

**CHARTER FOR THE AUDIT COMMITTEE  
OF THE BOARD OF DIRECTORS OF  
WINLAND ELECTRONICS, INC.**

**I. PURPOSE**

The primary function of the Audit Committee of Winland Electronics, Inc. (the “Company”) is to provide oversight by reviewing the financial reports and other financial information provided by the Company to any governmental body or the public; the Company’s systems of internal controls regarding finance, accounting, legal compliance and ethics that management and the Board have established; and the Company’s auditing, accounting and financial reporting processes generally. Consistent with this function, the Committee should encourage continuous improvement of, and should foster adherence to, the Company’s policies, procedures and practices at all levels. The Committee’s primary duties and responsibilities are to:

- Serve as an independent and objective party to monitor the Company’s financial reporting process and internal control system.
- Coordinate, review and appraise the audit efforts of the Company’s independent accountants.
- Communicate directly with the independent accountants, the financial and senior management, and the Board of Directors regarding the matters related to the Committee’s responsibilities and duties.

The Committee will primarily fulfill these responsibilities by carrying out the activities enumerated in Section III of this Charter.

**II. MEMBERSHIP**

The Committee shall be comprised of three or more directors elected by the Board, each of whom shall be independent (as such term is defined by applicable laws and regulations or the Company’s corporate governance policies, if any). Committee members shall serve until the next annual organizational meeting of the Board, or until their successors are duly elected and qualified. The Chair of the Committee shall be elected by the Board. In the absence of the election of a Chair by the Board, the members of the Committee shall elect a Chair by majority vote of the Committee membership. In addition, no member of the Audit Committee shall receive any compensation whatsoever from the Company other than compensation paid to such member as a director of the Company and member of one or more committee of the Company’s Board of Directors.

All Committee members shall have a working familiarity with basic finance and accounting practices and shall be able to read and understand financial statements at the time of their appointment to the Committee. At least one member of the Committee shall be a “financial expert,” as such term is defined in applicable securities laws and regulations.

### **III. RESPONSIBILITIES AND DUTIES**

#### **Documents/Reports Review**

- Review and update this Charter periodically, at least annually, as conditions and applicable laws and regulations dictate.
- Review the Company's annual financial statements and any reports or other financial information submitted to any governmental body, or the public, including any certification, report, opinion or review rendered by the independent accountants or management.
- Review with financial management and the independent accountants any release of earnings prior to its issuance and any Form 10-Q or 10-K prior to its filing.

#### **Independent Accountants**

- Appoint, compensate and oversee the Company's independent auditors. The Company's independent auditors shall report directly to the Committee. On an annual basis, the Committee should review and discuss with the accountants all significant relationships the accountants have with the Company to determine the accountants' independence.
- Review the performance of the independent accountants and discharge the independent accountants when circumstances warrant.
- Periodically consult with the independent accountants out of the presence of management regarding the adequacy of internal controls and the fullness and accuracy of the Company's financial statements.
- Pre-approve all audit services and non-audit services to be performed by the Company's independent auditors.
- Discuss with the independent auditors the matters required to be discussed by SAS 61, as may be modified or supplemented.
- Obtain and review the written disclosures and the letter from the independent accountants required by SEC Ethics and Independence Rule 3526, Communication with Audit Committees Concerning Independence, as may be modified or supplemented.

#### **Audit Committee Report**

- The Audit Committee shall prepare the annual Audit Committee Report required by Item 306 of Regulation S-B of the Exchange Act of 1934 (or any successor provision) to be included in the Company's annual proxy statement.

### **Related-Party Transactions**

- Review and approve all related-party transactions to which the Company may be a party prior to their implementation to assess whether such transactions meet applicable legal requirements.
- Review on at least an annual basis the expense reimbursements of officers and directors.

### **Financial Reporting Processes**

- In consultation with the independent accountants and management, review the integrity of the Company's financial reporting processes, both internal and external.
- Consider and revise, if appropriate, the Company's auditing and accounting principles and practices.
- Consider the adequacy of the financial and accounting staff.

### **Ethical and Legal Compliance**

- Review periodically the Company's Code of Ethical Conduct applicable to senior financial officers and management's enforcement of the Code as it relates to the Company's financial reporting process and internal control system.
- Ensure that management has the proper review system in place to ensure that the Company's financial statements, reports and other financial information disseminated to governmental organizations and the public satisfy legal requirements.
- Review, with the Company's counsel, any legal matter that could have a significant impact on the Company's financial statements.
- Establish and maintain procedures for efficiently responding to complaints received by the Committee regarding accounting, internal accounting controls and auditing. At a minimum, these procedures shall allow employees to submit concerns regarding questionable accounting and auditing matters on a confidential, anonymous basis.
- Perform any other activities consistent with this Charter, the Company's Bylaws and governing law, as the Committee or the Board deems necessary or appropriate.

#### **IV. AUTHORITY**

The Audit Committee shall have the authority as and when it shall determine to be necessary or appropriate to the functions of the Audit Committee, to:

- i. At the expense of the Company, to consult with the Company's outside legal counsel and other advisors or to engage independent consultants and advisors, including legal and financial advisors, to assist it with its functions;
- ii. To request from the Chief Executive Officer, the Chief Financial Officer and such other members of Company management as the Committee shall deem appropriate advice and information, orally or in writing, concerning the Company's business operations and financial condition relevant to the functions of the Committee.

#### **V. MEETINGS AND MINUTES**

The Committee shall meet at least four times annually, or more frequently as circumstances dictate. As part of its job to foster open communication, the Committee should meet periodically with management and the independent accountants in separate executive sessions to discuss any matters that the Committee or each of these groups believe should be discussed privately.

The Audit Committee will maintain written minutes of its meeting. Such minutes will be provided to the Board of Directors, and filed with the minutes of the meetings of the Board of Directors.

#### **VI. MANAGEMENT COOPERATION**

Management of the Company is requested to cooperate with the Audit Committee, and to render assistance to the Audit Committee as it shall request in carrying out its functions.