



**WINLAND**  
ELECTRONICS, INC.

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*CODE OF ETHICS*

*AND*

*BUSINESS CONDUCT*

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Winland Electronics, Inc.  
1950 Excel Drive  
Mankato, MN 56001  
Phone 507-625-7231

Ethics Hotline Phone Number  
Toll Free and Anonymous  
**1-877-888-0002**

**Code of Ethics and Business Conduct**

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## Code of Ethics and Business Conduct

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### *To Our Employees, Officers and Directors:*

Ethical business practices provide a critical foundation for our success and protect our reputation in the industry and community. Integrity in the manner in which we manage and operate Winland Electronics, Inc. (“Winland” or the “Company”) is a key element in our corporate culture. We place a high value on honesty, fair dealing and ethical business practice.

The following Code of Ethics and Business Conduct is designed to help you understand what Winland expects of its employees, officers and directors. It does not cover every ethical issue, but the basics are here to help your general understanding. For employees, compliance with the Code is a condition of employment. This Code supplements and does not replace or modify the Company’s other policies or procedures, including provisions of Winland’s current Employee Handbook and other statements of policy or procedure issued from time to time.

Ethical behavior is everyone’s responsibility. You must show that responsibility by

- *Knowing and complying with the requirements and expectations that apply to your job, which includes following this Code of Ethics and Business Conduct.*
- *Promptly reporting suspected violations of law or the Code.*
- *Cooperating with any investigation of a potential ethics or business conduct violation.*
- *Seeking assistance when you have questions about Winland’s Code of Ethics and Business Conduct or when faced with a challenging ethical situation.*
- *Never acting unethically, even if directed by another person to do so.*
- *Never retaliate against an individual because that individual has reported a suspected violation of the Code.*

If a potential course of action seems questionable, please seek guidance from your supervisor or our Compliance Officer (currently Myron Dummer). We encourage open communications regarding the possible violation of Winland’s ethical principles and business practices.

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Lorin Krueger, President and Chief Executive Officer

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### ***Introduction***

*Winland's guidelines for business conduct flow from our **Vision, Mission, Core Values and Core Ideologies**. These key elements are of the utmost importance for the proper conduct and respect for all individuals in the quest for common prosperity.*

#### VISION

Stepping up to the future *together*.

#### MISSION

Winland Electronics is dedicated to providing creative, high quality electronic products and services for a changing world.

#### CORE VALUES

##### PEOPLE

Winland Electronics views people as its most valued resource and bases all human interaction on dignity and respect.

##### INTEGRITY

Winland is committed to doing the right thing.

##### QUALITY

Winland Electronics is committed to providing our business partners with products, services, and support that exceeds their expectations.

##### INNOVATION

Winland uses enthusiasm, creativity and innovation for setting and achieving goals.

##### FISCAL RESPONSIBILITY

Winland Electronics is committed to fiscal responsibility to benefit our employees, shareholders and community.

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### CORE IDEOLOGIES

Winland core ideologies are the stories, historical record and legends that create a word picture of the company.

Ideology # 1:

The organization, at all levels, demonstrates a positive, aggressive, can do persistence to perform at the highest standard of excellence.

Ideology # 2:

Everyone works in superior working conditions.

Ideology # 3:

Customers believe that Winland designs, engineers and produces results that benefit them specifically.

Ideology # 4:

People are valued:

- Management believes in its workers.
- Loyalty exists between customers and the company as well as management and workers.
- Trust in other people is demonstrated in many ways.
- People listen to each other.

Ideology # 5:

An outstanding benefits package provides for employee economic security.

Ideology # 6:

Pride is demonstrated everywhere in the organization:

- It appears in the people that are hired.
- It appears in the skills that are inherent in new employees.
- It appears in the competence of work done by each employee.
- It appears in the high expectations management has of its employees, and employees have of the management.

Ideology # 7:

Recognition occurs for quality performance.

Ideology # 8:

The company is innovative throughout.

Ideology # 9:

Reasonable, well-researched risks are commonplace.

Ideology # 10:

There is significant emphasis on the protection of stockholder investment.

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### Ideology # 11:

Education and promotion opportunities are always available to those who choose to pursue them. People who desire to learn and grow are rewarded.

Winland is committed to complying with all laws and regulations where we conduct our business activities. The Company expects every employee to know the laws and policies that apply to their Winland activities, and to conduct them with uncompromising honesty and integrity.

Some business activity is not governed by any law, and some laws and regulations set standards far below the expectations of our company. In these situations, an employee should be able to answer "yes" to the following questions before taking action:

- **Is this action the "right thing to do"?**
- **Would this action withstand public scrutiny?**
- **Will this action uphold Winland's reputation as an ethical company?**

If the answers are not an unqualified "yes," we don't do it.

**No corporate code can cover every possible question of business conduct. When in doubt – ask before you act.**

## ***Compliance with Laws and Winland Code of Conduct***

**All Winland officers, employees and directors are expected and directed to comply with all laws and Winland's Code of Ethics and Business Conduct.**

Each employee, officer and director has an obligation to behave according to ethical standards that comply with Winland's policy, and the letter and spirit of applicable laws, rules and regulations. It is everyone's responsibility to know and understand legal and policy requirements as they apply to his or her Company responsibilities.

**Employees, officers and directors should promptly report all known or suspected violations of applicable law or Winland's ethical principles** to his or her supervisor or Myron Dummer, our Compliance Officer. Or, as an alternative, he or she may call the Compliance Hotline at 1-877-888-0002, an independent provider, to report suspected violations or incidents that he or she believes do not meet Winland standards.

## ***Accuracy of Company Records***

**Each officer and employee must help maintain the integrity of Winland's financial and other records.**

Management, directors, audit committee members, shareholders, creditors, governmental entities and others depend on Winland's business records for reliable and accurate information. Winland's books, records, accounts and financial statements must appropriately and accurately reflect Winland's transactions and conform to applicable legal requirements and Winland's system of internal controls. In particular, Winland is committed to full, fair, accurate, timely and understandable disclosure in all reports filed with the Securities and Exchange Commission (SEC) and in other public communications, and each person subject to this Code is required to provide truthful, complete and timely information in support of this commitment.

There is no excuse for participating in the creation of or not reporting a deliberately false or misleading Winland record. In addition, an employee, officer or director must not destroy, alter, falsify or cover up documents with the intent to impede or obstruct any investigation of suspected wrongdoing.

Directors, officers and employees must not participate in any intentional misstatement of Winland's accounts, and they must avoid improper influence on the conduct of an audit. No circumstances justify the maintenance of "off-the-books" accounts. All arrangements or requisition contracts under which funds are disbursed shall accurately state the purposes for which these funds are paid and shall not be misleading.

Business records and communications often become public and you are expected to avoid exaggeration, derogatory remarks, guesswork or inappropriate

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characterizations of individuals or companies that could be misunderstood. This obligation applies in any communication, including, but not limited to e-mail, internal memoranda and formal reports. Records are expected to be retained or destroyed according to Winland's record retention policies. In the event of litigation or governmental investigation you are expected to consult Winland's legal counsel concerning the records you hold.

### ***Securities Trading Policies***

**Never trade securities on the basis of confidential information acquired in the course of your Winland duties or while you are at the workplace.**

There are times when employees, officers or directors possess information about the Company, its subsidiaries or affiliates or about a company with which Winland does business that is not known to the investing public. Such insider information may relate to, among other things, strategies, plans of Winland, new products or processes, mergers, acquisitions or dispositions of businesses or securities, problems facing the Company, sales, profitability, negotiations relating to significant contracts or business relationships, significant litigation or financial information.

If any information is of the type that a reasonable investor would consider important in reaching an investment decision, the Company employee, officer or director who possesses such information must not buy or sell Company securities, nor provide the information to others, until such information becomes public. Use of material, non-public information in the above manner is not only illegal, but also unethical. Employees who directly or indirectly involve themselves in illegal insider trading will be subject to immediate termination by the Company, and an individual convicted of insider trading may face criminal penalties of up to ten years in prison and/or a \$1,000,000 fine.

All employees, officers and directors must also read, become familiar with and comply with the Company's "Policy Statement on Confidential Information and Securities Trading by Winland Electronics Personnel", Winland Document Number, D-013-0026 (employees) and D-013-0028 (Directors and Officers).

Insider trading law is far from clear. An employee, who is unsure how the law applies in a given instance, should ask before he or she trades. All questions should be referred to Jennifer Thompson, CFO, or Linda Annis, Manager of Administration, at 507-625-7231.

### ***Contact with Government Officials***

**Winland complies with all applicable laws, rules and regulations relating to lobbying or attempting to influence government officials.**

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Bribery, kickbacks or other improper or illegal payments have no place in Winland's business. In addition, information provided to governments must be accurate and interactions with government officials must be honest and ethical. All activities that might constitute lobbying or attempts to influence government officials must first be reviewed with and approved by legal counsel.

Before doing business with foreign, national, state or local government, an employee or officer must know the applicable rules. An employee who is in doubt, must not make the mistake of interpreting the rules by him or herself. Such an employee must discuss the matter with his or her supervisor or other officer of the Company.

### *Conflicts of Interest*

**Each employee, officer and director must avoid situations in which his or her personal interests conflict with or interfere with Winland's interests.**

Each employee and officer owes Winland a duty of loyalty. Employees and officers must make business decisions solely in the best interests of Winland. Conflicts may arise when an employee or officer receives improper personal benefits as a result of the person's position with the Company or gains personal enrichment through access to confidential information. A conflict situation can also arise when an employee or officer takes actions or has interests that may make it difficult to perform his or her Winland work objectively and effectively. For that reason, all employees and officers must exercise great care not to allow their personal interests to potentially conflict with Winland's interests. Each employee and officer shall act with honesty and integrity, avoiding actual or apparent conflicts of interest between personal and professional relationships.

Winland employees are generally free to engage in outside activities of their choice. It is important, however, that such activities do not adversely affect Winland's business, involve misuse of Winland position or resources, divert for personal gain any business opportunity from which Winland may profit or constitute a potential source of discredit to the Winland name. The following is a non-exhaustive list of examples of prohibited conflicts of interest for employees and officers of Winland:

- Consulting with or employment in any capacity with a competitor, supplier or customer of Winland.
- Having a substantial equity, debt, or other financial interest in any competitor, supplier or customer.
- Having a financial interest in any transaction involving the purchase or sale by Winland of any product, material, equipment, services or property.

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- Misusing Winland's confidential or proprietary information, including the unauthorized disclosure or use of such information.
- Using materials, equipment or other assets of Winland for any unauthorized or undisclosed purpose.
- Receiving loans or guarantees of obligations from the Company without Board of Director authorization.

Directors also owe Winland a duty of loyalty. The duty of loyalty mandates that the best interests of the Company and its shareholders take precedence over any interest possessed by a director not shared by the shareholders generally. In the event that a conflict (or the appearance of a conflict) arises or is anticipated, directors must bring the matter to the attention of the Chairman of the Audit Committee or, if a conflict involves the Chairman of the Audit Committee, to the attention of the Chairman of the Nominating and Governance Committee.

### ***Political Contributions and Related Policies***

**Generally Winland's funds or resources may not be used to make a political contribution to any political candidate or political party.**

Exceptions to this basic policy are allowed only where such contributions are permitted by law and permission is granted in advance by the Company's Chief Executive Officer, Compliance Officer or Board of Directors. Company policy does not permit the use of any Company facilities or resources by employees for political campaigning, political fundraising or partisan political purposes. A decision by an employee to contribute any personal time, money or other resources to a political campaign or political activity must be totally voluntary.

### ***Transacting International Business***

**Managers and employees of Winland and any affiliates doing business around the world must abide by special laws and regulations which apply to the import and export of products and technical data, as well as the conduct of business with non-U.S. entities.**

Winland personnel also must comply with anti-boycott and international embargo regulations in all locations where Winland does business. The U.S. Foreign Corrupt Practices Act prohibits payments, gifts or contributions to officials or employees of any foreign government or government-owned business for the purpose of getting or retaining business. In addition, the U.S. Foreign Corrupt Practices Act requires Winland to maintain accurate and complete financial books and records.

## ***Business Courtesies and Gratuities***

**Winland's policy is not to offer or accept kickbacks or bribes, or gifts of substantial value.**

Winland employees, officers and directors may only exchange non-monetary and modestly-valued gifts that promote goodwill with our business partners and do not improperly influence others. We will accept only approved and widely available discounts and do not encourage, accept or exchange gratuities or payments for providing services to others.

Business courtesies such as meals, transportation and entertainment provided to a customer must be modest in amount and related to a legitimate business purpose (e.g., explanation or demonstration of Winland products, application of products, service capabilities, or training). Such courtesies must not violate the law, regulations, or reasonable customs of the market-place. If you have any question about whether any business courtesies, gratuities or gifts are appropriate, please contact your supervisor or other Winland officer.

## ***Company Opportunities***

**Do not use a Company opportunity for personal gain.**

Employees, officers and directors owe a duty to the Company to advance its legitimate interests when the opportunity to do so arises. Employees, officers and directors are prohibited (without the specific consent of the Board of Directors or an appropriate committee thereof) from (1) taking for themselves personal opportunities that are discovered through the use of company property, information or their position, (2) using company property, information or their position for personal gain, or (3) competing with the Company directly or indirectly.

## ***Intellectual Property and Confidential Information***

**Winland invests substantial resources in developing proprietary intellectual property and confidential information.**

Confidential information is information that is not generally known or readily available to others. It includes non-public information that might be of value to competitors if it were disclosed. It must not be shared with others outside Winland except pursuant to approved business relationships or when required by law. Confidential information includes, but is not limited to, intellectual property and trade secrets, business plans and information, any and all product information, marketing and sales programs and information, customer and prospective customer information and lists, pricing information and policies, financial information, and any other information which the Company deems confidential.

Every Winland employee, officer and director is obligated to protect the Company's confidential information as well as that of its customers, suppliers and third parties

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who disclose information to Winland in confidence. Winland employees, officers and directors must not accept confidential information from a third party, including competitors, unless specifically authorized to do so by an authorized supervisor or officer of the Company and following an appropriate grant of rights from such third party.

### ***Protection and Proper Use of Company Assets***

**Our shareholders trust us to manage Company assets appropriately.**

Collectively, employees, officers and directors have a responsibility for safeguarding and making proper and efficient use of the Company's assets. Each of us has an obligation to prevent the Company's property from loss, damage, misuse, theft, embezzlement or destruction. We seek to ensure that the Company equipment, supplies and other assets are used for legitimate business purposes unless otherwise specifically authorized, and to protect all tangible and intangible Company property.

### ***Fair Dealing with Competitors, Customers and Suppliers***

**Respect the rights of competitors, customers and suppliers.**

Winland's success depends on building productive relationships with our customers and suppliers based on integrity, ethical behavior and mutual trust. In addition, customers have individual needs and expectations representing unique opportunities for mutual success.

The Company bases its supplier relationships on fundamental concepts of integrity, fairness, and mutual respect.

Winland strives to outperform its competition fairly and honestly. Winland seeks and develops competitive advantages through superior performance, not through unethical or illegal business practice. Each Company employee, officer and director should endeavor to deal fairly with the Company's customers, suppliers and competitors. No one should take unfair advantage through manipulation, concealment, abuse of privileged information, misrepresentation of material facts or any other intentional unfair dealing.

### ***Personal Behavior in the Workplace***

**Winland is committed to providing equal opportunity in employment and will not tolerate illegal discrimination or harassment.**

Winland strives to enhance and support the diversity of its employee group. All are expected to deal with each other in an atmosphere of trust and respect in a manner consistent with Winland's core values. Winland may monitor personal internet traffic for the purpose of compliance with its Telephone and Computer Policy which also fosters an atmosphere of trust and respect. Please refer to applicable portions

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of our Employee Handbook for guidance related to personal behavior in the workplace.

### ***Environmental Compliance***

Winland will conduct business at all times in compliance with appropriate environmental laws and regulations. It is Winland's policy to operate its facilities in a manner which protects the employees, the public and the environment.

### ***Public Disclosure of Code and Waivers***

The existence and content of this Code of Ethics and Business Conduct will be disclosed to shareholders and may be available on the Company's website. It is expected that waivers of this Code rarely, if ever, would be acceptable. Any waiver of a provision of this Code for executive officers or directors may be granted only by the Board of Directors, with only the independent members voting, or an appropriate Board Committee consisting of independent directors, and such waiver must be promptly disclosed to shareholders.

### ***Accountability for Adherence to the Code***

Each employee, officer and director must accept responsibility for adherence to this Code. Violations of this Code may lead to serious sanctions including, for an employee, discipline up to and including immediate termination, in the sole discretion of the Company. The Company may, in addition, seek civil recourse against an employee, officer or director and/or refer alleged criminal misconduct to law enforcement agencies.

### ***Reporting Any Suspected Illegal or Unethical Behavior***

***Winland maintains an open door policy and an anonymous telephone hotline for employees to raise concerns and to encourage the reporting of suspected violations of law or the Code of Ethics and Business Conduct without fear of retribution or retaliation.***

If you have questions about an ethical situation, you are encouraged to talk with your supervisor or with our Compliance Officer about any behavior you believe may be illegal or unethical. You will be assured confidentiality, to the limit of the law. If you do not feel it is appropriate to discuss the issue with these persons, Winland has established a hotline so that you can report concerns or potential violations anonymously (see below). Anonymous callers should supply detailed information to address the concern.

You may also refer to our Employee Handbook for reporting procedures when questions or potential violations arise that are not related to Winland's financial and accounting practices.

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It is against the Company's policy to retaliate against any employee, officer or director for good faith reporting of suspected violation of this Code. If you feel you have been retaliated against for raising your good faith concerns, you should immediately contact your supervisor, our Compliance Officer or the Compliance Hotline.

### COMPLIANCE HOTLINE

Toll-free and anonymous                      1-877-888-0002

### *Coordination with Other Winland Policies*

The provisions of this Code of Conduct are in addition to, and do not modify, replace or supersede, Winland's other policies or procedures including, but not limited to, those policies and procedures set forth in Winland's Employee Handbook and Winland's other statements of policy or procedure, whether written or oral.

Additionally, this Code of Conduct is not intended to be and does not constitute a contract of employment between Winland and its employees. If you are an employee and you do not have an Employment Agreement with Winland, you are an employee at-will. This means that you have the option of resigning from your employment at any time, for any reason or no reason, with or without prior notice. Conversely, Winland has same option to terminate your employment at any time, for any reason or no reason, with or without prior notice.

### *Monitoring*

*Winland will periodically reaffirm its commitment to compliance with the Code of Ethics and Business Conduct.*

Winland intends to conduct periodic training sessions regarding the Code. In addition, Winland will periodically distribute copies of the Code and the Certification of Compliance card to each employee, officer and director to remind such persons of the contents of the Code as well as to reestablish their commitment to compliance with it.

**Please make sure you return your  
Certificate of Compliance.**

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**CERTIFICATE OF COMPLIANCE**

**This Certificate must be read and signed by all employees, officers and directors.**

I certify that I have received, read and understood Winland's Code of Ethics and Business Conduct. I understand what types of conduct violate these policies. I agree to comply with the terms of the Code and understand that if I am an employee, violation of these terms may result in discipline up to and including immediate termination of employment in the discretion of Winland.

\_\_\_\_\_  
Employee, Officer or Director Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Printed Name

Return to:

Winland Electronics, Inc.  
1950 Excel Drive  
Mankato, MN 56001  
c/o Linda Annis

(507) 625-7231

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