WINLAND ELECTRONICS INC Form 10-Q August 13, 2010

	SECURITIES AND EXCHANGE COMMISSION Washington, D.C. 20549 FORM 10-Q PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF  June 30, 2010  FURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF  WINLAND ELECTRONICS, INC. (Name of registrant in its charter)  41-0992135 incorporation or  (IRS Employer Identification Number)  1950 Excel Drive, Mankato, Minnesota 56001 (Address of principal executive offices)  (507) 625-7231 (Issuer's telephone number)  partities registered pursuant to Section 12(b) of the Exchange par value  Name of Exchange American Stock Exchange
þ QUARTERLY REPORT PURSUANT TO SE 1934	ECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
For the Quarter Ended:	June 30, 2010
OR	
o TRANSITION REPORT PURSUANT TO SE 1934	ECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
For the transition period from	to
Commission File No.: 1-15637	
Minnesota	41-0992135
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification Number)
(Is	
Securities registered pu	arsuant to Section 12(b) of the Exchange Act:
Title of Each Class	Name of Exchange
Common Stock, \$.01 par value	
Preferred Stock Purchase Rights	American Stock Exchange

Securities registered pursuant to Section 12(g) of the Exchange Act: None

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes b No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a small reporting company. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o Accelerated filer o Non-accelerated filer o Smaller Reporting Company b

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No b

There were 3,699,230 shares of Common Stock, \$.01 par value, outstanding as of August 12, 2010.

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#### PART I – FINANCIAL INFORMATION

#### ITEM 1. FINANCIAL STATEMENTS

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

AGGERTA	June 30,	December
ASSETS	2010	31, 2009
Compart Assats	(Unaudited)	
Current Assets Cash	\$100	\$55
Accounts receivable, less allowance for doubtful accounts of \$64	\$ 100	<b>Ф</b> 33
and \$49, respectively	3,597	2,823
Refundable income taxes	3,397	
Inventories, less allowance for obsolescence of \$766 and	370	1,023
•	3,195	3,039
\$562, respectively Prepaid expenses and other assets	308	256
Total current assets	7,576	
Total current assets	7,370	7,196
Dronarty and againment at cost	11 022	12 266
Property and equipment at cost Less accumulated depreciation	11,933 (8,045	12,266 (7,937)
*	3,888	4,329
Net property and equipment Total assets		
Total assets	\$11,464	\$11,525
LIADII ITIEC AND CTOCVIIOI DEDC' EQUITY		
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Revolving line of credit agreement	\$1,248	\$367
The state of the s	394	380
Current maturities of long-term debt	1,692	
Accounts payable	1,092	1,132
Accrued expenses: Compensation	392	369
Other short-term tax liabilities	258	
Other Other	53	- 49
Total current liabilities		
Total current habilities	4,037	2,297
Long Torm Lightlities		
Long Term Liabilities Long-term debt, less current maturities	498	699
Deferred revenue	118	122
Other long-term tax liabilities	110	258
	- 616	
Total long-term liabilities	616	1,079
Stockholders' Equity		
Common stock, par value \$0.01 per share; authorized 20,000,000		
shares; issued and outstanding 3,699,230 shares as of June 30, 2010 and 3,686,435 as of		
December 31, 2009	37	37
December 51, 2007	31	31

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Additional paid-in capital	5,039	5,016
Retained earnings	1,735	3,096
Total stockholders' equity	6,811	8,149
Total liabilities and stockholders' equity	\$11,464	\$11,525
See Notes to Condensed Financial Statements		

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# WINLAND ELECTRONICS, INC. CONDENSED STATEMENTS OF OPERATIONS (In Thousands, Except Share and Per Share Amounts) (Unaudited)

	For the Three Months Ended June 30, 2010 2009				For the Six Months Ended June 30, 2010 2009			
Net sales	\$5,131		\$5,734		\$9,675		\$12,886	
Cost of sales	4,934		5,246		9,061		11,322	
Gross profit	197		488		614		1,564	
Operating expenses								
General and administrative	510		543		970		1,169	
Sales and marketing	367		423		744		774	
Research and development	114		87		219		252	
Total operating expenses	991		1,053		1,933		2,195	
Operating loss	(794	)	(565	)	(1,319	)	(631	)
Other income (expense)								
Interest expense	(27	)	(23	)	(48	)	(46	)
Other income (expense), net	(1	)	3		7		(12	)
Total other expense	(28	)	(20	)	(41	)	(58	)
Loss before income taxes	(822	)	(585	)	(1,360	)	(689	)
Income tax expense	_		(129	)	(2	)	(150	)
Net loss	\$(822	)	\$(714		\$(1,362	)	\$(839	)
Loss per common share:								
Basic and diluted	\$(0.22	)	\$(0.19	)	\$(0.37	)	\$(0.23	)
Weighted-average number of common shares outstanding:								
Basic and diluted	3,689,93	80	3,669,14	8	3,686,68	83	3,669,1	48
See Notes to Condensed Financial Statements								
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## WINLAND ELECTRONICS, INC. CONDENSED STATEMENTS OF CASH FLOWS (In Thousands of Dollars)

(Unaudited)

Supplemental information   Supplemental inform	(Onaudited)	For the Six Months Ended					
Cash Flows From Operating Activities         \$(1,362)         \$(839)           Net loss         \$(1,362)         \$(839)           Adjustments to reconcile net loss to net cash used in operating activities:         \$(1,362)         \$(839)           Depreciation and amortization         397         412         \$(1,362)							
Net loss         \$(1,362)         \$(839)           Adjustments to reconcile net loss to net cash used in operating activities:         397         412           Depreciation and amortization         397         412           Increase in allowance for doubtful accounts         15         -           Loss on disposal of property and equipment         47         20           Non-cash stock based compensation         16         47           Changes in assets and liabilities:         -         -           Accounts receivable         (789)         333           Refundable income taxes         647         204           Inventories         (156)         (266)           Prepaid expenses         (52)         (199)           Accounts payable         560         (37           Accrued expenses, including deferred revenue and other short-term tax liabilities         27         26           Net cash used in operating activities         (52)         (299)           Cash Flows From Investing Activities		2010	2009				
Adjustments to reconcile net loss to net cash used in operating activities:         Depreciation and amortization       397       412         Increase in allowance for doubtful accounts       15       -         Loss on disposal of property and equipment       47       20         Non-cash stock based compensation       16       47         Changes in assets and liabilities:       333       467         Accounts receivable       (789       333         Refundable income taxes       (647       204         Inventories       (156       ) (266         Prepaid expenses       (52       ) (199         Accounts payable       560       (37         Accounts payable       560       (37         Accrued expenses, including deferred revenue and other short-term tax liabilities       27       26         Net cash used in operating activities       (650       ) (299         Cash Flows From Investing Activities       27       26         Purchases of property and equipment       (13       ) (59         Proceeds from sale of property and equipment       7       7         Net cash used in investing activities       881       386         Payments on long-term borrowings, including capital lease obligations       (187		¢ (1.262	Λ (020	\			
Operating activities:         Sepreciation and amortization         397         412           Increase in allowance for doubtful accounts         15         -           Loss on disposal of property and equipment         47         20           Non-cash stock based compensation         16         47           Changes in assets and liabilities:         Changes in asset and liabilities:         333           Refundable income taxes         647         204           Inventories         (156         (266           Prepaid expenses         (52         ) (199           Accounts payable         560         (37           Accrued expenses, including deferred revenue and other short-term tax liabilities         27         26           Net cash used in operating activities         (650         ) (299           Cash Flows From Investing Activities         7         7           Purchases of property and equipment         (13         ) (59           Proceeds from sale of property and equipment         7         7           Net cash used in investing activities         881         386           Payments on long-term borrowings, including capital         881         386           Payments on long-term borrowings, including capital         881         (172           <		\$(1,362	) \$(839	)			
Depreciation and amortization         397         412           Increase in allowance for doubtful accounts         15         -           Loss on disposal of property and equipment         47         20           Non-cash stock based compensation         16         47           Changes in assets and liabilities:	· ·						
Increase in allowance for doubtful accounts	· ·	207	410				
Loss on disposal of property and equipment         47         20           Non-cash stock based compensation         16         47           Changes in assets and liabilities:         7         333           Accounts receivable         (789         333           Refundable income taxes         647         204           Inventories         (156         266           Prepaid expenses         (52         ) (199           Accounts payable         560         (37           Accounts payable         560         (37           Accrued expenses, including deferred revenue and other short-term tax liabilities         27         26           Net cash used in operating activities         (650         ) (299           Cash Flows From Investing Activities         7         7           Purchases of property and equipment         (13         ) (59           Proceeds from sale of property and equipment         7         7           Net cash used in investing activities         881         386           Payments on long-term borrowings, including capital lease obligations         (187         ) (213           Proceeds from issuance of common stock         7         6           Net cash provided by financing activities         70         179	•		412				
Non-cash stock based compensation         16         47           Changes in assets and liabilities:         (789 ) 333           Refundable income taxes         647 204           Inventories         (156 ) (266 Prepaid expenses         (52 ) (199 Accounts payable           Accounts payable         560 (37 Accound expenses, including deferred revenue and other short-term tax liabilities         27 26 Accound expenses, including deferred revenue and other short-term tax liabilities           Net cash used in operating activities         (650 ) (299 Accounts payable           Cash Flows From Investing Activities         (650 ) (299 Accounts payable activities           Purchases of property and equipment         (13 ) (59 Accounts payable activities and property and equipment and property and equipment activities activities and property and equipment activities and provides activities and providing property and equipment activities and provided property and equipment activities and provided provided provided provided provided providing providing provided prov			-				
Changes in assets and liabilities:         Counts receivable         (789 ) 333         333         Refundable income taxes         (647 204 lived)         204 lived         105 (266 lived)         204 lived         206 lived         206 lived         207 lived         206 lived         207 lived         207 lived         207 lived         208 lived         207 lived         208 lived <t< td=""><td></td><td></td><td></td><td></td></t<>							
Accounts receivable         (789 ) 333           Refundable income taxes         (47 204 204 109 100 100 100 100 100 100 100 100 100	-	16	47				
Refundable income taxes       647       204         Inventories       (156       ) (266         Prepaid expenses       (52       ) (199         Accounts payable       560       (37         Accrued expenses, including deferred revenue and other short-term tax liabilities       27       26         Net cash used in operating activities       (650       ) (299         Cash Flows From Investing Activities       Very Cash Flows From Investing Activities       Very Cash Flows From Investing Activities         Purchases of property and equipment       7       7         Net cash used in investing activities       (6       ) (52         Cash flows From Financing Activities       881       386         Net borrowings on revolving line of credit       8       386         Payments on long-term borrowings, including capital lease obligations       (187       ) (213         Proceeds from issuance of common stock       7       6         Net cash provided by financing activities       701       179         Net increase (decrease) in cash       45       (172         Cash       S       356         Ending of period       55       356         Ending of period       \$100       \$184         Supplemental information       <	· · · · · · · · · · · · · · · · · · ·						
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Prepaid expenses         (52 ) (199 Accounts payable         560 (37 Accounts payable           Accounts payable         560 (37 Accounts payable           Accrued expenses, including deferred revenue and other short-term tax liabilities         27 (26 Net cash used in operating activities           Net cash used in operating activities         (650 ) (299 Net Cash Flows From Investing Activities           Purchases of property and equipment         7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7							
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Net increase (decrease) in cash  Cash Beginning of period  Ending of period  Supplemental information  Cash payments for:  Interest  Cash received for:	Proceeds from issuance of common stock	7	6				
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Cash payments for: Interest \$35 \$47 Cash received for:	Supplemental information						
Interest \$35 \$47 Cash received for:	• •						
Cash received for:	• •	\$35	\$47				
t to the term of		\$645	\$-				
Non-cash reclassification of other tax liability from long-term to short-term	Non-cash reclassification of other tax liability from long-term to short-term						

\$258