WINLAND ELECTRONICS, INC.

1950 Excel Drive, Mankato, Minnesota 56001

Interim Report

March 31, 2015

Item 1 **Name of the issuer and its predecessors (if any)**

Winland Electronics, Inc.

Item 2 **Address of the issuer's principal executive offices:**

1950 Excel Drive
Mankato, MN 56001

Phone:	(507) 625-7231
Fax:	(507) 387-2488
Email:	bdlawrence@winland.com
Website:	www.winland.com

Item 3 **Security Information**

Common Stock

Symbol:	WELX
CUSIP:	974241101

Par Value:	$0.01		
Total Shares Authorized:	20,000,000	As of:	March 31, 2015
Total Shares Outstanding:	3,789,522	As of:	March 31, 2015

Transfer Agent

Computershare
250 Royall Street
Canton, MA 02021
781- 575 -2000

Registered under the Exchange Act and regulated by the SEC.

Item 4 Issuance History

Date	Number and Type of Securities Issued	Person to Whom Issued	Reason for Issuance	SEC Registration Statement or Exemption from Registration	Trading Status	Legended Status
January 28, 2013	Options to purchase 185,000 shares of common stock, exercise price of $0.65 per share	David Gagne, then-Chief Executive Officer	Compensation for Employment Services	333-189383, subsequently withdrawn	All options expired on November 15, 2013, upon the termination of employment of David Gagne	N/A
January 28, 2013	Options to purchase 50,000 shares of common stock, exercise price of $0.65 per share	Brian Lawrence, Chief Financial Officer	Compensation for Employment Services	333-189383, subsequently withdrawn	Options are unexercised, will be restricted securities upon exercise	To be legended upon exercise
May 7, 2013	17,143 shares of restricted stock	Each of Thomas Goodmanson, Thomas Brady, and Lorin Krueger	Director Compensation	Securities Act Section 4(a)(2)	Restricted securities	Legended or restrictions separately acknowledged by holder
May 7, 2013	Options to purchase 20,000 shares of common stock, exercise price of $0.70 per share	Meghan AuBuchon, then-VP of Marketing	Compensation for Employment Services	333-189383, subsequently withdrawn	All options expired on November 15, 2013, upon the termination of employment of Meghan AuBuchon	N/A
July 1, 2013	Options to purchase 30,000 shares of common stock, exercise price of $0.70 per share	James Griffin, then-Chief Information Officer	Compensation for Employment Services	333-189383, subsequently withdrawn	All options expired on January 27, 2014, upon the termination of employment of James Griffin	N/A
August 22, 2013	18,181 shares of restricted stock	Each of Matthew Houk and Thomas Braziel	Director Compensation	Securities Act Section 4(a)(2)	Restricted securities	Legended

Item 5 **FINANCIAL STATEMENTS**

WINLAND ELECTRONICS, INC.
CONDENSED BALANCE SHEETS
(In Thousands, Except Share Data)

	March 31, 2015 (Unaudited)	December 31, 2014
ASSETS		
Current Assets		
Cash and cash equivalents	**$ 1,252**	$ 1,119
Accounts receivable, less allowance for doubtful accounts of $7 as of both March 31, 2015 and December 31, 2014 (Note 2)	**445**	555
Inventories (Note 4)	**365**	254
Prepaid expenses and other assets	**54**	21
Total current assets	**2,116**	1,949
Property and Equipment, at cost		
Property and equipment	**337**	337
Less accumulated depreciation and amortization	**272**	266
Net property and equipment	**65**	71
Long-term inventories (Note 4)	**10**	10
Total assets	**$ 2,191**	$ 2,030
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	**$ 323**	$ 266
Accrued liabilities:		
Compensation	**37**	50
Other	**36**	49
Total current liabilities	**396**	365
Stockholders' Equity (Note 6)		
Common stock, par value $0.01 per share; authorized 20,000,000 shares; issued and outstanding 3,789,522 as of both March 31, 2015 and December 31, 2014	**38**	38
Additional paid-in capital	**5,126**	5,125
Accumulated deficit	**(3,369)**	(3,498)
Total stockholders' equity	**1,795**	1,665
Total liabilities and stockholders' equity	**$ 2,191**	$ 2,030

See Notes to Condensed Financial Statements

Item 5 **FINANCIAL STATEMENTS (Continued)**

WINLAND ELECTRONICS, INC.
CONDENSED STATEMENTS OF OPERATIONS
(In Thousands, Except Share and Per Share Data)
(unaudited)

	For the Three Months Ended March 31, 2015	2014
Net sales (Note 2)	**$ 936**	$ 964
Cost of sales	**570**	642
Gross profit	**366**	322
Operating expenses:		
General and administrative	**120**	221
Sales and marketing	**86**	65
Research and development	**31**	4
Total operating expenses	**237**	290
Operating income	**129**	32
Other loss	**-**	(1)
Net income	**$ 129**	$ 31
Income per common share data:		
Basic	**$ 0.03**	$ 0.01
Diluted	**$ 0.03**	$ 0.01
Weighted-average number of common shares outstanding:		
Basic	**3,789,522**	3,789,522
Diluted	**3,877,811**	3,791,085

Item 5 FINANCIAL STATEMENTS (Continued)

WINLAND ELECTRONICS, INC.
CONDENSED STATEMENTS OF CASH FLOWS
(In Thousands)
(Unaudited)

	For the Three Months Ended March 31,	
	2015	2014
Cash Flows From Operating Activities		
Net income	**$ 129**	$ 31
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	**6**	8
Non-cash stock based compensation	**1**	(1)
Decrease in allowance for obsolete inventory	**(89)**	-
Changes in assets and liabilities:		
Accounts receivables	**110**	85
Inventories	**(22)**	(22)
Prepaid expenses	**(32)**	16
Accounts payable	**56**	(31)
Accrued expenses, including deferred revenue	**(26)**	(100)
Net cash provided by (used in) operating activities	**133**	(14)
Cash and cash equivalents		
Beginning	**1,119**	741
Ending	**$ 1,252**	$ 727

See Notes to Condensed Financial Statements

Item 5 FINANCIAL STATEMENTS (Continued)

Note 1. Basis of Presentation

The accompanying unaudited condensed financial statements have been prepared by Winland Electronics, Inc. (the "Company" or "Winland") in accordance with accounting principles generally accepted in the United States of America for the preparation of interim financial information. Accordingly, they do not include all of the information and notes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. Financial results for the three months ended March 31, 2015 are not necessarily indicative of the results that may be expected for the year ending December 31, 2015.

The condensed balance sheet at December 31, 2014 has been derived from the audited financial statements as of that date but does not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statement presentation.

This financial information should be read in conjunction with the financial statements and notes included in the Company's Annual Report for the year ended December 31, 2014.

Management is required to make certain estimates and assumptions which affect the amounts of assets, liabilities, revenue and expenses reported. Actual results could differ materially from these estimates and assumptions.

The Company evaluates events through the date the financial statements are filed for events requiring adjustment to or disclosure in the financial statements.

Note 2. Major Customers

The Company has two customers that accounted for 10 percent (10%) or more of net sales for the three months ended March 31, 2015 and 2014 as follows:

	For the Three Months Ended March 31,	
Sales percentage:	2015	2014
Customer A	47%	48%
Customer B	13%	11%

The Company had net receivables (as a percentage of total receivables) from the above customers as follows:

	March 31,	
Accounts receivable percentage:	2015	2014
Customer A	50%	43%
Customer B	22%	23%

Note 3. Income (loss) per Common Share

Income (loss) per common share: Basic income (loss) per common share is computed by dividing the net income (loss) by the weighted-average number of common shares outstanding during the period. Diluted income (loss) per common share is computed by dividing the net income (loss) by the weighted-average number of common shares outstanding during the period, including potentially dilutive shares such as the options and warrants to purchase shares of common stock at various amounts per share (see Note 4).

For the three months ended March 31, 2015, the basic income per share was $0.03 based on 3,789,522 shares outstanding. The diluted income per share was $0.03 for the three months ended March 31, 2015, the based on 3,877,811 shares outstanding, including 88,289 of dilutive option and warrant shares outstanding.

Item 5 FINANCIAL STATEMENTS (Continued)

Note 3. Income (loss) per Common Share (Continued)

For the three months ended March 31, 2014, the basic income per share was $0.01 based on 3,789,522 shares outstanding. The diluted income per share was $0.01 for the three months ended March 31, 2014, the based on 3,791,085 shares outstanding, including 1,563 of dilutive option and warrant shares outstanding.

Note 4. Inventories

The components of inventories were as follows net of reserves:

	March 31, 2015	December 31, 2014
Raw materials	$ 5	$ 6
Finished goods	370	258
Total, net	$ 375	$ 264

As of March 31, 2015 and December 31, 2014, $10 represents long-term inventories, net that the Company does not expect to sell within the next twelve months and do not consider these items excess or obsolete.

Note 5. Allowance for Rework and Warranty Costs

Winland provides a limited warranty for its 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. The reserve reflecting historical experience and potential warranty issues is determined based on specific experience factors including rate of return by item, average weeks outstanding from sale 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 $15 at both March 31, 2015 and December 31, 2014, respectively.

Note 6. Stock-Based Awards

At March 31, 2015, there was $3 of unrecognized compensation cost related to share-based payments.

The following table summarizes information about stock options outstanding at March 31, 2015:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number of Shares	Weighted-Average Remaining Contractual Life (Years)	Weighted-Average Exercise Price	Number of Shares	Weighted-Average Exercise Price
$0.448 - $1.344	192,000	5.0	$ 0.63	167,000	$ 0.63
$1.344 - $1.792	11,000	3.1	1.74	11,000	1.74
$1.792 - $2.240	5,500	2.8	2.23	5,500	2.23
	208,500	4.9	$ 0.73	183,500	$ 0.74

Note 7. Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The Company records a tax valuation allowance when it is more likely than not that it will not be able to recover the value of its deferred tax assets. The tax effect of the Company's valuation allowance for deferred tax assets is included in the annual effective tax rate. The full valuation allowance for deferred tax assets as of both March 31, 2015 and December 31, 2014 was $2,643.

Item 5 FINANCIAL STATEMENTS (Continued)

Note 7. Income Taxes (Continued)

The Company calculates its income tax expense by estimating the annual effective tax rate and applying that rate to the year-to-date ordinary income (loss) at the end of the period. As of March 31, 2015 and 2014, the Company calculated its estimated annualized effective tax rate at 0% and 0%, respectively as the Company provided a full valuation allowance on deferred tax assets. The Company had no income tax expense on its $129 pre-tax income from continuing operations for the three months ended March 31, 2015. The Company had no income tax expense on its $32 pre-tax income from continuing operations for the three months ended March 31, 2014.

The Company 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.

The years 2011 through 2014 remain open for examination by the IRS and other state agencies.

The Company recognizes interest accrued on uncertain tax positions as well as interest received from favorable tax settlements within interest expense. The Company recognizes penalties accrued on unrecognized tax benefits within general and administrative expenses. As of March 31, 2015 and 2014, the Company recognized no interest or penalties related to uncertain tax positions.

At December 31, 2014, the Company had net operating loss carryforwards for federal purposes of $6,366 and $4,584 for state income tax purposes that are available to offset future taxable income and begin to expire in the year 2022. At December 31, 2014, the Company had Minnesota research and development tax credit carryforwards of $12, which begin to expire in the year 2022.

The Company's ability to utilize its net operating losses ("NOLs") to reduce taxable income in future years may be limited for various reasons, including if projected future taxable income is insufficient to recognize the full benefit of such NOLs prior to their expiration. Additionally, the ability to fully utilize these tax assets could also be adversely affected if the Company is deemed to have had an "ownership change" within the meaning of Section 382 of the Internal Revenue Code of 1986, as amended (the "Code"). An ownership change is generally defined as a greater than 50% increase in equity ownership by "5-percent shareholders" (as that term is defined for purposes of Section 382 of the Code) in any three year testing period. See Note 8 which more fully describes the Section 382 Rights Agreement approved by the Company.

The Company does not anticipate any significant changes to the total amounts of unrecognized tax benefits in the next twelve months.

Note 8. Shareholder Rights Plan

On February 27, 2014, the Company entered into a Section 382 Rights Agreement with its transfer agent Registrar and Transfer Company (now owned by Computershare Limited), dated as of February 27, 2014 (the "382 Rights Agreement"). The purpose of the 382 Rights Agreement is to help protect the Company's net operating loss tax asset by deterring certain acquisitions of Company stock by persons or groups beneficially owning 5% or more of the Company's outstanding stock, which could have the effect of limiting the Company's ability to use its built in losses and any resulting net loss carry forwards to reduce potential future federal income tax obligations. The Company's ability to use its net loss carry forwards in the future may be significantly limited if it experiences an "ownership change" for U.S. federal income tax purposes. In general, an ownership change will occur when the percentage of the Company's ownership (by value) of one or more "5 percent shareholders" (as defined in the Internal Revenue Code of 1986, as amended) has increased by more than 50 percent over the lowest percentage owned by such shareholders at any time during the prior three years (calculated on a rolling basis).

Under the 382 Rights Agreement, from and after the record date of March 10, 2014 (the "Record Date"), each share of Company Common Stock will carry with it one preferred share purchase right (a "Right"). In connection with adoption of the Section 382 Rights Agreement, the Board declared a dividend distribution of the Rights to shareholders of record on the Record Date. Each Right will allow its holder to purchase from the Company one one-thousandth of a share of Series B Junior Participating Preferred Stock for $14.00 (the "Exercise Price"). The Rights will not be exercisable until 10 days after the public announcement that a person or group has

Item 5 FINANCIAL STATEMENTS (Continued)

Note 8. Shareholder Rights Plan (Continued)

become an "Acquiring Person" by obtaining beneficial ownership of 4.99% or more of the Company's outstanding Common Stock, or by the future acquisition of any shares of Company common stock by any person or group who held 4.99% or more of the Company's outstanding common stock as of the date the 382 Rights Agreement was adopted. If a person or group becomes an Acquiring Person, all holders of Rights except the Acquiring Person may, for payment of the Exercise Price, purchase shares of Common Stock with a market value of twice the Exercise Price, based on the market price of the Common Stock as of the acquisition that resulted in such person or group becoming an Acquiring Person. Prior to exercise, the Right does not give its holder any dividend, voting, or liquidation rights. The Rights will expire on March 10, 2019 and are redeemable by the Board for $0.000001 per Right at any time prior to a person or group becoming an Acquiring Person. The Board has discretion under the 382 Rights Agreement to exempt any person or group from status as an Acquiring Person if the Board determines such person or group's acquisition will not limit the Company's use of its net loss carry forwards. The Company previously had a Shareholder Rights Plan, the rights under which expired on December 9, 2013.

With respect to the acquisition of 568,428 shares by FRMO Corp. on November 14, 2014, the Board determined that FRMO Corp. was not an Acquiring Person under the Section 382 Rights Agreement.

Item 6 **Nature of the Issuer's Business**

A. A description of the issuer's business operations;

Winland markets and sells its line of proprietary critical condition monitoring products primarily through an established network of distributors, dealers, security installers and integrators. In most cases, these products are manufactured to protect against loss of assets due to damage from water, excess humidity, extremes of temperature and loss of power. Winland is also exploring various alternatives to enhance shareholder value that utilize the expertise of management and the Board of Directors. Such alternatives may include establishing new ventures, acquiring existing businesses, and other investment opportunities, including investments in marketable securities.

B. Date and State of Incorporation

Issuer is a Corporation incorporated in the State of Minnesota in 1972.

C. The Issuer's Primary SIC Code:

SIC Code	3823
NAICS Code	334513

D. **The Issuer's Fiscal Year End Date:**

Fiscal year end is December 31st

E. **Principal Products or Services, And Their Market:**

Through distribution to dealers and integrators, Winland provides a line of proprietary critical condition monitoring products to the security industry. In most cases, these products are manufactured to protect against loss of assets due to damage from water, excess humidity, extremes of temperature and loss of power. Winland holds federal trademark registrations for marks used in its business as follows: WATERBUG, TEMP ALERT and ENVIROALERT.

Item 7 **Issuer's Facilities**

The Company currently occupies 1,924 square feet of office space at 1950 Excel Drive, Mankato, MN which is leased on a month-to-month basis from Nortech Systems, Incorporated.

Item 8 **Officers, Directors and Control Persons**

A. Names of Officers, Directors and Control Persons.

Name of Director/Nominee	Age	Current Position With Winland Electronics, Inc.	Director Since
Brian D. Lawrence	44	President and Chief Financial Officer	
Lorin E. Krueger	59	Director	1983
Thomas J. Brady	50	Director	2008
Thomas Braziel	30	Director	2013
Matthew D. Houk	33	Director	2013

Name of Control Person

FRMO Corp., which acquired greater than 5% of the Company's outstanding common stock on November 14, 2014.

David B. Houk, who acquired greater than 5% of the Company's outstanding common stock prior to December 13, 2013.

B. Legal – Disclaimer History

1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other misdemeanor offenses);
None

2. The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities;
None.

3. A finding or judgment by a court of competent jurisdiction (in a civil action), the SEC, the CFTC, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated; or
None.

4. The entry of an order by a self-regulatory organization that permanently or temporarily barred, suspended or otherwise limited such person's involvement in any type of business or securities activities.
None.

C. Beneficial Shareholders

The following table provides information as of May 4, 2015 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 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 May 4, 2015, there were 3,789,522 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)
FRMO Corp.	568,428	(2)	15.00%
Thomas Braziel	563,899	(3)	14.90%
Matthew D. Houk	418,557	(4)	11.00%
David B. Houk	191,005	(5)	5.00%
Lorin E. Krueger	137,679	(6)	3.60%
Thomas J. Brady	91,143	(7)	2.40%
Brian D. Lawrence	25,000	(8)	*
All Executive Officers and Directors as a Group (5 Individuals)	1,236,278	(9)	32.60%

* Less than 1%

(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) According to a Schedule 13G filed with the Securities and Exchange Commission on November 26, 2014 by FRMO Corp. the shares are beneficially owned by FRMO Corp. which has sole power to vote or to dispose of such shares. The address for FRMO Corp. is 555 Taxter Road, Suite 175, Elmsford NY 10523.

(3) According to Thomas Braziel, as of December 31, 2014, BE Capital Management LP, BE Capital Partners LLC, Thomas Braziel and David Earls, beneficially own the shares which Mr. Braziel who has

sole power to vote or to dispose of such shares. The address for BE Capital Partners LLC is 211 East 70th Street, Apt 10F, New York, NY, 10021.

(4) According to Matthew D. Houk, as of December 31, 2014, he beneficially owns and has sole power to vote or to dispose of such shares. The address for Matthew D. Houk is c/o Horizon Kinetics LLC, 470 Park Avenue South, 4th Floor, New York, NY 10016.

(5) According to a Schedule 13D filed with the Securities and Exchange Commission on December 19, 2013 by David B. Houk, the shares are beneficially owned by Mr. Houk who has sole power to vote or to dispose of such shares. The address for David B. Houk is P.O. Box 22145, Louisville, Kentucky 40252.

(6) Includes 46,500 shares which may be purchased by Mr. Krueger upon exercise of currently exercisable options.

(7) Includes 12,000 shares held by Mr. Brady's spouse and 62,000 shares which may be purchased by Mr. Brady upon exercise of currently exercisable options.

(8) Includes 25,000 shares which may be purchased by Mr. Lawrence upon exercise of currently exercisable options.

(9) Includes 133,500 shares which may be purchased by the executive officer and directors upon exercise of currently exercisable options.

Item 9 Third Party Providers

The name, address, telephone number and email address of each of the following outside providers that advise the issuer on matters relating to the operations, business development and disclosure:

1. Counsel:

Fredrikson & Byron, P.A.
Suite 4000
200 South Sixth Street
Minneapolis, MN 55402-1425
Phone: (612) 492-7000

2. Accountant or Auditor:

Baker Tilly Virchow Krause, LLP
225 South Sixth Street
Suite 2300
Minneapolis, MN 55402-4661
Phone: (612) 876-4802

Item 10 Issuer's Certification

To Whom It May Concern:

I, Brian Lawrence, President and Chief Financial Officer, certify that:

1. I have reviewed this disclosure statement of Winland Electronics, Inc.

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the periods presented in this report;

Dated: May 11, 2015

/s/ Brian D. Lawrence
Brian D. Lawrence
President and Chief Financial Officer