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(612) 371-3268

GERALD E. MAGNUSON

4200 IDS Center
80 South 8th Street
Minneapolis, MN 55402

September 8, 2004

United States Bankruptcy Court
District of Minnesota
200 U.S. Courthouse
316 North Robert Street
St. Paul MN 55101

Re: Sheldahl, Inc.
Bankruptcy Case No. 02-31674

To Whom It May Concern:

This letter is in response to the Notice of Hearing and Steering Committee's Second Omnibus Objection to Claims, with Verification which I have received. As noted therein, I have filed a Proof of Claim, a copy of which is enclosed.

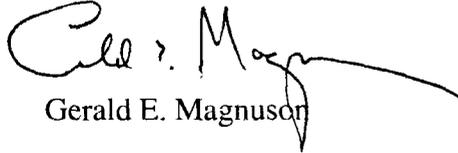
I was Secretary and a Director of Sheldahl, Inc. for many years. As part of the compensation received for serving as a Director, a Retirement Plan for Directors was established in 1982. It is described in the last paragraph of page 11 of the Proxy Statement for the Annual Meeting of Shareholders held on January 12, 2000, a copy of which is also enclosed.

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The Retirement Plan was adopted by the Board of Directors in lieu of increasing the compensation paid to Directors.

It is my position that the claim submitted is valid and should receive priority status.

Sincerely,

A handwritten signature in black ink, appearing to read "Gerald E. Magnuson". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Gerald E. Magnuson

GEM/jlp

cc: Ms. Lorie A. Klein
Enclosures

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF MINNESOTA (ST. PAUL)**

Name of Debtor
SHELDAHL INC

Case Number
02-31674

455

Name of Creditor (The person or other entity to whom the debtor owes money or property):
MAGNUSON GERALD
Name and Address where notices should be sent:
**MAGNUSON GERALD
65 WOODLAND CIR
MINNEAPOLIS MN 55424**

- Check box if you are aware that anyone else has filed a proof of claim relating to your claim. Attach copy of statement giving particulars.
- Check box if you have never received any notices from the bankruptcy court in this case.
- Check box if the address differs from the address on the envelope sent to you by the court.



Telephone Number: **612-371-3268**

Account or other number by which creditor identifies debtor:

Check here if replaces this claim amends a previously filed claim, dated _____

1. Basis for Claim

- Goods sold
- Services performed
- Money loaned
- Personal injury/wrongful death
- Taxes
- Other _____

- Retiree benefits as defined in 11 U.S.C. §1114(a)
- Wages, salaries, and compensation (fill out below)
Your SS #: _____
Unpaid compensation for services performed from _____ to _____
(date) (date)

2. Date debt was incurred:

PRE-2000

3. If court judgment, date obtained:

4. Total Amount of Claim at Time Case Filed:

If all or part of your claim is secured or entitled to priority, also complete Item 5 or 6 below.

\$ 1150⁰⁰ PER MONTH FOR 10 YRS.

Check this box if claim includes interest or other charges in addition to the principal amount of the claim. Attach itemized statement of all interest or additional charges.

5. Secured Claim.

Check this box if your claim is secured by collateral (including a right of setoff).

Brief Description of Collateral:
 Real Estate Motor Vehicle
 Other _____

Value of Collateral: \$ _____

Amount of arrearage and other charges at time case filed included in secured claim, if any: \$ _____

6. Unsecured Priority Claim.

- Check this box if you have an unsecured priority claim
Amount entitled to priority \$ **SEE ABOVE**
Specify the priority of the claim:
- Wages, salaries, or commissions (up to \$4,650)* earned within 90 days before filing of the bankruptcy petition or cessation of the debtor's business, whichever is earlier - 11 U.S.C. § 507(a)(3).
- Contributions to an employee benefit plan - 11 U.S.C. §507(a)(4).
- Up to \$ 2,100* of deposits toward purchase, lease, or rental of property or services for personal, family, or household use - 11 U.S.C. § 507(a)(6).
- Alimony, maintenance, or support owed to a spouse, former spouse, or child - 11 U.S.C. § 507(a)(7).
- Taxes or penalties owed to governmental units - 11 U.S.C. § 507(a)(8).
- Other - Specify applicable paragraph of 11 U.S.C. § 507(a)(____).

*Amounts are subject to adjustment on 4/1/04 and every 3 years thereafter with respect to cases commenced on or after the date of adjustment.

7. Credits: The amount of all payments on this claim has been credited and deducted for the purpose of making this proof of claim.

8. Supporting Documents: Attach copies of supporting documents, such as promissory notes, purchase orders, invoices, itemized statements of running accounts, contracts, court judgments, mortgages, security agreements, and evidence of perfection of lien. DO NOT SEND ORIGINAL DOCUMENTS. If the documents are not available, explain. If the documents are voluminous, attach a summary.

9. Date-Stamped Copy: To receive an acknowledgment of the filing of your claim, enclose a stamped, self-addressed envelope and copy of this proof of claim.

SEND CLAIM TO:

**U.S. BANKRUPTCY COURT
200 U.S. COURTHOUSE
316 NORTH ROBERT STREET
ST. PAUL, MN 55101**

Date

8-13-02

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):

Gerald E. Magnuson GERALD E. MAGNUSON

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.



NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

January 12, 2000

Notice is hereby given that the Annual Meeting of Shareholders of Sheldahl, Inc. will be held at the Company's offices at 1150 Sheldahl Road, Northfield, Minnesota on Wednesday, January 12, 2000 at 3:00 p.m., local time, for the following purposes:

1. To approve a proposal to amend the Company's Bylaws to reduce the number of directors to eight.
2. To elect eight directors to hold office until the next Annual Meeting of Shareholders or until their successors are elected.
3. To ratify and approve the selection of independent public accountants for the Company for the current fiscal year.
4. To transact such other business as may properly come before the meeting or any adjournment or adjournments thereof.

The Board of Directors has fixed the close of business on November 17, 1999 as the record date for the determination of shareholders entitled to notice of and to vote at the meeting.

By Order of the Board of Directors

Gerald E. Magnuson, *Secretary*

Northfield, Minnesota
December 15, 1999

TO ASSURE YOUR REPRESENTATION AT THE ANNUAL MEETING, PLEASE SIGN, DATE AND RETURN YOUR PROXY IN THE ENCLOSED ENVELOPE, WHETHER OR NOT YOU EXPECT TO ATTEND IN PERSON. SHAREHOLDERS WHO ATTEND THE MEETING MAY REVOKE THEIR PROXIES AND VOTE IN PERSON IF THEY SO DESIRE. THIS PROXY IS SOLICITED ON BEHALF OF THE COMPANY.

Level. The replacement options will vest over three years and will have an option exercise price equal to the fair market value on the date of grant.

On December 17, 1998, the Board of Directors of the Company established an Oversight Committee consisting of Kenneth J. Roering (Chairman), Dennis M. Mathisen and Raymond C. Wieser. Mr. Mathisen has resigned from the Board of Directors. Messrs. Roering and Wieser are currently directors of the Company. The Committee was appointed to assist in the management of the Company and to monitor management's performance in achieving goals and objectives established from time to time by the committee, its Chairman or the Board of Directors. The Committee exists until further action by the Board of Directors. In addition to establishing the Committee, the Board also elected Kenneth J. Roering to be Vice Chairman of the Company. In connection with his serving as Chairman of the Oversight Committee and Special Committee (described below) and Vice Chairman of the Company, Mr. Roering receives an aggregate of \$10,000 per month.

On October 21, 1999, the Board of Directors of the Company established a Special Committee consisting of Kenneth J. Roering (Chairman), Dennis M. Mathisen and Gerald E. Magnuson to assist management and the Company's financial advisors in evaluating strategic alternatives available to the Company. Mr. Mathisen has resigned from the Board of Directors. Messrs. Roering and Magnuson are currently directors of the Company.

On December 31, 1998, the Company and Mr. Donaghy entered into a Consulting Agreement which provided that the Company would retain Mr. Donaghy as an independent consultant as of January 1, 1999 through August 27, 1999, unless the parties agreed in writing to an earlier or later date of termination. During the term of the Agreement, the Company agreed to pay Mr. Donaghy at an annual rate of \$175,000, payable in pro rata installments twice a month through the Agreement's term. The Consulting Agreement also restricted Mr. Donaghy from competitive employment and disclosure of trade secrets and confidential information. This Agreement terminated on August 27, 1999 and was not renewed.

The Company and Mr. Donaghy entered into a Supplementary Executive Retirement Plan Agreement during fiscal year 1997 which provides Mr. Donaghy upon his retirement or other termination of his employment with an annual retirement pension benefit equal to \$137,500, less an amount equal to the sum of (i) the aggregate of twelve monthly payments received by Mr. Donaghy and/or his spouse under pension or deferred compensation plans established by Mr. Donaghy's former employer; and (ii) an amount which equals an annual joint and survivor annuity that could be purchased with the principal in Mr. Donaghy's retirement accounts at the date of retirement provided from all retirement contributions by the Company. Based on the above formula, the Company expects its obligations under the Agreement to be approximately \$50,000 per annum increasing to approximately \$80,000 per annum in the event Mr. Donaghy predeceases his spouse. All benefits are payable for Mr. Donaghy's life and, after his death, if he is survived by his spouse, his spouse shall continue to receive such benefits for the duration of her life. The Agreement also restricts Mr. Donaghy from competitive employment and disclosure of trade secrets and confidential information.

Mr. Miller received no fees relating to international consulting work performed on behalf of the Company during fiscal year 1999. Mr. Magnuson received \$5,000 during fiscal year 1999 for his services as Secretary of the Company.

In fiscal year 1982, the Company established a retirement program for directors not covered by another retirement plan of the Company which provides for the payment of an annual benefit equal to the annual retainer paid to directors during the full fiscal year preceding retirement. The retirement benefit, which is payable to directors who have served five years or more, will commence at the later of the time of retirement or when the director becomes 65 years old and will be subject to proportionate reduction if the director has served the Company less than 15 years. The maximum number of years that the benefit is payable is ten years.