

UNITED STATES BANKRUPTCY COURT  
DISTRICT OF MINNESOTA

---

In re:

Chapter 11

Sheldahl, Inc.

Case No. 02-31674

---

***RESPONSE OF TODD ROGERS TO  
SECOND OMNIBUS OBJECTION TO CLAIMS***

---

To: Entities specified in Local Rule 9013-3(b)

Todd Rogers, by and through his unsigned attorneys, submits this Response to the Steering Committee's Second Omnibus Objection to Claims (the "Objection").

**INTRODUCTION**

Todd Rogers properly filed Proof of Claim Number 435 in the amount of \$45,000.00 - \$4,650.00 as a priority claim and the remaining \$40,350.00<sup>1</sup> as an unsecured claim (the "Proof of Claim"). A true and correct copy of the Proof of Claim is attached hereto. Mr. Rogers' claim is based upon entitlement to severance pay based on the documents that are attached to the Proof of Claim.

Despite the succinct and clear nature of the Proof of Claim and supporting documents, the Steering Committee summarily objects to the Proof of Claim. The Objection simply claims that the amount of Mr. Rogers' claim (as well as the other claims listed on Exhibit B of the Objection) "are not listed by the Debtor in the Schedules. Thus, the asserted claims do not appear to be supported by the Debtor's records and are therefore not liabilities of the Debtor's estate."

Exhibit B adds the following comment regarding the Proof of Claim “Claimant asserts a pre-petition claim arising under a pre-petition employment agreement with the Debtor. If and to the extent such claim is allowed, such claim should be subject to the limitations imposed by section 502(b)(7) of the bankruptcy code.”

### **FACTS**

The Proof of Claim includes a detailed explanation of the basis and amount of the claim, as well as supporting documentation. The Attachment to Proof of Claim clearly sets forth the following:

Todd Rogers, the creditor filing this Proof of Claim was an employee of Sheldahl. His claim is for severance pay based on the documents that are attached.

Mr. Rogers annual rate of pay was \$90,000.00. He is entitled to 26 weeks or one-half year of salary as severance pay based on the attached documents. The amount of his claim is, therefore, \$45,000.00

11 U.S.C. 507(a)(3) provides that severance pay is included in the \$4,650.00 priority amount that Mr. Rogers is allowed. Therefore, Mr. Roger’s claim is for \$4,650.00 as a priority claim with the remaining \$40,350.00 as an unsecured claim.

Also attached to the Proof of Claim is the following supporting documentation: (i) a Sheldahl Memorandum from company executives to Todd Rogers dated October 22, 1999 setting forth his base salary and entitlement to the greater of 6 months pay or Sheldahl’s standard severance package; (ii) a letter from Sheldahl’s Director of Human Resources confirming entitlement to the greater of 6 months pay or Sheldahl’s standard severance package; and (iii) a summary of Sheldahl’s Severance Pay Plan.

---

<sup>1</sup> The Steering Committee incorrectly calculates the non-priority amount on Exhibit B of the Objection.

On April 27, 1998, Mr. Rogers was hired by Sheldahl as a Quality Engineer for its Longmont, Colorado facility. In late 1999, Mr. Rogers became concerned with the ongoing prospects at Sheldahl and began to search for alternative employment.

On October 20, 1999, Mr. Rogers received a job offer from a more stable circuit board manufacturing company. On October 21, 1999, Mr. Rogers submitted his resignation to John Dixon, Director of Operations, Sheldahl, Inc.'s Longmont Colorado Factory. At this time, Mr. Rogers was a Manufacturing Cell Manager. In between this position and his initial position, Mr. Rogers also held the responsibility of Product Engineer. Also at this time, the Longmont facility was having product quality issues.

John Dixon immediately, and physically, returned the resignation letter and said that he was not accepting the resignation. During this period many customers were in the factory and many customers were having product issues. Mr. Rogers was one of the key individuals handling most of the quality related issues, corrective actions, and leading many process improvement teams.

On October 22, 1999, Michele Edwards, VP of Operations for Sheldahl, Inc. Northfield, MN, Corporate Headquarters was at the Longmont Colorado factory. Ms. Edwards was John Dixon's boss. Ms. Edwards and Mr. Dixon offered to raise Mr. Rogers' salary from around \$56,000 per year to \$90,000 per year. Mr. Rogers privately spoke with Ms. Edwards about his concern of the longevity of the company and she offered him a 6 month severance package. (See October 22, 1999 employee contract). With the increase in salary and the insurance of at least 6 months of future income, Mr. Rogers accepted the offer. Shortly after this date, Mr. Rogers was promoted to Quality Manager.

On January 18, 2000, Mr. Rogers received from Dave Pfister, Director of Human Resources of Sheldahl, Inc., the formal agreement setting forth the offer of Sheldahl to retain his employment. According to the letter of the Director of Human Resources attached to the Proof of Claim, this letter was to be placed in Mr. Rogers' personnel file.

Based on the various agreements, Mr. Rogers continued to work for Sheldahl, Inc. and declined other job offers. Mr. Rogers has never been advised that there was a change in the formal agreement or that Mr. Rogers did not perform his duties and contributed toward the quality issues of the business.

On April 15, 2002, Mr. Rogers received the announcement of the Longmont factory closure. Shortly thereafter, Debtor filed the petition in bankruptcy.

The bankruptcy schedules do not list Mr. Rogers as a creditor of the Debtor.

## **LEGAL ARGUMENT**

### **I. THE CLAIM IS ENTITLED TO A PRESUMPTION OF VALIDITY**

Rule 3001(f) provides that a properly filed proof of claim is *prima facie* evidence of the validity of the claim. In addition, the presumption of validity that is accorded a properly filed proof of claim includes a presumption of priority when the claim is marked priority, and the party objecting to the proof of claim has the burden of going forward and of introducing evidence sufficient to rebut this presumption. *In re DeAngelis Tangibles, Inc.*, 238 B.R. 96 (Bankr. M.D. Pa. 1999).

To rebut the *prima facie* validity of a properly filed proof of claim, there must be **evidence** presented by the objecting party that is of equal probative force to that of the allegations of the proof of claim. *In re Wheatley*, 251 B.R. 430 (Bankr. N.D. Okla.

2000). See also *in re Southern California Plastics*, 165 F.3d 1243 (9<sup>th</sup> Cir. 1999) (although creditor bears ultimate burden of persuasion, the debtor must come forward with evidence to rebut the presumption of validity).

In overruling a claim objection and sanctioning the objecting party, the court in *In re Narragansett Clothing Co.* aptly noted:

Mere denial of the claim's validity or amount is not sufficient to meet that burden... and not until that obligation is met does the burden of production shift to the claimant.

143 B.R. 582, 583 (Bankr. R.I. 1992).

## **II. THE PROOF OF CLAIM CONTAINS OVERWHELMING EVIDENCE OF ENTITLEMENT**

As set forth above, the Proof of Claim is statutorily entitled to a presumption of validity. The explanation and documents attached to the Proof of Claim, however, clearly demonstrate entitlement to the amount and priority set forth therein.

The Proof of Claim describes the liability of Debtor to Mr. Rogers based upon an employment agreement. Not only is there an explanation of the liability, but also supporting documents for the amount of the claim. These documents include an internal Memorandum of the Debtor from company executives setting forth the agreement as well as a letter from the Director of Human Resources of the Debtor.

Accordingly, the Proof of Claim is entitled to *prima facie* evidence of validity and, in light of the documents supporting the claim, of its supporting presumptive weight.

### III. THE OBJECTION FAILS TO REFUTE THE PRESUMPTION OF VALIDITY OF THE PROOF OF CLAIM

Despite the burden of the Steering Committee to come forward with evidence that is of equal probative force to the documents set forth in the Proof of Claim, the Objection simply claims that the amount of Mr. Roger's claim (as well as the other claims listed on Exhibit B of the Objection) "are not listed by the Debtor in the Schedules. Thus, the asserted claims do not appear to be supported by the Debtor's records and are therefore not liabilities of the Debtor's estate."

This hardly rises to the level of evidence, much less of probative force to the supporting documents in the Proof of Claim. As noted by another creditor in this case, there is no provision in the Bankruptcy Code or the rules that states that a creditor must be listed in the schedules to have a claim. This "argument" is ridiculous - by failing to list a creditor on the schedules, debtors can avoid any liability. To the contrary, Rule 3003(c)(2) provides that "[a]ny creditor or equity holder who is **not scheduled** ... shall file a proof of claim..."

Moreover, the Objection doesn't even say that the Steering Committee bothered to review Debtor's records, the personnel file of Mr. Rogers or question any of the parties that were involved in the supporting documents attached to the Proof of Claim. Instead, it says that since the schedules don't include the claim of Mr. Rogers, it doesn't appear to be supported by the Debtor's records.

Finally, the Objection does not dispute (nor set forth any evidence disputing) the amount of the claim, the priority portion of the claim or the validity of the documents attached to the claim.

The Objection lacks any evidentiary basis and does not meet the burden of the Steering Committee to rebut the presumption of the validity of the Proof of Claim.

#### **IV. THE AFFIDAVITS OF MR. ROGERS AND MS. EDWARDS DEMONSTRATE ENTITLEMENT TO THE AMOUNT IN THE PROOF OF CLAIM**

If the Proof of Claim were not enough, the Affidavits of Mr. Rogers and Ms. Edwards explain in detail the reasons for the severance package and the Debtor's agreement to its terms. Of course, this agreement is clearly set forth in the supporting documents to the Proof of Claim – signed by company executives on Sheldahl letterhead and the Director of Human Resources.

Finally, the Objection also summarily references Section 502(b)(7), which provides:

... the court ... shall allow such claim in such amount except to the extent that –

if such claim is the claim of an employee for damages resulting from the termination of an employment contract, such claim exceeds -

(A) the compensation provided for by such contract, without acceleration, for one year following the earlier of –

- (i) the date of the filing of the petition; or
- (ii) the date on which the employer directed the employee to terminate, or such employee terminated, performance under such contract; plus

(B) any unpaid compensation due under such contract, without acceleration, on the earlier of such dates.

In this case, the Steering Committee has failed to indicate how Section 502(b)(7) in any way limits the amount of the Proof of Claim. Instead, the supporting documents clearly show that the severance pay was for one-half a year's compensation – well within the one year limit set forth in Section 502(b)(7). Again, the Steering Committee

has completely failed to provide any evidence to rebut the presumption of validity and the Proof of Claim and supporting documents establish clear entitlement to the amount claimed thereunder.

### **CONCLUSION**

This is not a case of a stranger filing a proof of claim against a debtor without any supporting documentation. This was a key employee who properly filed a proof of claim with supporting documentation on company letterhead. The Steering Committee should not only withdraw its objection but also seriously consider whether to seek payment for any fees associated with the Objection related to the Proof of Claim of Mr. Rogers.

For all the reasons set forth herein, (i) the Objection related to Proof of Claim 435 should be denied; (ii) Proof of Claim 435 should be allowed as a priority claim in the amount of \$4,650.00 and as an unsecured claim in the amount of \$40,350.00; and (iii) the Court should grant such other and further relief as it deems appropriate.

Dated: October 8, 2004

STEWART, ZLIMEN & JUNGERS

By /e/ Bradley J. Halberstadt  
Bradley J. Halberstadt (#215296)  
Attorneys for Movant  
430 Oak Grove Street, Ste. 200  
Minneapolis, Minnesota 55403  
(612) 870-4100

UNITED STATES BANKRUPTCY COURT  
DISTRICT OF MINNESOTA

In re:

Chapter 11

Sheldahl, Inc.

Case No. 02-31674

Affidavit of Todd Rogers

State of Kansas )  
 ) ss.  
County of Neosho )

Todd Rogers, being duly sworn, states and alleges the following:

1. I make this affidavit in connection with the objection to my proof of claim in this case and have personal knowledge of all the facts set forth herein.
2. On April 27, 1998, I was hired by Sheldahl, Inc. at their Longmont, Colorado facility as a Quality Engineer.
3. In late 1999, I became concerned with the ongoing prospects at Sheldahl and began to search for alternative employment.
4. On October 20, 1999, I received a job offer from a more stable circuit board manufacturing company.
5. On October 21, 1999, I submitted my resignation to John Dixon, Director of Operations, Sheldahl, Inc.'s Longmont Colorado Factory. At this time I was a Manufacturing Cell Manager. In between this position and my initial position, I also held the responsibility of Product Engineer. Also at this time, the Longmont facility was having product quality issues. John Dixon immediately, and physically, returned my resignation letter and said that he was not accepting my resignation. During this period many customers were in the factory and many customers were having product issues. I was one of the key individuals handling most of the quality related issues, corrective actions, and leading may process improvement teams.
6. On October 22, 1999, Michelle Edwards, VP of Operations for Sheldahl, Inc. Northfield, MN, Corporate Headquarters was at the Longmont Colorado factory. Michelle is John's boss. Michelle and John offered to raise my salary from around \$56K to \$90K. I privately spoke with Michelle about my concern of the longevity of the company and she offered me a 6 month severance package. (See October 22,

1999 employee contract). With the increase in salary and the insurance of at least 6 months of future income, I accepted the offer. Shortly after this date, I was promoted to Quality Manager.

- 7. On January 18, 2000, I received from Dave Pfister, Director of Human Resources of Sheldahl, Inc., the formal agreement referenced in paragraph 6.
- 8. Based on the formal agreement, I continued to work for Sheldahl, Inc. and declined other job offers. I was never advised that there was a change in the formal agreement or that I did not perform my duties and contributed toward the quality issues of the business.
- 9. On April 15, 2002, we received the announcement of the Longmont factory closure.

Further your affiant sayeth not.

*Todd Rogers*  
 \_\_\_\_\_  
 Todd Rogers

Subscribed and sworn to before me this 06 day of October, 2004.



*Jessica Wilson*  
 \_\_\_\_\_  
 (Notary Public)

UNITED STATES BANKRUPTCY COURT  
DISTRICT OF MINNESOTA

---

In re:

Chapter 11

Sheldahl, Inc.

Case No. 02-31674

---

**Affidavit of Michele Edwards**

---

State of Colorado )

) ss.

County of Boulder )

Michele Edwards, being duly sworn, states and alleges the following:

1. I make this affidavit in connection with the objection to the proof of claim of Todd Rogers in this case and have personal knowledge of all the facts set forth herein.
2. In October of 1999, I was the Vice President of Operations for Sheldahl, Inc. at their Northfield, Minnesota Corporate Headquarters
3. On October 21, 1999, I was notified that Todd Rogers had submitted his resignation.
4. On October 22, 1999, I discussed the impact of Todd leaving the company with John Dixon, the Director of Operations, Jim Havener, another Vice President and Dave Pfister, the Director of Human Resources. Due to the critical state of the business and to maintain credibility with our customers, it was determined to offer Todd a significant increase in salary to \$90,000.00.
5. At that time, Todd approached me in person about a concern of the longevity of the company and requested some type of severance package associated with this salary increase in order to stay with Sheldahl.
6. I discussed Todd's concerns with John, Jim, and Dave. We agreed to offer Todd six months of severance.

- 7. Dave Pfister prepared an agreement letter (see Sheldahl Memorandum dated October 22, 1999). I printed this agreement and it was signed by John Dixon and me.

Further your affiant sayeth not.

Michele Edwards  
Michele Edwards

Subscribed and sworn to before me  
this 8th day of October, 2004.

Shawn Bandel  
(Notary Public)

SHAWN BANDEL  
NOTARY PUBLIC  
STATE OF COLORADO  
My Commission Expires JULY 20, 2008

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



Name of Debtor  
**SHELDAHL INC**

Case Number  
**02-31674**

Name of Creditor (The person or other entity to whom the debtor owes money or property):  
**FREDERICKSON & BYRON PA TODD ROGERS**  
Name and Address where notices should be sent:  
**FREDERICKSON & BYRON PA TODD ROGERS  
508 CANDELARIA Dr.  
LOVELAND, CO 80537**  
Telephone Number: **1-970-667-3723**

- 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.

Account or other number by which creditor identifies debtor:

Check here if  replaces  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 #: 481 88 7256  
Unpaid compensation for services performed from \_\_\_\_\_ to \_\_\_\_\_  
(date) (date)

**2. Date debt was incurred:**  
April 15, 2002 (last day of employment)

**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.  
 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.

\$ 45,000.00

**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 \$ 4,650.00  
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  
7/29/02

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):  
*Ross J. Wabeke* **Ross J. Wabeke, Attorney at Law\***

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.

\* 325 East 7th Street  
Loveland, CO 80537  
970-667-2131

ATTACHMENT TO PROOF OF CLAIM

Todd Rogers, the creditor filing this Proof of Claim was an employee of Sheldahl. His claim is for severance pay based on the documents that are attached.

Mr. Rogers annual rate of pay was \$90,000.00. He is entitled to 26 weeks or one-half year of salary as severance pay based on the attached documents. The amount of his claim is, therefore, \$45,000.00.

11 USC 507 (a)(3)(A) provides that severance pay is included in the \$4,650.00 priority amount that Mr. Rogers is allowed. Therefore, Mr. Rogers claim is for \$4,650.00 as a priority claim with the remaining \$40,350.00 as an unsecured claim.



## MEMORANDUM

**To:** Todd Rogers

**From:** John Dixon  
Michele Edwards

**Date:** October 22, 1999

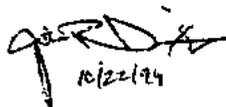
**cc:** Dave Pfister

---

This is to document our agreement:

- Your base salary will be increased to a rate of \$90,000 per year. This change will be effective on October 23, 1999 and will be seen on your paycheck dated November 5, 1999.
- You will be eligible for a severance package of 6 months or Sheldahl's standard severance package, whichever is greater, should you be terminated for reason other than cause. Dave Pfister will provide a formal agreement with this outlined by November 15, 1999.

Michele Edwards

  
10/22/99



January 18, 2000

Mr. Todd Rogers  
508 Candelaria Drive  
Loveland, CO 80537

Dear Todd:

This letter is to confirm and clarify the severance agreement between you and Sheldahl as communicated to you in the October 22, 1999 memo from John Dixon and Michele Edwards (a copy of which is enclosed).

Specifically, you will be considered a key department head under Sheldahl Policy HR04.14, paragraph A.1.b. Additionally, with the execution of a release agreement, you will be eligible for the greater of 26 weeks of severance pay or as defined by the policy if your employment is terminated through no fault of your own. All other provisions of the severance policy remain in full force and effect. The full policy may be obtained through the Document Control section of Shelnet.

Please contact me if you have further questions. A copy of this letter and the enclosure will be made part of your personnel file.

Sincerely,

A handwritten signature in black ink, appearing to read 'David M. Pfister'.

David M. Pfister  
Director  
Human Resources

Enclosure

**8. Severance Pay Plan and Summary  
Plan Description**  
December 19, 2001

This document states the terms of the severance plan offered by Sheldahl, Inc. to its non-bargaining unit (referred to as "salaried") employees, effective December 19, 2001. This document is an amendment and is restatement of the Sheldahl, Inc. Severance Pay Plan and Summary Plan Description, most recently amended effective December 20, 1999. It is intended to give Participants an easily understood explanation of the Plan and to serve also as the Summary Plan Description

Purpose (Part I)

The payments under the Plan are not contingent directly or indirectly upon an employee retiring.

The purpose of this Plan is to provide uniform and consistent guidelines under which eligible non-bargaining unit (referred to as "salaried") employees of Sheldahl, Inc. ("Sheldahl") and its subsidiaries whose employment is terminated in good standing at Sheldahl's initiative will receive severance pay from Sheldahl. Sheldahl is the Plan sponsor and is responsible for the administration of the Plan.

This Plan constitutes the complete and entire statement regarding severance pay for all salaried employees who meet the Plan's eligibility requirements and supersedes any and all previous severance agreements and any other plans, policies, customs or procedures providing severance or other benefits to salaried employees in connection with termination of employment, except where benefits under such previous plans continue to be payable after December 19, 2001.

|                                                                                     |                                                                                              |
|-------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|
|  | <p><b>Document: SC 03</b><br/><b>Human Resource Compensation and Reimbursement Plans</b></p> |
| <p><b>Owner:</b> Business System Team</p>                                           | <p><b>Rev:</b> D</p> <p style="text-align: right;">Page 9 of 33</p>                          |

Participation (Part II)

A. Eligibility for Payment

You will become a Participant, eligible to receive the severance payment provided for in Part III, only if:

1. you are a full-time (regularly scheduled to work at least 30 hours per week) regular salaried employee of Sheldahl; and
2. your employment is terminated by Sheldahl or one of its subsidiaries in good standing at Sheldahl's initiative.

B. Exclusions

Part-time, supplemental and temporary employees are not eligible to participate in the Plan. A salaried employee will not be eligible for severance pay upon termination of employment for any reason other than the termination of his or her employment in good standing at Sheldahl's initiative. Salaried employees whose employment is terminated for any other reason, including, but not limited to the following reasons, are specifically not eligible to receive severance pay:

1. voluntary resignation;
2. termination for misconduct, insubordination, violation of Sheldahl's policies or conditions of employment, absenteeism or tardiness;
3. sale or change in ownership of any part of Sheldahl's operations, where the employee receives an offer of employment from the acquiring employer that is reasonably comparable to the employee's position at Sheldahl, whether or not the employee accepts the offer. Sheldahl will determine, in its sole discretion, whether an offer of employment is reasonably comparable to an employee's position at Sheldahl.

|                                                                                     |                                                                                      |
|-------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|
|  | <b>Document: SC 03</b><br><b>Human Resource Compensation and Reimbursement Plans</b> |
| <b>Owner: Business System Team</b>                                                  | <b>Rev: D</b><br>Page 10 of 33                                                       |

Severance Payment (Part III)

A. Benefits Available

Subject to all eligibility requirements outlined in this Plan and all federal, state and local withholding and deduction requirements, severance payments will be made to you as follows:

1. Severance Pay Schedule

All eligible Participants will be provided with the opportunity to receive severance pay benefits as follows:

- a. Salaried employees other than key department heads and corporate officers will receive (i) one week of severance pay for each complete year of service, with a minimum of two weeks and a maximum of 26 weeks, (ii) payment of the employer share of group health premiums during the severance period, provided they elect to continue their group benefits, and (iii) outplacement assistance, in programs selected by Sheldahl. Release agreements will include language-holding Sheldahl harmless from any and all claims, comply with all applicable laws and contain other provisions standards in such agreements.
- b. Key employees specifically designated by the CEO or Human Resources functional leader who report directly to a corporate officer or equivalent top manager will receive (i) two weeks of severance pay for each complete year of service, with a minimum of four weeks and a maximum of 39 weeks, (ii) payment of the employer share of their group health premiums during the severance period, provided they elect to continue these benefits, and (iii) outplacement assistance, for up to three months or reemployment, whichever occurs first, in programs selected by Sheldahl.
- c. Corporate officers will receive (i) four weeks of severance pay for each complete year of service, with a minimum of 12 weeks and a maximum of 52 weeks, (ii) payment of the employer share of group health premiums during the severance period, provided they elect to continue these benefits, (iii) executive



Document: SC 03

**Human Resource Compensation and Reimbursement Plans**

Owner: Business System Team

Rev: D

outplacement assistance for up to six months or reemployment, whichever occurs first, in programs selected by Sheldahl.

Length of service begins with the date on which the employee was hired by Sheldahl and ends with the date on which the employee is terminated. Service with prior employers (including, but not limited to, service for a business acquired in whole or in part by Sheldahl) is not included when determining the amount of an employee's severance pay.

2. Conditions.

As a condition to receiving severance pay, all eligible Participants must:

- a. continue in employment through the date established by Sheldahl as the Participant's last day of employment;
- b. if requested, participate in an exit interview with a designated member of the Human Resources Department;
- c. return to the Participant's supervisor, no later than the last day of employment, all Sheldahl property, including all copies, in his or her possession;
- d. honor all post-employment obligations to Sheldahl, including the obligation not to disclose or use any of Sheldahl's confidential information; and
- e. sign severance agreements which include language holding Sheldahl harmless from any and all claims, complying with all applicable laws, agreeing not to solicit Sheldahl employees or customers, disclose Sheldahl's confidential information, defame Sheldahl or otherwise harm Sheldahl's business, and containing other provisions standard in such agreements.



Document: SC 03

**Human Resource Compensation and Reimbursement Plans**

Owner: Business System Team

Rev: D

Page 12 of 33

In addition, Sheldahl's payment of Participant's group health premiums is subject at all times to the Sheldahl group health plan continuing in effect for active Sheldahl employees, the Participant making the appropriate timely election to continue his or her benefits, the Participant's eligibility to participate in the Plan under its terms and applicable law, and the Participant not being eligible to participate in another group health plan. The Participant agrees to notify Sheldahl's Director of Human Resources if he or she is eligible to participate in another group plan during the severance period. The Participant's share of the group health premiums will be deducted from the severance payments.

3. Reductions in Severance Pay.

If a Participant is eligible to receive compensation from Sheldahl following his or her last day of active employment under any other policy, plan, agreement, law or regulation, including but not limited to any noncompetition agreement, change in control agreement or notice period required by contract or under any state or federal law, the Participant's severance benefits hereunder will be reduced by the amount of such payments. This reduction does not apply to any compensation or accrued unused vacation earned by the Participant prior to the last day of active employment but unpaid as of that date.

The amount of severance to which a Participant is otherwise entitled under this Part III is also subject to reduction by any fees, wages or other compensation received by the Participant in connection with new employment, consulting or any other compensable activity. Participants are required to promptly report any new occupational activity to Sheldahl and may not defer any such remuneration until after the severance period. If a Participant receives overpayment of severance pay (for example, due to the Participant's failure to report new employment to Sheldahl), the Participant is obligated to reimburse Sheldahl for the amount of such overpayment. The severance

|                                                                                     |                                                                                               |
|-------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|
|  | <p><b>Document: SC 03</b><br/> <b>Human Resource Compensation and Reimbursement Plans</b></p> |
| <p><b>Owner:</b> Business System Team</p>                                           | <p><b>Rev:</b> D</p> <p style="text-align: right;">Page 13 of 33</p>                          |

benefits for any Participant who violates any post-employment obligations to Sheldahl (as in a noncompetition/nonsolicitation/confidentiality agreement) will be immediately terminated.

4. Rate.

Severance is paid at the base pay rate in effect on the date of the Participant's termination of employment.

B. Time and Form of Payment

If you are eligible to receive severance under the Plan, payment will be made to you in installments in accordance with Sheldahl's regular payroll schedule, beginning with the first payday following your last day of employment with Sheldahl or expiration of any rescission period provided in the release agreement, whichever is later.

C. ERISA Limitation.

Any amount of a severance payment that is in excess of twice the employee's annual compensation (including the value of all benefits) during the year immediately preceding the employee's termination of employment will not be paid.

 **Sheldahl**

**Document: SC 03**

**Human Resource Compensation and  
Reimbursement Plans**

**Owner:** Business System Team

**Rev: D**

Page 14 of 33

D. Benefits Under Other Plans and Policies.

A Participant's right to payment for vacation earned through the date of termination but not yet taken will be determined in accordance with Sheldahl's vacation pay policies. Participants' rights and benefits upon a termination of employment under other benefit plans sponsored by Sheldahl shall be determined in accordance with the provisions of those plans.

E. Exclusive Benefits.

*The benefits provided under this Part III of the Plan are the only benefits available to Participants in connection with their termination of employment with Sheldahl. A Participant shall receive severance from Sheldahl only as provided in Part III (A) and (B) of the Plan, and shall not be eligible for severance under any other plan, policy, procedure, custom or agreement. Participants shall be eligible for other benefits in connection with their termination of employment only as expressly provided in Part III (D).*

Funding (Part IV)

Payments made pursuant to the Plan will be paid out of the general funds of Sheldahl and Participants will not have any secured or preferred interest by way of trust, escrow, lien or otherwise in any specific assets. A Participant's rights shall be solely those of an unsecured general creditor of Sheldahl.



Document: SC 03

**Human Resource Compensation and Reimbursement Plans**

Owner: Business System Team

Rev: D

Page 15 of 33

Other Plan Features (Part V)

A. Assignment.

If you are a Participant, you shall not have the right to assign, encumber or otherwise anticipate any payment to be made under the Plan, and the benefits provided under the Plan shall not be subject to seizure for payment of any order or judgment against you.

B. Administrator.

The Plan is administered by Sheldahl, which keeps the Plan's records, communicates with Participants, and is otherwise generally responsible for Plan operation. Sheldahl is the agent for the service of legal process and any officer may be served at the address given above. As Plan Administrator, Sheldahl shall make such determinations as may be required from time to time in the administration of the Plan. Sheldahl has complete and total discretionary authority to determine eligibility of employees for severance payments and all benefits under the Plan. Sheldahl also retains complete and total discretionary authority to define, interpret, construe and apply all terms of the Plan, as well as to alter or eliminate the Plan at any time as provided in Part V (D) below. Sheldahl's determinations shall be binding and conclusive on all persons, subject to the claims procedure described in Part V (C) below. Sheldahl will exercise its discretion in a nondiscriminatory manner.

C. Claims Procedure.

If you are a Participant who has not received benefits under the Plan, but believe that you are eligible for benefits, you may file a written claim for benefits with Sheldahl. If your claim for benefits under the Plan is denied in whole or in part, Sheldahl, as Plan Administrator, will notify you within 90 days after you have filed your claim. You or your representative are entitled to a full and fair review of the decision. You must make a written request for such review within 60 days of receipt of the denial notice.

|                                                                                     |                                                                                      |
|-------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|
|  | <b>Document:</b> SC 03<br><b>Human Resource Compensation and Reimbursement Plans</b> |
| <b>Owner:</b> Business System Team                                                  | <b>Rev:</b> D<br><p style="text-align: right;">Page 16 of 33</p>                     |

You or your representative may review pertinent documents and may submit written issues and comments to Sheldahl. After review, Sheldahl will issue a written decision within 60 days after receipt of written request for review, which will include specific reasons for the decision and specific references to the pertinent Plan provisions on which the decision is based.

All decisions on claims and on reviews of denied claims will be made by Sheldahl. Sheldahl may, in its discretion, hold one or more hearings. If you do not receive a decision within the specified time, you should assume your claim was denied or redened on the date the specified time expired. You may, at your own expense, have an attorney or other representative act on your behalf, but Sheldahl reserves the right to require a written authorization. Sheldahl also reserves the right to delegate its authority to make decisions.

D. Amendment or Termination of Plan.

The right has been reserved to Sheldahl to amend, suspend, terminate or otherwise alter the provisions of the Plan, including the severance pay benefit amounts, with or without advance notice, by authority of the President of Sheldahl or any designee of the President who is an officer of Sheldahl. Said action shall be documented in writing by the President or designee and communicated to all affected employees.

E. Terms and Conditions of Employment

Neither the establishment of the Plan, nor any employee's participation therein shall constitute a contract of employment. Either Sheldahl or the employee may terminate the employment relationship at any time, just as though the Plan had never been adopted.

F. Controlling Law

The Plan shall be construed, administered and governed according to the laws of the State of Minnesota to the extent those laws have not been preempted by federal law, which shall otherwise control.

|                                                                                     |                                                                                        |
|-------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------|
|  | <p>Document: SC 03<br/> <b>Human Resource Compensation and Reimbursement Plans</b></p> |
| <p>Owner: Business System Team</p>                                                  | <p>Rev: D<br/> Page 17 of 33</p>                                                       |

G. Successorship Clause

If the company is sold, Sheldahl will require any successor to assume the obligations set forth in this Plan with respect to any person employed by Sheldahl on the date of the sale.

Additional Information

A. Name and Number of Plan.

The name of the Plan is the Sheldahl, Inc. Severance Pay Plan. The Internal Revenue Service and the Department of Labor identify the Plan by its name and by its number: 555. The records of the Plan are maintained on a calendar year.

B. Type of Plan.

The Plan is a severance pay welfare benefit plan and not a pension benefit plan.

C. Plan Sponsor

The name and address of the employer sponsoring the Plan and its federal taxpayer identification number ("EIN") are:

Sheldahl, Inc.  
1150 Sheldahl Road  
Northfield, MN 55057  
Telephone: (507) 663-8000  
EIN: 46-0758073

D. Plan Administrator

The Plan is administered by Sheldahl, which keeps the Plan's records, communicates with Participants, and is otherwise generally responsible for Plan operations. Correspondence addressed to Sheldahl in its capacity as Administrator of the Plan should be addressed to:

Sheldahl, Inc.  
Attn: Plan Administrator  
1150 Sheldahl Road  
Northfield, MN 55057  
Telephone: (507) 663-8000

E. Service of Legal Process

Sheldahl is the agent for the service of legal process and any officer may be served at the address given above.



**Document: SC 03**  
**Human Resource Compensation and Reimbursement Plans**

**Owner:** Business System Team

**Rev:** D

Page 18 of 33

F. ERISA Rights

As a Participant in the Plan, you are entitled to certain rights and protections under the Employee Retirement Income Security Act of 1974 (ERISA). ERISA provides that you and all Plan Participants shall be entitled to:

- Examine, without charge, at Sheldahl's office, all Plan documents and copies of all documents filed by the Plan with the U.S. Department of Labor, such as detailed annual reports and Plan descriptions.
- Obtain copies of all Plan documents and other Plan information upon written request to Sheldahl. Sheldahl may make a reasonable charge for the copies.

In addition to creating rights for Plan Participants, ERISA imposes duties upon the people who are responsible for the operation of the Plan. The people who operate your Plan, called "fiduciaries" of the Plan, have a duty to do so prudently and in the interest of you and other Plan

Participants and beneficiaries. No one, including Sheldahl, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a benefit or exercising your rights under ERISA. If your claim for a benefit is denied in whole or in part, you must receive a written explanation of the reason for the denial. You have the right to have the denial reviewed and reconsidered (see Part V). Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request materials from the Plan and do not receive them within 30 days, you may file suit in a federal court. In such a case, the court may require Sheldahl to provide the materials and pay you up to \$100 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of Sheldahl. If you have a claim for benefits which is denied or ignored, in whole or in part, you may file suit in a state or federal court.

|                                                                                     |                                                                                               |
|-------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|
|  | <p><b>Document: SC 03</b><br/> <b>Human Resource Compensation and Reimbursement Plans</b></p> |
| <p><b>Owner:</b> Business System Team</p>                                           | <p><b>Rev:</b> D</p> <p style="text-align: right;">Page 19 of 33</p>                          |

If it should happen that Plan fiduciaries misuse the Plan's money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a federal court. The court will decide who should pay court costs and legal fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim is frivolous. If you have any questions about your Plan, you should contact Sheldahl. If you have any questions about this statement or about your rights under ERISA, you should contact the nearest Area Office of the U.S. Labor-Management Services Administration, Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Pension and Welfare Benefits Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, D.C. 20210.

Sheldahl, Inc. has approved and adopted this Plan and Summary Plan Description, effective December 14, 2001.

|                                                                                     |                                                                                               |
|-------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|
|  | <p><b>Document: SC 03</b><br/> <b>Human Resource Compensation and Reimbursement Plans</b></p> |
| <p><b>Owner:</b> Business System Team</p>                                           | <p><b>Rev:</b> D</p> <p style="text-align: right;">Page 20 of 33</p>                          |

UNITED STATES BANKRUPTCY COURT  
DISTRICT OF MINNESOTA

In re:

Chapter 11

Sheldahl, Inc.

Case No. 02-31674

CERTIFICATE OF SERVICE

Bradley J. Halberstadt, an agent of Stewart, Zlmen & Jungers, attorney(s) licensed to practice law in this court, with office address of 430 Oak Grove Street, Ste. 200, Minneapolis, Minnesota 55403, declares that on the date set forth below, I served the annexed **Response of Todd Rogers to Second Omnibus Objection to Claims, Affidavit of Todd Rogers and Affidavit of Michele Edwards** upon each of the entities named below by mailing to each of them a copy thereof by enclosing same in an envelope with first class mail postage prepaid and depositing same in the post office at Minneapolis, Minnesota addressed to each of them as follows:

Sheldahl, Inc. Steering Committee  
c/o James Rubenstein, Esq.  
Moss & Barnett, P.A.  
4800 Wells Fargo Center  
90 South 7th Street  
Minneapolis, MN 55402-4129

Unsecured Creditors Committee  
Alan D. Halperin and Robert  
Raicht  
Halperin Battaglia Raicht  
555 Madison Avenue, 9th Floor  
New York NY 10022

United States Trustee  
Sarah Wencil, Esq.  
1015 US Courthouse  
300 South Fourth Street  
Minneapolis, MN 55415

Sheldahl, Inc.  
c/o James L. Baillie, Esq.  
900 2nd Avenue South, Room  
1100  
Minneapolis, MN 55402

And I declare, under penalty of perjury, that the foregoing is true and correct.

Date: October 8, 2004

Signed: /e/ Bradley J. Halberstadt

UNITED STATES BANKRUPTCY COURT  
DISTRICT OF MINNESOTA

---

In re:

Chapter 11

Sheldahl, Inc.

Case No. 02-31674

---

ORDER DENYING OBJECTION TO CLAIM 435

---

The above-entitled matter came before the Court for hearing on October 20, 2004 on the objection of the Steering Committee to proof of claim number 435 of Todd Rogers. Appearances were noted in the Court's record. Based upon the proceedings on said date, the statements of counsel, and all of the files and records herein, the Court now finds that the objection to the proof of claim is without merit.

NOW, THEREFORE, IT IS HEREBY ORDERED that:

1. The Steering Committee's objection to proof of claim 435 is hereby denied;
2. Proof of claim 435 is allowed as a priority claim in the amount of \$4,650.00 and an unsecured claim in the amount of \$40,350.00; and
3. The Steering Committee shall not charge the estate for any fees related to the objection.

Dated: \_\_\_\_\_

\_\_\_\_\_  
United States Bankruptcy Judge