

WINLAND HOLDINGS CORPORATION

A Minnesota Corporation

424 North Riverfront Drive, Suite 200, Mankato, MN 56001
(507) 625-7231
www.winland.com
investors@winland.com

SIC Code: 3823

Interim Report **For the Period Ending: September 30, 2022**

As of September 30, 2022, the number of shares outstanding of our Common Stock was:

4,618,063

As of June 30, 2022, the number of shares outstanding of our Common Stock was:

4,618,063

As of December 31, 2021, the number of shares outstanding of our Common Stock was:

4,600,783

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933 and Rule 12b-2 of the Exchange Act of 1934):

Yes: ☐

No: ☒

Indicate by check mark whether the company's shell status has changed since the previous reporting period:

Yes: ☐

No: ☒

Indicate by check mark whether a Change in Control of the company has occurred over this reporting period:

Yes: ☐

No: ☒

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

Winland Holdings Corporation

(Formerly known as Winland Electronics, Inc. Name change effective January 1, 2018.)

Issuer is a Corporation incorporated in the State of Minnesota on October 18, 1972. Current standing: Active.

Describe any trading suspension orders issued by the SEC concerning the issuer or its predecessors:

None.

List any stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the past 12 months:

On September 8, 2021, the Company, through its wholly-owned subsidiary Winland Mining LLC, acquired 32 Canaan Avalon Miner 1246 90 TH/S cryptocurrency miners from FRMO Corporation in exchange for 52,560 shares of the Company's common stock.

Issuer principal executive office and place of business address is: 424 North Riverfront Drive, Suite 200, Mankato, MN 56001

Has the issuer or any of its predecessors ever been in bankruptcy, receivership, or any similar proceeding in the past five years?

Yes: ☐

No: ☒

2) Security Information

Trading symbol:	WELX	
Exact title and class of securities outstanding:	Common Stock	
CUSIP:	97424Q106	
Par or stated value:	\$0.01	
Total shares authorized:	20,000,000	as of date: September 30, 2022
Total shares outstanding:	4,618,063	as of date: September 30, 2022
Number of shares in the Public Float:	2,339,371	as of date: September 30, 2022
Total number of shareholders of record:	253	as of date: September 30, 2022

Transfer Agent

Name: Computershare
Phone: 800-368-5948
Email: web.queries@computershare.com
Address: 150 Royall Street, Canton, MA 02021

Is the Transfer Agent registered under the Exchange Act? Yes: ☒ No: ☐

3) Issuance History

A. Changes to the Number of Outstanding Shares

Check this box to indicate there were no changes to the number of outstanding shares within the past two completed fiscal years and any subsequent periods: ☐

Number of Shares outstanding as of January 1, 2020		*Right-click the rows below and select "Insert" to add rows as needed.							
Opening Balance: Common: 3,794,450 Preferred: 0									
Date of Transaction	Transaction type (e.g. new issuance, cancellation, shares returned to treasury)	Number of Shares Issued (or cancelled)	Class of Securities	Value of shares issued (\$/per share) at Issuance	Were the shares issued at a discount to market price at the time of issuance? (Yes/No)	Individual/ Entity Shares were issued to (entities must have individual with voting / investment control disclosed).	Reason for share issuance (e.g. for cash or debt conversion) OR Nature of Services Provided (if applicable)	Restricted or Unrestricted as of this filing?	Exemption or Registration Type?
6/23/2020	New Issuance	574,000	Common	\$0.70	No	FRMO Corporation/ Steven M. Bregman	Acquisition	Restricted	Securities Act Section 4(a)(2)
9/1/2020	New Issuance	136,419	Common	\$0.90	No	FRMO Corporation/ Steven M. Bregman	Acquisition	Restricted	Securities Act Section 4(a)(2)
2/16/2021	New Issuance	26,333	Common	\$4.95	No	Lorin E. Krueger	Options Exercised	Restricted	Securities Act Section 4(a)(2)
3/2/2021	New Issuance	17,021	Common	\$4.70	No	Thomas J. Brady	Options Exercised	Restricted	Securities Act Section 4(a)(2)
9/8/2021	New Issuance	52,560	Common	\$4.14	No	FRMO Corporation/ Steven M. Bregman	Acquisition	Restricted	Securities Act Section 4(a)(2)
3/31/2022	New Issuance	17,280	Common	\$3.75	No	Thomas J. Brady	Options Exercised	Restricted	Securities Act Section 4(a)(2)
Shares Outstanding on September 30, 2022:		Ending Balance: Common: 4,618,063 Preferred: 0							

B. Debt Securities, Including Promissory and Convertible Notes

Check this box if there are no outstanding promissory, convertible notes or debt arrangements: ☒

Date of Note Issuance	Outstanding Balance (\$)	Principal Amount at Issuance (\$)	Interest Accrued (\$)	Maturity Date	Conversion Terms (e.g. pricing mechanism for determining conversion of instrument to shares)	Name of Noteholder	Reason for Issuance (e.g. Loan, Services, etc.)
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____

4) Consolidated Financial Statements

A. The following consolidated financial statements were prepared in accordance with:

- ☒ U.S. GAAP
☐ IFRS

B. The consolidated financial statements for this reporting period were prepared by (name of individual):

Name: **Matthew D. Houk**
Title: **Chairman, CEO & CFO**
Relationship to Issuer: **Director & Officer of Issuer**

4) Consolidated Financial Statements (Continued)

WINLAND HOLDINGS CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(In Thousands, Except Share Data)

	September 30, 2022 (unaudited)	December 31, 2021
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,264	\$ 1,492
Accounts receivable, less allowance for doubtful accounts of \$8 as of both September 30, 2022 and December 31, 2021 (Note 2)	523	516
Inventories (Note 4)	640	438
Prepaid expenses and other assets	157	128
Total current assets	2,584	2,574
Property and Equipment, at cost		
Property and equipment	830	782
Less accumulated depreciation	470	298
Net property and equipment (Note 15)	360	484
Long-term investments (Note 11)	1	1
Long-term marketable securities (Note 8)	7	17
Long-term rights to payment (Note 12)	363	363
Operating lease right of use asset (Note 17)	12	19
Cryptocurrency (Note 14)	1,267	1,733
Total long-term assets	1,650	2,133
Total assets	\$ 4,594	\$ 5,191
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	\$ 562	\$ 412
Operating lease liability (Note 17)	8	8
Accrued liabilities:		
Compensation	55	61
Other current liabilities	15	15
Total current liabilities	640	496
Long-Term Liabilities		
Operating lease liability (Note 17)	4	11
Total long-term liabilities	4	11
Total liabilities	644	507
Stockholders' Equity		
Common stock, par value \$0.01 per share; authorized 20,000,000 shares; issued and outstanding 4,618,063 as of September 30, 2022 and 4,600,783 as of December 31, 2021	46	46
Additional paid-in capital	5,845	5,845
Accumulated deficit	(1,941)	(1,207)
Total stockholders' equity	3,950	4,684
Total liabilities and stockholders' equity	\$ 4,594	\$ 5,191

See Notes to Condensed Consolidated Financial Statements

4) Consolidated Financial Statements (Continued)

WINLAND HOLDINGS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In Thousands, Except Share and Per Share Data)

(unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
Net sales				
Product and services (Notes 2 and 7)	\$ 945	\$ 1,006	\$ 2,841	\$ 3,049
Cryptocurrency (Note 14)	175	566	821	1,541
Total net sales	1,120	1,572	3,662	4,590
Cost of sales				
Product and services	572	661	1,799	1,886
Cryptocurrency	181	125	476	353
Total cost of sales	753	786	2,275	2,239
Gross profit	367	786	1,387	2,351
Operating expenses:				
General and administrative	130	131	383	372
Sales and marketing	91	91	333	289
Research and development	166	114	419	451
Total operating expenses	387	336	1,135	1,112
Operating income (loss)	(20)	450	252	1,239
Other expense (Note 9)	(41)	(21)	(986)	(108)
Net income (loss)	\$ (61)	\$ 429	\$ (734)	\$ 1,131
Income (loss) per common share data:				
Basic	\$ (0.02)	\$ 0.09	\$ (0.16)	\$ 0.25
Diluted	\$ (0.02)	\$ 0.09	\$ (0.16)	\$ 0.25
Weighted-average number of common shares outstanding:				
Basic	4,618,063	4,560,791	4,612,429	4,544,218
Diluted	4,618,063	4,578,348	4,612,429	4,570,161

See Notes to Condensed Consolidated Financial Statements

4) Consolidated Financial Statements (Continued)

WINLAND HOLDINGS CORPORATION
CONDENSED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(In Thousands, Except Share Data)
(unaudited)

	Common Stock		Additional	Accumulated	
	Shares	Amount	Paid-In Capital	Deficit	Total
Balance on December 31, 2020	4,504,869	\$ 45	\$ 5,628	\$ (2,687)	\$ 2,986
Exercise of stock options	43,354	-	-	-	-
Net income	-	-	-	501	501
Balance on March 31, 2021	4,548,223	45	5,628	(2,186)	3,487
Net income	-	-	-	201	201
Balance on June 30, 2021	4,548,223	45	5,628	(1,985)	3,688
Issuance of stock for equipment (Note 14)	52,560	1	217	-	218
Net income	-	-	-	429	429
Balance on September 30, 2021	4,600,783	\$ 46	\$ 5,845	\$ (1,556)	\$ 4,335
Balance on December 31, 2021	4,600,783	\$ 46	\$ 5,845	\$ (1,207)	\$ 4,684
Exercise of stock options	17,280	-	-	-	-
Net income	-	-	-	75	75
Balance on March 31, 2022	4,618,063	46	5,845	(1,132)	4,759
Net loss	-	-	-	(748)	(748)
Balance on June 30, 2022	4,618,063	46	5,845	(1,880)	4,011
Net loss	-	-	-	(61)	(61)
Balance on September 30, 2022	4,618,063	\$ 46	\$ 5,845	\$ (1,941)	\$ 3,950

See Notes to Condensed Consolidated Financial Statements

4) Consolidated Financial Statements (Continued)

WINLAND HOLDINGS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)
(unaudited)

	For the Nine Months Ended September 30,	
	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Net income (loss)	\$ (734)	\$ 1,131
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation	172	112
Extinguishment of PPP loan	-	(94)
Net loss (gain) from marketable securities	10	(15)
Net gain from rights to payment	-	(9)
Decrease in allowance for obsolete inventory	(33)	(9)
Changes in assets and liabilities:		
Accounts receivables	(7)	(104)
Inventories	(169)	52
Cryptocurrency	466	(1,061)
Prepaid expenses and other assets	(29)	(169)
Accounts payable	150	35
Unearned revenue	-	(70)
Accrued liabilities	(6)	(29)
Net cash used in operating activities	<u>(180)</u>	<u>(230)</u>
Cash flows from investing activities		
Proceeds from investments	-	3
Proceeds from rights to payment	-	9
Purchases of property and equipment	(48)	(89)
Net cash used in investing activities	<u>(48)</u>	<u>(77)</u>
Net decrease in cash and cash equivalents	(228)	(307)
Cash and cash equivalents		
Beginning	1,492	1,694
Ending	<u>\$ 1,264</u>	<u>\$ 1,387</u>
Non-cash investing and financing activities:		
Extinguishment of PPP loan	\$ -	\$ 94
Operating right of use asset obtained in exchange for lease obligation	-	24
Accounts receivable from investments (Note 11)	-	2
Issuance of common stock for equipment (Note 14)	-	218

See Notes to Condensed Consolidated Financial Statements

4) Consolidated Financial Statements (Continued)

Note 1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared by Winland Holdings Corporation (“Winland” or the “Company”) 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 nine months ended September 30, 2022 are not necessarily indicative of the results that may be expected for the year ending December 31, 2022.

The condensed consolidated balance sheet at December 31, 2021 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 consolidated financial statements and notes included in the Company’s Annual Report for the year ended December 31, 2021.

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 consolidated financial statements are filed for events requiring adjustment to or disclosure in the consolidated financial statements.

Nature of Business:

Winland Holdings Corporation (“Winland” or the “Company”) is the holding company for Winland Electronics, Inc. (“Winland Electronics”), Winland Capital Corporation (“Winland Capital Corp.”), and Winland Mining LLC (“Winland Mining”), all wholly-owned subsidiaries of the Company.

Winland Electronics is an industry leader in critical condition monitoring devices. Products including EnviroAlert, WaterBug, and TempAlert are designed in-house to monitor critical conditions and protect against loss of assets due to damage from water, excess humidity, extremes of temperature, and loss of power, among others, across industries including health and medical, grocery and food services, commercial and industrial, as well as agriculture and residential. Winland Electronics markets and sells its line of proprietary critical condition monitoring hardware and subscription service products primarily through a global network of distributors, dealers, security installers and integrators. Winland Electronics’ products are compatible with any hardwired or wireless alarm system. Winland Electronics also offers a critical environment monitoring solution called INSIGHT, an automated, cloud-based platform that provides early alerting, reporting, and logging services designed to ensure regulatory compliance.

Winland Capital Corp. is the holding company for the Company’s investment operations and includes wholly-owned subsidiaries Winland Credit Partners LLC (“Winland Credit”) and Winland Capital Management LLC (“Winland Capital”).

Winland Mining is the Company’s cryptocurrency mining business and currently operates 200 Bitmain S19 95 TH/S and 32 Canaan Avalon Miner 1246 90 TH/S cryptocurrency miners. Winland Mining has entered into a services agreement with Horizon Kinetics LLC to engage with cryptocurrency mining hosting facilities on Winland Mining’s behalf and to support its cryptocurrency mining operations by performing certain services from time to time.

The Company continues to explore 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 private credit, various rights to payment (including bankruptcy claims), marketable securities, and cryptocurrency-related assets.

The footnotes related to dollars are in thousands unless noted.

4) Consolidated Financial Statements (Continued)

Note 2. Major Customers

Winland Electronics has two customers that accounted for 10 percent (10%) or more of net sales for the three and nine months ended September 30, 2022 and 2021 as follows:

Sales percentage:	For the Three Months Ended September 30,	
	2022	2021
Customer A	40%	50%
Customer B	18%	20%

Sales percentage:	For the Nine Months Ended September 30,	
	2022	2021
Customer A	41%	50%
Customer B	23%	19%

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

Accounts receivable percentage:	September 30,	
	2022	2021
Customer A	39%	50%
Customer B	40%	32%

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 to purchase shares of common stock at various amounts per share (see Note 6).

For the three months ended September 30, 2022, the basic loss per share was (\$0.01) based on 4,618,063 shares outstanding. For the three months ended September 30, 2022, there were no dilutive option shares outstanding. For the three months ended September 30, 2021, the basic income per share was \$0.09, based on 4,560,791 shares outstanding. The diluted income per share was \$0.09 for the three months ended September 30, 2021, based on 4,578,348 shares outstanding, including 17,557 of dilutive option shares outstanding.

For the nine months ended September 30, 2022, the basic loss per share was (\$0.16) based on 4,612,429 shares outstanding. The diluted loss per share was (\$0.16) for the nine months ended September 30, 2022, based on 4,612,429 shares outstanding. Potentially dilutive shares of 5,417 related to option shares outstanding were considered to be antidilutive due to the net loss for the nine months ended September 30, 2022. For the nine months ended September 30, 2021, the basic income per share was \$0.25, based on 4,544,218 shares outstanding. The diluted income per share was \$0.25 for the nine months ended September 30, 2021, based on 4,570,161 shares outstanding, including 25,943 of dilutive option shares outstanding.

Note 4. Inventories

The components of inventories were as follows, net of reserves:

	September 30, 2022	December 31, 2021
Raw materials	\$ 17	\$ 65
Finished goods	623	373
Total, net	<u>\$ 640</u>	<u>\$ 438</u>

4) Consolidated Financial Statements (Continued)

Note 5. Allowance for Rework and Warranty Costs

The Company provides a limited warranty for its products for a period of one year, which requires the Company 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 September 30, 2022 and December 31, 2021.

Note 6. 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 was \$1,548 as of both September 30, 2022 and December 31, 2021.

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. For the nine months ended September 30, 2022 and 2021, 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 \$734 pre-tax loss from continuing operations for the nine months ended September 30, 2022. The Company had no income tax expense on its \$1,131 pre-tax income from continuing operations for the nine months ended September 30, 2021. 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 consolidated 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 2018 through 2021 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 September 30, 2022 and 2021, the Company recognized no interest or penalties related to uncertain tax positions.

At December 31, 2021, the Company had net operating loss carryforwards for federal purposes of \$5,209 and \$4,569 for state income tax purposes that are available to offset future taxable income and begin to expire in the year 2031 and 2023, respectively. The Company will continue utilizing the net operating loss carryforwards and credit carryforwards and will evaluate the realization of the corresponding deferred tax asset at the consolidated company level.

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.

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

4) Consolidated Financial Statements (Continued)

Note 7. Revenue Recognition

Revenues are recognized when control of the promised goods or services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services. The Company accounts for a contract when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable.

Disaggregation of revenue: The following table presents our revenues disaggregated by revenue sources of hardware and software subscription contracts and cryptocurrency.

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
Hardware	\$ 868	\$ 935	\$ 2,612	\$ 2,852
Subscription service	77	71	229	197
Cryptocurrency	175	566	821	1,541
	<u>\$ 1,120</u>	<u>\$ 1,572</u>	<u>\$ 3,662</u>	<u>\$ 4,590</u>

Hardware contracts: For hardware contracts, the Company's customers submit binding purchase orders stating the items to purchase, standard price, shipping method, and payment terms. The Company sets standard pricing for its hardware items and communicates them to a majority of customers. For customers who receive nonstandard pricing, pricing is determined based on customer annual sales volumes and or geographic region, typically outside of North America.

We recognize revenue at a point in time as hardware is delivered to common carrier for shipment and title transfers.

Software subscription contracts: The Company recognizes revenue from software subscription contracts over time as the services are rendered to the customer daily. Contracts are billed at the beginning of each calendar quarter for a three-month period with payment terms ranging from 15 to 30 days from the date of invoice.

Significant judgements: The Company estimates any variable consideration at the outset of the contract (such as credits or incentives to its customers). The Company constrains (reduces) the estimates of variable consideration such that it is probable that a significant revenue reversal of previously recognized revenue will not occur over the life of a contract.

Transaction price allocated to future performance obligations: The Company determines the allocation of the transaction price and amounts allocated to remaining performance obligations based on the standalone selling price for each distinct performance obligation in the contract. The Company generally determines standalone selling prices based on the actual prices charged to customers.

Contract balances: Unearned revenues arise when revenues are invoiced but cannot be recognized until the completion of service over time.

Liabilities related to unearned revenue on software subscription contracts have been classified as current. As of September 30, 2022 and December 31, 2021, the Company had no contracts with terms extending beyond one year.

Software subscription revenue collected but not recognized for the period is stated as "Unearned Revenue" on the Company's condensed consolidated balance sheets. During 2021, the Company changed its billing cycle and now bills for subscription services quarterly rather than annually. As such, there was no deferred revenue as of September 30, 2022 or December 31, 2021.

4) Consolidated Financial Statements (Continued)

Note 7. Revenue Recognition (Continued)

Software subscription revenue recognized for the three and nine months ended September 30, 2022 and 2021, respectively, which was previously recorded in unearned revenue was as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
Subscription service	\$ -	\$ 5	\$ -	\$ 70
	\$ -	\$ 5	\$ -	\$ 70

Practical expedients and exemptions: The Company generally expenses sales commissions when incurred because the amortization period would have been one year or less. These costs are recorded within sales and marketing expenses for the nine months ending September 30, 2022 and 2021, respectively.

All of the Company's software subscription contracts are short-term in nature with a contract term of one year. For those contracts, we have utilized the practical expedient in ASC 606-10-50-14, exempting the Company from disclosure of the transaction price allocated to remaining performance obligations if the performance obligation is part of a contract that has an original expected duration of one year or less.

Additionally, the Company's payment terms are short-term in nature with settlements of one year or less, generally net 30 days. We have, therefore, utilized the practical expedient in ASC 606-10-32-18, exempting the Company from adjusting the promised amount of consideration for the effects of a significant financing component given that the period between when the entity transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

Sales taxes and use taxes are reported on a net basis, excluding them from sales and cost of sales. The Company has elected the practical expedient to exclude such amounts from the determination of the transaction price of contracts.

The Company has elected an accounting policy to account for shipping and handling activities that occur after the customer has obtained control of a good as an activity to fulfill the promise to transfer the good. Therefore, shipping and handling charges are excluded from the determination of the transaction price of contracts. Shipping and handling charges billed to customers are included in net sales, and shipping and handling costs incurred by the Company are included in cost of sales.

The Company has elected the accounting policy to exclude immaterial goods or services from assessment as separate performance obligations.

Cryptocurrency: The Company recognizes revenue at the time of the cryptocurrency creation (see Note 14).

Note 8. Financial Instruments

Marketable securities: The Company's marketable equity securities are carried at fair value. Realized and unrealized gains are reported in other income. The cost of securities sold is based upon the specific identification method.

Fair value measurements: The Company applies fair value accounting for all financial assets and liabilities and non-financial assets and liabilities that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis. The Company defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities, which are required to be recorded at fair value, the Company considers the principal or most advantageous market in which the Company would transact and the market-based risk measurements or assumptions that market participants would use to price the asset or liability, such as risks inherent in valuation techniques, transfer restrictions, and credit risk. Fair value is estimated by applying the following hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement.

4) Consolidated Financial Statements (Continued)

Note 8. Financial Instruments (Continued)

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Inputs that are generally unobservable and typically reflect management’s estimate of assumptions that market participants would use in pricing the asset or liability.

The Company’s valuation techniques used to measure the fair value of certain marketable equity securities were derived from quoted prices in active markets for identical assets or liabilities.

In accordance with the fair value accounting requirements, companies may choose to measure eligible financial instruments and certain other items at fair value. The Company has not elected the fair value option for any eligible financial instruments.

Cash, cash equivalents, and marketable securities: The following table shows the Company’s cash and securities’ adjusted cost, gross unrealized gains, gross unrealized losses, and fair value by significant investment category recorded as cash and cash equivalents or short- or long-term marketable securities as of September 30, 2022 and December 31, 2021:

WINLAND HOLDINGS CORPORATION
CASH, CASH EQUIVALENTS, AND MARKETABLE SECURITIES
(In Thousands)
(unaudited)

As of September 30, 2022							
	Adjusted Cost	Unrealized Gains	Unrealized Losses	Fair Value	Cash and Cash Equivalents	Short-Term Marketable Securities	Long-Term Marketable Securities
Cash	\$ 1,264	\$ -	\$ -	\$ 1,264	\$ 1,264	\$ -	\$ -
Level 1:							
Investments	20	-	(13)	7	-	-	7
Total	<u>\$ 1,284</u>	<u>\$ -</u>	<u>\$ (13)</u>	<u>\$ 1,271</u>	<u>\$ 1,264</u>	<u>\$ -</u>	<u>\$ 7</u>
As of December 31, 2021							
	Adjusted Cost	Unrealized Gains	Unrealized Losses	Fair Value	Cash and Cash Equivalents	Short-Term Marketable Securities	Long-Term Marketable Securities
Cash	\$ 1,492	\$ -	\$ -	\$ 1,492	\$ 1,492	\$ -	\$ -
Level 1:							
Investments	20	-	(3)	17	-	-	17
Total	<u>\$ 1,512</u>	<u>\$ -</u>	<u>\$ (3)</u>	<u>\$ 1,509</u>	<u>\$ 1,492</u>	<u>\$ -</u>	<u>\$ 17</u>

Fair values were determined for each individual security in the investment portfolio. When evaluating an investment for other-than-temporary impairment, the Company reviews factors such as the length of time and extent to which fair value has been below its cost basis, the financial condition of the issuer and any changes thereto, the Company’s intent to sell, or whether it is more likely than not it will be required to sell the investment before recovery of the investment’s cost basis. As of September 30, 2022, the Company does not consider any of its investments to be other-than-temporarily impaired. The balance included as a long-term marketable security has been classified as long-term as it is the company’s intent to hold the investment for greater than one year, though the actual length of time that the security may be held could be different.

4) Consolidated Financial Statements (Continued)

Note 9. Other Expense

Other expense consisted of the following for the three and nine months ended September 30, 2022 and 2021:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
Gain on extinguishment of PPP loan (Note 13)	\$ -	\$ -	\$ -	\$ 94
Interest income	1	-	1	-
Dividend income	-	-	-	7
Marketable securities (Note 8)	(11)	-	(11)	15
Rights to payment (Note 12)	-	1	-	9
Cryptocurrency (Note 14)	(31)	(22)	(976)	(233)
Other expense	\$ (41)	\$ (21)	\$ (986)	\$ (108)

Note 10. Segment Reporting

The Company reports results of operations by reportable segments, Winland Electronics, Winland Capital Corp. and Winland Mining.

WINLAND HOLDINGS CORPORATION SEGMENT REPORTING (In Thousands) (unaudited)

	Winland Electronics	Winland Capital Corp.	Winland Mining	Other	Total
<i>Three months ended September 30, 2022</i>					
Cash	\$ 584	\$ 485	\$ 39	\$ 156	\$ 1,264
Total assets	2,001	857	1,404	332	4,594
Net sales	945	-	175	-	1,120
Depreciation	6	-	52	-	58
Net income (loss) before taxes	20	(22)	(59)	-	(61)
<i>Three months ended September 30, 2021</i>					
Cash	\$ 694	\$ 476	\$ 61	\$ 156	\$ 1,387
Total assets	2,024	869	1,850	227	4,970
Net sales	1,006	-	566	-	1,572
Depreciation	2	-	41	-	43
Net income (loss) before taxes	37	(9)	401	-	429
<i>Nine months ended September 30, 2022</i>					
Cash	\$ 584	\$ 485	\$ 39	\$ 156	\$ 1,264
Total assets	2,001	857	1,404	332	4,594
Net sales	2,841	-	821	-	3,662
Depreciation	17	-	155	-	172
Net income (loss) before taxes	12	(38)	(708)	-	(734)
<i>Nine months ended September 30, 2021</i>					
Cash	\$ 694	\$ 476	\$ 61	\$ 156	\$ 1,387
Total assets	2,024	869	1,850	227	4,970
Net sales	3,049	-	1,541	-	4,590
Depreciation	5	-	107	-	112
Net income before taxes	207	6	918	-	1,131

4) Consolidated Financial Statements (Continued)

Note 11. Investments

Winland Credit received proceeds of \$3 and a receivable of \$2 related to investments during the nine months ended September 30, 2021.

Winland Capital received dividends of \$7 during the nine months ended September 30, 2021.

Note 12. Rights to Payment

The components of rights to payment were as follows, net of any proceeds:

	September 30, 2022	December 31, 2021
Cryptocurrency-related claims	\$ 350	\$ 350
Trade claims	13	13
Total, net	<u>\$ 363</u>	<u>\$ 363</u>

Winland Credit recognized a gain of \$9 during the nine months ended September 30, 2021. Winland Credit received payments of \$0 and \$9 for rights to payment during the nine months ended September 30, 2022 and 2021, respectively. Due to uncertainty surrounding the timing of collection of the rights to payment, the Company classified the amounts as long-term assets as of September 30, 2022 and December 31, 2021. The Company believes all rights to payment are collectible as of September 30, 2022.

Note 13. Note Payable

In April 2020, Winland Electronics applied for and was approved for a loan pursuant to the Paycheck Protection Program (“PPP”), administered by the U.S. Small Business Administration. The PPP was authorized in the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act. The Company received the loan proceeds on April 17, 2020. The principal amount of the loan was \$94 and there is no collateral or guarantee requirements. On March 25, 2021, Winland Electronics was granted full forgiveness of \$94 for the PPP loan from the U.S. Small Business Administration which has been recorded in other income (expense) on the Company’s consolidated statement of operations for the nine months ended September 30, 2021.

Note 14. Winland Mining LLC

On June 23, 2020, the Company, through its wholly-owned subsidiary Winland Mining, acquired 200 Bitmain S19 95 TH/S cryptocurrency miners from FRMO Corporation in exchange for 574,000 shares of the Company’s common stock. In connection with its acquisition of cryptocurrency mining equipment, Winland Mining entered into a services agreement with Horizon Kinetics LLC to engage with cryptocurrency mining hosting facilities on Winland Mining’s behalf and to support its cryptocurrency mining operations by performing certain services from time to time. Winland Mining began operating its cryptocurrency mining equipment in July 2020.

On September 1, 2020, the Company, through its wholly-owned subsidiary Winland Mining, acquired cash and cryptocurrencies of Horatio Mining LLC, a privately-held cryptocurrency mining company, from FRMO Corporation in exchange for 136,419 shares of the Company’s common stock.

On September 8, 2021, the Company, through its wholly-owned subsidiary Winland Mining, acquired 32 Canaan AvalonMiner 1246 90 TH/S cryptocurrency miners from FRMO Corporation in exchange for 52,560 shares of the Company’s common stock.

As of September 30, 2022 and December 31, 2021, Winland Mining owned 70 and 56 Bitcoins with a cost (determined as the lower of cost or net realizable value) of \$1,263 and \$1,729, respectively. During the nine months ended September 30, 2022 and 2021, Winland Mining recorded a net realizable value adjustment of (\$976) and (\$233), which has been included in other expense on the consolidated statements of operations. Bitcoin had a market price of \$19 per Bitcoin as of September 30, 2022. As of both September 30, 2022 and December 31, 2021, Winland Mining owned other cryptocurrency with a cost (determined as the lower of cost or net realizable value) of \$4.

4) Consolidated Financial Statements (Continued)

Note 14. Winland Mining LLC (Continued)

Winland Mining's primary revenue stream is related to the mining of digital currencies ("cryptocurrency"). Winland Mining derives its revenue by solving "blocks" to be added to the blockchain and providing transaction verification services within the digital currency networks of cryptocurrency, commonly termed "cryptocurrency mining." In consideration for these services, Winland Mining receives cryptocurrency. The cryptocurrency is recorded as revenue, using the spot price of the cryptocurrency on the date of receipt. The cryptocurrency is recorded on the balance sheet as an intangible asset valued at the lower of cost or net realizable value. Net realizable value adjustments, to adjust the value of cryptocurrency to market value, is included in other expense on our consolidated statement of operations. Further, any gain or loss on the sale of cryptocurrency would be recorded to other income or other expense. Costs of revenue include hosting fees, equipment depreciation, and management fees.

There is currently no specific definitive guidance under GAAP or alternative accounting framework for the accounting for cryptocurrencies recognized as revenue or held, and management has exercised significant judgment in determining the appropriate accounting treatment. In the event authoritative guidance is enacted by the FASB, the Company may be required to change its policies, which could have an effect on the Company's consolidated financial position and results from operations.

Note 15. Property and Equipment

The components of property and equipment were as follows, net of any depreciation:

Property and Equipment, at cost	September 30, 2022	December 31, 2021
Machinery and equipment	\$ 151	\$ 106
Data processing equipment	31	28
Office furniture and equipment	29	29
Cryptocurrency mining equipment	619	619
Total property and equipment	830	782
Less accumulated depreciation	470	298
Net property and equipment	\$ 360	\$ 484

Note 16. Related Party Transactions

In August 2019, Winland Credit entered into a management agreement with 507 Capital LLC ("507"). 507 is an investment firm owned and operated by Thomas Brazier, formerly a member of the Company's Board of Directors. 507 is entitled to an annual management fee of 1.5% of the aggregate amount of certain investments made by Winland Credit. In addition to the annual management fee, 507 is entitled to a performance fee of 20.0% of any excess profit of certain investments made by Winland Credit (as defined in the agreement). The term will be renewed automatically on an annual basis. Winland Credit incurred fees of \$3 and \$3 during the nine months ended September 30, 2022 and 2021, of which \$2 and \$4 were included in accounts payable as of September 30, 2022 and December 31, 2021.

In June 2020, Winland Mining entered into a services agreement with Horizon Kinetics LLC ("HK"). HK is an investment firm owned and operated by Steven Bregman, among others. Mr. Bregman is a member of the Company's Board of Directors. HK is the employer of Matthew Houk, Co-Chief Manager and Chief Financial Officer of Winland Mining, Chief Executive Officer and Chief Financial Officer of the Company, and Chairman of the Company's Board of Directors. HK is entitled to a quarterly management fee of \$3. The services agreement shall continue unless terminated by either party upon 30 days' prior written notice. Winland Mining incurred fees of \$9 and \$9 during the nine months ended September 30, 2022 and 2021, of which \$6 and \$3 were included in accounts payable as of September 30, 2022 and December 31, 2021.

Note 17. Right of Use Asset and Operating Lease Liability

On March 2, 2021, Winland Electronics entered into a lease agreement with Fisher Exchange LLC to lease 1,033 square feet of office space at 424 North Riverfront Drive, Suite 200, Mankato, MN. This office space will be used for the Company's operations including customer service, technical support, and finance. The lease agreement expires on March 31, 2024. As a result of entering into this lease, Winland Electronics has recorded an operating lease right of use asset and an operating lease liability of \$12 and \$19 as of September 30, 2022 and December 31, 2021, respectively.

5) Issuer's Business, Products and Services

Winland is the holding company for Winland Electronics, Winland Capital Corp., and Winland Mining, all wholly-owned subsidiaries of the Company. The contact information for the Company and subsidiaries is as follows:

424 North Riverfront Drive, Suite 200
Mankato, MN 56001
800-635-4269
investors@winland.com

Winland Electronics is an industry leader in critical condition monitoring devices. Products including EnviroAlert, WaterBug, and TempAlert are designed in-house to monitor critical conditions and protect against loss of assets due to damage from water, excess humidity, extremes of temperature, and loss of power, among others, across industries including health and medical, grocery and food services, commercial and industrial, as well as agriculture and residential. Winland Electronics markets and sells its line of proprietary critical condition monitoring hardware and subscription service products primarily through a global network of distributors, dealers, security installers and integrators. Winland Electronics' products are compatible with any hardwired or wireless alarm system. Winland Electronics also offers a critical environment monitoring solution called INSIGHT, an automated, cloud-based platform that provides early alerting, reporting, and logging services designed to ensure regulatory compliance.

Winland Capital Corp. is the holding company for the Company's investment operations and includes wholly-owned subsidiaries Winland Credit and Winland Capital.

Winland Mining is the Company's cryptocurrency mining business and currently operates 200 Bitmain S19 95 TH/S and 32 Canaan Avalon Miner 1246 90 TH/S cryptocurrency miners. Winland Mining has entered into a services agreement with Horizon Kinetics LLC to engage with cryptocurrency mining hosting facilities on Winland Mining's behalf and to support its cryptocurrency mining operations by performing certain services from time to time.

The Company continues to explore 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 private credit, various rights to payment (including bankruptcy claims), marketable securities, and cryptocurrency-related assets.

6) Issuer's Facilities

The Company currently occupies 1,033 square feet of office space at 424 North Riverfront Drive, Suite 200, Mankato, MN, which is leased from Fisher Exchange LLC. The property is in good condition and suitable for the Company's current use.

7) **Officers, Directors, and Control Persons**

Name of Officer/Director and Control Person	Affiliation with Company (e.g. Officer/Director/Owner of more than 5%)	Residential Address (City / State Only)	Number of shares owned	Share type/class	Ownership Percentage of Class Outstanding	Note
Matthew D. Houk	Chairman, Chief Executive Officer, and Chief Financial Officer	New Vernon, NJ	673,037	Common	14.6%	(1)
Thomas J. Brady	Director	Maple Grove, MN	55,799	Common	1.2%	(2)
Lorin E. Krueger	Director	Mankato, MN	120,240	Common	2.6%	(3)
Steven M. Bregman	Director	Dobbs Ferry, NY	1,429,616	Common	31.0%	(4)

- 1) According to Matthew D. Houk, as of September 30, 2022, he beneficially owns and has sole power to vote or to dispose of 477,799 shares. Mr. Houk shares power to vote or to dispose of 195,238 shares beneficially owned by David B. Houk. The address for Mr. Houk is c/o Horizon Kinetics LLC, 470 Park Avenue South, 4th Floor, New York, NY 10016.
- 2) According to Thomas J. Brady, as of September 30, 2022, he beneficially owns and has sole power to vote or to dispose of 53,644 shares. Mr. Brady shares power to vote or to dispose of 2,155 shares held by Mr. Brady's spouse.
- 3) According to Lorin E. Krueger, as of September 30, 2022, he beneficially owns and has sole power to vote or dispose of 120,240 shares.
- 4) According to Steven M. Bregman, as of September 30, 2022, 1,428,760 shares are beneficially owned by FRMO Corp., which has sole power to vote or to dispose of such shares. 856 shares are beneficially owned by Horizon Common, Inc., which has sole power to vote or to dispose of such shares. Mr. Bregman, President, CFO, and Director and an owner of more than 5% of FRMO Corp., is designated as the control person. Mr. Bregman, President and Director and an owner of more than 5% of Horizon Common, Inc., is designated as the control person. The address for FRMO Corp. is One North Lexington Ave., Suite 12C, White Plains, NY 10601. The address for Horizon Common, Inc. is One North Lexington Ave., Suite 12C, White Plains, NY 10601.

Name of Control Person

FRMO Corporation, which acquired greater than 5% of the Company's outstanding common stock on November 14, 2014. Steven M. Bregman, President, CFO, and Director and an owner of more than 5% of FRMO Corporation, is designated as the control person.

Matthew D. Houk, who acquired greater than 5% of the Company's outstanding common stock on October 9, 2012.

8) Legal/Disciplinary History

A. Please identify whether any of the persons listed above have, in the past 10 years, been the subject of:

1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor 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 Securities and Exchange Commission, the Commodity Futures Trading Commission, 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.

B. Describe briefly any material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the issuer or any of its subsidiaries is a party or of which any of their property is the subject. Include the name of the court or agency in which the proceedings are pending, the date instituted, the principal parties thereto, a description of the factual basis alleged to underlie the proceeding and the relief sought. Include similar information as to any such proceedings known to be contemplated by governmental authorities.

None.

9) Third Party Providers

Please provide the name, address, telephone number and email address of each of the following outside providers:

Accountant or Auditor

Firm: Baker Tilly US, LLP
Address 1: 225 South Sixth Street Suite 2300
Address 2: Minneapolis, MN 55402-4661
Phone: (612) 876-4500
Email: cpa@bakertilly.com

Other Service Providers

Firm: Fredrikson & Byron, P.A.
Nature of Services: Counsel
Address 1: 200 South Sixth Street Suite 4000
Address 2: Minneapolis, MN 55402-1425
Phone: (612) 492-7000
Email: jschauer@fredlaw.com

10) Issuer Certification

I, Matthew D. Houk, certify that:

1. I have reviewed this 2022 Q3 OTC Interim Filing of Winland Holdings Corporation;
2. Based on my knowledge, this disclosure statement 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 disclosure statement; and
3. Based on my knowledge, the consolidated financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

October 31, 2022

/s/ Matthew D. Houk

Chairman, Chief Executive Officer, Chief Financial Officer