

WINLAND ELECTRONICS, INC.

CHARTER OF THE COMPENSATION COMMITTEE

A. Purpose

The Compensation Committee of the Board of Directors shall assist the Board in carrying out the responsibilities of the Board relating to the compensation of Winland's executive officers and directors by accomplishing the responsibilities listed below and shall produce an annual report on executive compensation for inclusion in the company's proxy statement in accordance with regulatory requirements.

B. Organization

All members of the Compensation Committee must:

1. meet the definition of "non-employee director" under Rule 16b-3 of the Securities Exchange Act of 1934;
2. be an "outside director" for the purposes of Section 162(m) of the Internal Revenue Code of 1986;
3. meet the current definitions of an "independent director" under the rules of the American Stock Exchange and NASDAQ, under Winland's voluntary election to comply with NASDAQ's governance rules.

C. Authority and Responsibilities

The Compensation Committee shall report to the Board, as appropriate. To assist it in the conduct of its responsibilities, the Compensation Committee, to the extent it deems necessary or appropriate, may consult with management, may seek advice and assistance from Winland's employees or others, and may retain legal counsel, accountants and compensation consultants. The Compensation Committee has the sole authority to retain or terminate any compensation consultant to be used to assist in the evaluation of director, Chief Executive Officer or other executive officer compensation and has the sole authority to approve such consultant's fees and other terms of retention.

The Compensation Committee shall:

1. Review corporate goals and objectives relevant to the Chief Executive Officer's compensation and evaluate the Chief Executive Officer's compensation in light of those goals and objectives. Based on that evaluation, the Compensation Committee shall determine and approve the compensation of the Chief Executive Officer.

2. Approve the compensation of Winland's other executive officers, taking into consideration the recommendations of the CEO.
3. In establishing compensation for the executive officers, consider the recommendations of an independent compensation consultant, if appropriate, performance against the officer's goals and objectives, regional wage and salary, cost of living and related compensation information, and Winland's relative performance.
4. Make recommendations to the Board with respect to incentive compensation plans, including cash performance bonuses and equity-based plans, and review, approve, and administer the incentive compensation plans in which any executive officer of Winland participates. The Compensation Committee may delegate to management certain responsibilities to administer incentive compensation plans as permitted by the provisions of such plans, applicable laws, and the rules of the SEC and the American Stock Exchange.
5. Review, at least annually, the compensation of independent directors and recommend for approval by the Board any change in the compensation of such directors. In recommending director compensation, the Compensation Committee shall take comparable director fees into account.

D. Meetings

The Compensation Committee will meet and document its activities a minimum of two times per year or as often as required to fulfill its responsibilities.

E. Annual Performance Evaluation.

The Compensation Committee shall annually evaluate its own performance and monitor its continuous regulatory compliance.