

UNITED STATES BANKRUPTCY COURT
DISTRICT OF MINNESOTA

In re:

Sheldahl, Inc.,

Case No. 02-31674

Chapter 11

Debtor.

**NOTICE OF HEARING AND OBJECTION TO CLAIM NO. 700 FILED BY
WELLS FARGO BANK MINNESOTA, N.A.**

TO: Entities specified in Local Rule 3007-1.

1. Sheldahl, Inc. (“Sheldahl” or the “Debtor”) moves this Court for the relief requested below and gives notice of hearing herewith.

2. The Court will hold a hearing on this Claim Objection on April 7, 2004 at 2:00 p.m., or as soon thereafter as counsel may be heard before the Honorable Dennis D. O’Brien, in Courtroom No. 228A, United States Courthouse, 316 North Robert Street, St. Paul, Minnesota.

3. Any response to this Motion must be filed and delivered no later than March 31, 2004 which is seven (7) days before the date set for the hearing or filed and served by mail not later than March 28, 2004, which is ten (10) days before the date set for the hearing. **UNLESS A RESPONSE OPPOSING THIS MOTION IS TIMELY FILED, THE COURT MAY GRANT THE MOTION WITHOUT A HEARING.** In the event a response is timely filed, Movants request that the Court treat the hearing scheduled above as a scheduling conference for purposes of setting the matter for evidentiary hearing.

4. This Court has jurisdiction over this Motion under 28 U.S.C. §§157 and 1334, Rules 5005 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”) and Local Bankruptcy Rule 1070-1. This is a core proceeding. The petition commencing the above-referenced Chapter 11 case was filed on April 30, 2002 (the “Petition Date”). The Court confirmed a plan of liquidation on February 6, 2004 and retains jurisdiction to hear and determine claim objections.

5. This Objection arises under 11 U.S.C. §502 and Bankruptcy Rule 3007 and Local Bankruptcy Rule 3007-1. The Objection is filed under Bankruptcy Rule 3007 and Local Rule 9013-1 to 9013-5. Debtor requests an Order of the Court disallowing the claim filed by Wells Fargo Bank, N.A. (“Wells Fargo”).

6. Wells Fargo has filed an Administrative Expense Claim, Proof of Claim No. 700, amending Proof of Claim No. 692 (the “Claim”). A copy of the Claim is attached hereto as Exhibit A. The Claim asserts a total claim of \$426,250.00, made up of a claim for post-petition rent in the amount of \$126,250.00 (the “Rent Claim”) and a Claim for the value of a 400 ton chiller in the amount of \$300,000.00 (the “Equipment Claim”).

7. The Rent Claim is based on the fact that Sheldahl continued to use and occupy the plant post-petition without paying rent and that this benefited the estate. Wells Fargo calculates the post-petition rent for the 60 day period until the Lease and Sublease were rejected, at \$63,125 per month, a total of \$126,250.

8. The Equipment Claim is stated in the alternative. Wells Fargo alleges that it is entitled to an amount equal to the diminution in the value of the Plant Parcel (defined below) as a result of the removal of the 400 ton chiller or, in the alternative, the actual proceeds received by Sheldahl from the sale of that item of equipment. Wells Fargo

estimates its claim at \$300,000 based on the estimated cost of upgrading the remaining 150 ton chiller to enable it to cool the entire building.

9. Debtor requests that the Claim be disallowed in its entirety.

BACKGROUND

The Rent Claim

10. Wells Fargo is the successor trustee for certain “mortgage pass-through certificates” issued by J.P. Morgan Commercial Mortgage Finance Corp (“Morgan”).

11. As of the Petition Date, Sheldahl was the owner of two adjacent tracts of land in Longmont, Colorado. The main parcel includes a building which was previously used by Sheldahl as a manufacturing facility (the “Plant Parcel”). The other parcel consists of approximately 3.77 acres and is vacant except for a parking lot (the “Vacant Parcel”). The Plant Parcel holds an easement for parking on the Vacant Parcel.

12. Sheldahl is the sole member of Sheldahl Colorado, LLC (“LLC”), a limited liability corporation formed in 1999 to borrow money from Morgan.

13. In November 1999, LLC borrowed \$4,300,000 from Morgan and Sheldahl executed a Guarantee of payment of certain recourse obligations under the mortgage note. To secure the obligations under the note and the guaranty, LLC and Sheldahl executed a Deed of Trust and Security Agreement (the “Deed of Trust”) and Assignment of Leases and Rents (the “Assignment”) pledging certain of their interests in, among other things, the Plant Parcel and the parking easement on the Vacant Parcel. The above-referenced loan documents, on information and belief, were transferred to the trust created by Morgan, of which Wells Fargo is now the trustee.

14. Sheldahl and LLC entered into a Net Lease Agreement dated November 12, 1999 (the “Lease”), under which LLC leased the Plant Parcel from Sheldahl. Monthly

rent payable by LLC to Sheldahl was \$63,125.00 plus any “additional rent” defined in the Lease. On November 12, 1999, Sheldahl and LLC also entered into a Net Sublease Agreement (the “Sublease”) under which Sheldahl subleased the Plant Parcel back from LLC. The rent obligation under the Sublease from LLC to Sheldahl was identical to the rent obligation under the Lease from Sheldahl to LLC. To the best of Sheldahl’s knowledge, neither party ever paid rent to the other, but treated the obligations as offsetting.

15. Sheldahl did not assume the Lease or the Sublease and, as a consequence, each was deemed rejected after 60 days from the Petition Date under 11 U.S.C. § 365(d)(4).

16. Sheldahl is the owner of the Plant Parcel and continued to keep items of equipment in the plant pending sale of the Plant Parcel and of the equipment.

The Equipment Claim

17. Sheldahl’s manufacturing facility, located on the Plant Parcel contained many items of equipment, including at least two cooling units, used to chill the water circulating to cool certain of the manufacturing equipment and to cool the building. The chilling systems consisted of pumps, motors, and a Trane 400 Ton Chiller (“400 Ton Chiller”) and a 150 Ton Process Chiller including a cooling tower on the roof (“150 Ton Chiller”).

18. The Longmont Plant ceased operation in mid-2002. Effective August 31, 2002, Sheldahl sold its operations to a third party, through a process approved by the Court under 11 U.S.C. § 363. Among the items of equipment sold was the 400 Ton Chiller. The purchase price for the business operations did not allocate purchase price among items of

equipment. Operations at Longmont did not resume, and the 400 Ton Chiller was dismantled and moved by the buyer.

19. A year prior to the above-described sale, Sheldahl obtained an appraisal of the items of equipment located at the Longmont Colorado Plant from Hilco Appraisal Services, LLC. The July 25, 2001 Hilco Appraisal valued the chillers as follows:

Item	Forced Liquidation	Orderly Liquidation	Fair Market Value In Place (Operation)
150 Ton Chiller	\$35,000.00	\$40,000.00	\$100,000.00
400 Ton Chiller	\$15,000.00	\$20,000.00	\$75,000.00

20. The Deed of Trust grants Morgan a security interest in fixtures.

21. The 400 Ton Chiller is an item of equipment, readily removable from the premises and is not a fixture. Although it is large, it is not permanently affixed to the real property. Its purpose was to provide water and air cooling required by the operation of process equipment in the facility.

22. In August 2002, Sheldahl retained the Colorado Group, Inc. (the “Real Estate Broker”) to act as its real estate broker to sell the Plant Parcel, including the Plant building. Despite extensive marketing efforts, the Real Estate Broker was unable to find a purchaser for the business remaining in Longmont or the Plant Parcel.

23. In December, 2002, Sheldahl also retained Nassau Asset Management (the “Equipment Broker”) to act as its broker to sell miscellaneous remaining equipment at Longmont. Although Nassau was able to sell a few items of equipment, the sales were for less than the Hilco orderly liquidation value. Nassau was unable to dispose of the majority of the remaining equipment, even on a forced liquidation basis.

24. Neither Sheldahl, nor the Real Estate Broker, nor the Equipment Broker was able to sell equipment located in the Longmont Colorado Plant as a going concern or for fair market value.

25. The 150 Ton Chiller remains in place to cool the plant building.

GROUNDS FOR OBJECTION

26. Bankruptcy Code § 503(a) authorizes creditors to make requests for payment of administrative expenses. Bankruptcy Code § 503(b) provides a non-exclusive list of administrative expenses. Wells Fargo relies on § 503(b)(1)(A) which authorizes payment of “the actual, necessary costs and expenses of preserving the estate...”.

27. One of the main policies underlying this provision is to provide an incentive for creditors to continue or commence doing business with the debtor. 4 COLLIER ON BANKRUPTCY ¶ 503.06[2] (15th Ed. Rev. 2003). Before allowing an administrative expense claim, the court must find that the cost being claimed was actual and necessary. In addition, the claimant must demonstrate that the cost at issue arose out of a transaction with the estate. Supra at ¶ 503.06[3][a]. The Court should also consider whether the cost was of tangible benefit to the estate. In re Williams, 246 B.R. 591, 594 (8th Cir. BAP 1999).

28. Neither element of the Claim can be allowed as an administrative expense because the amounts alleged were not actual or necessary, they did not arise out of a transaction with the estate, and they did not benefit the estate.

The Rent Claim

29. Wells Fargo is not entitled an administrative expense claim based on the rent because it did not engage in any transaction with the Sheldahl bankruptcy estate for rental of the Plant Parcel. Wells Fargo was not the owner or landlord, but merely a mortgagee with an assignment of rents.

30. The Assignment does not give Wells Fargo a right to collect rent from Sheldahl for its use of the Plant Parcel. Sheldahl did not pay rent to LLC during the first 60 days of the bankruptcy case because Sheldahl had the right to set off any rent it owed LLC against the rent LLC owed it, under the Lease and Sublease, under the common law of setoff, and under the course of dealing between the parties. As a result, Sheldahl is not obligated to pay rent to Wells Fargo, as assignee of LLC.

31. The rights of a mortgagee holding an assignment of rents are subject to the defenses of the tenant. See Heinrichsdorff v. Raat, 655 P.2d 860 (Colo. App. 1982) (an assignee has no greater rights against a debtor than those possessed by its assignor, and the assignee takes subject to all equities and defenses which could have been set up against the assignor). See also Kelley/Lehr & Assoc. v. O'Brien, (194 Ill. App.) 3d 380, 551, N.E. 2d 419 (Ill. App. 1990) (mortgagee in possession of property after assignment of rents is subject to tenant's right to setoff against rents).

32. Moreover, Wells Fargo has not taken possession of the property and has not commenced foreclosure. The right to collect rents, even under an assignment of rents, is an incident of possession and a mortgagee does not have any right to collect by virtue of its mortgage alone, which does not give it possession. An assignment of rents must be activated by the mortgagee taking possession. See Kelley/Lehr, supra at 431.

33. The Claim also asserts that storage of certain equipment is an actual and necessary cost of preserving the estate, and that Wells Fargo is somehow entitled to reimbursement for that cost as a payment in the nature of rent. Because Sheldahl had a right of setoff and did not pay any actual rent, the “rent” for storage of equipment was not an “actual” cost of the estate. For the same reason, it was not a “necessary” cost. The offsetting Lease and Sublease rendered Sheldahl the owner of the Property with no obligation to pay rent for its use.

34. Wells Fargo has no right to collect rent from Sheldahl as an administrative expense or otherwise. This portion of its claim must be disallowed in its entirety.

The Equipment Claim

35. In the Claim, Wells Fargo asserts that the 400 Ton Chiller was part of its collateral in the Deed of Trust. Sheldahl denies this assertion. The Claim, however, is not a request for payment of a secured claim, and the Court need not determine whether Wells Fargo held a perfected security interest in this item of equipment. The question is whether anything about the removal of the 400 Ton Chiller entitles Wells Fargo to an *administrative expense claim*.

36. The Claim alleges that removal of the 400 Ton Chiller diminished the value of the Plant Parcel, and that Wells Fargo is therefore entitled to an administrative expense claim. Diminution in value of collateral does not give rise to an administrative expense claim absent a previous order granting adequate protection for use of cash collateral or a priming lien, and subsequent failure of that adequate protection. See, e.g. § 364(c)(1). No such order exists in this case. Wells Fargo has alleged and can demonstrate no benefit to the bankruptcy estate from any alleged diminution in value of the Plant Parcel. It is not the result of a transaction between Wells Fargo and the estate. Similarly,

any alleged diminution in value of the Plant Parcel is not an actual or necessary expense of preserving the estate. Thus, the diminution in value assertion provides no basis for allowance of an administrative expense claim.

37. Wells Fargo's alternative request, that it have a claim equal to the actual proceeds received as a result of the 400 Ton Chiller sale is similarly unrelated to any right to an administrative expense claim. It is not based on a transaction of any kind between Wells Fargo and the state. Although sale of an item of equipment may have benefited the estate, it is not an actual and necessary cost of "preserving" the estate within the meaning of § 503(b)(1). Section § 503(b) is not intended to provide an administrative expense award to a prepetition secured lender based on the debtor's postpetition possession and use of collateral. Williams, supra at 595. Among other things, the prepetition secured creditor has not been induced to deal with the debtor postpetition. Id. This allegation in the Claim simply does not provide a basis for allowance of an administrative expense claim.

WHEREFORE, Sheldahl, Inc. respectfully requests entry of an Order disallowing the administrative expense claim of Wells Fargo Bank Minnesota, N.A. and granting such other and further relief as the court deems just and proper.

Dated: March 5, 2004

FREDRIKSON & BYRON, P.A.

By /e/ Faye Knowles
James L. Baillie (#3980)
Faye Knowles (#56959)
Heather Thayer (#222549)
4000 Pillsbury Center
200 South Sixth Street
Minneapolis, MN 55402-1425
Telephone: (612) 492-7054
Attorneys for Sheldahl, Inc.

#2936901\1

VERIFICATION

I, Benoit Pouliquen, former Chief Executive Officer of Sheldahl, Inc., declare under penalty of perjury that the facts contained in the foregoing Notice of Hearing and Motion are true and correct to the best of my knowledge, information and belief.

Dated: March 5, 2004



Benoit Pouliquen

#2936901\1

UNITED STATES BANKRUPTCY COURT DISTRICT OF MINNESOTA		ADMINISTRATIVE EXPENSE CLAIM	
Name of Debtor <p style="text-align: center;">Sheldahl, Inc.</p>		Case Number <p style="text-align: center;">02-31674</p>	
Name of Creditor: <p>Wells Fargo Bank Minnesota, N.A. as successor in interest to Norwest Bank Minnesota, National Association, as Trustee for Registered Certificateholders of J.P. Morgan Commercial Mortgage Finance Corp., Mortgage Pass-Through Certificates Series 2000-C9.</p>			
Name and address where notices should be sent: Angela Norris Johnson ARCap Servicing, Inc. 5605 North MacArthur Boulevard Suite 950 Irving, TX 75038 and Gregory G. Hesse, Esq. Jenkins & Gilchrist, P.C. 1445 Ross Avenue, Suite 3200 Dallas, Texas 75202 Telephone number: 214/855-4500		<input type="checkbox"/> Check box if you are aware that anyone else has filed a proof of administrative claim relating to your claim. Attach copy of statement giving particulars. <input type="checkbox"/> Check box if you have never received any notices from the bankruptcy court in this case. Telephone Number: _____ Fax Number: _____ Tax Identification of Social Security Number: _____	
Identify name of creditor, address and person to whom notices must be served, if different from the above address. Name _____ Company/Firm: _____ Address: _____ _____ _____		THIS SPACE IS FOR COURT USE ONLY	
Account or other number by which creditor identifies Debtor:		Check here if this claim: <input type="checkbox"/> replaces <input checked="" type="checkbox"/> amends a previously filed claim, dated <u>December 10, 2003</u>	
1. Basis For Claim: <input type="checkbox"/> Goods sold <input type="checkbox"/> Services performed <input checked="" type="checkbox"/> Other (Describe) <u>See Attached Summary of Claim</u>			
2. Date Debt Was Incurred: <u>See Attached Summary of Claim</u>			
3. Please review the enclosed Notice approved by the Bankruptcy Court, which described important information for filing this Administrative Expense Claim.			
4. Total Amount of Claim: <u>\$ 426,250 - See Attached Summary of Claim</u> <input type="checkbox"/> Check this box if claim includes charges in addition to the principal amount of the claim. Attach itemized statement of, and supporting documentation for, all additional charges.			
5. SUPPORTING DOCUMENTS. Pursuant to the Bankruptcy Court's Order establishing the administrative bar date, you MUST attach copies of supporting documents (including any invoices, contracts, promissory notes or other written documentation of the alleged liability).		THIS SPACE IS FOR COURT USE ONLY	
6. TIME -STAMPED COPY: To receive an acknowledgement of the filing of your claim, enclose a self-addressed POSTAGE PREPAID ENVELOPE AND COPY OF THIS ADMINISTRATIVE PROOF OF CLAIM FORM. The Administrative Expense Claim must be filed and <u>actually received</u> on or before December 12, 2003 at 4:00 p.m. (Central Time).			
Send to: U.S. Bankruptcy Court, 200 US Courthouse, 316 North Robert Street, St. Paul, MN 55101 and Sheldahl, Inc., c/o James L. Baillie, Fredrikson & Byron, P.A., 4000 Pillsbury Center, Minneapolis, MN 55402			
Date: December <u>22</u> , 2003	Sign and print the name and title, if any, of the creditor or other person authorized to file this claim (attach copy of power of attorney, if any) Signature: <u>Angela Norris Johnson</u> Angela Norris Johnson, Asset Manager of ARCap Servicing, Inc.		
Penalty for presenting fraudulent claim: Fine of up to \$500,000 or imprisonment for up to 5 years, or both. 18 U.S.C. §§ 152 and 3571.			

SUMMARY OF CLAIM (ADMINISTRATIVE EXPENSES)

1. This Amended Administrative Expense Proof of Claim and Summary of Claim (the "Admin Claim") is filed on behalf of Wells Fargo Bank Minnesota, N.A. ("Wells Fargo"), as successor in interest to Norwest Bank Minnesota, National Association, as Trustee for Registered Certificateholders of J.P. Morgan Commercial Mortgage Finance Corp., Mortgage Pass-Through Certificates Series 2000-C9 (the "Trust").

2. On or about April 30, 2002 (the "Petition Date"), Sheldahl Inc. (the "Debtor") filed a voluntary petition for relief under Chapter 11 of Title 11 of the United States Code. Subsequently, the United States Trustee appointed the Committee of Unsecured Creditors (the "Committee").

3. As of the Petition Date, Debtor was the owner of two adjacent tracts of land in Longmont, Colorado. The main parcel contains 5.85 acres (the "Building Tract") and has on it a 101,944 square foot building (the "Building"). The other parcel, located adjacent to the south side of the Building Tract, contains 3.77 acres (the "Parking Tract," and collectively with the Building and Building Tract, the "Longmont Facilities") and has upon it a parking lot. The Building is a single user facility containing 11,000 square feet of office area, 80,944 square feet of manufacturing area and a 10,000 square foot "clean room."

4. The Debtor is the owner and only member of Sheldahl Colorado, LLC ("LLC"), a limited liability corporation formed by the Debtor in 1999 to borrow money from Morgan Guaranty Trust Company of New York ("Morgan").

5. The Debtor and LLC entered into that certain Net Lease Agreement dated as of November 12, 1999 (the "Lease") pursuant to which LLC leased the Building and Building Tract from the Debtor. Further, the Debtor and LLC entered into that certain Net Sublease Agreement

dated as of November 12, 1999 (the "Sublease") pursuant to which the Debtor subleased the Building and Building Tract from LLC.

6. In addition, the Debtor executed that certain Declaration of Easement for Parking dated as of November 16, 1999 (the "Parking Easement") pursuant to which the Debtor placed an easement on the Parking Tract for the benefit of the Building Tract. The Parking Easement was recorded with the Boulder County Clerk on November 17, 1999.

7. LLC executed a Fixed Rate Note in favor of Morgan dated as of November 16, 1999, in the original principal amount of \$4,300,000 (the "Note"). To ensure repayment of the Note, on or about November 16, 1999, the Debtor executed a guaranty of payment of certain recourse obligations under the Note (the "Guaranty"). To secure obligations under the Note and the Guaranty, both LLC and the Debtor executed a Deed of Trust and Security Agreement dated as of November 16, 1999 (the "Deed of Trust") and an Assignment of Leases and Rents (the "Assignment of Leases and Rents," and together with the Deed of Trust, Note, Guaranty, assignment documents and related instruments, are collectively referred to herein as, the "Loan Documents")¹ pledging certain of their interests in, among other things, the Longmont Facilities and the rent generated from the Lease and Sublease to Morgan. The Deed of Trust and Assignment of Rents were recorded with the Boulder County Clerk on November 17, 1999.

8. On or about January 1, 2000, J.P. Morgan Commercial Mortgage Finance Corp., as depositor, Orix Real Estate Capital Markets, L.L.C. ("Orix"), as Master Servicer and Special Servicer, and LaSalle Bank National Association, as trustee, executed that certain Pooling and Servicing Agreement (the "PSA") establishing the Trust.

¹ Copies of the Loan Documents were attached to a Proof of Claim originally filed on behalf of the Trust during the initial stages of this proceeding. As a result and due to the voluminous nature of the Loan Documents, they have not been re-attached to this Summary of Claim. The Trust will produce them upon request by the Debtor, Creditors' Committee and/or the Court.

9. Subsequently, Morgan negotiated and delivered the Note to the Trust and assigned its rights under the Loan Documents to the Trust. Currently, the Trust is the owner and holder of the Note and the beneficiary under the Deed of Trust and other Loan Documents.

10. On or about April 11, 2002, ARCap Servicing, as successor to Orix, was appointed as the special servicer and agent for the Trust pursuant to the PSA.

11. Prior to the Petition Date, LLC defaulted under the terms of the Note to the Trust. By virtue of the default, all amounts under the Note are now due.

12. Since the Petition Date, the Debtor has liquidated substantially all of its assets and begun leasing all of its operations.

13. In August 2002, the Debtor retained the Colorado Group, Inc. (the "Broker") as a real estate broker to sell the Building and the Building Tract. In its Marketing Report dated January 21, 2003, the Broker identified that certain of the equipment located therein, including a 400-ton chiller (the "400T Chiller"), had been removed from the Building.

14. On or about March 5, 2003, Brad A. Weiman, MAI and Jay S. Hedberg of Integra Realty Resources ("Integra Realty") delivered an appraisal report (the "Appraisal") to the Trust in which Integra Realty concluded that the Building had a value of \$4,750,000 as of February 27, 2003. A copy of the Appraisal was delivered to the Debtor and Committee in April 2003.

15. Upon information and belief, the 400T Chiller was sold to a third-party asset purchaser as negotiated by the Debtor (the "Chiller Sale") **without** the consent of the Trust. Pursuant to the Deed of Trust, the Trust has a valid and legally enforceable security interest in all "Fixtures" on the subject property, which specifically includes any air conditioning units (i.e., the 400T Chiller). As a result of the Chiller Sale, the Building had limited air conditioning. In fact, according to the Appraisal, the cooling capacity of the Building has been reduced from 100% to

approximately 35% of the Building area as a result of the removal of the 400T Chiller. Clearly, this has severely impaired the marketability and utility of the Building.

16. In any event, on or about April 1, 2003, Wells Fargo, the Debtor and the Committee entered into an Agreed Order (the "Agreed Order") that granted the Trust's Motion for Relief from Stay to exercise its legal and contractual rights and remedies under the Loan Documents as against the Property (as defined in the Agreed Order). Pursuant to the Agreed Order, the Trust began foreclosure proceedings against the Debtor in Colorado with respect to the Longmont Facilities.

17. On or about May 20, 2003, the Debtor and Committee filed their proposed Joint Plan of Liquidation and Disclosure Statement (the "Disclosure Statement"). The Disclosure Statement references a list of equipment located at the Longmont Facilities that the Debtor intends to auction off for the benefit of the estate. Upon reviewing such list, the Trust discovered that a 150T Chiller (the sole remaining air conditioner in the Building) (the "150T Chiller"), among other items that the Trust potentially has a lien on, were being put up for auction.

18. On belief and information, as of the date of the filing of this Admin Claim, the 150T Chiller has not been sold or otherwise removed from the Building.

APPLICATION

19. Section 503(b)(1)(A) of the Bankruptcy Code provides that an administrative expense claim shall be allowed for "the actual, necessary costs and expenses of preserving the estate." *See §503(b)(1)(A) of the Bankruptcy Code.*

20. In this respect, the Debtor continued to use and/or occupy (i.e., store equipment) the Building on a post-petition basis without paying rent as required pursuant to the Lease and Sublease. Such use and occupation of the Building was clearly beneficial to the Debtor's estate as an integral part of their liquidation. The Trust has a valid lien on such rents pursuant to the Assignment of Leases and Rents.

21. Furthermore, the non-consensual sale of the 400T Chiller on a post-petition basis was also beneficial to the Debtor as a material enhancement to the Debtor's estate. In this respect, the Trust has a valid lien on the 400T Chiller pursuant to the Deed of Trust and is entitled to an amount equal to the diminution in the value of the Building as a result of the Chiller Sale or, at a minimum, the actual proceeds received as a result of the Chiller Sale.

22. The calculation of the administrative expense claim of the Trust that arose between the Petition Date and the date of the filing of this Admin Claim is as follows:

Post-Petition Rent *	\$ 126,250 (\$63,125/month)
Value of 400T Chiller	\$ 300,000 **
Total	\$ 426,250 **

* Post-petition rent was calculated from the Petition Date until June 30, 2002 (the date in which the Lease and Sublease were deemed rejected by the Debtor).

** In its letter to the Trust dated December 10, 2003, the Clerk of the Bankruptcy Court stated the Trust's Administrative Expense Claim, as originally filed with the Court on December 10, 2003, was defective because it "does not state amount of claim." Therefore, the Trust has estimated the value of the 400T Chiller as \$300,000. In any event, the Trust requests that, if necessary, the Court assist in determining the value of the 400T Chiller based on either the diminution of the value of the Building as a result of the Chiller Sale or, at a minimum, the actual proceeds received from the Chiller Sale.

23. The Trust is entitled to the prompt payment of such claim amount.

24. To assist the Court in its determination of the value of the 400T Chiller, please note that prior to delivering the Appraisal, Integra Realty discussed HVAC issues with the former facilities manager of the Building. In this respect and based on such discussions, the Appraisal states that repairs and enhancements to the 150T Chiller to enable it to cool the remaining 65% of the Building would cost an estimated \$250,000. For the purposes of this Admin Claim, the Trust now estimates such value as being closer to \$300,000 in light of the time elapsed since the Appraisal was delivered.

25. Furthermore, to the extent the 150T Chiller is auctioned off or otherwise sold by the Debtor without the consent of the Trust, the Trust reserves its right to request an administrative expense claim (within a reasonable time after receiving notice of such sale or removal) for the value of the 150T Chiller.

26. Accordingly, the administrative expense claim of the Trust set forth herein constitutes allowable administrative expenses pursuant to §503(b)(1)(A) of the Bankruptcy Code.

UNITED STATES BANKRUPTCY COURT
DISTRICT OF MINNESOTA

In re:
Sheldahl, Inc.

Chapter 11 Bankruptcy
Bky 02-31674

Debtor

CERTIFICATE OF SERVICE

Faye Knowles, under penalty of perjury, states that on March 5, 2004, she caused to be served the following:

Notice of Hearing and Objection to Claim No. 700 Filed by Wells Fargo Bank Minnesota, N.A., proposed Order and Certificate of Service.

by United States Mail on the parties below:

Benoit Pouliquen
President and Chief Executive
Officer
Sheldahl Inc.
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Northfield, MN 55057

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Minneapolis, MN 55402

UNITED STATES BANKRUPTCY COURT
DISTRICT OF MINNESOTA

In re:

Sheldahl , Inc.,

Chapter 11 Bankruptcy

Debtor

Bky 02-31674

**ORDER DISALLOWING CLAIM NO. 700 OF
WELLS FARGO BANK MINNESOTA, N.A.**

This matter came before the undersigned United States Bankruptcy Judge on the objection of the Debtor to the claim of Wells Fargo Bank Minnesota, N.A. Faye Knowles of Fredrikson & Byron, P.A. appeared on behalf of the objector; other appearances are noted on the record.

Based on the arguments of counsel and the documents of record herein, the Court being fully advised in the premises, and the Court's findings of fact and conclusions of law, if any, having been stated on the record at the close of argument,

IT IS HEREBY ORDERED that Claim No. 700 filed as an administrative expense claim by Wells Fargo Bank Minnesota, N.A. is disallowed.

Dated: _____, 2004

Dennis D. O'Brien
United States Bankruptcy Judge