial results did not return positive results, and discussions with the other party did not recommence.

On December 17, 2009, the Initial Suitor forwarded to the M&A Committee a due diligence checklist. This request was believed to be premature in view of the fact that there was no exclusivity agreement in place with Initial Suitor and no Letter of Intent had been received by Winland. On January 27, 2010, a letter was received from the Initial Suitor, once again expressing interest in buying Winland and indicating a price range. By this time, Winland had engaged Lincoln, and the Chief Executive Officer and Chairman of the M&A Committee scheduled a meeting with Winland's legal counsel, the Lincoln managing partner, the co-owners of the Initial Suitor, and their legal counsel. The parties agreed to a Winland site tour by the co-owners that was scheduled after hours on April 24, 2010. On that date, the Chief Executive Officer conducted a one-hour tour and answered a number of questions. To date, no follow-up has been received after multiple attempts to contact were made to the Initial Suitor by Winland's legal counsel.

Based on preliminary interest and positive feedback received by Lincoln from one of the companies on the Prospective Buyers List, a dinner meeting was held on June 15, 2010 involving both the Chief Executive Officer and the Chairman of the M&A Committee representing Winland and the Chief Executive Officer and Chief Financial Officer of Nortech Systems Incorporated after a Non-Disclosure Agreement was executed. Follow on meetings were held involving Nortech's Chief Executive Officer and Chief Financial Officer at Winland's headquarters.

Based on preliminary interest and positive feedback received by Lincoln from an additional company on the Prospective Buyers List, a dinner meeting was held on June 16, 2010, involving both the Chief Executive Officer and the Chairman of the M&A Committee representing Winland and the President, Chairman of the Board, and Chief Financial Officer of a privately held Electronic Manufacturing Services (EMS) company. A Non-Disclosure Agreement was executed. The other party's growth strategy did not align well with Winland's needs and no further action was commenced.

On June 24, 2010, the Chief Executive Officer and the Chairman of the M&A Committee traveled to Illinois to visit a publicly traded Electronic Manufacturing Services (EMS) company on the Prospective Buyers List that had provided preliminary interest and positive feedback to Lincoln. Present were the other company's president and Chief Financial Officer and a Non-Disclosure Agreement was executed. Based on a number of factors relating to financial performance and strategic fit, neither party moved forward with further discussions.

Nortech's largest shareholder visited Winland on August 4, 2010, together with Nortech's Chief Executive Officer. This meeting continued the process for the parties.

On September 2, 2010, based on preliminary interest and positive feedback given to Lincoln from an additional company on the Prospective Buyers List, Winland's Chief Executive Officer and Chief Financial Officer met the Chairman, President, and Chief Financial Officer of a Twin Cities based manufacturer who has Electronic Manufacturing Services (EMS) operations in Minnesota. Winland conducted a facility tour and provided information under a Non-Disclosure Agreement.

On September 7, 2010, Winland received a Letter of Interest from Nortech Systems Incorporated.

Recommendation of the Board of Directors

After careful consideration, the Board unanimously recommends that you vote "FOR" the approval of the Asset Sale.

Net Proceeds from the Asset Sale and Their Expected Use

Pursuant to the Asset Purchase Agreement, Nortech will buy Winland's Electronic Manufacturing Services (EMS) business unit for a purchase price of Two Million Dollars (\$2,000,000), plus and a minimum inventory consumption obligation of at least Two Million Two Hundred Thousand Dollars (\$2,200,000), subject to a potential net receivables adjustment. Nortech will assume certain of our liabilities and obligations associated with the Electronic Manufacturing Services (EMS) business unit.

The Asset Sale will be a taxable event to us for U.S. federal income tax purposes. However, we expect, subject to the completion and outcome of certain tax analysis and studies currently in process, that the Asset Sale will not result in any material adverse U.S. federal income tax consequences to us or to our shareholders. The Asset Sale may result in our being subject to state or local sales, use or other taxes in jurisdictions in which we file tax returns or have assets.

On November 15, 2010, in connection with our announcement of our entry into the Asset Purchase Agreement our Chief Executive Officer stated that, subject to our satisfaction of and compliance with existing contractual and banking obligations, we intend to return the net proceeds from the Asset Sale to our shareholders. That continues to be our intention, but we have not made a final decision as to, and continue to explore the most efficient form of, any such distribution.

Nature of Our Business Following the Asset Sale

Following the Asset Sale, we will continue to operate our remaining business unit, proprietary products: The Board is considering all its potential options with respect to the proprietary products business unit. The proprietary products business unit will also hold the title to our current building which it will lease to Nortech.

For pro forma historical financial information giving effect to the sale of our Electronic Manufacturing Services (EMS) business unit, the receipt of the net proceeds from the Asset Sale and certain assumptions and adjustments, see "Unaudited Pro Forma Condensed Consolidated Financial Statements" beginning on page 30.

Agreements Related to the Asset Purchase Agreement

Manufacturing Agreement

At the Closing, we will enter into a Manufacturing Agreement with Nortech, whereby after the Closing Date, Nortech will manufacture certain products for Winland related to the production of Winland's proprietary monitoring devices.

Covenant-Not-To-Compete Agreements

At the Closing, Winland, as well as Thomas de Petra and Glenn Kermes will enter into Covenant-Not-To-Compete Agreements, and thereby will agree that for two years after the Closing, neither Winland, nor Mr. de Petra and Mr. Kermes, will do any of the following, within a sixty (60) mile range from Winland's current offices in Mankato, Minnesota: (i) engage in any business that is in competition with the Electronic Manufacturing Services (EMS) business unit; (ii) solicit any customer of Nortech or any subsidiary of Nortech with respect to any business competitive with the Electronic Manufacturing Services (EMS) business unit; (ii) assist any person or entity in any way to do, including but not limited to performing consulting services, or attempt to do, anything that competes with the Electronic Manufacturing Services (EMS) business unit or solicits any customer of Nortech or any subsidiary of Nortech; (iii) hire, solicit or encourage any employee or independent contractor of Nortech or any subsidiary of Nortech to leave the employment or terminate its contract relationship, as the case may be, with Nortech or any subsidiary of Nortech; or (iv) make any negative, disparaging, or defamatory statement about the Electronic Manufacturing Services (EMS) business unit, Nortech, or their management or employees.

Nortech Lease Agreement

At the Closing, Winland will enter into a Lease Agreement with Nortech whereby Winland will lease to Nortech, and Nortech will lease from Winland its office and manufacturing facility and improvements located at 1950 Excel Drive, Mankato Minnesota 56001. The building that is being leased is a 58,000 square foot building consisting of 32,500 square feet of manufacturing space, 10,000 square feet of warehouse space and 15,500 square feet of office space. The term of the lease runs until January 1, 2017. Base rent will be payable to Winland at \$5.25 per square foot, or \$25,375 per month. Nortech's obligation to pay base rent shall commence one year after the Closing Date.

Winland Sublease Agreement

At the Closing, Winland will enter into a Sublease Agreement with Nortech whereby Nortech will sublease to Winland, and Winland will sublease from Nortech 1,000 square feet of the building that Winland will be leasing to Nortech pursuant to the Lease Agreement entered into at the Closing. The term of the lease runs until January 1, 2012. Base rent will be payable to Nortech at \$5.25 per square foot, or \$437.50 per month.

Shareholder Approval Requirement

We are organized under the corporate laws of the State of Minnesota. Under the Minnesota Business Corporation Act, Section 302A.661, any sale of "all or substantially all" of a corporation's assets requires the approval of the holders of a majority of the outstanding shares of its common stock.

The Asset Purchase Agreement provides that any of the parties thereto may terminate the Asset Purchase Agreement if we do not obtain shareholder approval of the Asset Sale. Additionally, obtaining such shareholder approval is a closing condition under the Asset Purchase Agreement.

Effect of the Asset Sale on Stock Options and Stock-Based Awards

In the event that the Asset Sale is completed, it may constitute a "change in control" as defined under our 2005 Equity Incentive Plan and our 2008 Equity Incentive Plan. Under the Incentive Plans, a change in control will be deemed to occur in circumstances including but not limited to our sale of substantially all of our assets. If the Asset Sale is deemed to constitute a change in control under the Incentive Plans, the Compensation Committee, in its sole discretion, may accelerate the vesting and exercisability of awards granted under the Incentive Plans. The Compensation Committee has not determined whether to exercise such authority should it arise in connection with the completion of the Asset Sale. As of November 1, 2010, options to purchase 96,600 shares of our common stock were unvested.

Interests of Our Directors and Executive Officers in the Asset Sale

Certain of our directors and executive officers may have interests in the Asset Sale that are different from, or in addition to, those of our shareholders generally. These interests may create potential conflicts of interest. The Board of Directors was aware that these interests existed when it approved the Asset Purchase Agreement and the Asset Sale. All such interests are described below to the extent material, and except as described below, such persons have, to our knowledge, no material interest in the Asset Sale apart from those of shareholders generally.

Effect of the Asset Sale on Stock Options and Stock-Based Awards Held by Directors and Officers

In the event that the Asset Sale is completed, it may constitute a "change in control" as defined under the Incentive Plans. Under the Incentive Plans, a change in control will be deemed to occur in circumstances including but not

limited to our sale of substantially all of our assets. If the Asset Sale is deemed to constitute a change in control under the Incentive Plans, the Compensation Committee, in its sole discretion, may accelerate the vesting and exercisability of awards granted under the Incentive Plans. The Compensation Committee has not determined whether to exercise such authority should it arise in connection with the completion of the Asset Sale. The following table sets forth the number of shares of common stock underlying options held by our directors and executive officers that were unvested as of November 1, 2010.

	Shares Underlying Unvested Options
Lorin E. Krueger	0
Thomas J. de Petra	30,000
Richard T. Speckmann	0
Glenn A. Kermes	27,000
Thomas J. Goodmanson	0
Thomas J. Brady	0
David Kuklinski	23,400

Additionally, pursuant to the terms of their employment agreements, all stock options held by Mr. de Petra and Mr. Kermes will vest immediately upon the completion of the Asset Sale, regardless of whether the Compensation Committee exercises its authority to accelerate the vesting of awards granted under the Incentive Plans.

Employment Agreements

Thomas J. de Petra

Pursuant to our employment agreement with Mr. de Petra, if Mr. de Petra's employment is terminated by Winland without cause or by Mr. de Petra for good reason, Mr. de Petra is entitled to his base salary for twelve months and health care benefits for six months; provided, however, if such termination occurs within two years after a change of control, Mr. de Petra will be entitled to an amount equal to his salary and bonus payments for the two completed fiscal years immediately preceding termination payable over the 24 months following the termination. The Asset Sale does not constitute a change of control as defined in the employment agreement.

Glenn A. Kermes

Pursuant to our employment agreement with Mr. Kermes, if the Mr. Kermes' employment is terminated by Winland without cause or by Mr. Kermes for good reason, Mr. Kermes is entitled to his base salary for six months and health care benefits for three months; provided, however, if such termination occurs within two years after a change of control, Mr. Kermes will be entitled to an amount equal to his salary and bonus payments for the one completed fiscal year immediately preceding termination payable over the 12 months following the termination. The Asset Sale does not constitute a change of control as defined in the employment agreement.

Appraisal Rights in Respect of the Asset Sale

Under Minnesota law, our shareholders are not entitled to appraisal rights in connection with the Asset Sale.

Regulatory Matters

Mergers and acquisitions that may have an impact in the United States are subject to review by the Department of Justice and the Federal Trade Commission to determine whether they comply with applicable antitrust laws. We believe that the Asset Sale is not subject to the Hart-Scott-Rodino Antitrust Improvements Act of 1976 or the reporting and waiting requirements of any other United States antitrust law. Neither we nor Nortech are aware of any other regulatory requirements or governmental approvals or actions that may be required to consummate the Asset Sale, except for compliance with the applicable regulations of the SEC in connection with this proxy statement.

Accounting Treatment of the Asset Sale

Under accounting principles generally accepted in the United States of America, upon shareholder approval of the Asset Sale, we expect to reflect the results of the Electronic Manufacturing Services (EMS) business unit as discontinued operations. For additional information, see “Unaudited Pro Forma Condensed Consolidated Financial Statements” beginning on page 46.

Material United States Federal Income Tax Consequences

The Asset Sale will be a taxable event to us for U.S. federal income tax purposes. However, we expect, subject to the completion and outcome of certain tax analysis and studies currently in process, that the Asset Sale will not result in any material adverse U.S. federal income tax consequences to us or to our shareholders. The Asset Sale may result in our being subject to state or local sales, use or other taxes in jurisdictions in which we file tax returns or have assets.

RISK FACTORS RELATING TO THE PROPOSAL TO APPROVE THE ASSET SALE

You should carefully consider the risk factors described below and those risk factors generally associated with our business contained in our Annual Report on Form 10-K for the year ended December 31, 2009 and our subsequent SEC filings, along with other information provided to you in this proxy statement, in deciding how to vote on the proposal to approve the Asset Sale. See “Where You Can Find Additional Information” beginning on page 46. The special risk considerations described below are not the only ones facing us. Additional considerations not presently known to us or that we currently believe are immaterial may also impair our business operations. If any of the following special risk considerations actually occurs, our business, financial condition or results of operations could be materially adversely affected, the market price of our common stock may decline, and you may lose all or part of your investment.

If we fail to complete the Asset Sale, our business may be harmed.

We cannot provide assurances that the Asset Sale will be completed. The closing of the Asset Purchase Agreement is subject to a number of conditions, including but not limited to our obtaining shareholder approval of the Asset Sale and the absence of a material adverse effect on the business or property of our Electronic Manufacturing Services (EMS) business unit.

As a result of our announcement of the Asset Sale, third parties may be unwilling to enter into material agreements with respect to our Electronic Manufacturing Services (EMS) business unit. New or existing customers and business partners may prefer to enter into agreements with our competitors who have not expressed an intention to sell their business because customers and business partners may perceive that such new relationships are likely to be more stable. If we fail to complete the Asset Sale, the failure to maintain existing business relationships or enter into new ones could adversely affect our business, results of operations and financial condition.

In addition, if the Asset Sale is not completed, our directors, executive officers and other employees will have expended extensive time and effort and experienced significant distractions from their work during the pendency of the transaction and we will have incurred significant third party transaction costs, in each case, without any commensurate benefit, which may have a material and adverse effect on our stock price and results of operations.

If the Asset Sale is not completed, we may explore other potential transactions involving our Electronic Manufacturing Services (EMS) business unit or Winland in its entirety. The terms of an alternative transaction may be less favorable to us than the terms of the Asset Sale and there can be no assurance that we will be able to reach agreement with or complete an alternative transaction with another party.

The amount of net proceeds that we will receive from the Asset Sale is subject to uncertainties.

Our proceeds from the Asset Sale will consist of approximately Two Million Dollars (\$2,000,000) million in cash and a minimum inventory consumption obligation of at least Two Million Two Hundred Thousand Dollars (\$2,200,000). The total consideration we receive may increase or decrease based on a potential purchase price adjustment for net receivables. We may have inventory in excess of the Two Million Two Hundred Thousand (\$2,200,000) minimum inventory consumption requirement of Nortech. The amount of net proceeds is subject to further reduction after the closing if Nortech successfully asserts claims for indemnification pursuant to the indemnification provisions of the Asset Purchase Agreement. Furthermore, we may have unforeseen liabilities and expenses that must be satisfied from the after-tax net proceeds of the Asset Sale. As a result, the amount of the net proceeds from the Asset Sale is subject to substantial uncertainty, and it is possible that the net proceeds from the Asset Sale will be materially less than we expect.

You are not guaranteed any of the proceeds from the Asset Sale.

On November 15, 2010, in connection with our announcement of our entry into the Asset Purchase Agreement our Chief Executive Officer stated that, subject to our satisfaction of and compliance with existing contractual and banking obligations, we intend to return the net proceeds from the Asset Sale to our shareholders. That continues to be our intention, but we have not made a final decision as to, and continue to explore the most efficient form of, any such distribution.

Notwithstanding the foregoing, we have not determined the exact use of the net proceeds from the Asset Sale and cannot guarantee that we will distribute any of the net proceeds from the Asset Sale to our shareholders. You should not vote to approve the Asset Sale based upon the assumption that you will receive any portion of the net proceeds from the Asset Sale.

Our Electronic Manufacturing Services (EMS) business unit has historically accounted for a substantial portion of our revenue. If we complete the Asset Sale, we will become entirely dependent on our proprietary products business unit.

Our Electronic Manufacturing Services (EMS) business unit accounted for approximately 82.6%, 85.8% and 88.2% of our consolidated revenues for the nine months ended September 30, 2010 and the years ended December 31, 2009 and 2008, respectively. By selling the operating assets of our Electronic Manufacturing Services (EMS) business unit, we will be exiting the Electronic Manufacturing Services (EMS) business. If the Asset Sale is consummated, we will become entirely dependent upon our proprietary products business unit: We cannot anticipate when or if we will achieve profitability in the future.

The Asset Purchase Agreement limits our ability to pursue alternatives to the Asset Sale.

The Asset Purchase Agreement contains provisions that make it more difficult for us to sell our business to any party other than Nortech. These provisions include the prohibition on our ability to solicit competing proposals and Nortech's right to be advised of competing proposals and to submit revised proposals for consideration. See "The Asset Purchase Agreement — Restrictions on Solicitation of Other Offers." These provisions could discourage a third party that might have an interest in acquiring our Electronic Manufacturing Services (EMS) business unit or from considering or proposing an alternative transaction, and could make it more difficult for us to complete an alternative business combination transaction with another party.

THE ASSET PURCHASE AGREEMENT

The following is a summary of the material terms of the Asset Purchase Agreement. This summary does not purport to describe all the terms of the Asset Purchase Agreement and is qualified in its entirety by reference to the full text of the Asset Purchase Agreement, which is attached as Annex A. We urge you to read the Asset Purchase Agreement carefully and in its entirety because it, and not the summary set forth in this proxy statement, is the legal document that governs the Asset Sale.

The representations, warranties and covenants contained in the Asset Purchase Agreement were made only for purposes of the Asset Purchase Agreement as of specific dates and may be subject to more recent developments. Such representations, warranties and covenants were made solely for the benefit of the parties to the Asset Purchase Agreement, may be subject to limitations agreed upon by the contracting parties, including being qualified by confidential disclosures made for the purposes of allocating risk between the parties instead of establishing these matters as facts, and may apply standards of materiality in a way that is different from what may be viewed as material by you or by other investors. For the foregoing reasons, you should not rely on the representations, warranties and covenants or any descriptions thereof as characterizations of the actual state of facts or condition of the parties or any of their respective subsidiaries or affiliates.

General

Under the terms of the Asset Purchase Agreement, Nortech will buy Winland's Electronic Manufacturing Services (EMS) business unit for a purchase price of Two Million Dollars (\$2,000,000), plus and a minimum inventory consumption obligation of at least Two Million Two Hundred Thousand Dollars (\$2,200,000), subject to potential net receivables adjustment, and will assume certain liabilities and obligations associated with the Electronic Manufacturing Services (EMS) business unit.

Winland's Electronic Manufacturing Services (EMS) business unit consists of the design and manufacture of printed circuit board assemblies and higher level products sold to original equipment manufacturer customers.

Assets to be Sold; Excluded Assets

We will convey, sell, transfer, assign and deliver to Nortech free and clear of all liens, security interests, claims, pledges, charges, encumbrances, equities, rights of use, levies, taxes, imposts and restrictions, all right, title and interest in and to substantially all of the assets, properties and rights (contractual or otherwise) that are used in connection with our Electronic Manufacturing Services (the "Property"), including, without limitation: specified machinery and equipment, accounts receivable, permits and licenses, intellectual property, personal and real property leases, contracts, books and accounts, claims and causes of action, warranty rights and goodwill.

The following assets and properties related to or used in connection with the business of Winland will not be sold to Nortech under the Asset Purchase Agreement (collectively, the "Excluded Property"):

- all cash and cash equivalents;
- all losses, loss carryforwards and rights to receive refunds, credits, and credit carryforwards with respect to any and all taxes, to the extent attributable to a taxable period ending on or prior to the Closing Date;
- all corporate minute books and records;
- all insurance recoveries due to us and relating to periods prior to the Closing Date;

- except as otherwise set forth in the Asset Purchase Agreement, all assets of any of our employee benefit plans;
 - the “Winland Electronics” name and logo and any and all right to the trade names and trademarks;
- stock, shares, units, interests and other ownership and/or equity or debt securities held by us in another entity;

- any and all assets not used exclusively in the Electronic Manufacturing Services (EMS) business unit;
- all assets to be retained by Winland but made available to Nortech pursuant to the Purchaser Lease Agreement or other agreements between Winland and Nortech;
- all rights existing under all contracts to which Winland is a party, except for any contracts assumed by Nortech;
- any of Winland's rights under or pursuant to the Asset Purchase Agreement and any agreements entered into pursuant to the Asset Purchase Agreement; and
 - control of the attorney-client privilege with respect to Winland.
- certain other specified leasehold interests, agreements, properties, rights and other assets.

Assumed Liabilities; Retained Liabilities

Nortech will assume and fully discharge only the following liabilities and obligations under the Asset Purchase Agreement (the "Assumed Liabilities"):

- any obligations of Winland under any transferred contract, but solely to the extent that such obligations relate to contractual rights under such contracts whose benefits accrue to Nortech from and after the closing date and are not attributable to any breach or default by Winland that occurred prior to the Closing; and
 - certain other specified liabilities.

Except for the Assumed Liabilities, Winland will retain all of its liabilities and obligations, including any liabilities arising out of or relating to the following:

- liabilities resulting from indebtedness for borrowed money;
- liabilities for which Winland expressly has responsibility for pursuant to the terms of the Asset Purchase Agreement;
 - liabilities associated with the Excluded Assets; and
- liabilities to employees with respect to periods prior to the Closing, including warranty obligations.

Purchase Price

The consideration for the sale of the operating assets of our Electronic Manufacturing Services (EMS) business line will be One Million Five Hundred Thousand (\$1,500,000) in cash by wire transfer to Winland on the Closing Date, Two Hundred Fifty Thousand (\$250,000) on July 1, 2011 and a final Two Hundred Fifty Thousand (\$250,000) on October 1, 2011. Each of the One Million Five Hundred Thousand (\$1,500,000) and the two Hundred Fifty Thousand (\$250,000) will be subject to a Net Receivables Adjustment, as described below. Additionally, the net proceeds will vary based on the final transaction expenses and potential taxes payable related to the Asset Sale (none anticipated).

Net Receivables Adjustment

Winland shall prepare a statement of the Net Receivables of its Electronic Manufacturing Services (EMS) business unit (the “Net Receivables Statement”) and will deliver a copy of the Net Receivables Statement to Purchaser at Closing. Net receivables mean in the aggregate, the accounts receivable of the Electronic Manufacturing Services (EMS) business unit less the accounts payable of the Electronic Manufacturing Services (EMS) business unit. The Net Receivables Statement, which will be unaudited, shall be prepared and the valuations therein made on a basis consistent with the calculation of the target Net Receivables, or Six Hundred Thousand Dollars (\$600,000). Nortech shall assist Winland in the preparation of the Net Receivables Statement. If Nortech agrees with the Net Receivables Statement, the Purchase Price shall be adjusted to the extent that the Net Receivables Statement is less than or greater than the Target Net Receivables, or Six Hundred Thousand Dollars (\$600,000).

If Nortech disagrees with the Net Receivables Statement, Nortech may, within ten (10) business days after its receipt of the Net Receivables Statement, deliver a written notice to Winland disagreeing with the Net Receivable Statement (a “Notice of Disagreement”). Any such Notice of Disagreement shall specify those items or amounts as to which Nortech disagrees, and Winland shall be deemed to have agreed with all other items and amounts contained in the Net Receivables Statement.

If a Notice of Disagreement shall be timely delivered, the parties shall, during the ten (10) business days following such delivery (as such time period may be extended by the mutual agreement of the parties), use their reasonable best efforts to reach agreement on the disputed items. If, during such period (or extension thereof), the parties are unable to reach agreement, KPMG LLP (the “Independent Accounting Firm”) shall promptly review the Asset Purchase Agreement and the disputed items or amounts. In connection therewith, the Independent Accounting Firm shall consider only those items or amounts in the applicable Net Receivables Statement as to which Nortech has disagreed. The Independent Accounting Firm shall deliver to Winland and Nortech, as promptly as possible, a report prepared and the valuations therein made on a basis consistent with the calculation of the Target Net Receivables, or Six Hundred Thousand Dollars (\$600,000) and shall set forth therein its adjustments, if any, to the applicable Net Receivables Statement and the calculations supporting such adjustments. Such report shall be final and binding on the parties. The cost of such review and report shall be borne by Winland and Nortech in inverse proportion as they may prevail on matters resolved by the Independent Accounting Firm, which proportionate allocation also shall be determined by the Independent Accounting Firm at the time such report is rendered by the Independent Accounting Firm. “Final Net Receivables” means (i) if no Notice of Disagreement is delivered by Winland within the period, the Net Receivables of the Business as shown in the Net Receivables Statement, or (ii) if such a Notice of Disagreement is delivered by Winland, either (A) the Net Receivables of the Electronic Manufacturing Services (EMS) business unit as agreed to in writing by Winland and Nortech or (B) the Net Receivables of the Electronic Manufacturing Services (EMS) business unit as shown in the Independent Accounting Firm’s calculation.

Following the determination of the Final Net Receivables (i) in the event the Final Net Receivables is less than the Target Net Receivables, then Winland shall pay to Nortech, as an adjustment to the Purchase Price, or from the two subsequent Two Hundred Fifty Thousand Dollars (\$250,000) post-closing payments, the amount of such deficiency, and (ii) in the event the Final Net Receivables is greater than the Target Net Receivables, Nortech shall pay to Winland, as an adjustment to the Purchase Price, the amount of such surplus. Any payments shall be made by wire transfer of immediately available funds to an account or accounts designated by Winland or Nortech, as applicable, on or before the fifth (5th) Business Day following the date on which the Final Net Receivables was determined.

Nortech will make commercially reasonable efforts to collect the acquired receivable. To the extent that Nortech is unable to collect any receivables, the amount of such uncollectible receivables will be deducted from the two Two Hundred Fifty Thousand Dollars (\$250,000) post-closing payments, and such receivables will be reassigned to Winland.

Inventory Obligations

Nortech agrees to purchase inventory, as it is consumed by Nortech, from Winland for a period of twenty-four (24) months after the Closing Date. Nortech will purchase inventory from Winland pursuant to Nortech's normal purchasing cycles and will give Winland a detailed report of such inventory purchases to date on the first day of each month after the Closing.

The inventory consumed by Nortech from Winland shall be subject to a minimum consumption obligation of at least Two Million Two Hundred Thousand Dollars (\$2,200,000) (the "Minimum Inventory Consumption Amount").

Until the Minimum Inventory Consumption Amount is reached, Nortech shall consume the inventory from Winland on a first priority basis before it looks to third parties for inventory. After the Minimum Inventory Consumption Amount is reached, Nortech shall not be obligated to purchase additional Inventory from Winland.

If any inventory is not consumed by Nortech within the twenty-four (24) month period after the Closing Date, at Winland's option, the inventory will be returned to Winland or Winland will give Nortech disposition instructions for the remaining inventory. Nortech shall execute such disposition instructions and remit to Winland any funds received from the disposition of the remaining inventory, after deducting its reasonable expenses.

Representations and Warranties

We made representations and warranties relating to the following matters:

- corporate organization, existence and good standing;
- corporate power and authority to enter into the Asset Purchase Agreement and related agreements and consummate the Asset Sale;
 - enforceability of the Asset Purchase Agreement and related agreements;
- governmental consents, approvals and notices required in connection with the Asset Sale;
 - compliance with laws;
- our financial statements being complete and correct in all material respects, and that the accounts receivable reflected in such financial statements arose in the ordinary course of our business from bona fide transactions;
- absence of certain changes to our Electronic Manufacturing Services (EMS) business unit, including but not limited to any changes that have had or are reasonably expected to have a Material Adverse Effect (as defined below), since December 31, 2009;
 - civil, criminal or administrative action, suit, hearing, proceeding or investigation;
- the absence of conflict or violation under governing documents, violations of agreements, and applicable law;
 - contracts;
 - intellectual property;
 - absence of undisclosed material liabilities;
 - title to the Property free and clear of all encumbrances;
 - tax matters;
 - employee matters;

- employee benefit plans;
- broker's, finder's and other similar fees and payments; and

- Environmental matters.

Certain of our representations and warranties in the Asset Purchase Agreement provide exceptions for items that are not reasonably likely to have a “Material Adverse Effect.” For purposes of the Asset Purchase Agreement, “Material Adverse Effect” means a material adverse effect on the Electronic Manufacturing Services (EMS) business unit, taken as a whole. The definition of “Material Adverse Effect” does not include: (i) any change or effect resulting from compliance with the terms and conditions of the Asset Purchase Agreement; (ii) any change or effect that results from changes affecting any of the industries in which the Electronic Manufacturing Services (EMS) business unit operates generally or the United States or worldwide economy generally; (iii) any natural disaster or any acts of terrorism, sabotage, military action or war (whether or not declared) or any escalation or worsening thereof; (iv) failure to meet internal forecasts or published financial projections, forecasts or revenue or earning predictions; (v) any change or effect resulting from the announcement or pendency of the transactions contemplated by the Asset Purchase Agreement, including, loss of any employees, customers, suppliers, partners or distributors; or (vi) any change, effect or development arising from or related to items listed on or set forth in a scheduled referenced in connection with and setting forth disclosures and/or exceptions with respect to any of Winland’s representations and warranties in the Asset Purchase Agreement.

The Asset Purchase Agreement contains representations and warranties made by Nortech relating to the following matters:

- corporate organization, existence and good standing;
- corporate power and authority to enter into the Asset Purchase Agreement and related agreements and consummate the Asset Sale;
- enforceability of the Asset Purchase Agreement and related agreements;
- the absence of conflict or violation under governing documents, violations of agreements, and applicable law;
- governmental consents, approvals and notices required in connection with the Asset Sale;
- legal proceedings;
- that Nortech has, and at Closing will have, the financial commitments and sufficient liquid assets and funds to satisfy its obligations under the Asset Purchase Agreement and related agreements, as well as its post-Closing obligations; and
 - broker’s, finder’s and other similar fees and payments.

Conduct of Business Prior to Closing

Until the closing of the Asset Sale, unless Nortech otherwise consents in writing, we will use our reasonable efforts to:

- operate Electronic Manufacturing Services (EMS) in the ordinary course of business consistent with past practices and to reserve intact Electronic Manufacturing Services’ (EMS) relationships with its employees, clients, customers and suppliers with the objective of preserving unimpaired its ongoing business at the Closing Date;
- not incur, create or assume any lien with respect to the Property other than certain permitted encumbrances;
-

not amend any term of, or waive any right under, any contract assumed by Nortech, other than in the ordinary course of business consistent with past practices;

- not enter into, terminate, amend or modify any material agreement, commitments or contracts other than in the ordinary course of business consistent with past practices; and
- not agree to take any of the foregoing actions.

Closing

The closing will take place at the offices of Fredrikson & Byron, P.A., 200 South Sixth Street, Suite 4000, Minneapolis, Minnesota 55402, at 10:00 a.m. local time, on the later of January 2, 2011 or the third business day after the date that all closing conditions are satisfied or waived, or at such other place or time agreed to in writing by the parties.

Access to Records

Prior to the Closing, Winland will permit Nortech and its representatives to have access, during regular business hours and upon reasonable advance notice, to the assets, customers and certain employees, books and records of Winland relating only to the Electronic Manufacturing Services (EMS) business unit, and will furnish, or cause to be furnished, to Nortech, such financial, tax and operating data and other available information with respect to the Electronic Manufacturing Services (EMS) business unit as Nortech shall from time to time reasonably request.

Employee Matters

Nortech is not obligated to hire any of Winland's employees. As of the Closing, Nortech may offer employment to Winland's employees regularly employed in the Electronic Manufacturing Services (EMS) business unit. Winland will provide Nortech with access to its current employees no later than fourteen (14) days prior to the Closing Date to discuss employment matters. Any offers of employment will be contingent upon the Closing and satisfaction by those current employees receiving employment offers of Nortech's normal employment standards and required training. Winland will pay all employees for or make provision for all work performed as employees through the Closing Date and for all vacation earned or accrued and not taken before the Closing Date, and shall otherwise discharge all of its obligations to its employees, including its obligations to such employees under benefit plans. Nortech will not have any liability for any wages, vacation pay, sick pay, pension, sales or management incentives or bonuses, profit sharing, welfare or other benefit owed to any employee that relates to service as an employee prior to the Closing Date.

Restrictions on Solicitation of Other Offers

During the term of the Asset Purchase Agreement, we will not directly or indirectly, solicit, encourage, initiate, or participate in any way in discussions or negotiations with, knowingly provide any information to, any corporation, partnership, person, or other entity or group (other than Nortech or any affiliate or agent of Nortech), or otherwise facilitate any effort or attempt to make or implement and discussions, concerning any merger, sale or licensing of any significant portion of the assets, sale of shares of capital stock (including without limitation any proposal or offer to Winland's shareholders), or similar transactions involving Winland (an "Alternative Proposal").

Notwithstanding these restrictions, prior to obtaining shareholder approval of the Asset Sale, we may furnish information with respect to the Electronic Manufacturing Services (EMS) business unit to any person making an Alternative Proposal and participate in related discussions or negotiations so long as:

- Winland's Board of Directors determines in good faith that such action is required for the Board of Directors to comply with its fiduciary duties to shareholders imposed by law, the Board of Directors has been so advised in

writing by outside counsel, in its judgment and opinion, as being so required and the Board of Directors so represents to Nortech that the Board of Directors has been so advised;

- prior to furnishing information to, or entering into discussions and negotiations with, such person or entity, Winland promptly provides written notice to Nortech to the effect that it is furnishing information to, or entering into discussions or negotiations with, such person or entity; and
- Winland keeps Nortech informed of all material terms and events with respect to such Alternative Proposal.

Additional Pre-Closing Matters

Nortech and Winland will use reasonable efforts to take, or cause to be taken, all actions necessary to complete the Asset Sale, including but not limited to by obtaining all required consents and approvals from governmental entities and third parties. Additionally, we will take all requested actions with respect to any required filings with any state or local government authority with respect to the termination of any existing, or new applications, registrations to do business or vendor registrations.

Non-Compete and Non-Solicitation

In connection with the Asset Sale, we agreed that for two years after the closing, none of us, Thomas de Petra and Glenn Kermes, will do any of the following, within a sixty (60) mile range from Winland' current offices in Mankato, Minnesota:

- engage in any business that is in competition with the Electronic Manufacturing Services (EMS) business unit;
- solicit any customer of Nortech or any subsidiary of Nortech with respect to any business competitive with the Electronic Manufacturing Services (EMS) business unit;
- assist any person or entity in any way to do, including but not limited to performing consulting services, or attempt to do, anything that competes with the Electronic Manufacturing Services (EMS) business unit or solicits any customer of Nortech or any subsidiary of Nortech;
- hire, solicit or encourage any employee or independent contractor of Nortech or any subsidiary of Nortech to leave the employment or terminate its contract relationship, as the case may be, with Nortech or any subsidiary of Nortech; or
- make any negative, disparaging, or defamatory statement about the Electronic Manufacturing Services (EMS) business unit, Nortech, or their management or employees.

Conditions to Closing

Each party's obligation to complete the Asset Sale is subject to the satisfaction or waiver, prior to the consummation of the Asset Sale, of the following conditions:

- the absence of any statute, rule, regulation, executive order, decree, injunction or other order that has been enacted, issued, promulgated, enforced or entered by any governmental authority that has the effect of restricting in any material respect, preventing or prohibiting the closing of the Asset Sale; and
- the absence of any legal proceeding challenging or seeking damages in connection with the Asset Sale or seeking to restrain, prohibit or limit the exercise of full rights of ownership or operation by Nortech of all or any portion of Electronic Manufacturing Services (EMS) business unit that would reasonably be expected to have a Material Adverse Effect;

The obligation of Nortech to complete the Asset Sale is subject to the satisfaction or waiver of the following additional conditions:

- the representations and warranties of Winland in the Asset Purchase Agreement shall be true and correct as of the Closing Date, except for such failures as would not have a Material Adverse Effect;

- the covenants and agreements of Winland to be performed on or prior to the Closing shall have been duly performed in all material respects;

- Winland and Nortech shall have obtained any and all governmental authorizations or other consents necessary to sell, transfer and convey the Property to Nortech in accordance with the Asset Purchase Agreement;
- Nortech's Board of Directors shall have approved the Asset Sale and its bank shall have approved the financing;
 - Winland shall have delivered a bill of sale for the Property that is tangible personal property;
 - Winland shall have delivered an assignment agreement for the Property that is intangible property;
 - Winland shall have delivered a Secretary's Certificate and an Officer's Certificate;
- Winland shall have delivered executed Covenant-Not-To-Compete Agreements signed by Winland, Thomas J. de Petra and Glenn Kermes;
 - Winland shall have delivered the executed Purchaser Lease Agreement and Seller Sublease Agreement;
 - Winland shall have delivered the executed Manufacturing Agreement;
- Winland shall have delivered copies of the Board of Directors of Winland authorizing and approving the Asset Sale;
- Winland shall have delivered a certification that Winland's shareholders have authorized and approved the Asset Sale; and
- Winland shall have delivered such other instruments and documents that may be reasonably requested or required by Nortech to consummate the transfer of the Property and assignment and assumption of the Assumed Liabilities pursuant to the Asset Purchase Agreement.

The obligation of Winland to complete the Asset Sale is subject to the satisfaction or waiver of the following additional conditions:

- the representations and warranties of Nortech in the Asset Purchase Agreement shall be true and correct as of the Closing Date, except for such failures as would not have a Material Adverse Effect;
- the covenants and agreements of Nortech to be performed on or prior to the Closing shall have been duly performed in all material respects;
- Winland and Nortech shall have obtained any and all governmental authorizations or other consents necessary to sell, transfer and convey the Property to Nortech in accordance with the Asset Purchase Agreement;
- Winland shall have obtained all authorizations, consents and approvals required to be obtained by Winland to consummate the transactions contemplated by the Asset Purchase Agreement. Winland shall have obtained releases pursuant to UCC-3's, as applicable, or otherwise, of all liens with respect to the Property;
 - Winland's Board of Directors and its shareholders shall have approved the Asset Sale;
- Nortech shall have delivered the Purchase Price by wire transfer in immediately available funds to Winland;
 - Nortech shall have delivered an assignment and assumption agreement for the Assumed Liabilities;

- Nortech shall have delivered a Secretary's Certificate and an Officer's Certificate;

- Nortech shall have delivered the executed Purchaser Lease Agreement and Seller Sublease Agreement;
- Nortech shall have delivered the executed Manufacturing Agreement;
- Nortech shall have delivered copies of the Board of Directors of Nortech authorizing and approving the Asset Sale;
- Winland shall have delivered a certification that Winland's shareholders have authorized and approved the Asset Sale; and
- Nortech shall have delivered such other instruments and documents that may be reasonably requested or required by Winland to consummate the transfer of the Property and assignment and assumption of the Assumed Liabilities pursuant to the Asset Purchase Agreement.

Termination

The Asset Purchase Agreement may be terminated at any time prior to closing as follows:

- by mutual written agreement of the parties;
- by either us or Nortech, if:
 - the closing has not occurred on or before January 2, 2011, so long as the failure of the closing to occur by such date was not caused by or the result of the terminating party's failure to fulfill any obligation under the Asset Purchase Agreement;
 - a governmental authority has enacted, issued, promulgated, enforced or entered any final and non-appealable law that has the effect of making the Asset Sale illegal or otherwise preventing or prohibiting the consummation of the Asset Sale, so long as the government action was not caused by or the result of the terminating party's failure to fulfill any obligation under the Asset Purchase Agreement; or
 - shareholder approval of Asset Sale is not obtained at the Special Meeting.
- by us if we have entered into a definitive agreement with respect to an Alternative Proposal.

Indemnification

Following the completion of the Asset Sale, we will continue to honor all rights, including rights to indemnification, advancement of expenses and exculpation, existing in favor of, and all exculpations and limitations of the personal liability of, the officers, employees and agents of Winland as of the execution date of the Asset Purchase Agreement and any other such person who becomes a director, officer, employee or agent of Winland prior to the closing.

After the Closing, we will indemnify Nortech against all losses, liabilities, damages, demands, legal proceedings, judgments, assessments and costs and expenses arising from (i) any inaccuracy or breach of our representations and warranties contained in the Asset Purchase Agreement or in any related document or the breach or non-performance of any of our covenants or obligations, (ii) any liability arising out of or relating to the ownership or operation of the Property prior to the closing, other than the Assumed Liabilities and (iii) any retained liabilities. Additionally, Nortech will indemnify us against all losses, liabilities, damages, demands, proceedings, judgments, assessments and costs and expenses arising from (i) any inaccuracy or breach of their representations and warranties contained in the Asset Purchase Agreement or in any related document or the breach or non-performance of any covenant or obligation

of Nortech, (ii) any liability arising out of Nortech's conduct of the business of Preparedness Services following the closing, other than any retained liabilities and (iii) any Assumed Liabilities.

Subject to certain exceptions, our indemnifications to Nortech with respect to representations and warranties will be provided only in excess of losses exceeding Twenty-Five Thousand Dollars (\$25,000) in the aggregate and shall not be in excess of Seven Hundred Fifty Thousand Dollars (\$750,000) in the aggregate. Notwithstanding the foregoing, indemnifications with respect to representations and warranties will expire on the date twelve months after the Closing Date.

Amendment; Waiver

The Asset Purchase Agreement may not be changed, amended, terminated, augmented, rescinded or discharged except in writing by both of the parties and no waiver of any of the provisions of the Asset Purchase Agreement will be effective unless set forth in writing and executed by the consenting parties. The waiver by any party of any condition or breach will not be deemed to be a waiver of any prior or subsequent breach.

ADJOURNMENT OF THE SPECIAL MEETING (PROPOSAL NO. 2)

If the number of shares of common stock present in person or represented by proxy at the Special Meeting voting in favor of the proposal to approve the Asset Sale is insufficient to approve the Asset Sale at the time of the Special Meeting, we intend to move to adjourn the Special Meeting to a later date in order to enable the Board to solicit additional proxies in respect of the proposal to approve the Asset Sale.

In this proposal regarding the adjournment or postponement of the Special Meeting, we are asking you to authorize the holder of any proxy solicited by the Board to vote in favor of granting discretionary authority to the proxy or attorney-in-fact to adjourn the Special Meeting for the purpose of soliciting additional proxies in favor of the proposal to approve the Asset Sale. If our shareholders approve the adjournment proposal, we could adjourn the Special Meeting and any adjourned session of the Special Meeting and use the additional time to solicit additional proxies, including the solicitation of proxies from shareholders that have previously returned properly executed proxies voting against the Asset Sale. Among other things, approval of the adjournment proposal could mean that, even if we had received proxies representing a sufficient number of votes against the Asset Sale such that the proposal to approve the Asset Sale would be defeated, we could adjourn the Special Meeting without a vote on the approval of the Asset Sale and seek to convince the holders of those shares to change their votes to votes in favor of the Asset Sale. Additionally, we may seek to adjourn the Special Meeting if a quorum is not present at the Special Meeting.

Vote Required for Approval

Approval of the proposal to adjourn the Special Meeting to a later date, if necessary or appropriate, to allow for the solicitation of additional proxies, requires the affirmative "FOR" vote of a majority of the shares of common stock present or represented by proxy at the Special Meeting and entitled to vote thereon.

Recommendation of the Board of Directors

The Board unanimously recommends that you vote "FOR" the adjournment or postponement of the Special Meeting, if necessary or appropriate, to solicit additional proxies.

MARKET PRICE OF OUR COMMON STOCK

Our common stock is listed on the NYSE AMEX under the symbol “WEX”. Based upon information furnished by our transfer agent, as of November 10, 2010, we had 384 holders of record of our common stock.

The following table sets forth the high and low market closes, as reported by NYSE AMEX during 2010 to date, 2009 and 2008:

	Low	High
Year Ended December 31, 2010		
First Quarter	\$ 0.79	\$ 1.36
Second Quarter	\$ 0.86	\$ 1.07
Third Quarter	\$ 0.60	\$ 0.80
Fourth Quarter (through November 26, 2010)	\$ 0.63	\$ 0.82
Year Ended December 31, 2009		
First Quarter	\$ 0.43	\$ 0.77
Second Quarter	\$ 0.50	\$ 0.80
Third Quarter	\$ 0.65	\$ 0.92
Fourth Quarter	\$ 0.71	\$ 0.87
Year Ended December 31, 2008		
First Quarter	\$ 1.95	\$ 2.44
Second Quarter	\$ 1.52	\$ 2.08
Third Quarter	\$ 0.89	\$ 1.60
Fourth Quarter	\$ 0.39	\$ 0.95

On November 10, 2010, the fair market value of Winland’s Common Stock was \$0.73 based on the closing price quoted by NYSE AMEX on that date.

On November 15, 2010, in connection with our announcement of our entry into the Asset Purchase Agreement, Thomas J. de Petra, our Chief Executive Officer, stated that, proceeds from the Asset Sale will be used to satisfy existing contractual, banking and employee contracts, as well as give us enough capital to move forward with our proprietary products business unit.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table provides information as of November 10, 2010 concerning the beneficial ownership of our Common Stock by (i) the persons known by us to own more than 5% of our outstanding Common Stock, (ii) each of our directors, (iii) the named executive officers in the Summary Compensation Table and (iv) all current executive officers and directors as a group. Except as otherwise indicated, the persons named in the table have sole voting and investment power with respect to all shares of Common Stock owned by them. As of November 10, 2010, there were 3,699,230 shares of our Common Stock issued and outstanding.

Name (and Address of 5% Owner) or Identity of Group	Number of Shares Beneficially Owned(1)	Percent of Class (1)
Lorin E. Krueger	85,036 (2)	3.0 %
Thomas J. de Petra	66,235 (3)	1.7 %
Richard T. Speckmann	42,100 (4)	*
Glenn A. Kermes	46,000 (5)	*
Thomas J. Goodmanson	39,000 (6)	*
Thomas J. Brady	34,000 (7)	*
David Kuklinski	7,200 (8)	*
FMR LLC	337,600 (9)	9.2 %
All Executive Officers and Directors as a Group (7 Individuals)	319,571 (10)	8.6 %

* Less than 1% of the outstanding shares of Common Stock.

(1) Under the rules of the SEC, shares not actually outstanding are deemed to be beneficially owned by an individual if such individual has the right to acquire the shares within 60 days. Pursuant to such SEC Rules, shares deemed beneficially owned by virtue of an individual's right to acquire them are also treated as outstanding when calculating the percent of the class owned by such individual and when determining the percent owned by any group in which the individual is included.

(2) Includes 11,000 shares which may be purchased by Mr. Krueger upon exercise of currently exercisable options. Mr. Krueger's address is 517 River Hills Road, Mankato MN 56001.

(3) Includes 36,500 shares which may be purchased by Mr. de Petra upon exercise of currently exercisable options.

(4) Includes 33,000 shares which may be purchased by Mr. Speckmann upon exercise of currently exercisable options.

(5) Includes 42,000 shares which may be purchased by Mr. Kermes upon exercise of currently exercisable options.

(6) Includes 22,000 shares which may be purchased by Mr. Goodmanson upon exercise of currently exercisable options.

(7) Includes 12,000 shares held by Mr. Brady's spouse and 22,000 shares which may be purchased by Mr. Brady upon exercise of currently exercisable options.

(8) Consists of 14,400 shares which may be purchased by Mr. Kuklinski upon exercise of currently exercisable options.

(9) According to a Schedule 13G/A filed with the Securities and Exchange Commission on February 17, 2009 by FMR LLC ("FMR") and Edward C. Johnson III, Chairman and principal shareholder of FMR, the shares are

beneficially owned by Fidelity Management & Research Company (“Fidelity Research”) as an investment adviser to various investment companies (the “Funds”), including Fidelity Low Priced Stock Fund (“Fidelity Fund”), with Mr. Johnson, FMR and the Funds each having the sole power to dispose of such shares and the Funds’ Boards of Trustees having the sole power to vote or direct the vote of such shares. Fidelity Research and Fidelity Fund are wholly-owned subsidiaries of FMR. The address for FMR is 82 Devonshire Street, Boston, Massachusetts 02109.

(10) Includes 180,900 shares which may be purchased by executive officers and directors upon exercise of currently exercisable options.

SUBMISSION OF SHAREHOLDERS PROPOSALS

In order to be considered for inclusion in the proxy materials to be distributed in connection with our 2011 Annual Meeting of Shareholders (the "2011 Annual Meeting"), shareholder proposals for such meeting must be submitted to us no later than February 7, 2011.

Under SEC rules, if we do not receive notice of a shareholder proposal at least 45 days prior to the first anniversary of the date of mailing of the prior year's proxy statement, then we will be permitted to use our discretionary voting authority when the proposal is raised at the annual meeting, without any discussion of the matter in the proxy statement. In connection with the 2011 Annual Meeting, if we do not have notice of a shareholder proposal on or before March 11, 2011, we will be permitted to use our discretionary voting authority as outlined above.

Our Restated Bylaws establish procedures for shareholder nominations for elections of directors and bringing business before any annual meeting or special meeting of shareholders. Any shareholder entitled to vote generally in the election of directors may nominate one or more persons for election as directors at a meeting only if written notice of such shareholder's intent to make such nomination or nominations has been delivered to the Secretary of the Company at our principal executive offices not less than 90 days nor more than 120 days prior to the first anniversary of the prior year's annual meeting. In the event that the date of the annual meeting is more than 30 days before or more than 60 days after the anniversary date of the prior year's annual meeting, the shareholder notice must be given not more than 120 days nor less than the later of 90 days prior to the date of the annual meeting and the 10th day following the date on which the date of the annual meeting is first publicly announced or disclosed by the Company. Any notice to the Secretary must include: (a) as to each person whom the shareholder proposes to nominate for election or reelection as a director all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to Regulation 14A under the Exchange Act and Rule 14a-11 thereunder (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected) and any additional information reasonably requested by the Board; (b) as to any other business that the shareholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of such shareholder and the beneficial owner, if any, on whose behalf the proposal is made; and (c) as to the shareholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (i) the name and address of such shareholder, as they appear on the Company's books, and of such beneficial owner, (ii) the class and number of shares of the Company that are owned beneficially and of record by such shareholder and such beneficial owner, (iii) all information relating to such shareholder and such beneficial owner that is required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to regulation 14A under the Exchange Act and Rule 11a-11 thereunder, and (iv) any additional information reasonably requested by the Board.

Notwithstanding anything in the previous paragraph to the contrary, in the event that the number of directors to be elected to the Board is increased and there is no public announcement by us naming all of the nominees for director or specifying the size of the increased Board at least 70 days prior to the first anniversary of the preceding year's annual meeting, a shareholder's notice required by the Restated Bylaws will also be considered timely, but only with respect to nominees for any new positions created by such increase, if it is delivered to the Secretary of the Company at our principal executive offices not later than the close of business on the 10th day following the day on which such public announcement is first made by the Company.

We may require any proposed nominee to furnish such other information as may reasonably be required by us to determine the eligibility of such proposed nominee to serve as a director. The chairman of the meeting may, if the facts warrant, determine that a nomination was not made in accordance with the foregoing procedure, in which event, the officer will announce that determination to the meeting and the defective nomination will be disregarded.

OTHER MATTERS

At this time, we know of no other matters to be submitted to our shareholders at the Special Meeting. If any other matters properly come before the Special Meeting in which your proxy has provided discretionary authority, your shares of common stock will be voted in accordance with the discretion of the persons named on the enclosed proxy card in accordance with their best judgment.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any document we file at the SEC's public reference room located at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. Our SEC filings are also available to the public at the SEC's website at <http://www.sec.gov>. You also may obtain free copies of the documents we file with the SEC by going to the Investor Relations page of our corporate website at <http://www.winland.com>. Our website address is provided as an inactive textual reference only. The information provided on our website is not part of this proxy statement, and therefore is not incorporated herein by reference.

Statements contained in this proxy statement, or in any document incorporated by reference in this proxy statement regarding the contents of any contract or other document, are not necessarily complete and each such statement is qualified in its entirety by reference to that contract or other document filed as an exhibit with the SEC. The SEC allows us to "incorporate by reference" into this proxy statement documents we file with the SEC. This means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be a part of this proxy statement, and later information that we file with the SEC will update and supersede that information. We incorporate by reference any documents filed by us pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this proxy statement and before the date of the Special Meeting.

Any person, including any beneficial owner, to whom this proxy statement is delivered may request copies of proxy statements and any of the documents incorporated by reference in this document or other information concerning us, without charge, by written request directed to Winland Electronics, Inc., 1950 Excel Drive, Mankato, Minnesota 56001, Attention: Corporate Secretary on the Investor Relations page of our corporate website at <http://www.winland.com> or from the SEC through the SEC's website at the address provided above. Documents incorporated by reference are available without charge, excluding any exhibits to those documents unless the exhibit is specifically incorporated by reference into those documents.

THIS PROXY STATEMENT DOES NOT CONSTITUTE THE SOLICITATION OF A PROXY IN ANY JURISDICTION TO OR FROM ANY PERSON TO WHOM OR FROM WHOM IT IS UNLAWFUL TO MAKE SUCH PROXY SOLICITATION IN THAT JURISDICTION. YOU SHOULD RELY ONLY ON THE INFORMATION CONTAINED OR INCORPORATED BY REFERENCE IN THIS PROXY STATEMENT TO VOTE YOUR SHARES AT THE SPECIAL MEETING. WE HAVE NOT AUTHORIZED ANYONE TO PROVIDE YOU WITH INFORMATION THAT IS DIFFERENT FROM WHAT IS CONTAINED IN THIS PROXY STATEMENT. THIS PROXY STATEMENT IS DATED NOVEMBER 29, 2010. YOU SHOULD NOT ASSUME THAT THE INFORMATION CONTAINED IN THIS PROXY STATEMENT IS ACCURATE AS OF ANY DATE OTHER THAN THAT DATE, AND THE MAILING OF THIS PROXY STATEMENT TO SHAREHOLDERS DOES NOT CREATE ANY IMPLICATION TO THE CONTRARY.

UNAUDITED PRO FORMA CONDENSED FINANCIAL STATEMENTS

The following unaudited pro forma condensed financial statements are derived from our historical financial statements and give effect to the sale of substantially all of the assets of our Electronic Manufacturing Services (EMS) business unit. The following unaudited pro forma condensed financial statements also reflect the recording of the net proceeds from the various sales and the assumptions and adjustments described in the accompanying notes to the unaudited pro forma condensed financial statements.

The sale of the assets of Electronic Manufacturing Services (EMS), which represents the sale of our entire Electronic Manufacturing Services (EMS) business unit, is to be completed pursuant to the terms of the Asset Purchase Agreement and is subject to shareholder approval at the Special Meeting, as described elsewhere within this proxy.

The unaudited pro forma condensed statements of operations for the nine months ended September 30, 2010 and 2009 and for the years ended December 31, 2009 and 2008 assume that the asset sales were effective as of the beginning of each such period. The unaudited pro forma condensed balance sheet as of September 30, 2010 is presented as if the asset sales had occurred as of that date.

The unaudited pro forma condensed financial statements are based upon information and assumptions available at the time of the filing of this proxy statement and do not purport to represent, and are not necessarily indicative of, what our actual financial position and results of operations would have been had the asset sale occurred on the dates indicated.

These unaudited pro forma condensed financial statements reflect all adjustments that, in the opinion of management, are necessary to present fairly the pro forma results of operations and financial position.

In the preparation of the pro forma balance sheet as of September 30, 2010, the assumption was made that the assets were sold and liabilities were assumed by the purchasing party pursuant to the asset purchase agreement.

The unaudited pro forma condensed financial statements, including the notes thereto, are qualified in their entirety by reference to, and should be read in conjunction with, the audited historical financial statements and the notes thereto for the years ended December 31, 2009 and 2008 and our unaudited historical financial statements and the notes thereto for the nine months ended September 30, 2010 and 2009, which are excerpted and included hereto.

WINLAND ELECTRONICS, INC.
PRO FORMA CONDENSED BALANCE SHEETS
September 30, 2010
(In Thousands, Except Share Data)

ASSETS	As Reported Unaudited September 30, 2010	Pro Forma Adjustments	Pro Forma September 30, 2010
ASSETS			
Current Assets			
Cash	\$ 182	411 (a)	\$ 593
Accounts receivable, less allowance for doubtful accounts of \$43	2,532	(1,977) (e)	555
Due from Buyer related to discontinued operations	-	500 (b)	500
Refundable income taxes	291	-	291
Inventories, less allowance for obsolescence of \$777	3,319	(3,319) (m)	-
Inventory related to Proprietary Products Segment, less allowance for obsolescence of \$158	-	465 (m)	465
Prepaid expenses and other assets	250	(158) (h)	92
Current assets related to discontinued operations:	-	-	-
Inventory related to Asset Purchase Agreement, less allowance for obsolescence of \$619	-	2,854 (m)	2,854
Total current assets	6,574	(1,224)	5,350
Property and equipment at cost	11,921	(8,078)	3,843
Less accumulated depreciation	(8,212)	6,813	(1,399)
Net property and equipment	3,709	(1,265) (j)	2,444
Total assets	\$ 10,283	\$ (2,489)	\$ 7,794
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities			
Revolving line of credit agreement	\$ 948	\$ (948) (a)	\$ -
Current maturities of long-term debt	384	(275) (g)	109
Accounts payable	1,456	(1,268) (f)	188
Accounts payable - transaction costs	-	488 (c)	488
Unearned rent	-	261 (d)	261
Accrued expenses:			
Compensation	265	(250) (a)	15
Severance compensation	-	407 (k)	407
Other short-term tax liabilities	68	-	68
Other	120	(48) (i)	72
Total current liabilities	3,241	(1,633)	1,608
Long-Term Liabilities			
Long-term debt, less current maturities	413	(48) (g)	365
Deferred revenue	116	-	116
Total long-term liabilities	529	(48)	481

Stockholders' Equity

Common stock, par value \$0.01 per share;
authorized

20,000,000 shares; issued and outstanding 3,699,230
shares as of September 30, 2010

	37	-		37
Additional paid-in capital	5,046	-		5,046
Retained earnings	1,430	(808)	(1)	622
Total stockholders' equity	6,513	(808)		5,705
Total liabilities and stockholders' equity	\$ 10,283	\$ (2,489)		\$ 7,794

Winland Electronics Inc.
Pro forma adjustments – Condensed Balance Sheets
September 30, 2010

The sale of property and equipment is based on its net book value of \$1,265,000 and the assumption by the buyer of certain assets and liabilities of the EMS business unit of \$(329,000), net. Sales proceeds received were cash of \$1,500,000, and additional cash due from the buyer of \$500,000 is payable in equal installments on July 1 and October 1, 2011. Transaction costs payable (broker, legal and accounting fees) total \$488,000. The Company will also provide the buyer with one year of free rent at approximately \$261,000 per year (unearned rent). Severance packages associated with executive leadership changes due to the sale estimated at \$407,000.

Cash received	\$ 1,500	
Targeted net receivable difference	109	(n)
Due from buyer	500	(b)
Subtotal	2,109	
Less: Transaction costs	(488)	(c)
Net proceeds	1,621	
Accounts Receivable associated with EMS	(1,977)	(e)
Assumption of accounts payable associated with EMS	1,268	(f)
Assumption of capital leases associated with EMS	323	(g)
Prepays of EMS	(158)	(h)
Assumption of other accrued expenses	48	(i)
Sale of property and equipment associated with EMS	(1,265)	(j)
Subtotal	(140)	
Less: Unearned rent	(261)	(d)
Less: Severance agreements associated with change business model	(407)	(k)
Loss on disposition of assets	\$(808)	(l)

(a) Total cash received	\$ 1,500	
Add: Targeted net receivable difference	109	(n)
Less: Payoff of revolving line of credit agreement	(948)	()
Subtotal	661	
Less: Payment of accrued compensation	(250)	()
	\$411	

The asset purchase agreement includes a target net receivable of \$600,000, defined as accounts receivable associated with EMS less accounts payable associated with EMS. The final purchase price will be adjusted dollar for dollar for the difference between the actual net receivable and the target net receivable. Based on the Pro Forma financial statements, the purchase price would be increased by \$109,000, calculated as follows:

Accounts receivable associated with EMS	\$1,977	
Accounts payable associated with EMS	1,268	
Net receivable	709	
Target receivable per asset purchase agreement	600	
	\$109	(n)

The asset purchase agreement includes a provision whereby the buyer will purchase additional EMS inventory as it is consumed. The asset purchase agreement includes a minimum purchase commitment of \$2.2 million of EMS inventory over a twenty-four month period. Any inventory that is not consumed within two years following the agreement could result in additional losses for the Company. Management believes all inventory related to the EMS business will be consumed by the buyer but there is no insurance there will not be a potential loss.

Total inventory held	\$3,319	(m)
Less: net inventory related to the proprietary business unit	(465)	(m)
Inventory related to the EMS business unit	2,854	(m)
Less: minimum inventory commitment per assets purchase agreement	(2,200))
Maximum potential additional loss on inventory	\$654	

Winland Electronics, Inc.
 Pro Forma Statements of Operations
 For the Nine Months Ended September 30, 2010
 (In Thousands, Except Share and Per Share Data)

	As Reported	Pro Forma Adjustments (A)	Pro Forma For the Nine Months Ended September 30, 2010
Net sales	\$ 14,053	\$ (11,603)	\$ 2,450
Cost of sales	13,061	(11,666)	1,395
Gross profit	992	63	1,055
Operating expenses			
General and administrative	1,339	-	1,339
Sales and marketing	1,039	(303)	736
Research and development	290	-	290
Total operating expenses	2,668	(303)	2,365
Operating loss	(1,676)	366	(1,310)
Other income (expense)			
Interest expense	(100)	83	(17)
Other income (expense), net	22	-	22
Total other income (expense)	(78)	83	5
Loss before income taxes	(1,754)	449	(1,305)
Income tax benefit (expense)	87	-	87
Loss from continuing operations	\$ (1,667)	\$ 449	\$ (1,218)
Loss from discontinued operations	-	(449)	(449)
Net loss	\$ (1,667)	\$ -	\$ (1,667)
Loss per common share data:			
Basic and diluted	\$ (0.45)	\$ -	\$ (0.45)
Income (loss) from continuing operations per common share data:			
Basic and diluted	\$ (0.45)	\$ 0.12	\$ (0.33)
Income (loss) from discontinued operations per common share data:			
Basic and diluted	\$ -	\$ (0.12)	\$ (0.12)
Weighted-average number of common shares outstanding:			
Basic and diluted	3,690,911	3,690,911	3,690,911

Winland Electronics, Inc.
Pro Forma Statements of Operations
Year Ended December 31, 2009
(In Thousands, Except Share and Per Share Data)

	As Reported	Pro Forma Adjustments (A)	Pro Forma For the Year Ended December 31, 2009
Net sales	\$ 22,547	\$ (19,356)	\$ 3,191
Cost of sales	20,291	(18,934)	1,357
Gross profit	2,256	(422)	1,834
Operating expenses:			
General and administrative	2,064	-	2,064
Sales and marketing	1,549	(505)	1,044
Research and development	546	(20)	526
Total operating expenses	4,159	(525)	3,634
Operating loss	(1,903)	103	(1,800)
Other income (expenses):			
Interest expense	(99)	85	(14)
Other, net	(10)	-	(10)
Total other expense	(109)	85	(24)
Loss before income taxes	(2,012)	188	(1,824)
Income tax benefit	481	-	481
Loss from continuing operations	\$ (1,531)	\$ 188	\$ (1,343)
Loss from discontinued operations	-	(188)	(188)
Net Loss	\$ (1,531)	\$ -	\$ (1,531)
Loss per common share data:			
Basic and diluted	\$ (0.42)	\$ -	\$ (0.42)
Income (loss) from continuing operations per common share data:			
Basic and diluted	\$ (0.42)	\$ 0.05	\$ (0.37)
Loss from discontinued operations per common share data:			
Basic and diluted	\$ -	\$ (0.05)	\$ (0.05)
Weighted-average number of common shares outstanding:			
Basic and diluted	3,664,395	3,664,395	3,664,395

Winland Electronics, Inc.
Pro Forma Statements of Operations
For the Nine Months Ended September 30, 2009
(In Thousands, Except Share and Per Share Data)

	As Reported	Pro Forma Adjustments (A)	Pro Forma For the Nine Months Ended September 30, 2009
Net sales	\$ 18,008	\$ (15,636)	\$ 2,372
Cost of sales	16,153	(14,881)	1,272
Gross profit	1,855	(755)	1,100
Operating expenses			
General and administrative	1,636	-	1,636
Sales and marketing	1,122	(350)	772
Research and development	394	-	394
Total operating expenses	3,152	(350)	2,802
Operating loss	(1,297)	(405)	(1,702)
Other income (expense)			
Interest expense	(75)	65	(10)
Other income (expense), net	(12)	-	(12)
Total other expense	(87)	65	(22)
Loss before income taxes	(1,384)	(340)	(1,724)
Income tax benefit (expense)	(150)	-	(150)
Loss from continuing operations	\$(1,534)	\$ (340)	\$(1,874)
Income from discontinued operations	-	340	340
Net Loss	\$(1,534)	\$ -	\$(1,534)
Loss per common share data:			
Basic and diluted	\$(0.42)	\$ -	\$(0.42)
Loss from continuing operations per common share data:			
Basic and diluted	\$(0.42)	\$ (0.09)	\$(0.51)
Income from discontinued operations per common share data:			
Basic and diluted	\$-	\$ 0.09	\$0.09
Weighted-average number of common shares outstanding:			
Basic and diluted	3,672,710	3,672,710	3,672,710

Winland Electronics, Inc.
 Pro Forma Statements of Operations
 Year Ended December 31, 2008
 (In Thousands, Except Share and Per Share Data)

	As Reported	Pro Forma Adjustments (A)	Pro Forma For the Year Ended December 31, 2008
Net sales	\$ 28,665	\$ (25,292)	\$ 3,373
Cost of sales	25,175	(23,458)	1,717
Gross profit	3,490	(1,834)	1,656
Operating expenses:			
General and administrative	2,243	-	2,243
Sales and marketing	1,392	(735)	657
Research and development	872	-	872
Total operating expenses	4,507	(735)	3,772
Operating loss	(1,017)	(1,099)	(2,116)
Other income (expenses):			
Interest expense	(126)	111	(15)
Other, net	26	-	26
Total other expense	(100)	111	11
Loss before income taxes	(1,117)	(988)	(2,105)
Income tax benefit	89		89
Loss from continuing operations	\$ (1,028)	\$ (988)	\$ (2,016)
Income from discontinued operations	-	988	988
Net Loss	\$ (1,028)	\$ -	\$ (1,028)
Loss per common share data:			
Basic and diluted	\$ (0.28)	\$ -	\$ (0.28)
Loss from continuing operations per common share data:			
Basic and diluted	\$ (0.28)	\$ (0.27)	\$ (0.55)
Income from discontinued operations per common share data:			
Basic and diluted	\$ -	\$ 0.27	\$ 0.27
Weighted-average number of common shares outstanding:			
Basic and diluted	3,649,661	3,649,661	3,649,661

Winland Electronics Inc.
 Pro forma Adjustments – Condensed Statements of Operations
 For the years ended December 31, 2008 and 2009
 and the nine months ended September 30, 2010 and 2009

(A) Reflects the sales of the Electronic Manufacturing Services (EMS) segment for the years ended December 31, 2009 and 2008 and the nine months ended September 30, 2010 and 2009.

(In thousands)	Nine months ended September		Fiscal Year ended December 31,	
	2010	30, 2009	2009	2008
Net sales	\$ 11,603	\$ 15,636	\$ 19,356	\$ 25,292
Cost of goods sold	11,666	14,881	18,934	23,458
Selling, general and administrative expenses	303	350	505	735
Income (loss) from discontinued operations, net of tax	(449)	340	(188)	988

UNAUDITED HISTORICAL CONDENSED FINANCIAL STATEMENTS OF WINLAND ELECTRONICS, INC.
EMS OPERATIONS

We have prepared the following unaudited financial statements to show the balance sheets and statements of operations and cash flows of our Electronic Manufacturing Services (EMS) business unit on a stand-alone basis. The unaudited financial statements have been derived from our historical financial data, and represent the results of operations and financial position of our Electronic Manufacturing Services (EMS) business unit.

The unaudited financial statements include unaudited balance sheets of our Electronic Manufacturing Services (EMS) business unit as of September 30, 2010, and December 31, 2009 and 2008, and unaudited statements of operations and cash flows for the nine months ended September 30, 2010 and 2009, and for the years ended December 31, 2009 and 2008.

The unaudited financial statements of our Electronic Manufacturing Services (EMS) business unit do not purport to represent, and are not necessarily indicative of what the actual financial results would have been had we operated Electronic Manufacturing Services (EMS) business unit as a separate entity.

The unaudited financial statements of our Electronic Manufacturing Services (EMS) business unit, including the notes thereto, are qualified in their entirety by reference to, and should be read in conjunction with, the audited historical financial statements and the notes thereto for the years ended December 31, 2009 and 2008 and our unaudited historical financial statements and the notes thereto for the nine months ended September 30, 2010 and 2009, which are excerpted and included hereto.

WINLAND ELECTRONICS, INC.
BALANCE SHEETS - EMS OPERATIONS
DECEMBER 31, 2009 AND 2008 AND SEPTEMBER 30, 2010
(In Thousands)
(Unaudited)

	December 31,		September 30,
	2009	2008	2010
Assets			
Current Assets			
Cash and cash equivalents	\$ -	\$ -	\$ -
Accounts receivable, net	2,172	3,019	1,966
Refundable income taxes	753	327	123
Inventories	2,514	3,600	2,773
Prepaid expenses and other assets	222	201	217
Total current assets	5,661	7,146	5,079
Property and Equipment, at cost			
Land and land improvements	333	333	333
Building	2,651	2,651	2,661
Machinery and equipment	7,001	7,028	6,775
Data processing equipment	1,198	1,183	1,125
Office furniture and equipment	419	425	416
Unfinished property and equipment	172	-	118
Total property and equipment	11,774	11,620	11,427
Less accumulated depreciation and amortization	7,749	7,027	8,014
Net property and equipment	4,025	4,592	3,413
Total assets	\$ 9,686	\$ 11,739	\$ 8,492
Liabilities and Stockholders' Equity			
Current Liabilities			
Revolving line-of-credit	\$ 319	\$ -	\$ 823
Current maturities of long-term debt	330	341	334
Accounts payable	1,107	2,407	1,406
Due to Winland Electronics, Inc.	1,347	582	1,237
Accrued liabilities:			
Compensation	351	424	252
Other	39	111	108
Total current liabilities	3,493	3,864	4,160
Long-Term Liabilities			
Long-term debt, less current maturities	608	937	359
Total long-term liabilities	608	937	359
Total liabilities	4,101	4,801	4,519
Stockholders' Equity			
Retained earnings	5,586	6,937	3,973
Total stockholders' equity	5,586	6,937	3,973

Total liabilities and stockholders' equity	\$ 9,686	\$ 11,739	\$ 8,492
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See notes to unaudited financial statements

WINLAND ELECTRONICS, INC.
 STATEMENTS OF OPERATIONS - EMS OPERATIONS
 YEARS ENDED DECEMBER 31, 2009 AND 2008 AND NINE MONTH PERIODS ENDED SEPTEMBER 30,
 2010 AND 2009
 (In Thousands)
 (Unaudited)

	For the Twelve Months Ended December 31,		For the Nine Months Ended September 30,	
	2009	2008	2010	2009
Net sales	\$ 19,356	\$ 25,292	\$ 11,603	\$ 15,636
Cost of sales	18,934	23,458	11,666	14,881
Gross profit (loss)	422	1,834	(63)	755
Operating expenses:				
General and administrative	1,794	1,949	1,164	1,422
Sales and marketing	525	735	303	350
Total operating expenses	2,319	2,684	1,467	1,772
Operating loss	(1,897)	(850)	(1,530)	(1,017)
Other income (expenses):				
Interest expense	(85)	(111)	(83)	(65)
Total other expense	(85)	(111)	(83)	(65)
Loss before income taxes	(1,982)	(961)	(1,613)	(1,082)
Income tax benefit	630	119	-	-
Net Loss	\$ (1,352)	\$ (842)	\$ (1,613)	\$ (1,082)

See notes to unaudited financial statements

WINLAND ELECTRONICS, INC.
 STATEMENTS OF CASH FLOWS - EMS OPERATIONS
 YEARS ENDED DECEMBER 31, 2009 AND 2008 AND NINE MONTH PERIODS ENDED SEPTEMBER 30,
 2010 AND 2009
 (In Thousands)
 (Unaudited)

	December 31, 2009	2008	September 30, 2010	2009
Cash Flows From Operating Activities				
Net loss	\$ (1,352)	\$ (842)	\$ (1,613)	\$ (1,082)
Adjustments to reconcile net loss to net cash used in operating activities:				
Depreciation and amortization	801	803	575	604
Increase (decrease)in allowance for doubtful accounts	(78)	102	(6)	(89)
Deferred taxes	-	131	-	-
Loss on disposal of equipment	21	-	62	20
Changes in operating assets and liabilities:				
Accounts receivable	925	(161)	212	616
Refundable income taxes	(426)	(230)	630	204
Inventories	1,086	308	(259)	400
Prepaid expenses and other assets	(21)	19	5	(187)
Accounts payable	(1,300)	654	299	(929)
Accrued liabilities, including deferred revenue and other long-term tax liabilities	(145)	(521)	(30)	32
Net provided by (cash used) in operating activities	(489)	263	(124)	(410)
Cash Flows From Investing Activities				
Purchases of property and equipment	(264)	(237)	(31)	(75)
Proceeds from sale of property and equipment	8	-	7	8
Net cash used in investing activities	(256)	(237)	(24)	(67)
Cash Flows From Financing Activities				
Net borrowings on revolving credit agreement	319	-	504	440
Net principal payments on long-term borrowings, including capital lease obligations	(340)	(608)	(245)	(185)
Change in due to Winland Electronics, Inc.	766	582	(110)	223

Net provided by (cash used) in financing activities	744	(26)	148	478
Net increase (decrease) in cash and cash equivalents	(0)	0	0	0
Cash and cash equivalents				
Beginning of year	-	-	-	-
End of year	\$ (0)	\$ 0	\$ 0	\$ 0
Supplemental Disclosures of Cash Flow Information				
Cash payments for interest	\$ 90	\$ 108	\$ 70	\$ 67
Cash receipts from income taxes	\$ 204	\$ 20	\$ 630	\$ 204
Supplemental Schedule of Noncash Investing and Financing Activities				
Acquisition of property and equipment in accounts payable	\$ -	\$ 74	\$ -	\$ -

See notes to unaudited financial statements

WINLAND ELECTRONICS, INC.

NOTES TO FINANCIAL STATEMENTS – EMS OPERATIONS

Years Ended December 31, 2009 and 2008 and Nine Months Ended September 30, 2010 and 2009

(UNAUDITED)

Note 1. Nature of Business and Significant Accounting Policies

Nature of business: Winland Electronics, Inc. (“Winland” or the “Company”) designs and manufactures custom electronic controls and assemblies primarily for original equipment manufacturer (“OEM”) customers, providing services from early concept studies through complete product realization. The financial statements and footnotes herein contain only the operations of the Company’s Electronic Manufacturing Services (EMS) business unit.

A summary of Winland’s significant accounting policies for its EMS business unit follow:

Basis of Presentation: The accompanying unaudited financial statements as of and for the years ended December 31, 2009 and 2008, and as of September 30, 2010 and the nine month periods ended September 30, 2010 and 2009, have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and include the only those balances related to the EMS business unit of Winland Electronics, Inc.

These financial statements are presented without audit. In the opinion of management, all adjustments necessary to present fairly the financial position, results of operations and cash flows for all periods presented have been made.

Corporate services consisting of general and administrative services are provided by the management of Winland Electronics, Inc. who serve the activities of both the EMS unit and Winland’s other operating segments. Such costs are allocated to the applicable segments based on segment revenue as an estimate of those costs that would be incurred if the business unit were operated on a standalone basis. Allocations may not be indicative of costs incurred if the EMS business unit was a standalone business. The EMS business unit recorded \$1.8 million and \$1.9 million in corporate services as general and administrative expense for the years ended December 31, 2009 and 2008 and \$1.2 million and \$1.4 million in corporate services as general and administrative expense for the nine month periods ended September 30, 2010 and 2009, respectively.

All cash transactions for the EMS unit are processed by Winland Electronics, Inc., along with cash transactions for Winland’s other operating segments. Any deficit of operating income or loss from the EMS unit in excess of the cash provided by the EMS unit is recorded as Due to Winland Electronics, Inc. in the EMS unit balance sheet. The balance due to Winland Electronics, Inc. is non-interest bearing and due on demand.

No statement of changes in stockholders’ equity or per share information has been presented as all components of equity related to Winland reside at the corporate level.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and related disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include allowances for obsolete inventories, rework and warranties, valuation of long-lived assets and doubtful accounts. Winland cannot assure that actual results will not differ from those estimates.

Revenue Recognition: In most cases, revenue is recognized from the sale of products and out of warranty repairs when the product is delivered to a common carrier for shipment and title transfers.

A portion of the Company's business involves shipping product to a primary customer's location where it is held in a separate warehouse. Revenue is recognized when that customer notifies Winland that the inventory has been removed from the warehouse and title to the product is transferred.

Revenue recognition occurs for engineering design as services are completed. Winland has an agreement with one particular customer to amortize the cost of engineering design services as part of the piece part cost of the manufactured unit. For the year ended December 31, 2008, the customer paid Winland approximately \$31,000 for these services. These payments were classified as unearned revenue and recorded in Other Accrued Liabilities on the balance sheet. There was no unearned revenue as of December 31, 2009 or September 30, 2010.

Shipping and handling charges billed to customers are included in net sales, and shipping and handling costs incurred by the Company are included in cost of sales. For all sales, Winland either has a binding purchase order or customer accepted and signed engineering quote as evidence of the arrangement. Winland does not generally accept returns but does provide a limited warranty as outlined below under Allowance for Rework and Warranty Costs. Sales and use taxes are reported on a net basis, excluding them from sales and cost of sales.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Cash and cash equivalents: Cash and cash equivalents include money market mutual funds and other highly liquid investments defined as maturities of three months or less from date of purchase. Winland maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. Winland has not experienced any losses in such accounts.

Allowance for Doubtful Accounts: The Company generally requires no collateral from its customer with respect to trade accounts receivable. Invoices are generally due 30 days after presentation. Accounts receivable over 30 days are considered past due. Winland evaluates its allowance for uncollectible accounts on a quarterly basis and reviews any significant customers with delinquent balances to determine future collectability. Winland bases its determinations on legal issues, past history, current financial and credit agency reports, and experience. Winland reserves for accounts deemed to be uncollectible in the quarter in which the determination is made. Management believes these values are estimates and may differ from actual results. Winland believes that, based on past history and credit policies, the net accounts receivable are of good quality. Bad debt expense for the year ended December 31, 2009 was \$51,000 offset by collection of \$60,000 for a previously written off bad debt. Bad debt expense for the year ended December 31, 2008 was \$109,000. Bad debt expense for the nine months ended September 30, 2010 was \$22,000 offset by collection of \$28,000 for a previously written off bad debt. Bad debt expense for the nine months ended September 30, 2009 was \$27,000, offset by collection of \$60,000 for a previously written off bad debt. The Company writes off accounts receivable when they are deemed uncollectible and record recoveries of trade receivables previously written off when collected. The Allowance for Doubtful Accounts was \$49,000 and \$127,000 at December 31, 2009 and 2008, respectively. The allowance for doubtful accounts was \$43,000 at September 30, 2010.

Inventory Valuation: Raw component and finished goods inventories are stated at the lower of cost, using the first-in, first-out (FIFO) method, or market value. Winland estimates excess, slow moving and obsolete reserves for inventory on a quarterly basis based upon order demand and production requirements for its major customers and annual reviews for other customers. Management's estimated reserve for slow moving and obsolete inventories was \$456,000 and \$494,000 as of December 31, 2009 and 2008, respectively. Management's estimated reserve for slow moving and obsolete inventories was \$619,000 as of September 30, 2010.

Depreciation: Depreciation is computed using the straight-line method based on the estimated useful lives of the various assets, as follows:

	Years
Land improvements	17 - 20
Building	39 - 40
Machinery and equipment	5 - 7
Data processing equipment	3 - 7
Office furniture and equipment	3 - 7

Long-lived assets: Net long-lived assets amounted to \$4.0 million and \$4.6 million at December 31, 2009 and 2008 and \$3.4 million at September 30, 2010, respectively. Considerable management judgment is necessary in estimating future cash flows and other factors affecting the valuation of long-lived assets including the operating and macroeconomic factors that may affect them. The Company uses historical financial information, internal plans and projections and industry information in making such estimates. While the Company currently believes the expected cash flows from these long-lived assets exceeds the carrying amount, materially different assumptions regarding future performance and discount rates could result in future impairment losses. In particular, if the Company no longer

believes it will achieve its long-term projected sales or operating expenses, the Company may conclude in connection with any future impairment tests that the estimated fair value of our long-lived assets are less than the book value and recognize an impairment charge. Such impairment would adversely affect earnings. There were no impairment losses recognized in 2009 or 2008 or 2010. Net land and building that are shared by all operating segments of Winland are allocated based on segment revenues.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Allowance for Rework and Warranty Costs: Winland provides a limited warranty to its OEM customers who require it to repair or replace product that is defective, due to Company workmanship issues, at no cost to the customer. In addition, Winland provides a limited warranty for its proprietary products for a period of one year, which requires Winland to repair or replace defective product at no cost to the customer or refund the purchase price. Reserves are established based on historical experience and analysis for specific known and potential warranty issues. The reserve reflecting historical experience and potential warranty issues is determined based on specific customer experience factors including rate of return by item, average weeks outstanding from production to return, average cost of repair and relation of repair cost to original sales price. Any specific known warranty issues are considered individually. These are analyzed to determine the probability and the amount of financial exposure, and a specific reserve is established. The allowance for rework and warranty costs was \$39,000 and \$70,000 as of December 31, 2009 and 2008, respectively. The allowance for rework and warranty costs was \$49,000 and \$41,000 as of September 30, 2010 and 2009, respectively. The product warranty liability reflects management's best estimate of probable liability under Winland's product warranties and may differ from actual results.

Changes in Winland's warranty liability, which is included in other accrued liabilities on the balance sheets, are approximately as follows:

	Years Ended December 31	
	2009	2008
Balance, beginning	\$ 70,000	\$ 139,000
Accruals for products sold	92,000	182,000
Expenditures incurred	(89,000)	(236,000)
Change in estimate	(34,000)	(15,000)
Balance, ending	\$ 39,000	\$ 70,000

	For the Nine Months Ended September 30,	
	2010	2009
Balance, Beginning	\$ 39,000	\$ 70,000
Accruals for products sold	61,000	86,000
Expensing of specific warranty items	(61,000)	(83,000)
Change in estimate	10,000	(32,000)
Balance, Ending	\$ 49,000	\$ 41,000

Income taxes: The EMS business unit is included on the federal and state tax returns of Winland Electronics, Inc. The income tax returns, of Winland Electronics, Inc., include other operating segments. Income taxes in these financial statements have been computed as if the EMS business filed on a stand-alone basis. Income taxes are accounted for using an asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the financial statement and tax bases of assets and liabilities at the applicable tax rates. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is provided when it is more likely than not that some portion or all of the deferred tax assets will not be realized. The Company evaluates the realizability of its deferred tax assets by assessing its valuation allowance and by adjusting the amount of such allowance, if necessary. Based on valuation allowances recorded for deferred tax assets and the impact of uncertain tax provisions recorded, the unaudited provision for (benefit from) income taxes is based on a percentage of the unaudited income (loss) before income taxes of the EMS business versus the historical periods which included all

segments of Winland Electronics. Per FASB ASC 740-10-25-5 Winland recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more likely than not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant tax authority.

Fair value of financial instruments: Management estimates that the carrying value of long-term debt approximates fair value, estimated based on interest rates for the same or similar debt offered to Winland having the same or similar remaining maturities and collateral requirements. The carrying values of cash and cash equivalents, accounts receivable, accounts payable and revolving line-of-credit approximate their fair value due to the short-term nature of these instruments.

Advertising expense: Advertising is expensed as incurred and was \$45,000 and \$60,000 for the years ended December 31, 2009 and 2008, respectively.

Subsequent events: The Company evaluates events occurring after the date of the financial statements for events requiring recording or disclosure in the financial statements.

Recently issued accounting pronouncements: Effective September 15, 2009, Winland adopted FASB SFAS No. 168, The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles ("ASC"). The FASB ASC is effective for interim and annual periods ending after September 15, 2009. All accounting literature not included in the Codification will be non-authoritative. The adoption of this FASB ASC did not impact the Company's financial statements or its results of operations.

Effective January 1, 2009, Winland adopted FASB ASC 810, Consolidation. FASB ASC 810 requires all entities to report non-controlling interests as equity in the consolidated financial statements. The adoption of FASB ASC 810 did not impact the Company's financial statements or results of operations.

Effective January 1, 2009, Winland adopted FASB ASC 820, Fair Value Measurements and Disclosures. FASB ASC 820 defines fair value, establishes a framework and gives guidance regarding the methods used for measuring fair value and expands disclosures about fair value measurements. The adoption of FASB ASC 820 did not impact the Company's financial statements.

Unaudited interim results: The accompanying balance sheet as of September 30, 2010 and statements of operations for the nine months ended September 30, 2010 and 2009 and the statements of cash flows for the nine months ended September 30, 2010 and 2009, are unaudited. The unaudited interim financial statements have been prepared on the same basis as the annual financial statements and, in the opinion of the Company's management, reflect all adjustments (consisting of normal recurring adjustments) considered necessary to present fairly the Company's financial position as of September 30, 2010 and results of operations for the nine months ended September 30, 2010 and 2009 and the results of cash flows for the nine months ended September 30, 2010 and 2009. The financial data and other information disclosed in these notes to the financial statements relative to the nine month periods presented are unaudited. The results for the nine months ended September 30, 2010 and 2009 are not necessarily indicative of the results to be expected for the years ending December 31, 2010 or 2009 or any other interim period or for any other future year.

Note 2. Inventories

The components of inventories were as follows:

	December 31, 2009	December 31, 2008	September 30, 2010
Raw materials	\$1,889,000	\$2,426,000	\$2,159,000
Work in progress	250,000	351,000	295,000
Finished goods	375,000	823,000	319,000
Total	\$2,514,000	\$3,600,000	\$2,773,000

Note 3. Financing Arrangement and Long-Term Debt

The financing arrangement and long-term debt are recorded to Winland's operating segments based specific identification when possible, General borrowings are allocated to the operating segments based on the segment's proportionate share of Winland's total revenues.

Winland has a \$2,500,000 revolving line of credit agreement which expires on June 28, 2010. Advances are due on demand, secured by substantially all Company assets, and are subject to a defined borrowing base equal to 80% of qualified accounts receivable. Interest on advances accrues at the minimum of 5.0% or the monthly LIBOR rate plus three and one half percent (3.5%). As of December 31, 2009, interest was accrued at the minimum of 5.0%. As of December 31, 2009, \$319,000 was outstanding on the revolving line of credit agreement with no balances outstanding at December 31, 2008. At December 31, 2009, \$1,650,000 was available for borrowing by Winland Electronics, Inc. under the terms of this agreement. See also (a) following.

The following is a summary of long-term debt:

	December 31		September 30
	2009	2008	2010
6.44% mortgage note payable, due in monthly installments of \$11,373, including interest, to October 1, 2014, secured by property (a),(b)	\$ 480,000	\$ 564,000	\$ 412,000
6.50% note payable, paid in full in 2009	-	34,000	-
Capital lease obligations bearing interest ranging from 6.25% to 8.01%, due in monthly installments of \$1,138 to \$6,426, to December 2012, secured by equipment	458,000	680,000	281,000
	\$ 938,000	\$ 1,278,000	\$ 693,000
Less current maturities	330,000	341,000	334,000
Total long-term debt	\$ 608,000	\$ 937,000	\$ 359,000

(a) These agreements have certain financial and non-financial covenants, which, among others, require the Company to maintain a minimum tangible net worth, a maximum leverage ratio, a maximum debt to tangible net worth, a minimum cash flow coverage ratio, imposes limits on capital expenditures and disallows the declaration or payment of dividends.

(b) As of December 31, 2009 and 2008, Winland was in violation of the minimum cash flow coverage covenant for this agreement. The issuing financial institution has granted a waiver of this covenant as of December 31, 2009 and 2008.

On August 18, 2010, Winland and PrinSource Capital Companies, LLC ("PrinSource") entered into an Accounts Receivable Agreement (the "Agreement"). The Agreement continues in full force and effect until August 18, 2011 ("Initial Termination Date") and shall automatically and continually renew for successive periods of twelve months (each such period referred to as a "Renewal Period") from the Initial Termination Date or the end of a Renewal Period subject to certain conditions contained in the Agreement.

The Agreement allows PrinSource to purchase from Winland certain eligible accounts based on PrinSource's sole and absolute discretion. Upon approval and acceptance by PrinSource, PrinSource will pay Winland seventy-five percent (75%) of the eligible account (the "Part Payment") prior to such receivable actually being paid to Winland. Upon the payment of such receivable to Winland, PrinSource will pay to Winland one hundred percent (100%) of such eligible account, reduced by a per diem fee equal to 1/18th (one eighteenth of one percent) per day from the time that the Part Payment was made by PrinSource to Winland and a one-time processing fee equal to 1/4% (twenty-five hundredths of one percent). Winland agreed to generate a minimum of fees monthly ("Monthly Minimum") equal to \$2,500.00 for per diem and processing fees. Winland retains the ultimate responsibility for collection of the receivable, and thus has accounted for the Agreement as a secured borrowing transaction.

The Agreement replaced the revolving line-of-credit Winland had with Marshall & Ilsley Bank. The \$319,000 outstanding balance on the revolving line-of-credit as of December 31, 2009 was paid in full and the revolving line-of-credit closed.

The outstanding balance under the Agreement was \$823,000 as of September 30, 2010.

Note 3. Financing Arrangement and Long-Term Debt (Continued)

Approximate maturities of long-term debt and future minimum lease payments on capital leases for years subsequent to December 31, 2009, are as follows:

	Long-term Debt	Capital leases
2010	\$90,000	\$267,000
2011	\$96,000	\$201,000
2012	\$103,000	\$26,000
2013	\$109,000	-
2014	\$82,000	-
Thereafter	-	-
Total	\$480,000	\$494,000
Less amount representing interest		36,000
Present value of net minimum lease payments		458,000
Less current portion		240,000
Long-term portion		\$218,000

The cost and accumulated depreciation of assets acquired under capital leases were as follows:

	December 31		September 30
	2009	2008	2010
Cost	\$ 1,711,000	\$ 1,714,000	\$ 1,711,000
Accumulated amortization	1,074,000	924,000	1,187,000
Net leased property under capital leases	\$ 637,000	\$ 790,000	\$ 524,000

Amortization of capital leases is included in depreciation expense.

Note 4. Income Taxes

Components of income tax benefit (expense) are as follows:

	Year Ended December 31		Nine Months Ended September 30	
	2009	2008	2010	2009
Current benefit	\$ 630,000	\$ 230,000	\$ -	\$ -
Deferred expense	-	(111,000)	-	-
	\$ 630,000	\$ 119,000	\$ -	\$ -

Note 4. Income Taxes (Continued)

The statutory income tax rate reconciliation to the effective rate is as follows:

	December 31		September 30	
	2009	2008	2010	2009
Statutory U.S. income tax rate	(34) %	(34) %	(34) %	(34) %
State benefit (tax), net of federal tax effect	(4)	4	(4)	(4)
Change in Valuation Allowance	2	12	46	38
Other, including permanent differences	4	6	(8)	-
Effective income tax benefit rate	(32) %	(12) %	- %	- %

Deferred tax assets (liabilities) consist of the following components:

	December 31		September 30
	2009	2008	2010
Deferred tax assets:			
Inventory	\$ 220,000	\$ 262,000	\$ 292,000
Allowance for doubtful accounts	19,000	48,000	16,000
Accrued expenses	60,000		