

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF MINNESOTA**

In re:

Sheldahl, Inc.

Debtor.

Chapter 11

Case No. 02-31674

**RESPONSE TO THE NOTICE OF HEARING AND STEERING COMMITTEE'S
SECOND OMNIBUS OBJECTION TO CLAIMS**

COMES NOW BCC Equipment Leasing Corp./Boeing Capital Corp. ("Boeing") as a creditor and party in interest, and files this Response (the "Response") to the Notice of Hearing and Steering Committee's Second Omnibus Objection to Claims (the "Objection").

JURISDICTION

1. This Court has jurisdiction over the Response according to 28 U.S.C. §§ 157 and 1334. This is a core proceeding according to 28 U.S.C. § 157(b)(2). Venue is proper before this Court according to 28 U.S.C. §§ 1408 and 1409.

BACKGROUND

2. On or about March 4, 1992, Boeing and Sheldahl, Inc. (the "Debtor") entered into an Equipment Lease Agreement (the "Lease Agreement"). In connection with the Lease Agreement, Boeing and the Debtor also entered into several Individual Equipment Records ("IER"). On October 4, 2001, Boeing and the Debtor agreed to terminate one of the IERs and the Debtor agreed to pay Boeing \$164,966.96. True and correct copies of the Lease Agreement, the IERs and the October 4, 2001, agreement are incorporated into Boeing's Proof of Claim, filed on September 4, 2002, and attached hereto as **Exhibit 1**.

3. On April 30, 2002 (the “Petition Date”), the Debtor filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code.

4. On September 4, 2002, Boeing filed a proof of claim against the Debtor’s estate in the total amount of \$1,159,823.62 (“Proof of Claim”).

5. On October 24, 2002, the Bankruptcy Court entered an Order Authorizing Rejection of Certain Unexpired Executory Contracts and Leases (the “Order”). A true and correct copy of the Order is attached hereto as **Exhibit 2**. The Order deemed the Lease Agreement and the IERs rejected as of August 30, 2002, or such earlier date as the Debtor gave unequivocal notice of rejection of specific contracts.

6. Under 11 U.S.C. § 502(g), following the rejection of IER #3122-9-009 the amount due Boeing pursuant to IER #3122-9-009 was \$1,492,752.01 and not \$634,893.61 as reflected in the Proof of Claim.

7. On September 22 and 26, 2002, pursuant to an agreement with the Debtor, Boeing liquidated the equipment subject to the Lease Agreement for \$551,500.

8. As of the Petition Date, the Debtor owed Boeing \$2,017,682.02 pursuant to the terms of the Lease Agreement, the IERs and the October 4, 2001, agreement. A breakdown of this amount is attached hereto as **Exhibit 3**.

9. The Objection contends, without explanation, that Boeing’s claim has been paid in full.

RESPONSE TO THE STEERING COMMITTEE’S OBJECTION

10. Pursuant to Eighth Circuit precedent, “[u]nder 11 U.S.C. § 502 (1988), a proof of claim filed in a bankruptcy proceeding is deemed allowed unless a party in interest objects.” *In re Gran*, 964 F.2d 822, 827 (8th Cir. 1992). If a party has filed a proof of claim, a party

objection to such a claim “must then produce evidence rebutting the claimant or the claimant will prevail...” *Id.*

11. The Objection fails to present any evidence rebutting Boeing’s Proof of Claim.

12. The amount due Boeing under the terms of the Lease Agreement, the IERs and the October 4, 2001, agreement, after taking into consideration the sums received by Boeing for the liquidated equipment, totals \$1,466,182.02.

13. The sums received by Boeing on September 22 and 26, 2002, did not pay Boeing’s claim in full but merely reduced the total amount of Boeing’s claim.

WHEREFORE, Boeing requests that the Court: (1) deny the Steering Committee’s Objection; (2) grant Boeing an allowed claim against the Debtor in the amount of \$1,466,182.02; and (3) grant Boeing such other and further relief as the Court deems just and equitable.

Dated: October 11, 2004

FABYANSKE, WESTRA & HART, P.A.

By: /s/ Michael A. Rosow
Paul L. Ratelle (#127632)
Michael A. Rosow (#0317998)
920 Second Avenue South, Suite 1100
Minneapolis, MN 55402
(612) 338-0115
**ATTORNEYS FOR BCC
EQUIPMENT LEASING
CORP./BOEING CAPITAL CORP.**

VERIFICATION

I, Joseph F. Corff, Manager, Special Assets, for BCC Equipment Leasing Corp./Boeing Capital Corp. ("Boeing") declare under penalty of perjury that the foregoing Response to the Notice of Hearing and Steering Committee's Second Omnibus Objection to Claims, is true and correct according to the best of my knowledge, information and belief.

Dated: October 11, 2004


Joseph F. Corff

UNITED STATES BANKRUPTCY COURT DISTRICT OF MINNESOTA (ST. PAUL)		PROOF OF CLAIM
Name of Debtor SHELD AHL INC	Case Number 02-31674	<div style="border: 1px solid black; padding: 5px; display: inline-block;"> RECEIVED 02 SEP -4 AM 8:22 BANKRUPTCY COURT ST. PAUL, MN </div>
<p>NOTE: This form should not be used to make a claim for an administrative expense arising after the commencement of the case. A "request" for payment of an administrative expense may be filed pursuant to 11 U.S.C. §503.</p>		
Name of Creditor (The person or other entity to whom the debtor owes money or property): BCC EQUIPMENT LEASING CORP Name and Address where notices should be sent: BCC EQUIPMENT LEASING CORP BOEING CAPITAL CORP 3780 KILROY AIRPORT WY STE 750 LONG BEACH CA 90806 Attn: Joseph F. Corff Telephone Number: (562) 997-3457	<input type="checkbox"/> 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. <input type="checkbox"/> Check box if you have never received any notices from the bankruptcy court in this case. <input type="checkbox"/> 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 <input type="checkbox"/> replaces this claim <input type="checkbox"/> amends a previously filed claim, dated _____	
1. Basis for Claim <input type="checkbox"/> Goods sold <input type="checkbox"/> Services performed <input type="checkbox"/> Money loaned <input type="checkbox"/> Personal injury/wrongful death <input type="checkbox"/> Taxes <input checked="" type="checkbox"/> Other <u>Equipment Lease</u>	<input type="checkbox"/> Retiree benefits as defined in 11 U.S.C. §1114(a) <input type="checkbox"/> Wages, salaries, and compensation (fill out below) Your SS #: _____ Unpaid compensation for services performed from _____ to _____ (date) (date)	<div style="border: 1px solid black; border-radius: 50%; width: 60px; height: 60px; display: flex; align-items: center; justify-content: center; margin: 0 auto;"> 548 </div>
2. Date debt was incurred:	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. <input checked="" type="checkbox"/> 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.	\$ <u>1,159,823.62</u>	
5. Secured Claim. <input type="checkbox"/> Check this box if your claim is secured by collateral (including a right of setoff). Brief Description of Collateral: <input type="checkbox"/> Real Estate <input type="checkbox"/> Motor Vehicle <input type="checkbox"/> Other _____ Value of Collateral: \$ _____ Amount of arrearage and other charges at time case filed included in secured claim, if any: \$ _____	6. Unsecured Priority Claim. <input type="checkbox"/> Check this box if you have an unsecured priority claim Amount entitled to priority \$ _____ Specify the priority of the claim: <input type="checkbox"/> 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). <input type="checkbox"/> Contributions to an employee benefit plan - 11 U.S.C. §507(a)(4). <input type="checkbox"/> 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). <input type="checkbox"/> Alimony, maintenance, or support owed to a spouse, former spouse, or child - 11 U.S.C. § 507(a)(7). <input type="checkbox"/> Taxes or penalties owed to governmental units - 11 U.S.C. § 507(a)(8). <input type="checkbox"/> 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 Aug. 28, 2002	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): <i>Joseph F. Corff</i> Joseph F. Corff, Authorized Signatory	
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.		



Sheldahl, Inc.
Due through April 29, 2002
(See attached for details)

#3122-9-003		
Past Due Payments	\$ 37,072.02	
Late Charges	<u>1,552.24</u>	
Total		\$ 38,624.26
#3122-9-004		
Past Due Payments	\$ 108,907.68	
Late Charges	<u>4,539.80</u>	
Total		\$ 113,447.48
#3122-9-005		
Past Due Payments	\$ 161,681.74	
Late Charges	<u>6,955.01</u>	
Total		\$ 168,636.75
#3122-9-006		
Past Due Payments	\$ 34,912.88	
Late Charges	<u>1,499.18</u>	
Total		\$ 36,412.06
#3122-9-007		
Agreed Deficiency	\$ 154,966.96	
Total		\$ 154,966.96
#3122-9-009		
Past Due Payments	\$ 609,079.44	
Late Charges	<u>25,814.17</u>	
Total		\$ 634,893.61
Pre Petition Legal Fees		<u>\$ 12,842.50</u>
TOTAL DUE THROUGH 4/29/02		\$1,159,823.62

MDFC Equipment Leasing Corporation**Equipment Lease Agreement**

Equipment Lease No. 3122-9

THIS EQUIPMENT LEASE AGREEMENT ("Lease") is dated as of the 4th day of March, 1992, and is by and between **MDFC Equipment Leasing Corporation**, a Delaware corporation ("Lessor") and **Sheldahl, Inc.**, a Minnesota corporation ("Lessee").

Witnesseth:

1. *Lease.* Lessor hereby agrees, subject to satisfaction of the conditions hereinafter set forth, to lease to Lessee and Lessee hereby agrees to lease from Lessor each item of equipment (individually called an "Item of Equipment" and collectively the "Equipment") described in each Individual Equipment Record ("IER") executed and delivered by Lessor and Lessee pursuant to the terms of this Lease. Each IER is hereby incorporated herein by this reference. This Lease shall be noncancellable by Lessee for the term ("Term") hereof.
2. *Term.* The Term of this Lease shall commence, with respect to an Item of Equipment, on the acceptance date ("Acceptance Date") for such Item of Equipment as set forth in the IER applicable to such Item of Equipment, and, subject to the terms hereof, shall continue for the base term ("Base Term") set forth in such IER as measured from the base term commencement date ("Base Term Commencement Date") set forth in such IER. The word "Term" as used herein shall mean the period beginning on the Acceptance Date and ending on the expiration of the Base Term plus any extensions of the Base Term pursuant to the terms of this Lease.
3. *Rent; Overdue Rate.* Lessee shall pay Lessor rent for an Item of Equipment throughout the Term as set forth in the IER applicable to such Item of Equipment, without deduction or offset, in the amounts and at the times set forth in such IER. In the event Lessee shall be in default in the payment of any sum of money to be paid under this Lease, whether rent or otherwise, the Lessee shall pay Lessor, as additional rent, to the extent permitted by applicable law, interest on such unpaid sum from its due date to the date of payment at a rate equal to 125% of the Prime Rate or the maximum contract rate permitted by applicable law, whichever is lower (the "Overdue Rate"). Acceptance of interest on overdue payments by Lessor shall in no event constitute a waiver of Lessee's default with respect to such overdue amount or prevent Lessor from exercising any of the other rights and remedies granted hereunder. Rent and all other amounts payable to Lessor hereunder shall be payable at the office of Lessor at 340 Golden Shore, Long Beach, California 90802, Attention: Controller (or at such other place as Lessor may from time to time designate in writing); except that payments of more than \$10,000 shall be made by federal funds wire transfer for the account of the Lessor to a bank to be designated by Lessor, together with notice so as to provide Lessor with the use of the funds on or before 11 a.m., P.S.T., on the due date.
4. *Taxes Against Lessor or Equipment.* Lessee agrees to pay and to indemnify and hold Lessor harmless from, all license and registration fees and sale, use, personal property, stamp or other taxes, levies, imposts, duties, charges or withholdings of any nature whatsoever together with any penalties, fines or interest thereon (collectively, "taxes, fees or other charges") imposed against Lessor, Lessee or the Equipment or any part thereof by any foreign, Federal, state, or local government or taxing authority, during the Term or in connection with the termination of this Lease, upon or with respect to the Equipment or any part thereof or upon the purchase, ownership, delivery, leasing, possession, use, operation, return or other disposition thereof, or upon the rentals, receipts or earnings arising therefrom, or upon or with respect to this Lease (excluding, however, (i) any taxes imposed by the Federal government on, based on, or measured by, the net income of Lessor and (ii) any income or franchise taxes imposed by any taxing authority other than the Federal government on, based on, or measured by, the net income of Lessor which in the aggregate do not exceed the amount of any such taxes which would be payable to the taxing authorities of the jurisdictions, other than the United States of America, in which Lessor has its principal place of business assuming no allocation or apportionment to any other taxing authority). In case any report or return is required to be made with respect to any obligation of Lessee under this Section or arising out of this Section, Lessee will either prepare and file such report or return in such manner as will show the ownership of the Equipment in Lessor and send a copy of such report or return to Lessor or will notify Lessor of such requirement and Lessee will prepare such report or return for filing by Lessor in such manner as shall be satisfactory to Lessor. If claim is made against Lessor for any taxes, fees or other charges referred to in this Section, Lessor shall promptly notify Lessee. If reasonably requested by Lessee in writing, Lessor shall, at Lessee's expense, take such action as Lessee may reasonably request with respect to such asserted liability, provided that Lessee furnishes an opinion of independent counsel, which opinion and counsel shall both be satisfactory to Lessor, to the effect that such action is prudent, reasonable and proper, and if reasonably so requested by Lessee, any payment by Lessor of such tax, fee or other charge shall be made under protest, if protest is necessary and proper. Notwithstanding the above, Lessor shall have the sole control over the contest of such asserted liability. In addition, Lessor shall have the right to pay such asserted liability at any time in its sole discretion in which case Lessor shall, at Lessee's expense, take such action as Lessee may reasonably request to recover such payment and shall, if requested, permit Lessee in Lessor's name to file a claim or prosecute an action to recover such payment. All of the obligations of Lessee under this Section with respect to any taxes, fees, or other charges imposed or accrued

before the expiration or other termination of this Lease shall continue in full force and effect notwithstanding such expiration or other termination and are expressly made for the benefit of, and shall be enforceable by, Lessor and its successors and assigns.

5. *Lessor's Right to pay or Perform for Lessee.* Should Lessee fail to make any payment or do any act as herein provided, then Lessor shall have the right, but not the obligation, without releasing Lessee from any obligation hereunder, to make or do the same, and to pay, purchase, contest or compromise any Lien (as defined in Section 20 hereof) not permitted hereunder which in Lessor's judgment appears to affect the Equipment or Lessor's rights with respect thereto, and in exercising any such rights, incur any liability and expend whatever amounts in its discretion it may deem necessary therefor. All sums so incurred or expended by Lessor shall be immediately due and payable by Lessee and shall bear interest at the Overdue Rate from the date so incurred or expended by Lessor to the date Lessor is reimbursed therefor by Lessee.

6. *Use and Ownership.* Lessee shall use, operate, maintain and store the Equipment in a careful and proper manner and shall comply with all laws, ordinances, rules, regulations and insurance requirements in any way relating to the possession, use, operation or maintenance of the Equipment. Lessee shall use the Equipment only in the manner contemplated by the manufacturer thereof. Lessee agrees to pay all costs incurred in connection with the use and operation of each Item of Equipment, during the Term thereof, including but not limited to, repairs, maintenance, storage and servicing.

Lessee acknowledges and agrees that it does not have and will not acquire legal title to the Equipment, it being expressly understood that this Lease is an agreement of lease only. The Equipment is and shall at all times remain the sole and exclusive property of Lessor. The only interest Lessee shall have in the Equipment is that of a lessee hereunder. Lessee shall affix to each Item of Equipment and keep and maintain, plainly and distinctly, permanently and conspicuously upon each such Item of Equipment the following words:

"Owned by MDFC Equipment Leasing Corporation
Owner-Lessor"

Lessee shall keep the Equipment free from any markings or labeling which might be interpreted as a claim of ownership thereof by Lessee or any party other than Lessor or its assigns. Lessee shall not remove an Item of Equipment from the location set forth in the IER applicable to such Item of Equipment or transfer possession of the Equipment in any manner without Lessor's prior written consent. Upon demand by Lessor, Lessee promptly shall give Lessor written notice of the exact location of the Equipment.

7. *Alterations.* Lessee shall not make any alterations, additions or improvements to the Equipment without the prior written consent of Lessor. All such alterations, additions or improvements so consented to by Lessor shall automatically become the property of Lessor and shall be free of all Liens and Lessee shall provide a bill of sale to Lessor for all such alterations, additions or improvements.

8. *Maintenance and Repair.* Lessee, at its sole cost and expense, shall keep the Equipment in good operating order, repair, condition and appearance and shall furnish any and all parts, mechanisms or devices required to keep the Equipment in good mechanical and working order. In performing maintenance and repair, Lessee shall comply with all the manufacturer's specifications and recommendations.

9. *Delivery and Acceptance.* Prior to execution of each IER Lessee shall have made at its expense all necessary inspections and tests of the Item or Items of Equipment referred to therein, to determine whether each such Item of Equipment conforms to Lessee's specifications. Upon execution of each IER by Lessee, the Item or Items of Equipment described therein shall be deemed to conform to Lessee's specifications, shall be deemed to be in good condition and without defects and shall be deemed to be an Item of Equipment subject to the terms of this Lease. Lessee acknowledges that it has selected the Equipment supplier and directed Lessor to purchase the Equipment from the supplier. Lessee further acknowledges that it has been informed by Lessor that it may have certain rights under the contract evidencing Lessor's purchase of the Equipment and Lessor advises Lessee that it may contact the supplier for a full description of any such rights.

10. *Inspection and Lessee Reports.* Lessor shall at all times during normal business hours have the right to enter the premises where the Equipment may be located for the purpose of inspecting and examining the Equipment, its condition, use, and operation to ensure compliance by Lessee with its obligations hereunder, provided, however, that Lessor shall have no duty to inspect and shall not incur any liability or obligation by reason of not making any such inspection.

Lessee shall immediately notify Lessor of any accident connected with the Equipment, including in such report the time, place and nature of the accident, the damage caused to property, the names and addresses of persons injured and of witnesses, and such other information as may be relevant to such accident.

Lessee shall, as soon as practicable after the close of each quarter and fiscal year of Lessee during the Term, furnish to Lessor copies of Lessee's financial reports prepared by it as of the close of the period ended, including Lessee's balance sheet and profit and loss statement, with said fiscal year reports certified to by a recognized firm of independent certified public accountants. If Lessee is a corporation,

Lessee also agrees to furnish Lessor during the Term, promptly upon their availability, copies of all financial statements, reports, notices and proxy statements, if any, sent by Lessee to its stockholders, and of all regular and periodic reports filed by Lessee with the principal securities exchange on which the common stock of Lessee is listed, if any, or with the Securities and Exchange Commission, including but not limited to 10K and 10Q reports. Further, Lessee agrees to furnish Lessor from time to time such other information as Lessor may reasonably request.

11. Warranties. LESSOR IS NOT A MANUFACTURER OF THE EQUIPMENT OR A DEALER IN SIMILAR EQUIPMENT AND HAS NOT INSPECTED THE EQUIPMENT PRIOR TO DELIVERY TO AND ACCEPTANCE BY LESSEE. LESSOR HAS NOT MADE AND DOES NOT MAKE, BY VIRTUE OF HAVING LEASED THE EQUIPMENT UNDER THIS LEASE OR BY VIRTUE OF ANY NEGOTIATIONS IN RESPECT OF THIS LEASE, ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO TITLE, CONDITION, COMPLIANCE WITH SPECIFICATIONS OR REGULATIONS, QUALITY, VALUE, DURABILITY, SUITABILITY, MERCHANTABILITY OR FITNESS FOR USE OR FITNESS FOR A PARTICULAR PURPOSE OR ANY OTHER WARRANTY WHATSOEVER, EXPRESS OR IMPLIED, WITH RESPECT TO THE EQUIPMENT. THE EQUIPMENT IS LEASED HEREUNDER BY LESSOR 'AS-IS'.

Lessor hereby represents to Lessee that Lessor has the full right and authority to enter into this Lease on the terms herein stated, and that, conditioned upon Lessee performing all of the terms, covenants and conditions hereof, Lessor, its successors and assigns, will not disturb Lessee's quiet possession and use of the Equipment during the Term of this Lease.

So long as no Event of Default (as hereafter defined) has occurred and is continuing, Lessor hereby authorizes Lessee during the Term of this Lease to assert for Lessor's account all of its right, title and interest in, under and to any warranty in respect of the Equipment issued by the manufacturer thereof, and agrees to execute and deliver such further instruments as may be reasonably necessary to enable Lessee to enforce such warranty. All claims or actions on any warranty shall be made or prosecuted by Lessee, at its sole cost and expense, and Lessor shall have no obligation whatsoever to make any claim on such warranty. Any recovery under such a warranty shall be applied first to restore the Equipment, and second, to pay the reasonable out-of-pocket expenses Lessee incurs in enforcing such warranty claim. Any balance remaining shall be paid to Lessor. Lessor further authorizes Lessee to obtain whatever service to the Equipment the manufacturer customarily renders, provided that no such service shall be at the cost or expense of Lessor.

12. Insurance. Throughout the Term of this Lease, Lessee at its own expense shall maintain with respect to each Item of Equipment, as provided in the IER relating thereto, (a) all risk physical loss insurance on such Item of Equipment for an amount at least equal to the greater of the Stipulated Loss Value set out in the IER for such Item of Equipment from time to time, or the then Aggregate Fair Market Sales Value with respect to such Item of Equipment and (b) public liability and property damage insurance with respect to such Item of Equipment as set forth in the IER. Said insurance shall be primary insurance up to and including the stated policy limits and not excess over other coverage. Such insurance shall (i) with respect to liability insurance, name Lessor as an additional insured, (ii) with respect to all risk physical loss insurance, name Lessor as loss payee and additional insured, and (iii) be with companies satisfactory to Lessor. There shall be no right of contribution with respect to any insurance maintained by Lessor. All insurance required hereunder shall provide that coverage may not be altered or cancelled by the insurer without thirty (30) days' prior written notice to Lessor. Losses shall be adjusted only with and paid to, Lessor and its assignee, if any. Such insurance shall not be invalidated, as against Lessor, by any action or inaction of Lessee or any other person and shall insure Lessor regardless of any breach or violation by Lessee or any other person of any warranties, declarations or conditions contained in the policies evidencing such insurance. All such insurance required hereunder shall be satisfactory to Lessor and shall contain such other endorsements as may be requested by Lessor. Lessee hereby appoints Lessor as Lessee's attorney-in-fact to make claim for, receive payment of and execute and endorse all documents, checks or drafts for loss or damages or return premium under any insurance policy issued on the Equipment. Lessee's obligations to keep the Equipment insured as provided herein shall continue until the Equipment is returned to Lessor pursuant to the provisions hereof.

Lessee shall furnish Lessor with insurance certificates evidencing such insurance prior to the Acceptance Date of the applicable IER.

For purposes of this Lease the term "Stipulated Loss Value" for an Item of Equipment as of any date of computation shall be the product of (x) the cost paid by Lessor for such Item of Equipment as set forth in the IER applicable to such Item of Equipment and (y) that Stipulated Loss Value percentage set forth in such IER opposite the applicable rental payment with respect to such Item of Equipment. The applicable rental payment shall be that rental payment which includes the rental of the date of computation.

13. Risk, Event of Loss and Condemnation.

(a) *Risk:* Commencing on the Acceptance Date and continuing until the expiration of the Term of this Lease and the return by Lessee of the Equipment to Lessor pursuant to the provisions hereof, Lessee assumes the entire risk of any Event of Loss (as defined below) and no such Event of Loss shall relieve Lessee of any of its obligations hereunder.

(b) *Definition - Event of Loss:* For purposes of this Section an Event of Loss with respect to an Item of Equipment shall mean any of the following events: (i) the actual or constructive total loss of such Item of Equipment; (ii) such Item of Equipment shall become lost, stolen, destroyed, damaged beyond repair or permanently rendered unfit for its intended use for any reason whatsoever; (iii) the condemnation, confiscation or seizure of, or requisition of title to or use of, such Item of Equipment; or (iv) the termination, for any reason whatsoever, of this Lease by operation of law.

(c) *Deprivation Constituting an Event of Loss:* Upon the occurrence of an Event of Loss, Lessee shall promptly give notice thereof to Lessor and shall pay or cause to be paid to Lessor, on the earlier of the next rental payment date or thirty (30) days after the date of loss, in immediately available funds: (i) accrued rentals on a daily basis, if any, with respect to such Item of Equipment to the payment date, (ii) the greater of the Stipulated Loss Value for such Item of Equipment computed as of such payment date or the then Aggregate Fair Market Sales Value with respect to such Item of Equipment, (iii) interest on the unpaid balance of the amount set forth in (i) and (ii) above at the Overdue Rate from the date such payment is due to the date of receipt, (iv) any taxes which may be due, and (v) all other unpaid amounts due hereunder. At such time as Lessor has received the sum of (i), (ii), (iii), (iv) and (v) above, the obligation of Lessee to pay rent hereunder with respect to such Item of Equipment shall terminate and Lessor will transfer to Lessee, without recourse or warranty, "AS IS, WHERE IS", all of Lessor's right, title and interest, if any, in and to the Item of Equipment with respect to which such Event of Loss occurred.

(d) *Deprivation Not Constituting an Event of Loss:* In the event of damage to any Item of Equipment not constituting an Event of Loss, Lessee shall promptly notify Lessor in writing of such damage and shall remain obligated to make all payments of rent and other amounts due with respect to such Item of Equipment which may become due hereunder in the same manner as if such damage had not occurred. Lessee shall repair and restore such Item of Equipment with new and unused components to the condition it was in immediately prior to the occurrence of such damage (assuming such Item of Equipment was maintained in accordance with the terms of this Lease). So long as no Event of Default shall have occurred and be continuing, all payments from insurance proceeds or otherwise with respect to any such damage shall be used to reimburse Lessee for its out-of-pocket expenses upon receipt by Lessor of satisfactory evidence that Lessee has repaired such Item of Equipment. Should an Event of Default have occurred and be continuing, all such payments shall be paid over to and retained by Lessor.

(e) *Application of Payments:* Upon the occurrence of any Event of Loss, Lessor shall be entitled to and shall receive the entire award, judgment, settlement, insurance proceeds or payments and all installments thereof to the extent of Lessee's obligations under 13(c) hereof. Lessee hereby assigns to Lessor any right or interest Lessee may have or may hereafter acquire in any such award or payment.

14. *Indemnity; Exemption of Lessor from Liability.* Lessee agrees to defend at its own cost and to indemnify and hold harmless Lessor, its successors and assigns, and their respective agents and employees, from and against any and all losses, claims, patent infringements, costs, expenses (including attorneys' fees), damages and liabilities (including those for strict liability in tort), however caused, resulting directly or indirectly in any manner from the issuance of Lessor's purchase order, assignment of Lessee's purchase order or agreement to purchase, Lessee's failure, delay or refusal to accept delivery, the ownership, purchase, lease, maintenance, possession, return or disposition of the Equipment, or directly or indirectly from or pertaining to the use, condition, design (including without limitation latent or other defects whether or not discoverable) or operation of the Equipment or the performance of this Lease (including without limitation such losses, claims, costs, expenses, damages and liabilities arising from the death or injury to agents or employees of Lessee or Lessor or any third person, or damage to the property of Lessee or Lessor, their agents or employees, or any third person) except for such damages, losses, expenses or liabilities arising out of the gross negligence or willful misconduct of Lessor, its agents or employees. This indemnification shall survive the expiration, cancellation or other termination of this Lease and is for the benefit of and enforceable by Lessor and its successors and assigns.

Lessee hereby agrees that Lessor shall not be liable for injury to Lessee's business or any loss of income therefrom or for damage to the goods, wares, merchandise or other property of Lessee, or for injury to the person of Lessee, resulting from this Lease or caused in any way by an Item of Equipment.

15. *Return of Equipment.* Upon the expiration or earlier termination of the Term of this Lease with respect to an Item of Equipment, Lessee shall return such Item of Equipment to Lessor, free of all advertising or insignia placed thereon by Lessee, free and clear of all mortgages, liens, security interests, charges, encumbrances and claims, and in the same operating order, repair, condition and appearance as when received, and shall pay for any repairs and refurbishing necessary to restore such Item of Equipment to its original condition, ordinary wear and tear excepted. Lessee shall return such Item or Equipment to Lessor and shall load and ship same, freight and insurance prepaid, to a destination directed by Lessor.

In addition, Lessee shall permit Lessor to store any such Item of Equipment for a period not to exceed ninety (90) days after the expiration of the Term. The storage of the Equipment will be at the expense and risk, to the extent of the Stipulated Loss Value of the Equipment, of Lessee until such Item of Equipment shall have been delivered to Lessor. Notwithstanding anything to the contrary contained herein, commencing on the expiration of the Lease Term and throughout Lessor's ninety (90) day storage period Lessee shall provide Lessor, or any person designated by it, access to such Equipment and will allow Lessor to display the Equipment to any authorized representative or

representatives of prospective purchasers or lessees of such Equipment or Lessor's agent, and will permit said representative or representatives or agent to examine the books and records of Lessee relating to such Equipment. The delivery, storage and transporting of the Equipment as hereinbefore provided are of the essence of the Lease, and upon application to any court of equity having jurisdiction Lessor shall be entitled to a decree against Lessee requiring specific performance of the covenants of Lessee so to assemble, deliver, store and transport the Equipment.

In the event Lessee fails to complete any necessary repairs or replacements or return any Item of Equipment as provided in this Section or otherwise fails to comply with any provision of this Section, Lessor may, at its option and in addition to any other remedy or remedies afforded Lessor herein or by law, charge Lessee, and Lessee agrees to pay, interim rent equal to the daily rent equivalent of the rental installments set forth in the applicable IER for each day until (i) such repairs and replacements are completed, (ii) such Item of Equipment is returned to Lessor, and (iii) Lessee takes such other action as is necessary to comply with the provisions of this Section.

Notwithstanding the foregoing, if Lessor and Lessee have agreed to specific return conditions for an Item of Equipment (which shall be included either as an addendum to this Lease, or within the Special Conditions section of the IER applicable to such Item of Equipment), then such return conditions shall be controlling to the extent that the conditions are inconsistent with those contained in this Section.

16. *Default, Remedies and Damages.*

(a) *Defaults:* For purposes of this Lease, the following events shall each constitute an "Event of Default":

(1) Lessee shall fail to make any payment to Lessor or to third parties when due under this Lease and such failure to pay shall continue for a period of ten (10) or more days after the due date thereof; or

(2) There shall occur any termination of, material alteration in the scope of the coverage of, or reduction in the maximum amounts payable under any insurance required to be maintained by Lessee pursuant to this Lease; or

(3) Any representation or warranty made by Lessee herein or by Lessee or any guarantor of Lessee's obligations to Lessor hereunder ("Guarantor") in any document or certificate furnished Lessor in connection herewith shall prove to be incorrect at any time in any material respect; or

(4) Lessee or Guarantor shall fail to perform or observe any other covenant, condition, or agreement to be performed or observed hereunder or under any guaranty and such failure shall continue unremedied for a period of thirty (30) days; or

(5) Any obligation of Lessee or any Guarantor for the payment of borrowed money, for the deferred purchase price of property or for the payment of rent or hire under any lease shall not be paid when due, whether by acceleration or otherwise; or

(6) There shall (i) be entered a decree or order for relief by a court having jurisdiction in respect of Lessee or any Guarantor in an involuntary case under the federal bankruptcy laws, as now or hereafter constituted, or any other applicable federal, state or foreign bankruptcy, insolvency or other similar law, or the appointing of a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of Lessee or any Guarantor for all or substantially all of its property, or ordering the winding-up or liquidation of its affairs and the continuance of any such decree or order remains unstayed and in effect for a period of sixty (60) consecutive days, or (ii) be commenced by Lessee or any Guarantor a voluntary case under the federal bankruptcy laws, as now constituted or hereafter amended, or any other applicable federal or state bankruptcy, insolvency or other similar law, or the consent by it to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or other similar official) for Lessee or any Guarantor or for all or substantially all of its property or the making by it of any assignment for the benefit of creditors, or (iii) be any seizure or attachment of a material portion of the assets of Lessee or of any Guarantor which is not vacated or bonded within sixty (60) days; or (iv) be a death of any Lessee or any Guarantor; or

(7) There shall be entered any judgment, against Lessee or any Guarantor for the payment of money, which is final and not discharged or bonded within thirty (30) days.

(b) *Remedies:* Upon the occurrence of any Event of Default and at any time thereafter so long as the same shall be continuing, Lessor, at its option, may declare this Lease in default and Lessor may do one or more of the following with respect to the Equipment or any Item of Equipment as Lessor in its sole discretion shall elect, to the extent permitted and subject to compliance with any mandatory requirements of applicable law:

(1) Proceed by appropriate court action or actions either at law or in equity, to enforce performance by Lessee of the applicable covenants of this Lease including, without limitation, payment of all rents and other sums due, and to recover damages for the breach thereof;

- (2) Sue for the rentals due hereunder as they accrue without notice and at Lessee's cost and expense;
- (3) Sell, relet, use, hold or otherwise dispose of the Item(s) of Equipment;
- (4) With or without notice, declare all rent and other charges for the unexpired portion of the Term of this Lease, Discounted at the Discount Rate, immediately due and payable; and
- (5) Repossess with or without terminating the Lease.

(c) *Damages:* Lessor and Lessee agree that the measure of damages is impossible to determine in the absence of prior agreement. Therefore, the parties agree that as damages for the loss of a bargain and not as a penalty Lessor shall be entitled to:

(i) *Sale:* Where a sale with respect an Item of Equipment has occurred, the net proceeds of sale plus the excess, if any, of the Stipulated Loss Value with respect to such Item of Equipment at the time of sale over the Net Proceeds of Sale with respect to such Item of Equipment. Where a sale or re-lease has not yet occurred, the excess of the then Stipulated Loss Value with respect to such Item of Equipment at the time of determination (such time to be specified by the Lessor) over the then Aggregate Fair Market Sales Value with respect to such Item of Equipment.

(ii) *Re-lease:* Where a re-lease with respect to an Item of Equipment has occurred, the aggregate rentals therefrom (net of all costs of re-leasing) plus the shortfall, if any, of the aggregate rentals due under the re-lease with respect to such Item of Equipment Discounted at the Discount Rate from the greater of (a) the Stipulated Loss Value at the date of the re-lease, or (b) the aggregate remaining unpaid lease rentals with respect to such Item of Equipment due hereunder Discounted at the Discount Rate.

(iii) In addition to either (i) or (ii) above, Lessor shall be entitled to: (a) the unpaid rent and other sums due hereunder until the date of sale, re-lease or determination by Lessor of damages, (b) interest on all amounts due, including without limitation rent and damages, from the date of such sale, re-lease or determination until payment at the Overdue Rate, and (c) all consequential or incidental damages incurred by Lessor on account of Lessee's default hereunder.

For purposes of this Lease the following definitions apply:

(1) *Discounted:* Reduction to present value as of the date of sale, re-lease or determination of damages, whichever is applicable, at the Discount Rate and at a frequency equal to the frequency of rental payments under this Lease.

(2) *Aggregate Fair Market Sales Value:* The fair market sales value of an Item of Equipment, net of estimated sale costs, as determined by a recognized independent appraiser selected by Lessor.

(3) *Net Proceeds of Sale:* The consideration received by Lessor upon sale of an Item of Equipment less all expenses associated directly or indirectly with such sale including but not limited to refurbishing, repair, advertising, freight and financing costs.

(4) *Discount Rate:* A rate equal to six percent (6%) per annum.

(5) *Prime Rate:* A rate of interest equal to the prime rate quoted from time to time by The Chase Manhattan Bank (National Association).

(d) Each and every power and remedy herein specifically given to Lessor shall be in addition to every other power and remedy specifically so given or now or hereafter existing at law or in equity, and each and every power or remedy may be exercised from time to time or simultaneously and so often and in such order as may be deemed expedient by Lessor. All such powers and remedies shall be cumulative to the extent permitted by applicable law, and the exercise of one shall not be deemed a waiver of the right to exercise any other or others. No delay or omission of Lessor in the exercise of any such power or remedy and no renewal or extension of any payments due hereunder shall impair any such power or remedy or shall be construed to be a waiver of any default or any acquiescence therein. In the event that Lessor shall bring any suit or action to enforce any of its rights hereunder, then in such suit or action Lessor may recover reasonable expenses, including attorneys' fees.

Lessee hereby appoints Lessor as Lessee's irrevocable agent and attorney-in-fact to execute all documents deemed necessary to release, terminate and void Lessee's interest in the Equipment and to file said documents for recordation with appropriate agencies provided that an Event of Default has occurred.

17. *Assignment By Lessee.* LESSEE SHALL NOT TRANSFER, SUBLEASE, ASSIGN, PLEDGE OR HYPOTHECATE THIS LEASE, THE EQUIPMENT OR ANY PART THEREOF OR ANY INTEREST THEREIN, AND ANY SUCH ATTEMPTED TRANSFER, SUBLEASE, ASSIGNMENT, PLEDGE, OR HYPOTHECATION SHALL BE VOID. LESSEE FURTHER COVENANTS AND AGREES THAT, DURING THE TERM HEREOF, LESSEE WILL NOT MERGE INTO OR CONSOLIDATE WITH ANY OTHER CORPORATION OR ENTITY, OR SELL, LEASE OR OTHERWISE DISPOSE OF ALL OR SUBSTANTIALLY ALL OF ITS PROPERTIES WITHOUT THE PRIOR WRITTEN CONSENT OF LESSOR. IN THE EVENT LESSOR ELECTS TO CONSENT TO ANY OF THE FOREGOING ACTS, LESSEE AGREES THAT LESSOR MAY CHARGE LESSEE A REASONABLE DOCUMENTATION AND ADMINISTRATION FEE. CONSENT TO ANY OF THE FOREGOING ACTS SHALL NOT BE DEEMED TO BE CONSENT TO ANY SUBSEQUENT SIMILAR ACT.

18. *Assignment by Lessor.* Lessor may assign, pledge or in any other way transfer this Lease and the Equipment in whole or in part, or any interest therein, without notice to Lessee, and Lessee shall execute such consents thereto as may be required by Lessor. Should this Lease or any interest therein be assigned or should the rentals hereunder be assigned, no breach or default by Lessor of this Lease or any other agreement between Lessee and Lessor shall excuse performance by Lessee of any provision hereof, and no assignee shall be obligated to perform any covenant, condition or obligation required to be performed by Lessor hereunder. The right of such assignee shall be free of all defenses, setoffs and counterclaims which Lessee might now or hereafter be entitled to assert against Lessor. In the event any assignee agrees to assume the obligations of Lessor, Lessee shall look solely to such assignee, and Lessor shall be released from all further liability hereunder.

19. *Personal Property.* The Equipment shall remain personal property regardless of whether it becomes affixed or attached to real property or permanently rests upon any real property or any improvement thereon, and Lessee shall do all acts and enter into all agreements necessary to ensure that the Equipment remains personal property.

Lessee shall keep the Equipment free and clear of any liens, charges, encumbrances or claims of the owner or owners of any interest in the real estate on which it is located and any purchaser of or present or future creditor obtaining a lien on such real estate, and shall obtain and deliver to Lessor on the Acceptance Date a waiver of any such liens or claims as to the Equipment in recordable form satisfactory to Lessor.

20. *Liens.* Lessee shall not directly or indirectly create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance, security interest, right or claim of any kind ("Lien") on, or with respect to, any Item of Equipment, title thereto or any interest therein.

Lessee will promptly notify Lessor in writing of the existence of any Lien and will promptly, at Lessee's expense, cause any such Lien to be duly discharged, dismissed and removed or fully bonded as soon as possible, but in any event within thirty (30) days after the existence of the same shall have first become known to Lessee or sooner if necessary to prevent the loss of possession of any Item of Equipment.

21. *Prohibition Against Setoff, Counterclaim, Etc.* Lessee's obligation to pay all amounts due hereunder shall be absolute and unconditional and shall not be affected by any circumstance whatever, including, without limitation (i) any setoff, counterclaim, defense, or other right which Lessee may have against Lessor, (ii) any defect in the title, condition, design, operation, or fitness for use of, or any damage to or loss or destruction of, or breach of warranty with respect to the Equipment, or any interruption or cessation in the use or possession thereof by Lessee for any reason whatsoever, or (iii) any insolvency, bankruptcy, reorganization or similar proceedings by or against Lessee or Lessor.

22. *Representations, Warranties and Covenants of Lessee.* Lessee represents, warrants and covenants: (i) that if Lessee is a corporation or partnership, it is duly organized and existing in good standing under the laws of the state in which it is organized with the necessary power and qualifications to perform this Lease, (ii) that this Lease has been duly authorized by all necessary action on the part of Lessee and will not contravene or breach any legal, organizational or contractual regulation binding upon Lessee, (iii) that this Lease constitutes valid, binding and enforceable obligations of Lessee and is enforceable in accordance with its terms, (iv) that as of the date of each IER there are no suits or proceedings pending or threatened against Lessee which may have a material adverse effect on Lessee's financial condition or business, and (v) that as of the date of each IER no material adverse change in Lessee's financial condition as represented in its most recent financial statements submitted to Lessor has occurred.

23. *Attorneys' Fees.* Lessee shall pay all costs and reasonable attorneys' fees incurred by Lessor in collecting or attempting to collect any sums owed under this Lease or in enforcing any of Lessor's rights or remedies under this Lease including without limitation obtaining possession of the Equipment or seeking relief from stay or other remedies in bankruptcy court.

24. *Notices.* All notices required under the terms and provisions hereof shall be in writing and addressed (i) if to Lessee:

Sheldahl, Inc.
P.O. Box 170
Northfield, MN 55057
Attention: John V. McManus

or at such other address as Lessee shall from time to time designate in writing to Lessor, or (ii) if to Lessor:

MDFC Equipment Leasing Corporation
340 Golden Shore
Long Beach, California 90802
Attention: Senior Vice President
Commercial Equipment Leasing

or at such other address as Lessor shall from time to time designate in writing to Lessee.

25. *Conditions Precedent.* As conditions precedent to Lessor's duties under this Lease, Lessee shall furnish to Lessor on or before the Acceptance Date for each IER under this Lease the following, all of which shall be satisfactory to Lessor: (a) an opinion of counsel for Lessee with respect to those representations set forth in Section 22(i) through (iv) inclusive hereof and with respect to such other matters as Lessor may require, (b) if Lessee is a corporation or partnership, board of directors resolutions or partnership authorizations, as the case may be, authorizing this Lease and Lessee's performance hereunder, (c) certificates of insurance, (d) real property waivers, if applicable, and (e) such other documents and evidence of authority for Lessee as Lessor may require.

26. *Miscellaneous.* **THIS LEASE SHALL IN ALL RESPECTS BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY, EFFECT AND PERFORMANCE.** Venue for all actions under this Lease shall be in the State of California, Counties of Los Angeles or Orange. Lessee and Lessor agree to the jurisdiction of the federal and state courts sitting in such counties. Lessee and Lessor further agree that any summons in an action related to this Lease may be served by mailing it certified mail to the address provided in Section 24 hereof.

No delay or omission to exercise any right, power or remedy accruing to Lessor upon any breach or default by Lessee under this Lease shall impair any such right, power or remedy by Lessor; nor shall any such delay or omission be construed as a waiver of any breach or default, or of any similar breach or default thereafter occurring; nor shall any waiver of a single breach or default be deemed a waiver of any subsequent breach or default; nor shall consent by Lessor to any act of Lessee be deemed to be consent to any subsequent similar act.

Any provision of this Lease which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

To the extent permitted by applicable law, Lessee hereby waives any provision of law which renders any provision of this Lease prohibited or unenforceable in any respect. Any action by Lessee against Lessor for any default by Lessor under this Lease shall be barred unless commenced within one (1) year after any such default occurs.

This Lease shall be binding on and shall inure to the benefit of Lessee, Lessee's permitted successors and assigns, Lessor and Lessor's successors and assigns. If there is more than one Lessee, the obligations of Lessee hereunder are joint and several. Time is of the essence of each and every obligation under this Lease.

27. *Recording, Registration and Filing.* Lessee shall, at its expense, accomplish all searches, recordings, registrations, and filings of this Lease, required by law or requested by Lessor to protect Lessor's title and interests in the Equipment, and shall furnish Lessor with evidence satisfactory to Lessor of each search, recording, registration and filing.

28. *Tax Indemnity.*

(a) Lessee hereby represents and warrants to Lessor (such term for the purpose of this Section 28 meaning Lessor and the corporations with which Lessor consolidates its United States Federal income tax returns) that:

(1) the Term of this Lease for each Item of Equipment (including extensions thereof) does not exceed 80% of the useful life of such Item of Equipment;

(2) A reasonable estimate of the fair market value of each Item of Equipment to Lessor, at the end of the Term of this Lease, without including in such value any increase or decrease for inflation or deflation during the Term of this Lease and after subtracting any costs of delivery of possession to Lessor, will not be less than 20% of Lessor's cost for such Item of Equipment, as set forth in the IER ("Equipment Cost");

(3) all of the Equipment has a Class Life as set forth in the IER and is depreciable to the full extent of Equipment Cost pursuant to Section 168 of the Internal Revenue Code of 1986, as amended from time to time, and any Regulations that are or may be promulgated thereunder ("Code"), under the method and over the recovery period set forth in the IER;

(4) the Equipment Cost does not exceed the fair market value of the Equipment and, if the Lessor purchased the Equipment from the Lessee, the Lessee's adjusted basis in the Equipment immediately prior to such acquisition;

(5) each Item of Equipment will be placed in service on the Acceptance Date; and

(6) this Lease is a true lease for all purposes, including but not limited to Federal, state and local tax purposes;

(b) Lessee covenants to Lessor and agrees that:

(1) it will characterize the relationship herein established as a lease and will treat it as such for all purposes;

(2) Lessor shall have the sole right to utilize and to claim the accelerated cost recovery deductions equal to 100% of Equipment Cost provided by Section 168 of the Code and computed under the method and over the recovery period set forth in the IER ("ACRS Deductions") and depreciation deductions equal to 100% of Equipment Cost based on those allowable for property with a Class Life as set forth in the IER using the most accelerated method available under applicable state or local law or Federal alternative minimum tax law ("Depreciation Deductions") on the Equipment in the computation of Federal, state, and local tax returns and reports for each year during the Term of this Lease;

(3) it shall not utilize or claim or attempt to utilize or claim the ACRS Deductions or Depreciation Deductions for any purposes whatsoever;

(4) each Item of Equipment will be used only in the continental United States as part of the normal business operations of the Lessee;

(5) during the Term, Lessor will not have to recognize any item of income with respect to this Lease, except amounts received by Lessor which are characterized as rent or additional rent by this Lease ("Other Income"); and

(6) it will neither take any action, nor fail to take any action (including without limitation actions or failures to act otherwise permitted hereunder), which will have the result of causing Lessor to recognize Other Income or to lose or to recapture all of any part of the ACRS Deductions or Depreciation Deductions attributable to the Equipment, or its ownership thereof.

In the event any of Lessee's representations, warranties or covenants set forth in this Section 28 prove incorrect for any reason whatsoever at any time, and Lessor recognizes Other Income or loses all or any part of the benefit of the ACRS Deductions or Depreciation Deductions attributable to the Equipment or is required to recapture all or any part of the ACRS Deductions or Depreciation Deductions attributable to the Equipment ("Loss"), Lessee shall indemnify and shall pay to Lessor, with respect to each Loss, a sum, which, after deduction of all taxes required to be paid by Lessor in respect of the receipt of such sum under the laws of any Federal, state or local government or taxing authority in the United States (or which would have been required to be paid by Lessor upon such receipt had Lessor had sufficient gross income within the meaning of Section 61 of the Code, or the applicable state or local law, to actually pay such tax) shall be equal to (a) the amount of additional Federal, state, or local income taxes required to be paid with respect to such Loss (or which would have been required to be paid by Lessor for such Loss had Lessor had sufficient gross income within the meaning of Section 61 of the Code, or the applicable state or local law, to actually pay such tax or derive the benefit of such deduction), plus (b) the amount of any penalties, interest, and other additions to tax

(including, but not limited to, any additions to tax because of underpayment of estimated tax) which may be payable by Lessor in connection with the Loss. The amount of payment will be reduced by any savings in Federal income taxes to be realized by Lessor in the future as a result of the Loss discounted to present value using the Discount Rate.

The liability of Lessee to make any indemnity payments hereunder shall become fixed at the time Lessor makes payment of the tax attributable to the Loss, or if Lessor is not required to make payment of tax with respect to the Loss, the date on which Lessor files its tax return for the taxable year in which such Loss occurs, and shall be due and payable within 15 days after receipt by Lessee of written notice from Lessor as to the fixing of such liability. Lessee shall pay interest on any indemnity payment not made when due at the Overdue Rate.

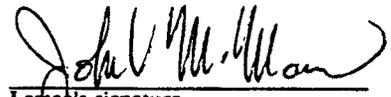
(c) Notwithstanding the above, if an amendment to the Code enacted after the Acceptance Date changes the highest federal income tax rate generally applicable to corporations and such change adversely affects Lessor's Net Economic Return with respect to any Item of Equipment ("Adverse Tax Rate Change"), then Lessee agrees that its rental obligations, as set forth in Section 3 of the Lease and the applicable IER, will be adjusted in order to maintain Lessor's Net Economic Return.

Lessor shall notify Lessee in writing of any such rental adjustment. All payments of rental falling due subsequent to the date of such notice (and any other payments required pursuant to the preceding paragraph) shall be made at the adjusted rental amount as determined in the preceding paragraph and shall be considered to be "rent" as specified in the Lease and the applicable IER. The Stipulated Loss Values on the applicable IER for such Item of Equipment shall be amended as of the effective date of the Adverse Tax Rate Change to reflect the Adverse Tax Rate Change.

For purposes hereof, Net Economic Return shall mean the rate at which net after-tax cash generated by this transaction, after deducting all direct and allocated costs, will discount back to MDFC's internally-leveraged equity investment.

The indemnification provided herein shall survive the expiration or other termination of the Lease.

29. *Written Amendments to Lease.* No term or provision of this Lease may be changed, waived, discharged or terminated orally, but only by an instrument in writing signed by the party against which the enforcement of the change, waiver, discharge or termination is sought. This Lease, together with each IER and any exhibits, amendments, riders, addenda or other documents or instruments executed by Lessee and/or Lessor in connection herewith, constitute the entire agreement between Lessor and Lessee with respect to the lease of the Equipment and shall supersede all prior or contemporaneous discussions, negotiations and agreements, whether written or oral, between Lessor and Lessee with respect to the lease of the Equipment. By executing this provision below, Lessee agrees to be bound by the terms of this Lease and, if it is applicable to this transaction, that the provision concerning a separately signed document pursuant to California Commercial Code Section 10-208 (UCC Section 2A-208) has been complied with. This Lease and any and all modifications and other agreements between Lessor and Lessee are only effective upon execution by Lessor.


Lessee's signature

IN WITNESS WHEREOF, the parties hereto have caused this Lease to be executed by their duly authorized officers on the date and year first written above.

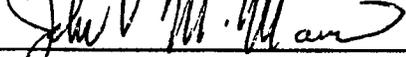
LESSOR:

LESSEE:

MDFC Equipment Leasing Corporation

Sheldahl, Inc.

By: 

By: 

Printed Name: DAVID O. ANDERSON

Printed Name: John V. McManus

Title: SVP

Title: Vice President, Finance

SHELDAHL, INC. #0031229-003, 004, 005, 006, 007and 009							
Lease #	Date Due	Amount	Prime Rate	Per diem	Date Pd/Cal	Due	TOTAL
3122-9-003	5/1/2001	\$3,023.74	7.50%	0.776646	4/29/2002	\$281.92	
	6/1/2001	\$11.70	7.00%	0.002805	4/29/2002	\$0.93	
	6/1/2001	\$3,023.74	7.00%	0.724869	4/29/2002	\$240.66	
	7/1/2001	\$16.38	6.75%	0.003786	4/29/2002	\$1.14	
	7/1/2001	\$3,023.74	6.75%	0.698981	4/29/2002	\$211.09	
	8/1/2001	\$30.42	6.75%	0.007032	4/29/2002	\$1.91	
	8/1/2001	\$3,023.74	6.75%	0.698981	4/29/2002	\$189.42	
	9/1/2001	\$44.88	6.50%	0.00999	4/29/2002	\$2.40	
	9/1/2001	\$3,023.74	6.50%	0.673093	4/29/2002	\$161.54	
	10/1/2001	\$3,023.74	6.00%	0.621316	4/29/2002	\$130.48	
	11/1/2001	\$3,023.74	5.50%	0.56954	4/29/2002	\$101.95	
	12/1/2001	\$3,023.74	5.00%	0.517764	4/29/2002	\$77.15	
	1/1/2002	\$3,023.74	4.75%	0.491876	4/29/2002	\$58.04	
	2/1/2002	\$511.50	4.75%	0.083206	4/29/2002	\$7.24	
	2/1/2002	\$3,023.74	4.75%	0.491876	4/29/2002	\$42.79	
	3/1/2002	\$3,023.74	4.75%	0.491876	4/29/2002	\$29.02	
	4/1/2002	\$172.26	4.75%	0.028022	4/29/2002	\$0.78	
	4/1/2002	\$3,023.74	4.75%	0.491876	4/29/2002	\$13.77	
PrePet		\$37,072.02				\$1,552.24	38,624.26

MDFC Equipment Leasing Corporation

Individual Equipment Record ("IER")

IER No. 3122-9-003

To that Equipment Lease Agreement ("Lease") dated as of March 4, 1992 between:

Lessor: MDFC Equipment Leasing Corporation
4060 Lakewood Blvd., 6th floor
Long Beach, CA 90808

Lessee: Sheldahl, Inc.
1150 Sheldahl Road
Northfield, MN 55057

Contact: Tim O'Cornell
Phone: 507-663-8000

Location of Equipment:

Address at which equipment will be located during the term:

805 N Hwy Three Northfield Rice County MN

Delivery location if different than the above address:

**

New Used

<p>Sales and Use Tax:</p> <p><input type="checkbox"/> Sales tax included in cost</p> <p><input checked="" type="checkbox"/> Use tax to be added to rentals</p> <p><input type="checkbox"/> Exempt per _____</p>	<p>Insurance Requirements:</p> <p>Liability:</p> <p>Bodily Injury Liability: <u>\$5,000,000.00</u></p> <p>Per person/per accident: <u>\$5,000,000.00</u></p> <p>Property Damage Liability: <u>\$5,000,000.00</u></p> <p>per accident: <u>\$5,000,000.00</u></p> <p>All Risk:</p> <p>Greater of Stipulated Loss Value or Fair Market Value.</p>
<p>Base Term: 60 Months</p> <p>Acceptance Date: <u>SEP 13, 1995</u></p> <p>Base Term Commencement Date: <u>OCT 1, 1995</u></p>	

Interim rent at the daily equivalent rate of .0005867 of Equipment Cost calculated from the Acceptance Date shall be due on the Base Term Commencement Date. Payment of 60 Base Term rental installments, each such installment to be in the amount of \$2,839.19, shall be payable on the 15th day of each month commencing SEP 1, 1995. The interim rental shall be allocated to the rental period immediately preceding the Base Term Commencement Date, and the Base Term rental to the rental period immediately after the date such rental is due.

Equipment Description	Serial Number	Cost
One (1) ASI Chem Clean System	950185747522902	\$161,317.68 <i>Anicia</i>

Initial: Lessee TGO 9-13-95

Lessor JL

SHELD AHL, INC.
STIP LOSS VALUES

BEFORE PAYMENT NUMBER	S.L.V. AS A PERCENT OF ORIGINAL COST	BEFORE PAYMENT NUMBER	S.L.V. AS A PERCENT OF ORIGINAL COST	BEFORE PAYMENT NUMBER	S.L.V. AS A PERCENT OF ORIGINAL COST
0	101.4	21	80.6	42	56.0
1 ^{12/35}	102.3	22	79.5	43	54.7
2	99.6	23	78.4	44	53.4
3	98.6	24	77.3	45	52.1
4 ^{1/96}	97.7	25	76.2	46	50.8
5	96.7	26	75.1	47	49.5
6	95.8	27	74.0	48	48.2
7	94.8	28 ^{1/98}	72.8	49	46.9
8	93.9	29	71.7	50	45.5
9	92.9	30	70.5	51	44.2
10	91.9	31	69.4	52 ^{1/00}	42.8
11	90.9	32	68.2	53	41.5
12	89.9	33	67.0	54	40.1
13	88.9	34	65.8	55	38.7
14	87.9	35	64.6	56	37.3
15	86.9	36	63.4	57	35.9
16 ^{1/11}	85.9	37 ^{1/0}	62.2	58	34.4
17	84.8	38	61.0	59	33.0
18	83.8	39	59.8	60 ^{9/00}	31.5
19	82.7	40 ^{1/99}	58.5	THEREAFTER	30.0
20	81.7	41	57.3		

CI LBWH0005934

Initial: Lessee TGO
Lessor JLN

RETURN CONDITIONS

For purposes of this Schedule only, the Lease is amended by adding the following thereto:

MAINTENANCE PROVISIONS: In addition to the provisions provided for in Section 8 of the Lease, Lessee shall, at its expense:

- (a) Maintain the Equipment in a manner and frequency suggested by the manufacturer;
- (b) Maintain the Equipment in an operable state and shall not discontinue operation of the Equipment throughout the Lease term;
- (c) Maintain the Equipment to industry standards;
- (d) Maintain the Equipment in a similar manner and fashion as if the Equipment were owned by the Lessee;
- (e) Maintain the Equipment under a preventative maintenance program by qualified professionals who possess a working knowledge of the mechanical operations of the Equipment including electrical systems, motors, drives, controls, accessories, lubricants and all other items necessary to make the machine operate to its original manufacturer's specifications;
- (f) Have the Equipment meet all local, state, and federal laws, regulations and codes that regulate the use and operation of such Equipment and will not contribute to or be used in any way as to directly or indirectly violate any local, state or federal law.

INSPECTION:

Lessor, at its sole discretion, may from time to time inspect the Equipment at Lessor's sole expense. If any discrepancies are found as they pertain to the general condition of the Equipment, the Lessor will communicate these discrepancies to the Lessee in writing. The Lessee shall have 30 days to rectify these discrepancies at his sole expense. The Lessee should pay all expenses for a re-inspection by a Lessor appointed expert if corrective measures are required.

RETURN PROVISIONS: In addition to the provisions provided for in Section 15 of the Lease, and provided that Lessee has elected not to exercise its option to purchase the Equipment, Lessee shall, at its expense:

- (a) at least one hundred twenty (120) days and not more than three hundred sixty-five (365) days prior to expiration or earlier termination of the Lease, provide to Lessor a detailed inventory of all components of the Equipment. The inventory should include, but not be limited to, a listing of model and serial numbers for all components comprising the Equipment;
- (b) at least ninety (90) days prior to expiration or earlier termination of the Lease, upon receiving reasonable notice from Lessor, provide or cause the vendor(s) or manufacturer(s) to provide to Lessor the following documents: (1) one set of service manuals, blue prints, process flow diagrams and operating manuals including replacements and/or additions thereto, such that all documentation is completely up-to-date; (2) one set of documents, detailing Equipment configuration, operating requirements, maintenance records, and other technical data concerning the set-up and operation of the Equipment, including replacements and/or additions thereto, such that all documentation is completely up-to-date;
- (c) at least one hundred ten (110) days prior to expiration or earlier termination of the Lease, upon receiving reasonable notice from Lessor, make the Equipment available for on-site operational inspections by potential purchasers, under power, and provide personnel, power, and other requirements necessary to demonstrate electrical and mechanical systems for each item of the Equipment;
- (d) at least ninety (90) days prior to expiration or earlier termination of the Lease, cause manufacturer's representative or qualified Equipment maintenance provider, acceptable to Lessor, to perform a comprehensive physical inspection, including testing all material and workmanship of the Equipment; and if during such inspection, examination and test, the authorized inspector finds any of the material or workmanship to be defective or the Equipment not operating within manufacturer's specifications, then Lessee shall repair or replace such defective material and, after corrective measures are completed, Lessee will provide for a follow-up inspection of the Equipment by the authorized inspector as outlined in the preceding clause;

Initial: Lessee

Lessor

- (e) permit Lessor to video tape the Equipment "under power" at the Lessee's facility at a time during normal working hours mutually agreeable to the Lessor and Lessee prior to deinstallation;
- (f) have each item of Equipment returned with an in-depth field service report detailing such inspection as outlined in Section (d) of this Addendum. The report shall certify that the Equipment has been properly inspected, examined and tested and is operating with the manufacturer's specifications;
- (g) have any repairs made to the Equipment in a professional and workmanlike manner. Any Equipment enhancements or additions will revert to the Lessor upon expiration or earlier termination of the Lease and shall not effect, in an adverse manner, the Fair Market Value of the Equipment at Lease expiration. Such additions or enhancements shall be made only with the prior written approval of the Lessor, which approval will not be unnecessarily withheld;
- (h) have the Equipment that is available for immediate re-use returned in good appearance with adequate protective coatings over all surfaces as originally painted or coated, Equipment shall be free from rust, and shall be in good, complete working order taking into account the age and contemplated use of the Equipment (and reasonable wear and tear excepted);
- (i) have the Equipment cleaned and approved by the necessary agencies which regulate the use and operation of such Equipment so as to be available for immediate use;
- (j) properly remove all Lessee installed markings which are not necessary for the operation, maintenance or repair of the Equipment;
- (k) provide for the deinstallation and packing of the Equipment to include, but not limited to, the following: (1) all process fluids shall be removed from the Equipment and disposed of in accordance with the then current waste disposal laws and regulations. At no time are materials which could be considered hazardous waste by any regulatory authority to be shipped with machinery; (2) all internal fluids, such as lube oil and hydraulic fluids, are to be filled to operating levels; filler caps are to be secured and disconnected hoses are to be sealed to avoid spillage; (3) the manufacturer's representative shall deinstall and match-mark all Equipment in accordance with the specifications of the manufacturer; (4) the Equipment shall be packed properly and in accordance with the manufacturer's recommendations;
- (l) upon sale of the Equipment to a third party, provide transportation anywhere in the continental United States, selected by Lessor;
- (m) obtain and pay for a policy of transit insurance for the redelivery period in an amount equal to the replacement value of the Equipment and Lessor shall be named as the loss payee on all such policies of insurance;
- (n) at Lessor's choice, either (1) allow Lessor, at Lessor's expense, and provided Lessor has provided reasonable notice to Lessee, to arrange for an on-site auction of the Equipment, in an assembled and functional state (any such auction will be conducted no more than sixty [60] days prior to Lease termination), (2) at the request of Lessor, provide safe, secure storage for the Equipment for ninety [90] days after expiration or earlier termination of the Lease at an accessible location satisfactory to Lessor.

Except as expressly modified hereby, all terms and provisions of the Lease shall remain in full force and effect.

Initial ~~Lessee~~ KEO
Lessor JK

The Lessor hereby leases to Lessee, and Lessee hereby agrees to hire from Lessor, the equipment described herein. The Lessee hereby acknowledges and agrees, with respect to the equipment described herein:

- (1) That Lessee has inspected and accepted the equipment fully and completely as to size, model, function and conformity to Lessee's requirements.
- (2) That the equipment is of a size, design, function and manufacturer selected by Lessee.
- (3) That Lessee is satisfied that the equipment is suitable for its intended purposes and any special purposes of Lessee.
- (4) **THAT LESSOR IS NOT A MANUFACTURER OF THE EQUIPMENT OR A DEALER IN SIMILAR EQUIPMENT AND HAS NOT INSPECTED THE EQUIPMENT PRIOR TO DELIVERY TO AND ACCEPTANCE BY LESSEE. LESSOR HAS NOT MADE AND DOES NOT MAKE, BY VIRTUE OF HAVING LEASED THE EQUIPMENT UNDER THIS LEASE OR BY VIRTUE OF ANY NEGOTIATION IN RESPECT OF THIS LEASE, ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO TITLE, CONDITION, COMPLIANCE WITH SPECIFICATIONS OR REGULATIONS, QUALITY, DURABILITY, SUITABILITY, MERCHANTABILITY OR FITNESS FOR USE OR FITNESS FOR A PARTICULAR PURPOSE OR TO ANY OTHER WARRANTY WHATSOEVER, EXPRESS OR IMPLIED, WITH RESPECT TO THE EQUIPMENT. THE EQUIPMENT IS LEASED HEREUNDER "AS IS".**
- (5) **THAT THE EQUIPMENT HAS BEEN DELIVERED TO, IS NOW IN POSSESSION OF, AND IS ACCEPTABLE TO LESSEE, AND THAT ALL OF THE EQUIPMENT HAS A CLASS LIFE OF 10 YEARS AND IS DEPRECIABLE OVER A RECOVERY PERIOD OF 7 YEARS USING THE DDB METHOD SWITCHING TO THE STRAIGHT LINE METHOD AT SUCH TIME AS WILL MAXIMIZE THE PRESENT VALUE OF THE DEDUCTIONS.**

Lessee hereby represents and warrants that:

- (1) The representations and warranties of the Lessee contained in the Lease are true and correct on and as of the date hereof as though made on and as of this date.
- (2) No event has occurred and is continuing or will result from the lease of equipment described herein which constitutes an Event of Default or with notice or lapse of time, or both would constitute an Event of Default.

Dated as of the Acceptance Date.

Lessor:

MDFC Equipment Leasing Corporation

By: *James C. Hemmerson*

Printed Name: James C. Hemmerson

Title: Director - Operations

Lessee:

Sheldahl, Inc.

By: *Tim O'Connell*

Printed Name: Tim O'Connell

Title: Acct/Tax Manager

3122-9-004	5/1/2001	\$8,883.58	7.50%	2.281741	4/29/2002	\$828.27	
	6/1/2001	\$36.60	7.00%	0.008774	4/29/2002	\$2.91	
	6/1/2001	\$8,883.58	7.00%	2.129625	4/29/2002	\$707.04	
	7/1/2001	\$48.09	6.75%	0.011117	4/29/2002	\$3.36	
	7/1/2001	\$8,883.58	6.75%	2.053567	4/29/2002	\$620.18	
	8/1/2001	\$89.31	6.75%	0.020645	4/29/2002	\$5.59	
	8/1/2001	\$8,883.58	6.50%	1.977509	4/29/2002	\$535.91	
	9/1/2001	\$131.24	6.50%	0.029214	4/29/2002	\$7.01	
	9/1/2001	\$8,883.58	6.50%	1.977509	4/29/2002	\$474.60	
	10/1/2001	\$8,883.58	6.00%	1.825393	4/29/2002	\$383.33	
	11/1/2001	\$8,883.58	5.50%	1.673277	4/29/2002	\$299.52	
	12/1/2001	\$8,883.58	5.00%	1.521161	4/29/2002	\$226.65	
	1/1/2002	\$8,883.58	4.75%	1.445103	4/29/2002	\$170.52	
	2/1/2002	\$1,495.75	4.75%	0.243315	4/29/2002	\$21.17	
	2/1/2002	\$8,883.58	4.75%	1.445103	4/29/2002	\$125.72	
	3/1/2002	\$8,883.58	4.75%	1.445103	4/29/2002	\$85.26	
	4/1/2002	\$503.73	4.75%	0.081942	4/29/2002	\$2.29	
	4/1/2002	\$8,883.58	4.75%	1.445103	4/29/2002	\$40.46	
Pre Pet		\$108,907.68				\$4,539.80	113,447.48

MDFC Equipment Leasing Corporation

Individual Equipment Record ("IER")

IER No. 3122-9-004

To that Equipment Lease Agreement ("Lease") dated as of March 4, 1992 between:

Lessor: MDFC Equipment Leasing Corporation
4060 Lakewood Blvd., 6th floor
Long Beach, CA 90808

Lessee: Sheldahl, Inc.
1150 Sheldahl Road
Northfield, MN 55057
Contact: Tim O'Connell
Phone: 507-663-8000

Location of Equipment:

Address at which equipment will be located during the term:

New Used

Delivery location if different than the above address:

**

<p>Sales and Use Tax:</p> <p><input type="checkbox"/> Sales tax included in cost</p> <p><input checked="" type="checkbox"/> Use tax to be added to rentals</p> <p><input type="checkbox"/> Exempt per _____</p>	<p>Insurance Requirements:</p> <p>Liability:</p> <p>Bodily Injury Liability: <u>\$5,000,000.00</u></p> <p>Per person/per accident: <u>\$5,000,000.00</u></p> <p>Property Damage Liability: <u>\$5,000,000.00</u></p> <p>per accident: <u>\$5,000,000.00</u></p> <p>All Risk:</p> <p>Greater of Stipulated Loss Value or Fair Market Value.</p>
<p>Base Term: <u>60 Months</u></p> <p>Acceptance Date: <u>SEP. 13, 1995</u></p> <p>Base Term Commencement Date: <u>OCT. 1, 1995</u></p>	

Interim rent at the daily equivalent rate of .0005867 of Equipment Cost calculated from the Acceptance Date shall be due on the Base Term Commencement Date. Payment of 60 Base Term rental installments, each such installment to be in the amount of \$8,341.39, shall be payable on the 1st day of each month commencing OCT. 1, 1995. The interim rental shall be allocated to the rental period immediately preceding the Base Term Commencement Date, and the Base Term rental to the rental period immediately after the date such rental is due.

Equipment Description	Serial Number	Cost
One (1) ASI Develop/etch/strip machine	950185747512903	<p>\$473,942.55</p> <p><i>Anicia</i></p>

Initial: Lessee TEC

Lessor 9/17

SHELDAHL, INC.
STIP LOSS VALUES

BEFORE PAYMENT NUMBER	S.L.V. AS A PERCENT OF ORIGINAL COST
0	101.4
1 ^{10/95}	102.3
2	99.6
3	98.6
4 ^{1/96}	97.7
5	96.7
6	95.8
7	94.8
8	93.9
9	92.9
10	91.9
11	90.9
12	89.9
13	88.9
14	87.9
15	86.9
16 ^{1/97}	85.9
17	84.8
18	83.8
19	82.7
20	81.7

BEFORE PAYMENT NUMBER	S.L.V. AS A PERCENT OF ORIGINAL COST
21	80.6
22	79.5
23	78.4
24	77.3
25	76.2
26	75.1
27	74.0
28 ^{1/98}	72.8
29	71.7
30	70.5
31	69.4
32	68.2
33	67.0
34	65.8
35	64.6
36	63.4
37	62.2
38	61.0
39	59.8
40 ^{1/99}	58.5
41	57.3

BEFORE PAYMENT NUMBER	S.L.V. AS A PERCENT OF ORIGINAL COST
42	56.0
43	54.7
44	53.4
45	52.1
46	50.8
47	49.5
48	48.2
49	46.9
50	45.5
51	44.2
52 ^{1/00}	42.8
53	41.5
54	40.1
55	38.7
56	37.3
57	35.9
58	34.4
59	33.0
60 ^{9/00}	31.5
THEREAFTER	30.0

CI LBWH0005934

Initial KEO
Lessor QIN

RETURN CONDITIONS

For purposes of this Schedule only, the Lease is amended by adding the following thereto:

MAINTENANCE PROVISIONS: In addition to the provisions provided for in Section 8 of the Lease, Lessee shall, at its expense:

- (a) Maintain the Equipment in a manner and frequency suggested by the manufacturer;
- (b) Maintain the Equipment in an operable state and shall not discontinue operation of the Equipment throughout the Lease term;
- (c) Maintain the Equipment to industry standards;
- (d) Maintain the Equipment in a similar manner and fashion as if the Equipment were owned by the Lessee;
- (e) Maintain the Equipment under a preventative maintenance program by qualified professionals who possess a working knowledge of the mechanical operations of the Equipment including electrical systems, motors, drives, controls, accessories, lubricants and all other items necessary to make the machine operate to its original manufacturer's specifications;
- (f) Have the Equipment meet all local, state, and federal laws, regulations and codes that regulate the use and operation of such Equipment and will not contribute to or be used in any way as to directly or indirectly violate any local, state or federal law.

INSPECTION:

Lessor, at its sole discretion, may from time to time inspect the Equipment at Lessor's sole expense. If any discrepancies are found as they pertain to the general condition of the Equipment, the Lessor will communicate these discrepancies to the Lessee in writing. The Lessee shall have 30 days to rectify these discrepancies at his sole expense. The Lessee should pay all expenses for a re-inspection by a Lessor appointed expert if corrective measures are required.

RETURN PROVISIONS: In addition to the provisions provided for in Section 15 of the Lease, and provided that Lessee has elected not to exercise its option to purchase the Equipment, Lessee shall, at its expense:

- (a) at least one hundred twenty (120) days and not more than three hundred sixty-five (365) days prior to expiration or earlier termination of the Lease, provide to Lessor a detailed inventory of all components of the Equipment. The inventory should include, but not be limited to, a listing of model and serial numbers for all components comprising the Equipment;
- (b) at least ninety (90) days prior to expiration or earlier termination of the Lease, upon receiving reasonable notice from Lessor, provide or cause the vendor(s) or manufacturer(s) to provide to Lessor the following documents: (1) one set of service manuals, blue prints, process flow diagrams and operating manuals including replacements and/or additions thereto, such that all documentation is completely up-to-date; (2) one set of documents, detailing Equipment configuration, operating requirements, maintenance records, and other technical data concerning the set-up and operation of the Equipment, including replacements and/or additions thereto, such that all documentation is completely up-to-date;
- (c) at least one hundred ten (110) days prior to expiration or earlier termination of the Lease, upon receiving reasonable notice from Lessor, make the Equipment available for on-site operational inspections by potential purchasers, under power, and provide personnel, power, and other requirements necessary to demonstrate electrical and mechanical systems for each item of the Equipment;
- (d) at least ninety (90) days prior to expiration or earlier termination of the Lease, cause manufacturer's representative or qualified Equipment maintenance provider, acceptable to Lessor, to perform a comprehensive physical inspection, including testing all material and workmanship of the Equipment; and if during such inspection, examination and test, the authorized inspector finds any of the material or workmanship to be defective or the Equipment not operating within manufacturer's specifications, then Lessee shall repair or replace such defective material and, after corrective measures are completed, Lessee will provide for a follow-up inspection of the Equipment by the authorized inspector as outlined in the preceding clause;

Initial ~~_____~~ Kee
Lessor Q17

- (e) permit Lessor to video tape the Equipment "under power" at the Lessee's facility at a time during normal working hours mutually agreeable to the Lessor and Lessee prior to deinstallation;
- (f) have each item of Equipment returned with an in-depth field service report detailing such inspection as outlined in Section (d) of this Addendum. The report shall certify that the Equipment has been properly inspected, examined and tested and is operating with the manufacturer's specifications;
- (g) have any repairs made to the Equipment in a professional and workmanlike manner. Any Equipment enhancements or additions will revert to the Lessor upon expiration or earlier termination of the Lease and shall not effect, in an adverse manner, the Fair Market Value of the Equipment at Lease expiration. Such additions or enhancements shall be made only with the prior written approval of the Lessor, which approval will not be unnecessarily withheld;
- (h) have the Equipment that is available for immediate re-use returned in good appearance with adequate protective coatings over all surfaces as originally painted or coated, Equipment shall be free from rust, and shall be in good, complete working order taking into account the age and contemplated use of the Equipment (and reasonable wear and tear excepted);
- (i) have the Equipment cleaned and approved by the necessary agencies which regulate the use and operation of such Equipment so as to be available for immediate use;
- (j) properly remove all Lessee installed markings which are not necessary for the operation, maintenance or repair of the Equipment;
- (k) provide for the deinstallation and packing of the Equipment to include, but not limited to, the following: (1) all process fluids shall be removed from the Equipment and disposed of in accordance with the then current waste disposal laws and regulations. At no time are materials which could be considered hazardous waste by any regulatory authority to be shipped with machinery; (2) all internal fluids, such as lube oil and hydraulic fluids, are to be filled to operating levels; filler caps are to be secured and disconnected hoses are to be sealed to avoid spillage; (3) the manufacturer's representative shall deinstall and match-mark all Equipment in accordance with the specifications of the manufacturer; (4) the Equipment shall be packed properly and in accordance with the manufacturer's recommendations;
- (l) upon sale of the Equipment to a third party, provide transportation anywhere in the continental United States, selected by Lessor;
- (m) obtain and pay for a policy of transit insurance for the redelivery period in an amount equal to the replacement value of the Equipment and Lessor shall be named as the loss payee on all such policies of insurance;
- (n) at Lessor's choice, either (1) allow Lessor, at Lessor's expense, and provided Lessor has provided reasonable notice to Lessee, to arrange for an on-site auction of the Equipment, in an assembled and functional state (any such auction will be conducted no more than sixty [60] days prior to Lease termination), (2) at the request of Lessor, provide safe, secure storage for the Equipment for ninety [90] days after expiration or earlier termination of the Lease at an accessible location satisfactory to Lessor.

Except as expressly modified hereby, all terms and provisions of the Lease shall remain in full force and effect.

IN [REDACTED] Joe
1999 [REDACTED] Q71

The Lessor hereby leases to Lessee, and Lessee hereby agrees to hire from Lessor, the equipment described herein. The Lessee hereby acknowledges and agrees, with respect to the equipment described herein:

- (1) That Lessee has inspected and accepted the equipment fully and completely as to size, model, function and conformity to Lessee's requirements.
- (2) That the equipment is of a size, design, function and manufacturer selected by Lessee.
- (3) That Lessee is satisfied that the equipment is suitable for its intended purposes and any special purposes of Lessee.
- (4) **THAT LESSOR IS NOT A MANUFACTURER OF THE EQUIPMENT OR A DEALER IN SIMILAR EQUIPMENT AND HAS NOT INSPECTED THE EQUIPMENT PRIOR TO DELIVERY TO AND ACCEPTANCE BY LESSEE. LESSOR HAS NOT MADE AND DOES NOT MAKE, BY VIRTUE OF HAVING LEASED THE EQUIPMENT UNDER THIS LEASE OR BY VIRTUE OF ANY NEGOTIATION IN RESPECT OF THIS LEASE, ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO TITLE, CONDITION, COMPLIANCE WITH SPECIFICATIONS OR REGULATIONS, QUALITY, DURABILITY, SUITABILITY, MERCHANTABILITY OR FITNESS FOR USE OR FITNESS FOR A PARTICULAR PURPOSE OR TO ANY OTHER WARRANTY WHATSOEVER, EXPRESS OR IMPLIED, WITH RESPECT TO THE EQUIPMENT. THE EQUIPMENT IS LEASED HEREUNDER "AS IS".**
- (5) **THAT THE EQUIPMENT HAS BEEN DELIVERED TO, IS NOW IN POSSESSION OF, AND IS ACCEPTABLE TO LESSEE, AND THAT ALL OF THE EQUIPMENT HAS A CLASS LIFE OF 10 YEARS AND IS DEPRECIABLE OVER A RECOVERY PERIOD OF 7 YEARS USING THE DDB METHOD SWITCHING TO THE STRAIGHT LINE METHOD AT SUCH TIME AS WILL MAXIMIZE THE PRESENT VALUE OF THE DEDUCTIONS.**

Lessee hereby represents and warrants that:

- (1) The representations and warranties of the Lessee contained in the Lease are true and correct on and as of the date hereof as though made on and as of this date.
- (2) No event has occurred and is continuing or will result from the lease of equipment described herein which constitutes an Event of Default or with notice or lapse of time, or both would constitute an Event of Default.

Dated as of the Acceptance Date.

Lessor:

MDFC Equipment Leasing Corporation

By: *James C. Hennesmith*
 Printed Name: James C. Hennesmith
 Title: Proctor - Operations

Lessee:

Sheldahl, Inc.

By: *Tom O'Connell*
 Printed Name: Tom O'Connell
 Title: Asst. Tax Manager

3122-9-005	4/16/2001	\$11,934.64	8.00%	3.269764	4/29/2002	\$1,235.97	
	5/16/2001	\$11,934.64	7.00%	2.861044	4/29/2002	\$995.64	
	6/16/2001	\$12,002.68	7.00%	2.877355	4/29/2002	\$912.12	
	7/18/2001	\$2,329.40	6.75%	0.538474	4/29/2002	\$153.47	
	7/16/2001	\$12,119.32	6.75%	2.801555	4/29/2002	\$804.05	
	8/16/2001	\$12,162.06	6.75%	2.811435	4/29/2002	\$719.73	
	9/16/2001	\$11,934.64	6.50%	2.656684	4/29/2002	\$597.75	
	10/16/2001	\$11,934.64	5.50%	2.247963	4/29/2002	\$438.35	
	11/16/2001	\$11,934.64	5.00%	2.043603	4/29/2002	\$335.15	
	12/16/2001	\$11,934.64	4.75%	1.941423	4/29/2002	\$260.15	
	1/16/2002	\$75.60	4.75%	0.012298	4/29/2002	\$1.27	
	1/16/2002	\$14,260.90	4.75%	2.319838	4/29/2002	\$238.94	
	2/16/2002	\$19.44	4.75%	0.003162	4/29/2002	\$0.23	
	2/16/2002	\$12,469.34	4.75%	2.028403	4/29/2002	\$146.05	
	3/16/2002	\$12,685.40	4.75%	2.06355	4/29/2002	\$90.80	
	3/16/2002	\$15.12	4.75%	0.00246	4/29/2002	\$0.11	
	4/16/2002	\$11,934.64	4.75%	1.941423	4/29/2002	\$25.24	
Pre Pet		\$161,681.74				\$6,955.01	168,636.75

MDFC Equipment Leasing Corporation

LESSOR

Individual Equipment Record ("IER")

IER No. 3122-9-005

To that Equipment Lease Agreement ("Lease") dated as of March 4, 1992 between:

Lessor: MDFC Equipment Leasing Corporation
4060 Lakewood Blvd., 6th floor
Long Beach, CA 90808

Lessee: Sheldahl, Inc.
1150 Sheldahl Road
Northfield, MN 55057

Contact: Tim O'Connell
Phone: 507-663-8000

Location of Equipment:

Address at which equipment will be located during the term:

~~345 South Francis Street, Longmont, CO 80501~~ 1285 Fordham Rd S

Delivery location if different than the above address: Longmont Co 80503

New Used

<p>Sales and Use Tax:</p> <p><input type="checkbox"/> Sales tax included in cost</p> <p><input checked="" type="checkbox"/> Use tax to be added to rentals (RTD only)</p> <p><input checked="" type="checkbox"/> Exempt per <u>Exempt from State and City tax</u></p>	<p>Insurance Requirements:</p> <p>Liability:</p> <p>Bodily Injury Liability: <u>\$5,000,000.00</u></p> <p>Per person/per accident: <u>\$5,000,000.00</u></p> <p>Property Damage Liability: <u>\$5,000,000.00</u></p> <p>per accident: <u>\$5,000,000.00</u></p> <p>All Risk:</p> <p>Greater of Stipulated Loss Value or Fair Market Value.</p>
<p>Base Term: 60 Months</p> <p>Acceptance Date: <u>Sept 27, 1995</u></p> <p>Base Term Commencement Date: <u>Oct 16, 1995</u></p>	

Interim rent at the daily equivalent rate of .0005867 of Equipment Cost calculated from the Acceptance Date shall be due on the Base Term Commencement Date. Payment of 60 Base Term rental installments, each such installment to be in the amount of \$11,839.92, shall be payable on the 16th day of each month commencing Oct 16, 1995. The interim rental shall be allocated to the rental period immediately preceding the Base Term Commencement Date, and the Base Term rental to the rental period immediately after the date such rental is due.

Equipment Description	Serial Number	Cost
One (1) Coates/ASI Developer 9057	9507905747712943	\$203,047.80
One (1) Coates/ASI Etching System 9057	9506905747722931	280,605.00
One (1) Coates/ASI Stripper 9057	9507905747732944	189,069.75
		\$672,722.55
Initial: Lessee <u>TOC</u>		Lessor <u>JWL</u>

SHELD AHL, INC.
STIP LOSS VALUES

BEFORE
PAYMENT
NUMBER

S.L.V.
AS A PERCENT
OF ORIGINAL COST

0	101.4
1 ^{10/95}	102.3
2	99.6
3	98.6
4 ^{1/92}	97.7
5	96.7
6	95.8
7	94.8
8	93.9
9	92.9
10	91.9
11	90.9
12	89.9
13	88.9
14	87.9
15	86.9
16 ^{1/97}	85.9
17	84.8
18	83.8
19	82.7
20	81.7

BEFORE
PAYMENT
NUMBER

S.L.V.
AS A PERCENT
OF ORIGINAL COST

21	80.6
22	79.5
23	78.4
24	77.3
25	76.2
26	75.1
27	74.0
28 ^{1/98}	72.8
29	71.7
30	70.5
31	69.4
32	68.2
33	67.0
34	65.8
35	64.6
36	63.4
37	62.2
38	61.0
39	59.8
40 ^{1/99}	58.5
41	57.3

BEFORE
PAYMENT
NUMBER

S.L.V.
AS A PERCENT
OF ORIGINAL COST

42	56.0
43	54.7
44	53.4
45	52.1
46	50.8
47	49.5
48	48.2
49	46.9
50	45.5
51	44.2
52 ^{1/00}	42.8
53	41.5
54	40.1
55	38.7
56	37.3
57	35.9
58	34.4
59	33.0
60 ^{9/00}	31.5
THEREAFTER	30.0

CI LBWH0005934

Initial: Lessee TCO
Lessor TCO

RETURN CONDITIONS

For purposes of this Schedule only, the Lease is amended by adding the following thereto:

MAINTENANCE PROVISIONS: In addition to the provisions provided for in Section 8 of the Lease, Lessee shall, at its expense:

- (a) Maintain the Equipment in a manner and frequency suggested by the manufacturer;
- (b) Maintain the Equipment in an operable state and shall not discontinue operation of the Equipment throughout the Lease term;
- (c) Maintain the Equipment to industry standards;
- (d) Maintain the Equipment in a similar manner and fashion as if the Equipment were owned by the Lessee;
- (e) Maintain the Equipment under a preventative maintenance program by qualified professionals who possess a working knowledge of the mechanical operations of the Equipment including electrical systems, motors, drives, controls, accessories, lubricants and all other items necessary to make the machine operate to its original manufacturer's specifications;
- (f) Have the Equipment meet all local, state, and federal laws, regulations and codes that regulate the use and operation of such Equipment and will not contribute to or be used in any way as to directly or indirectly violate any local, state or federal law.

INSPECTION:

Lessor, at its sole discretion, may from time to time inspect the Equipment at Lessor's sole expense. If any discrepancies are found as they pertain to the general condition of the Equipment, the Lessor will communicate these discrepancies to the Lessee in writing. The Lessee shall have 30 days to rectify these discrepancies at his sole expense. The Lessee should pay all expenses for a re-inspection by a Lessor appointed expert if corrective measures are required.

RETURN PROVISIONS: In addition to the provisions provided for in Section 15 of the Lease, and provided that Lessee has elected not to exercise its option to purchase the Equipment, Lessee shall, at its expense:

- (a) at least one hundred twenty (120) days and not more than three hundred sixty-five (365) days prior to expiration or earlier termination of the Lease, provide to Lessor a detailed inventory of all components of the Equipment. The inventory should include, but not be limited to, a listing of model and serial numbers for all components comprising the Equipment;
- (b) at least ninety (90) days prior to expiration or earlier termination of the Lease, upon receiving reasonable notice from Lessor, provide or cause the vendor(s) or manufacturer(s) to provide to Lessor the following documents: (1) one set of service manuals, blue prints, process flow diagrams and operating manuals including replacements and/or additions thereto, such that all documentation is completely up-to-date; (2) one set of documents, detailing Equipment configuration, operating requirements, maintenance records, and other technical data concerning the set-up and operation of the Equipment, including replacements and/or additions thereto, such that all documentation is completely up-to-date;
- (c) at least one hundred ten (110) days prior to expiration or earlier termination of the Lease, upon receiving reasonable notice from Lessor, make the Equipment available for on-site operational inspections by potential purchasers, under power, and provide personnel, power, and other requirements necessary to demonstrate electrical and mechanical systems for each item of the Equipment;
- (d) at least ninety (90) days prior to expiration or earlier termination of the Lease, cause manufacturer's representative or qualified Equipment maintenance provider, acceptable to Lessor, to perform a comprehensive physical inspection, including testing all material and workmanship of the Equipment; and if during such inspection, examination and test, the authorized inspector finds any of the material or workmanship to be defective or the Equipment not operating within manufacturer's specifications, then Lessee shall repair or replace such defective material and, after corrective measures are completed, Lessee will provide for a follow-up inspection of the Equipment by the authorized inspector as outlined in the preceding clause;

Initial: Lessee TCC

Lessor: [Signature]

- (e) permit Lessor to video tape the Equipment "under power" at the Lessee's facility at a time during normal working hours mutually agreeable to the Lessor and Lessee prior to deinstallation;
- (f) have each item of Equipment returned with an in-depth field service report detailing such inspection as outlined in Section (d) of this Addendum. The report shall certify that the Equipment has been properly inspected, examined and tested and is operating with the manufacturer's specifications;
- (g) have any repairs made to the Equipment in a professional and workmanlike manner. Any Equipment enhancements or additions will revert to the Lessor upon expiration or earlier termination of the Lease and shall not effect, in an adverse manner, the Fair Market Value of the Equipment at Lease expiration. Such additions or enhancements shall be made only with the prior written approval of the Lessor, which approval will not be unnecessarily withheld;
- (h) have the Equipment that is available for immediate re-use returned in good appearance with adequate protective coatings over all surfaces as originally painted or coated. Equipment shall be free from rust, and shall be in good, complete working order taking into account the age and contemplated use of the Equipment (and reasonable wear and tear excepted);
- (i) have the Equipment cleaned and approved by the necessary agencies which regulate the use and operation of such Equipment so as to be available for immediate use;
- (j) properly remove all Lessee installed markings which are not necessary for the operation, maintenance or repair of the Equipment;
- (k) provide for the deinstallation and packing of the Equipment to include, but not limited to, the following: (1) all process fluids shall be removed from the Equipment and disposed of in accordance with the then current waste disposal laws and regulations. At no time are materials which could be considered hazardous waste by any regulatory authority to be shipped with machinery; (2) all internal fluids, such as lube oil and hydraulic fluids, are to be filled to operating levels; filler caps are to be secured and disconnected hoses are to be sealed to avoid spillage; (3) the manufacturer's representative shall deinstall and match-mark all Equipment in accordance with the specifications of the manufacturer; (4) the Equipment shall be packed properly and in accordance with the manufacturer's recommendations;
- (l) upon sale of the Equipment to a third party, provide transportation anywhere in the continental United States, selected by Lessor;
- (m) obtain and pay for a policy of transit insurance for the redelivery period in an amount equal to the replacement value of the Equipment and Lessor shall be named as the loss payee on all such policies of insurance;
- (n) at Lessor's choice, either (1) allow Lessor, at Lessor's expense, and provided Lessor has provided reasonable notice to Lessee, to arrange for an on-site auction of the Equipment, in an assembled and functional state (any such auction will be conducted no more than sixty [60] days prior to Lease termination), (2) at the request of Lessor, provide safe, secure storage for the Equipment for ninety [90] days after expiration or earlier termination of the Lease at an accessible location satisfactory to Lessor.
- Except as expressly modified hereby, all terms and provisions of the Lease shall remain in full force and effect.

Initialed: Lessee TOD
Lessor SLV

The Lessor hereby leases to Lessee, and Lessee hereby agrees to hire from Lessor, the equipment described herein. The Lessee hereby acknowledges and agrees, with respect to the equipment described herein:

- (1) That Lessee has inspected and accepted the equipment fully and completely as to size, model, function and conformity to Lessee's requirements.
- (2) That the equipment is of a size, design, function and manufacturer selected by Lessee.
- (3) That Lessee is satisfied that the equipment is suitable for its intended purposes and any special purposes of Lessee.
- (4) **THAT LESSOR IS NOT A MANUFACTURER OF THE EQUIPMENT OR A DEALER IN SIMILAR EQUIPMENT AND HAS NOT INSPECTED THE EQUIPMENT PRIOR TO DELIVERY TO AND ACCEPTANCE BY LESSEE. LESSOR HAS NOT MADE AND DOES NOT MAKE, BY VIRTUE OF HAVING LEASED THE EQUIPMENT UNDER THIS LEASE OR BY VIRTUE OF ANY NEGOTIATION IN RESPECT OF THIS LEASE, ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO TITLE, CONDITION, COMPLIANCE WITH SPECIFICATIONS OR REGULATIONS, QUALITY, DURABILITY, SUITABILITY, MERCHANTABILITY OR FITNESS FOR USE OR FITNESS FOR A PARTICULAR PURPOSE OR TO ANY OTHER WARRANTY WHATSOEVER, EXPRESS OR IMPLIED, WITH RESPECT TO THE EQUIPMENT. THE EQUIPMENT IS LEASED HEREUNDER "AS IS".**
- (5) **THAT THE EQUIPMENT HAS BEEN DELIVERED TO, IS NOW IN POSSESSION OF, AND IS ACCEPTABLE TO LESSEE, AND THAT ALL OF THE EQUIPMENT HAS A CLASS LIFE OF 10 YEARS AND IS DEPRECIABLE OVER A RECOVERY PERIOD OF 7 YEARS USING THE DDB METHOD SWITCHING TO THE STRAIGHT LINE METHOD AT SUCH TIME AS WILL MAXIMIZE THE PRESENT VALUE OF THE DEDUCTIONS.**

Lessee hereby represents and warrants that:

- (1) The representations and warranties of the Lessee contained in the Lease are true and correct on and as of the date hereof as though made on and as of this date.
- (2) No event has occurred and is continuing or will result from the lease of equipment described herein which constitutes an Event of Default or with notice or lapse of time, or both would constitute an Event of Default.

Dated as of the Acceptance Date.

Lessor:

MDFC Equipment Leasing Corporation

By: *James C. Hanrahan*

Printed Name: James C. Hanrahan

Title: Director - Operations

Lessee:

Sheldahl, Inc.

By: *Tim O'Connell*

Printed Name: Tim O'Connell

Title: Accounting & Tax Manager

3122-9-006	4/16/2001	\$2,573.08	8.00%	0.704953	4/29/2002	\$266.47	
	5/16/2001	\$2,573.08	7.00%	0.616834	4/29/2002	\$214.66	
	6/16/2001	\$2,573.08	7.00%	0.616834	4/29/2002	\$195.54	
	7/16/2001	\$2,612.98	6.75%	0.604028	4/29/2002	\$173.36	
	7/18/2001	\$502.25	6.75%	0.116102	4/29/2002	\$33.09	
	8/16/2001	\$2,622.05	6.75%	0.606125	4/29/2002	\$155.17	
	9/16/2001	\$2,573.08	6.50%	0.572775	4/29/2002	\$128.87	
	10/16/2001	\$2,573.08	5.50%	0.484655	4/29/2002	\$94.51	
	11/16/2001	\$2,573.08	5.00%	0.440596	4/29/2002	\$72.26	
	12/16/2001	\$2,573.08	4.75%	0.418566	4/29/2002	\$56.09	
	1/16/2002	\$16.80	4.75%	0.002733	4/29/2002	\$0.28	
	1/16/2002	\$3,073.99	4.75%	0.50005	4/29/2002	\$51.51	
	2/16/2002	\$4.32	4.75%	0.000703	4/29/2002	\$0.05	
	2/16/2002	\$2,757.75	4.75%	0.448607	4/29/2002	\$32.30	
	3/16/2002	\$3.36	4.75%	0.000547	4/29/2002	\$0.02	
	3/16/2002	\$2,734.74	4.75%	0.444864	4/29/2002	\$19.57	
	4/16/2002	\$2,573.08	4.75%	0.418566	4/29/2002	\$5.44	
Pre pet		\$34,912.88				\$1,499.18	36,412.06

MDFC Equipment Leasing Corporation

LESSOR

Individual Equipment Record ("IER")

IER No. 3122-9-006

To that Equipment Lease Agreement ("Lease") dated as of March 4, 1992 between:

Lessor: MDFC Equipment Leasing Corporation
4060 Lakewood Blvd., 6th floor
Long Beach, CA 90808

Lessee: Sheldahl, Inc.
1150 Sheldahl Road
Northfield, MN 55057

Contact: Tim O'Connell
Phone: 507-663-8000

Location of Equipment:

Address at which equipment will be located during the term:

~~345 South Francis Street, Longmont, CO 80501~~ 1285 Fordham Rd S

Delivery location if different than the above address: Longmont Co 80503

New Used

<p>Sales and Use Tax:</p> <p><input type="checkbox"/> Sales tax included in cost</p> <p><input checked="" type="checkbox"/> Use tax to be added to rentals (RTD only)</p> <p><input checked="" type="checkbox"/> Exempt per <u>Exempt from State and City tax</u></p>	<p>Insurance Requirements:</p> <p>Liability:</p> <p>Bodily Injury Liability: <u>\$5,000,000.00</u></p> <p>Per person/per accident: <u>\$5,000,000.00</u></p> <p>Property Damage Liability: <u>\$5,000,000.00</u></p> <p>per accident: <u>\$5,000,000.00</u></p> <p>All Risk:</p> <p>Greater of Stipulated Loss Value or Fair Market Value.</p>
<p>Base Term: 60 Months</p> <p>Acceptance Date: <u>Sept 27, 1995</u></p> <p>Base Term Commencement Date: <u>Oct 11, 1995</u></p>	

Interim rent at the daily equivalent rate of .0005867 of Equipment Cost calculated from the Acceptance Date shall be due on the Base Term Commencement Date. Payment of 60 Base Term rental installments, each such installment to be in the amount of \$2,552.66, shall be payable on the 10th day of each month commencing Oct 11, 1995. The interim rental shall be allocated to the rental period immediately preceding the Base Term Commencement Date, and the Base Term rental to the rental period immediately after the date such rental is due.

Equipment Description	Serial Number	Cost
One (1) Airco Plasma Science PS0524 film treatment system	Anick	\$145,037.30
	Initial: Lessee <u>JOO</u> Lessor <u>JLJ</u>	

SHELDahl, INC.
STIP LOSS VALUES

BEFORE
PAYMENT
NUMBER

S.L.V.
AS A PERCENT
OF ORIGINAL COST

0	101.4
1	102.3
2	99.6
3	98.6
4	97.7
5	96.7
6	95.8
7	94.8
8	93.9
9	92.9
10	91.9
11	90.9
12	89.9
13	88.9
14	87.9
15	86.9
16 ^{1/97}	85.9
17	84.8
18	83.8
19	82.7
20	81.7

BEFORE
PAYMENT
NUMBER

S.L.V.
AS A PERCENT
OF ORIGINAL COST

21	80.6
22	79.5
23	78.4
24	77.3
25	76.2
26	75.1
27	74.0
28 ^{1/98}	72.8
29	71.7
30	70.5
31	69.4
32	68.2
33	67.0
34	65.8
35	64.6
36	63.4
37	62.2
38	61.0
39	59.8
40 ^{1/99}	58.5
41	57.3

BEFORE
PAYMENT
NUMBER

S.L.V.
AS A PERCENT
OF ORIGINAL COST

42	56.0
43	54.7
44	53.4
45	52.1
46	50.8
47	49.5
48	48.2
49	46.9
50	45.5
51	44.2
52 ^{1/00}	42.8
53	41.5
54	40.1
55	38.7
56	37.3
57	35.9
58	34.4
59	33.0
60 ^{9/00}	31.5
THEREAFTER	30.0

CI LBWH0005934

Initial: Lessee Teo
Lessor JH

RETURN CONDITIONS

For purposes of this Schedule only, the Lease is amended by adding the following thereto:

MAINTENANCE PROVISIONS: In addition to the provisions provided for in Section 8 of the Lease, Lessee shall, at its expense:

- (a) Maintain the Equipment in a manner and frequency suggested by the manufacturer;
- (b) Maintain the Equipment in an operable state and shall not discontinue operation of the Equipment throughout the Lease term;
- (c) Maintain the Equipment to industry standards;
- (d) Maintain the Equipment in a similar manner and fashion as if the Equipment were owned by the Lessee;
- (e) Maintain the Equipment under a preventative maintenance program by qualified professionals who possess a working knowledge of the mechanical operations of the Equipment including electrical systems, motors, drives, controls, accessories, lubricants and all other items necessary to make the machine operate to its original manufacturer's specifications;
- (f) Have the Equipment meet all local, state, and federal laws, regulations and codes that regulate the use and operation of such Equipment and will not contribute to or be used in any way as to directly or indirectly violate any local, state or federal law.

INSPECTION:

Lessor, at its sole discretion, may from time to time inspect the Equipment at Lessor's sole expense. If any discrepancies are found as they pertain to the general condition of the Equipment, the Lessor will communicate these discrepancies to the Lessee in writing. The Lessee shall have 30 days to rectify these discrepancies at his sole expense. The Lessee should pay all expenses for a re-inspection by a Lessor appointed expert if corrective measures are required.

RETURN PROVISIONS: In addition to the provisions provided for in Section 15 of the Lease, and provided that Lessee has elected not to exercise its option to purchase the Equipment, Lessee shall, at its expense:

- (a) at least one hundred twenty (120) days and not more than three hundred sixty-five (365) days prior to expiration or earlier termination of the Lease, provide to Lessor a detailed inventory of all components of the Equipment. The inventory should include, but not be limited to, a listing of model and serial numbers for all components comprising the Equipment;
- (b) at least ninety (90) days prior to expiration or earlier termination of the Lease, upon receiving reasonable notice from Lessor, provide or cause the vendor(s) or manufacturer(s) to provide to Lessor the following documents: (1) one set of service manuals, blue prints, process flow diagrams and operating manuals including replacements and/or additions thereto, such that all documentation is completely up-to-date; (2) one set of documents, detailing Equipment configuration, operating requirements, maintenance records, and other technical data concerning the set-up and operation of the Equipment, including replacements and/or additions thereto, such that all documentation is completely up-to-date;
- (c) at least one hundred ten (110) days prior to expiration or earlier termination of the Lease, upon receiving reasonable notice from Lessor, make the Equipment available for on-site operational inspections by potential purchasers, under power, and provide personnel, power, and other requirements necessary to demonstrate electrical and mechanical systems for each item of the Equipment;
- (d) at least ninety (90) days prior to expiration or earlier termination of the Lease, cause manufacturer's representative or qualified Equipment maintenance provider, acceptable to Lessor, to perform a comprehensive physical inspection, including testing all material and workmanship of the Equipment; and if during such inspection, examination and test, the authorized inspector finds any of the material or workmanship to be defective or the Equipment not operating within manufacturer's specifications, then Lessee shall repair or replace such defective material and, after corrective measures are completed, Lessee will provide for a follow-up inspection of the Equipment by the authorized inspector as outlined in the preceding clause;

Initial: Lessee JCO
Lessor _____

- (e) permit Lessor to video tape the Equipment "under power" at the Lessee's facility at a time during normal working hours mutually agreeable to the Lessor and Lessee prior to deinstallation;
- (f) have each item of Equipment returned with an in-depth field service report detailing such inspection as outlined in Section (d) of this Addendum. The report shall certify that the Equipment has been properly inspected, examined and tested and is operating with the manufacturer's specifications;
- (g) have any repairs made to the Equipment in a professional and workmanlike manner. Any Equipment enhancements or additions will revert to the Lessor upon expiration or earlier termination of the Lease and shall not effect, in an adverse manner, the Fair Market Value of the Equipment at Lease expiration. Such additions or enhancements shall be made only with the prior written approval of the Lessor, which approval will not be unnecessarily withheld;
- (h) have the Equipment that is available for immediate re-use returned in good appearance with adequate protective coatings over all surfaces as originally painted or coated. Equipment shall be free from rust, and shall be in good, complete working order taking into account the age and contemplated use of the Equipment (and reasonable wear and tear excepted);
- (i) have the Equipment cleaned and approved by the necessary agencies which regulate the use and operation of such Equipment so as to be available for immediate use;
- (j) properly remove all Lessee installed markings which are not necessary for the operation, maintenance or repair of the Equipment;
- (k) provide for the deinstallation and packing of the Equipment to include, but not limited to, the following: (1) all process fluids shall be removed from the Equipment and disposed of in accordance with the then current waste disposal laws and regulations. At no time are materials which could be considered hazardous waste by any regulatory authority to be shipped with machinery; (2) all internal fluids, such as lube oil and hydraulic fluids, are to be filled to operating levels; filler caps are to be secured and disconnected hoses are to be sealed to avoid spillage; (3) the manufacturer's representative shall deinstall and match-mark all Equipment in accordance with the specifications of the manufacturer; (4) the Equipment shall be packed properly and in accordance with the manufacturer's recommendations;
- (l) upon sale of the Equipment to a third party, provide transportation anywhere in the continental United States, selected by Lessor;
- (m) obtain and pay for a policy of transit insurance for the redelivery period in an amount equal to the replacement value of the Equipment and Lessor shall be named as the loss payee on all such policies of insurance;
- (n) at Lessor's choice, either (1) allow Lessor, at Lessor's expense, and provided Lessor has provided reasonable notice to Lessee, to arrange for an on-site auction of the Equipment, in an assembled and functional state (any such auction will be conducted no more than sixty [60] days prior to Lease termination), (2) at the request of Lessor, provide safe, secure storage for the Equipment for ninety [90] days after expiration or earlier termination of the Lease at an accessible location satisfactory to Lessor.
- Except as expressly modified hereby, all terms and provisions of the Lease shall remain in full force and effect.

Initial: Lessee TCO

Date:

The Lessor hereby leases to Lessee, and Lessee hereby agrees to hire from Lessor, the equipment described herein. The Lessee hereby acknowledges and agrees, with respect to the equipment described herein:

- (1) That Lessee has inspected and accepted the equipment fully and completely as to size, model, function and conformity to Lessee's requirements.
- (2) That the equipment is of a size, design, function and manufacturer selected by Lessee.
- (3) That Lessee is satisfied that the equipment is suitable for its intended purposes and any special purposes of Lessee.
- (4) **THAT LESSOR IS NOT A MANUFACTURER OF THE EQUIPMENT OR A DEALER IN SIMILAR EQUIPMENT AND HAS NOT INSPECTED THE EQUIPMENT PRIOR TO DELIVERY TO AND ACCEPTANCE BY LESSEE. LESSOR HAS NOT MADE AND DOES NOT MAKE, BY VIRTUE OF HAVING LEASED THE EQUIPMENT UNDER THIS LEASE OR BY VIRTUE OF ANY NEGOTIATION IN RESPECT OF THIS LEASE, ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO TITLE, CONDITION, COMPLIANCE WITH SPECIFICATIONS OR REGULATIONS, QUALITY, DURABILITY, SUITABILITY, MERCHANTABILITY OR FITNESS FOR USE OR FITNESS FOR A PARTICULAR PURPOSE OR TO ANY OTHER WARRANTY WHATSOEVER, EXPRESS OR IMPLIED, WITH RESPECT TO THE EQUIPMENT. THE EQUIPMENT IS LEASED HEREUNDER "AS IS".**
- (5) **THAT THE EQUIPMENT HAS BEEN DELIVERED TO, IS NOW IN POSSESSION OF, AND IS ACCEPTABLE TO LESSEE, AND THAT ALL OF THE EQUIPMENT HAS A CLASS LIFE OF 10 YEARS AND IS DEPRECIABLE OVER A RECOVERY PERIOD OF 7 YEARS USING THE DDB METHOD SWITCHING TO THE STRAIGHT LINE METHOD AT SUCH TIME AS WILL MAXIMIZE THE PRESENT VALUE OF THE DEDUCTIONS.**

Lessee hereby represents and warrants that:

- (1) The representations and warranties of the Lessee contained in the Lease are true and correct on and as of the date hereof as though made on and as of this date.
- (2) No event has occurred and is continuing or will result from the lease of equipment described herein which constitutes an Event of Default or with notice or lapse of time, or both would constitute an Event of Default.

Dated as of the Acceptance Date.

Lessor:

Lessee:

MDFC Equipment Leasing Corporation

Sheldahl, Inc.

By: *James Chennersmith*

By: *Jim O'Connell*

Printed Name: James Chennersmith

Printed Name: Accounting & Tax Dept

Title: Director - Operations

Title: Jim O'Connell

3122-9-007	10/4/2001	\$154,966.96					154,966.96
------------	-----------	--------------	--	--	--	--	------------

Boeing Capital Corporation
3780 Kilroy Airport Way
Suite 750
Long Beach, CA 90806

September 19, 2001

VIA E-mail

ballen@internationalflex.com

Mr. Bruce Allen
Sheldahl, Inc.
1285 South Fordham Street
Longmont, Colorado 80503



Re: Individual Equipment Record number (IER) 007 dated May 16, 1992, which is subject to Master Lease Agreement number 31229 dated March 4, 1992, between MDFC Equipment Leasing and Sheldahl, Inc.

Dear Mr. Allen:

On behalf of MDFC Equipment Leasing and with respect IER Number 007 Boeing Capital Corporation (BCC) agrees to the settlement and termination of IER Number 007 subject to the following payments and conditions:

Sheldahl agrees to pay four (4) past-due monthly payments of \$22,491.74, plus \$5,000 in penalty and interest for these payments. Additionally, Sheldahl agrees to pay the difference between the previously agreed sale price of \$110,000 for the equipment included on IER Number 007 and the amount of \$50,000 that Technic, Inc. has agreed to pay for that equipment. The table below displays these amounts in tabular form.

Payment is due upon receipt of this notice. Upon receipt of payment in full, BCC will provide Sheldahl, Inc. with a termination notice for the subject IER.

Please indicate your agreement with the terms outlined above by having an authorized party sign in the space provided below.

BCC will concurrently make agreements with Technic, Inc. for it to acquire the subject assets for \$50,000, plus applicable taxes. Please do not release the equipment to Technic, Inc. unless and until BCC notifies Sheldahl that Technic has paid for the equipment.

Sheldahl, Inc.
September 19, 2001
Page 2 of 2

Table of Amount Due

Past due rental amount (4 @ \$22,491.74)	\$ 89,986.85
Past due payment	5,000.00
Differential payment for equipment value	\$80,000.00
Total amount due	<u>514,986.85</u>

Should you need further assistance or have any questions or comments,
please contact me at (582) 897-3390.

Sincerely yours,

Doby A. Rose
Director Equipment Portfolio
Commercial Financial Services

Agreed and accepted:

By: 
Title: Vice President of Finance
Date: 10/4/2001

3122-9-009	5/1/2001	\$50,756.62	7.50%	13.0368	4/29/2002	\$4,732.36	
	6/1/2001	\$50,756.62	7.00%	12.16768	4/29/2002	\$4,039.67	
	7/1/2001	\$50,756.62	6.75%	11.73312	4/29/2002	\$3,543.40	
	8/1/2001	\$50,756.62	6.75%	11.73312	4/29/2002	\$3,179.68	
	9/1/2001	\$50,756.62	6.50%	11.29856	4/29/2002	\$2,711.66	
	10/1/2001	\$50,756.62	6.00%	10.42944	4/29/2002	\$2,190.18	
	11/1/2001	\$50,756.62	5.50%	9.560322	4/29/2002	\$1,711.30	
	12/1/2001	\$50,756.62	5.00%	8.691202	4/29/2002	\$1,294.99	
	1/1/2002	\$50,756.62	4.75%	8.256642	4/29/2002	\$974.28	
	2/1/2002	\$50,756.62	4.75%	8.256642	4/29/2002	\$718.33	
	3/1/2002	\$50,756.62	4.75%	8.256642	4/29/2002	\$487.14	
	4/1/2002	\$50,756.62	4.75%	8.256642	4/29/2002	\$231.19	
Pre Pet		\$609,079.44				\$25,814.17	634,893.61

Individual Equipment Record ("IER")

IER No. 31229-009

To that Equipment Lease Agreement ("Lease") dated as of March 4, 1992 between:

Lessor: MDFC Equipment Leasing Corporation
4060 Lakewood Blvd., 6th Floor
Long Beach, California 90808

Lessee: Sheldahl, Inc.
1150 Sheldahl Road
Northfield, Minnesota 55057

Contact: Tim O'Connell
Phone: (507) 663-8000

Location of Equipment:

Address at which equipment will be located during the term:

1150 Sheldahl Road, Northfield, Minnesota 55057

New **Used**

Delivery location if different than the above address:

<p>Sales and Use Tax:</p> <ul style="list-style-type: none"> - Sales tax included in cost <input checked="" type="checkbox"/> Use tax to be added to rentals - Exempt 	<p>Insurance Requirements:</p> <p>Liability:</p> <p>Bodily Injury Liability: <u>\$5,000,000.00</u> Per person/per accident: <u>\$5,000,000.00</u></p> <p>Property Damage Liability: <u>\$5,000,000.00</u> per accident: <u>\$5,000,000.00</u></p>
<p>Base Term: 60 months Acceptance Date: October 8, 1998 Base Term Commencement Date: November 1, 1998</p>	<p>All Risk: Greater of Stipulated Loss Value or Fair Market Value.</p>

Interim rent at the daily equivalent rate of .000535 of Equipment Cost calculated from the Acceptance Date shall be due on the Base Term Commencement Date. Payment of 60 Base Term rental installments, each such installment to be in the amount of \$ 47,658.80, shall be payable on the 1st day of each month commencing November 1, 1998. The interim rental shall be allocated to the rental period immediately preceding the Base Term Commencement Date, and the Base Term rental to the rental period immediately following the date such rental is due.

Equipment Description	Serial Number	Cost
One (1) 1998 Sidrabe P1600 Vacuum Metalizer	276	<p style="text-align: right;">\$2,865,000.00</p> <p style="text-align: right;">Capitalized Interest + <u>104,395.89</u></p> <p style="text-align: right;">\$2,969,395.89</p> <p style="text-align: right;">Initial: Lessee <u>TGO</u></p> <p style="text-align: right;">Lessor <u>JCZ</u></p>

SHELDahl INC.
STIP LOSS VALUES

BEFORE PAYMENT NUMBER	S.L.V. AS A PERCENT OF ORIGINAL COST	BEFORE PAYMENT NUMBER	S.L.V. AS A PERCENT OF ORIGINAL COST	BEFORE PAYMENT NUMBER	S.L.V. AS A PERCENT OF ORIGINAL COST
0	100.8	21	80.3	42	55.6
1	101.6	22	79.2	43	54.3
2	98.9	23	78.1	44	53.1 ✓
3	98.0	24	77.0	45	51.8
4	97.1	25	75.9	46	50.5
5	96.2	26	74.8	47	49.2
6	95.3	27	73.6	48	47.8
7	94.4	28	72.5	49	46.5
8	93.4	29	71.3	50	45.2
9	92.5	30	70.2	51	43.8
10	91.5	31	69.0	52	42.5
11	90.6	32	67.8	53	41.1
12	89.6	33	66.7	54	39.7
13	88.6	34	65.5	55	38.3
14	87.6	35	64.3	56	36.9
15	86.6	36	63.1	57	35.6
16	85.5	37	61.8	58	34.2
17	84.5	38	60.6	59	32.8
18	83.5	39	59.4	60	31.4
19	82.4	40	58.1	THEREAFTER	30.0
20	81.3	41	56.9		

I LB110006122

T60
902

Return Conditions

Machine Tools (General)

Upon the expiration or earlier termination of this Lease with respect to the Item(s) of Equipment, the Lessee, at its own risk and expense, will return such Item(s) of Equipment then subject to this Lease to the Lessor pursuant to the Lessor's instructions to a location designated by Lessor. Such Equipment upon redelivery shall be free and clear of all mortgages, liens, security interest charges, encumbrances and claims. If Lessor shall so require, the Lessee shall provide free storage and insurance for such Item(s) of Equipment for a period not exceeding ninety (90) days from the expiration date or the last day of any lease extension period therefor.

Upon return of such Item(s) of Equipment, Lessor or its agent shall inspect the Equipment; if in the Lessor's opinion the Equipment is not in compliance with the conditions hereinafter described, a mutually acceptable independent appraiser (or if no such appraiser has been selected within 15 days prior to the expiration or earlier termination of the Lease, the American Appraisal Company) shall be appointed by the Lessor to inspect the Equipment for the purpose of determining the repairs, additions or replacements, if any, which are necessary to place the Equipment in the condition hereinafter described.

At the time of return, the Item(s) of Equipment shall:

1. Be free of all advertising or insignia placed thereon by Lessee;
2. Be in compliance with all applicable federal, state and local laws;
3. Be in good operating order, repair and condition, free of any hazardous waste material, and free from all rust and corrosion, with no missing or damaged parts;
4. Be mechanically and structurally sound, able to maintain the same precision tolerances as when originally delivered and capable of performing the function for which it was originally designed in accordance with manufacturer's recommended specifications;
5. With respect to all components including but not limited to drive motors, hydraulic systems, electrical systems, fluid pumps, pneumatic systems be able to operate normally with no loss of power or fluid.

Lessee agrees to pay all fees, charges, costs and expenses related to such inspection and Lessee shall pay for all repairs and replacements, which shall be effectuated immediately.

In the event any necessary repairs or replacements are not completed within seven days from the expiration or early termination date, Lessee shall pay to Lessor, interim rent equal to the daily rent equivalent of the periodic rent set forth in the IER covering the Equipment, for each day in excess of the lease term, until such repairs and replacements are completed and the units of Equipment involved are returned to Lessee, for each unit involved. Said payment shall be made on the date said units of Equipment are returned to Lessor, (but not less frequently than monthly).

160
2/2

Special Conditions**Information for Lease Rider No. 1:**

Purchase Price at end of Base Term = 30% of Equipment Cost

Renewal Term = 12 months

Rent during Renewal Term = same as Base Term

The Lessor hereby leases to Lessee, and Lessee hereby agrees to hire from Lessor, the equipment described herein. The Lessee hereby acknowledges and agrees, with respect to the equipment described herein:

- (1) That Lessee has inspected and accepted the equipment fully and completely as to size, model, function and conformity to Lessee's requirements.
- (2) That the equipment is of a size, design, function and manufacturer selected by Lessee.
- (3) That Lessee is satisfied that the equipment is suitable for its intended purposes and any special purposes of Lessee.
- (4) THAT LESSOR IS NOT A MANUFACTURER OF THE EQUIPMENT OR A DEALER IN SIMILAR EQUIPMENT AND HAS NOT INSPECTED THE EQUIPMENT PRIOR TO DELIVERY TO AND ACCEPTANCE BY LESSEE. LESSOR HAS NOT MADE AND DOES NOT MAKE, BY VIRTUE OF HAVING LEASED THE EQUIPMENT UNDER THIS LEASE OR BY VIRTUE OF ANY NEGOTIATION IN RESPECT OF THIS LEASE, ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO TITLE, CONDITION, COMPLIANCE WITH SPECIFICATIONS OR REGULATIONS, QUALITY, DURABILITY, SUITABILITY, MERCHANTABILITY OR FITNESS FOR USE OR FITNESS FOR A PARTICULAR PURPOSE OR TO ANY OTHER WARRANTY WHATSOEVER, EXPRESS OR IMPLIED, WITH RESPECT TO THE EQUIPMENT. THE EQUIPMENT IS LEASED HEREUNDER "AS IS".
- (5) THAT THE EQUIPMENT HAS BEEN DELIVERED TO, IS NOW IN POSSESSION OF, AND IS ACCEPTABLE TO LESSEE, AND THAT ALL OF THE EQUIPMENT HAS A CLASS LIFE OF 6 YEARS AND IS DEPRECIABLE OVER A RECOVERY PERIOD OF 5 YEARS USING THE 200% DECLINING BALANCE METHOD SWITCHING TO THE STRAIGHT LINE METHOD AT SUCH TIME AS WILL MAXIMIZE THE PRESENT VALUE OF THE DEDUCTIONS.

Lessee hereby represents and warrants that:

- (1) The representations and warranties of the Lessee contained in the Lease are true and correct on and as of the date hereof as though made on and as of this date.
- (2) No event has occurred and is continuing or will result from the lease of equipment described herein which constitutes an Event of Default or with notice or lapse of time, or both would constitute an Event of Default.

Dated as of the Acceptance Date.

Lessor:

MDFC Equipment Leasing Corporation

By: *Paul Thompson*

Printed Name: Paul Thompson

Title: Senior Documentation Officer

Lessee:

Sheldahl, Inc.

By: *Jim O'Connell*

Printed Name: Jim O'Connell

Title: Assistant Controller

UNITED STATES BANKRUPTCY COURT
DISTRICT OF MINNESOTA

In re:

Chapter 11 Bankruptcy

Sheldahl, Inc.

Bky 02-31674

Debtor

**ORDER AUTHORIZING REJECTION OF CERTAIN
UNEXPIRED EXECUTORY CONTRACTS AND LEASES**

Debtor's motion for an order approving Debtor's rejection of certain executory contracts and leases came before the undersigned on October 23, 2002. Appearances, if any, are noted on the record.

Based on the arguments of counsel, all the files, records and proceedings herein, the court's being advised in the premises, and the court's findings of fact and conclusions of law, if any, having been stated orally and recorded in open court following the close of evidence,

IT IS HEREBY ORDERED:

Debtor's motion for approval of the rejection of the executory contracts and leases set forth on Exhibit A hereto is hereby approved.

The following contracts are deemed rejected as of August 30, 2002 or such earlier date as the Debtor gave unequivocal notice of rejection of specific contracts:

<u>Contract Name</u>	<u>Address 1</u>	<u>Address 2</u>	<u>City</u>	<u>State</u>	<u>Zip</u>	<u>Country</u>	<u>Nature of Agreement</u>
1Epsiton Innovation AB	Tegrafjetan 8A		Stockholm			Sweden	Confidentiality Agreement
3M Innovative Properties Co.	P.O. Box 33427		St. Paul	MN	55133		Confidentiality Agreement
ADC Telecommunications	13625 Technology Drive		Eden Prairie	MN	55344		Confidentiality Agreement
ADP Total Source	Attention: Dan Diaz	10200 Sunset Drive	Miami	FL	33173		Longmont Payroll and Employee Leasing
ADP, Mpls/St. Paul Region	8100 Cedar Avenue South		Bloomington	MN	55415		Northfield Payroll
Advanced Reproductions Corp.	100 Flagship Drive		North Andover	MA	1845		Nondisclosure Agreement
Aeroteam	Corco Duca Degli Abruzzi 62		Torino	Italia	10129	Italy	Rep Agreement
Agilent Technologies	2 Corporation Rd, #05-01	Ste 700			618494	Singapore	Confidentiality Agreement
Allen Technology	18410 Butterfield Blvd.	Ste. 150	Morgan Hill	CA	95037		Nondisclosure Agreement
Allgon Mobile Communications	P.O. Box 500	S-184-25	Akersberga			Sweden	Confidentiality Agreement
Allied Van Lines Inc./Berger Transfer	2950 Long Lake Road		St. Paul	MN	55113		Relocation of Employees

EXHIBIT

2

Amalgamated Cotton Garmet	56 Roland Street		Boston	MA	02129	Union Dental
Arch Wireless	P.O. Box 660770		Dallas	TX	75266-0770	Pagers
Array Displays	Onnereds Bygga 13	S-421-57	Vastra	Froulunda		Sweden Confidentiality Agreement
ASAT	Opl Ind. Building 14/F	138 Texaco Road	Tsuen Wan	NT		Hong Kong Confidentiality Agreement
Ascom Hasler Leasing	P.O. Box 895		Shelton	CT	06484-0895	Mailing Machine
AT&T	7872 Collection Center Drive		Chicago	IL	60693	Phone Services
AT&T	P.O. Box 2969		Omaha	NE	68103	Phone Services
AT&T	P.O. Box 9001310		Louisville	KY	40290	Phone Services
AT&T UniPlan Service	901 Marquette Avenue, Suite 700		Minneapolis	MN	55402	Telephone - One Rate Prime Plan
AT&T Wireless Services	P.O. Box 78407		Phoenix	AZ	85062-8407	Phone Services
AT&T Wireless Services	P.O. Box 8220		Aurora	IL	60572-8220	Phone Services
AVX Corporation	P.O. Box 867		Myrtle Beach	SC	29578	Confidentiality Agreement
Axon Cable SA	Route de Chalons-en-Champagne		Montmirail		561210	France Nondisclosure Agreement
BF Goodrich	9911 Brecksville Road		Brecksville	OH	44141	Nondisclosure Agreement
Boeing Capital Corporation	4060 Lakewood Blvd., 6th Floor		Long Beach	CA	90808	Sidra Chamber 14-MN
Boeing Capital Corporation	4060 Lakewood Blvd., 6th Floor		Long Beach	CA	90808	Longmont Coates ASI Developer
Boeing Capital Corporation	4060 Lakewood Blvd., 6th Floor		Long Beach	CA	90808	Lease 004 - ASI Develop/ETCH/Strip Machine Asset #281
Boeing Capital Corporation	4060 Lakewood Blvd., 6th Floor		Long Beach	CA	90808	Lease 003 - ASI Chem Clean System, Asset #277
Boeing Capital Corporation	4060 Lakewood Blvd., 6th Floor		Long Beach	CA	90808	Longmont All Plasma PSO 524
Boeing Capital Corporation	4060 Lakewood Blvd., 6th Floor		Long Beach	CA	90808	Baker Bros. Line
Bostik Inc.	211 Boston Street		Middleton	MA		Nondisclosure Agreement
C N A/Group Benefits Admin. Camtek USA	75 Remittance Drive 486 Industrial Wy W	Suite 1664	Chicago Eatontown	IL NJ	60675-1664 07724	Union life insurance/disability AOI model Orion 404-HR Panel Inspection Support & Training
Capco Abrasives	900 Lund Blvd.		Anoka	MN	55303	Purchase Agreement
CCI Eurolam	ZI-9 rue Marcelin-Berthelot		Antony		92160	France Distribution Agreement
Century Circuits	155 Eaton Street		St. Paul	MN	55107	Rep Agreement
Ceridian Performance Partners	SDS 12-1745	P.O. Box 86	Minneapolis	MN	55486-1745	Employee Assistance Program
Chemfab Corporation	701 Daniel Webster Highway	P.O. Box 1137	Merrimack	NH	3054	Confidentiality Agreement Lease/Rental - Ascom Hasler Mailing Machine
Citicorp Vendor Finance Inc.	P.O. Box 41647		Philadelphia	PA	19101	
Coming Inc.	Separations Division	One Alewife Center	Cambridge	MA		Nondisclosure Agreement
Community National Bank	25 Bridge Square		Northfield	MN	55057	Corporate Sweep Account
CR Supply Co.	23708 Welby Way		West Hills	CA	91307	Nondisclosure Agreement
Cramer Trane Building Svcs	5916 Pleasant Ave S		Minneapolis	MN	55419 46514-	PM - Energy Management System
CTS Corporation	905 West Blvd. North		Elkhart	IN	1899	Confidentiality Agreement
Culligan Soft Water Service	P. O. Box 350		Northfield	MN	55057	Water Filtration
Datastream Systems Inc.	50 Datastream Plaza		Greenville	SC	29605	Tech Support - Software Maintenance
DEH Printed Circuits Inc.	840 Church Road		Elgin	IL	60123	Agreement to Cooperate
Digitel Inc.	110 Bank Street, Suite 4 Grandville Research & Development Ctr.	P. O. Box 515	Suffolk	VA	23434	Nondisclosure Agreement
Dow Chemical Co.	P.O. Box 2650		Midland	MI	48674	Confidentiality Agreement
Draxknauer	Postfach 1220 84-137		Vilsbiburg			Germany Nondisclosure Agreement
EMC Corporation	10400 Viking Drive		Eden Prairie	MN	55344	Hardware and Software

Eurologic Systems Ltd.	S County Business Park	Lepardstown	Dublin		18	Ireland	Nondisclosure Agreement
Fenn, John	23776 Harwich Pl.		West Hills	CA	91307		Nondisclosure Agreement
Flom's Lawn Care	40410 Bow Tr		Nerstrand	MN	55053		Lawn Care/Snow Removal
Fokker Space	P.O. Box 75	Hoogerheide, ΔB4630	Chicago	IL	60693	Netherlands	Nondisclosure Agreement
Ford Credit	DI Peterson Trust	5924 Collection Center Drive					
Formula Corporation	2060 Center Pointe Blvd., Suite 12		Mendota Heights	MN	55120		Union Benefits
Foxcomm	No 6 Lane 28 San Ho Road		Tayuan	Taoyuan	337	Taiwan	Letter of Intent
GC Aero	3165 Fijita Street		Torrance	CA	90505		Rep Agreement
GE Capital	P.O. Box 31001-0271		Pasadena	CA	91110-0271		Ricoh Copier System
GE Capital	P.O. Box 31001-0271		Pasadena	CA	91110-0271		Ricoh Fax Machine
GE Capital	P.O. Box 31001-0271		Pasadena	CA	91110-0271		Ricoh Fax Machine
GE Capital	P.O. Box 31001-0271		Pasadena	CA	91110-0271		Ricoh Fax Machine
GE Capital	P.O. Box 31001-0271		Pasadena	CA	91110-0271		Ricoh 4015 Copier System
GE Capital	P.O. Box 31001-0271		Pasadena	CA	91110-0271		Ricoh 4015 Copier System
Guidant Corporation	4100 Hamlin Avenue North		St. Paul	MN	55112		Nondisclosure Agreement
Gyricon Media Inc.	3333 Coyote Road		Palo Alto	CA	94304		Nondisclosure Agreement
Health Partners, NW 3600	P.O. Box 1450		Minneapolis	MN	55485		Employee Benefits
Hewlett Packard Co.	8000 Foothills Blvd, MS 5763		Roseville	CA	95747		Maintenance Agreement for Servers
Hewlett Packard Co. Hickorytech Enterprise Solutions	18110 SE 34th Street 2920 Centre Pointe Dr.		Camas Roseville	WA MN	98607 55113-1122		Confidentiality Agreement Maintenance Services for Telephone System
IBM Corporation	Route 134		Yorktown Heights	NY	10598		Confidentiality Agreement
ICI Americas Inc.	3411 Sislerside Road	P.O. Box 15391	Wilmington	DE	19850		Nondisclosure Agreement
Ikon Office Solutions	Great Lakes East, PO Box 802617		Englewood	CA			Maintenance Agreement
Ikon Office Solutions	Great Lakes District	21706 Network Place	Chicago	IL	60673-1217		Copier lease, maintenance and toner supply
Insulectro	20362 Window Dr.		Lake Forest	CA	92630		Rep Agreement
Intelligent Mechanronic Systems	161 Roger Street		Waterloo	Ontario	N2J 1B1	Canada	Confidentiality Agreement
IOS Capital	P.O. Box 9115		Macon	GA	31208		Lease - Canon IR 600
IOS Capital	P.O. Box 9115		Macon	GA	31208		Lease - Image Runner 550
IOS Capital	P.O. Box 9115		Macon	GA	31208		IKON Rochester (Canon IR 400S-Optig Lse)
Kaneka High Tech Materials	P.O. Box 360997		Pittsburgh	PA	15251		Basic Order Agreement
Leasetec	100 South McCaslin Blvd.		Superior	CO	80027		Orbotech Equipment
Lexmark International Inc.	740 West New Circle Road		Lexington	KY	40550		Confidentiality Agreement
Mantronics Mailing System	530 North Riverfront Drive		Mankato	MN	56001		Mailing Machine maintenance
Manulife Financial	6800 France Avenue South, Suite 125		Minneapolis	MN	55435		Union 401K
Marsh Canada United	70 University Avenue, Suite 800		Toronto		M5J 2M4	Canada	Property Insurance- equipment at Span Canada
Marsh USA Inc.	333 South 7th Street, Suite 1600		Minneapolis	MN	55402		Fiduciary Liability
Medtronic Inc.	710 Medtronic Parkway		Minneapolis	MN	55432		Nondisclosure Agreement
Mentor Graphics Corp.	8005 SW Boeckman Rd		Wilsonville	OR	97070		Joint Marketing Agreement
Midwest Wireless Comm LLC	P.O. Box 64414		St. Paul	MN	55164-0414		Cell Phones
The Marshall Group	150 South Fifth Street, Suite 3000		Minneapolis	MN	55402		Lease - i2 Technologies Software & Services
Minimed Inc.	12744 San Fernando Road		Sylmar	CA	91342		Nondisclosure Agreement
Motorola	1700 Belle Meade Court		Lawrenceville	GA	30243		Nondisclosure Agreement
Motorola, Inc.	600 North U.S. Hwy. 45, Room AN475		Libertyville	IL	60048-1286		Nondisclosure Agreement

Muzak National Union Fire Ins Co.	7550 Meridian Cir. N, Ste. 150 c/o Marsh USA Inc.	333 South Seventh Street	Maple Grove Minneapolis	MN MN	55369 55402		Hold Music Comprehensive Dishonesty, Disappearance & Destruction Policy
Nissha Printing Co.	3 Hanai-cho Mibu Nakagyo-ku		Kyoto		604- 8551	Japan	Nondisclosure Agreement
Nissho Twai American Corp.	100 Galleria Oficentre, Suite 221		Southfield		MI		Letter of Intent
Nokia Mobile Phones Inc.	5650 Alliance Gateway		Ft. Worth		TX 76178		Nondisclosure Agreement
Olin Corp./Brass Division	P.O. Box 92359		Chicago		IL 60675- 2359		Basic Order Agreement
Orcon	1570 Atlantic Street		Union City		CA 94587		Confidentiality Agreement
OSRAM Sylvania Inc.	800 North Church Street		Lake Zurich		IL 60047		Nondisclosure Agreement
Oy Modular Technology Group	Matalaselmaenkuja 1		Helsinki		00150	Finland	Confidentiality Agreement
Paricon Technologies Corp.	421 Currant Road		Fall River		MA 02720		Nondisclosure Agreement
Parlex	145 Milk Street		Methuen		MA 01844		Purchase Agreement
Parlex (Shanghai) Circuit Co.	711 Yi Shan Road		Shanghai		200233	China	Material Requirements
Patterning Technologies Ltd.	11 Buford Street		Hoddensdon		Hartfors hire EN11 8HR	England	Confidentiality Agreement
Peerlead Medical Inc. PHH Vehicle Mgmt Servs	11688 Thornhill Road DI Peterson Trust 5924 Collection Center Dr.		Edon Prairie Chicago		MN 55344 IL 60693		Nondisclosure Agreement Fleet Vehicle Lease Program
Philips Semiconductors Inc.	811 East Arques Avenue		Sunnyvale		CA 94068		Nondisclosure Agreement
Pioneer Technology Eng.	1667-1 Tong Yuan Road, Chung Li Industrial Park		Chung Li City		Taoyuan Hsien	China	Mediation Settlement
Pitney Bowes	24590 Lanser		Southfield		MI 48034		Mailing Machine
Rogers Corp.	100 N Dobson Rd		Chandler		AZ 85224- 6459		Nondisclosure Agreement
Saint-Gobain Abrasives	2770 West Washington Street		Forreston		TX 76041		Purchase Agreement
Sealed Air Corporation	7110 Santa Fe Drive		La Grange		IL 60525		Packaging Line Lease
SIA Abrasives Industries AG Sidrabe	Muhle Wiesen Strasse 20 17 Krustpils St.		Franenfeld Riga		PC CH- 8500 Republic of Latvia	Switzerland	Sales Contract Alliance Agreement
South Dakota School of Mines	501 E St. Joseph St.		Rapid City		SD 57701		Industrial Sponsorship
SPCC-BI	233 South Waker, 11th Floor		Palatine		IL 60067		Software Contract - Windows
Sprint	PO Box 530503		Atlanta		GA 30353- 0503		Long Distance, Internet Access, Frame Relay
St. Paul Fire & Marine Insurance	c/o Marsh & McClennan	333 South 7th Street, Suite 100	Minneapolis		MN 55402		Discontinued Products Policy
St. Paul Fire & Marine Insurance	c/o Marsh & McClennan	333 South 7th Street, Suite 100	Minneapolis		MN 55402		Foreign Liability Insurance
St. Paul Fire & Marine Insurance	c/o Marsh & McClennan	333 South 7th Street, Suite 100	Minneapolis		MN 55402		Workers Compensation Insurance
St. Paul Fire & Marine Insurance	c/o Marsh & McClennan	333 South 7th Street, Suite 100	Minneapolis		MN 55402		Commercial Auto Insurance
St. Paul Mercury Insurance Co.	c/o Marsh & McClennan	333 South 7th Street, Suite 100	Minneapolis		MN 55402		Business Auto Declarations
Storage Technology Corporation	2270 South 88th Street		Louisville		CO 80028		Nondisclosure Agreement
Sumitomo Bakelite Co., Ltd.	5-8 Higashi-Shinagawa 2-Chome	Agawa-Ku	Tokyo		140	Japan	Nondisclosure Agreement
Taipei Lamination Industries	No. 14, Lane 53	Jiunn An Street	Shun Lin Taipei		Hsien	Taiwan	Nondisclosure Agreement
Tektronix	26600 SW Parkway	P.O. Box 1000	Wilsonville		OR 97070		Confidentiality Agreement
The St. Paul	P.O. Box 64254		St. Paul		MN 55164		Insurance Provider
TouchSensor Technologies	203 North Gables		Wheaton		IL 60187		Confidentiality Agreement
Travelers Property Casualty	One Tower Square		Hartford		CT 06183		Boiler Insurance
Tri-C Design Inc.	105 E 4th St., Ste. 205		Northfield		MN 55057		Basic Order Agreement
Triton Systems Inc.	114 Turnpike Road		Chelmsford		MA 01824- 3563		Nondisclosure Agreement
TRW Inc.	24175 Research Drive		Farmington		MI 48335		Secrecy Agreement
Twin City Security	105 South Garfield		Cambridge		MN 55008		General Security Services

United Tech Automotive Inc.	5200 Auto Club Dr		Dearborn	MI	48126		Nondisclosure Agreement
Union of Needletrade Workers	1954 University Avenue West, Suite 1		St. Paul	MN	55104-3460		Collective Bargaining Agreement
VDO Mannesmann	VDI-Strave-1		Babenhau		D-64832	Germany	Confidentiality Agreement
Wells Fargo Financial Leasing	PO Box 6167		Carol Stream	IL	60197		Lease - (2) Ricoh 5832 copiers
Wells Fargo Lsg	PO Box 6167		Carol Stream	IL	60197		Ricoh 5832 Copier
Wells Fargo Shareholder Svcs.	P.O. Box 64875		St. Paul	MN	55164-0875		Stock Transfer service
WET Automlie Systems AG	Askilengesellschaft	Rudolf-Diesel-Strave 12	Odelzhaue		D-85235	Germany	Confidentiality Agreement
William Blair & Company	222 West Adams St		Chicago	IL	60606		Investment Banking Services
Wintek Corp	9-2 Chien-Kuo Road	TEPZ Tantz	Taichung		327	Taiwan	

Counter-parties to the rejected contracts shall have 30 days from the date this Order is entered in which to file a proof of claim or make a motion for payment of administrative expenses pursuant to Local Rule 3002-2(b), if appropriate.

Debtor shall serve a copy of this Order on all Counter-parties to the rejected contracts within two days of entry of the Order.

BY THE COURT:

/e/ Dennis D. O'Brien

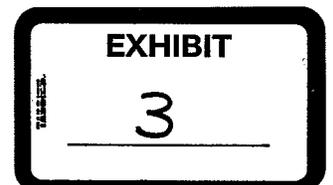
Dennis D. O'Brien
United States Bankruptcy Judge

Dated: October 24, 2002

NOTICE OF ELECTRONIC ENTRY AND FILING ORDER OR JUDGMENT Filed and Docket Entry made on 10/24/02 Patrick G. De Wane, Clerk, By DLR
--

Sheldahl, Inc.
Amount Due

#3122-9-003		
Payments	\$37,072.02	
Late Charges	\$1,552.24	
Total		\$38,624.26
#3122-9-004		
Payments	\$108,907.68	
Late Charges	\$4,539.80	
Total		\$113,447.48
#3122-9-005		
Payments	\$161,681.74	
Late Charges	\$6,955.01	
Total		\$168,636.75
#3122-9-006		
Payments	\$34,912.88	
Late Charges	\$1,499.18	
Total		\$36,412.06
#3122-9-007		
Agreed Deficiency	\$154,966.96	
Total		\$154,966.96
#3122-9-009		
Payments	\$1,466,937.84	
Late Charges	\$25,814.17	
Total		\$1,492,752.01
Pre Petition Legal Fees		\$12,842.50
TOTAL DUE THROUGH 4/29/02		\$2,017,682.02



UNITED STATES BANKRUPTCY COURT
DISTRICT OF MINNESOTA

In re:

SHELDAHL, INC.,

Bky. No.: 02-31674

Debtor.

UNSWORN CERTIFICATE OF SERVICE

I, Susanne M. Hoffman, declare under penalty of perjury that on October 11, 2004, I sent copies, by United States mail, of Response to the Notice of Hearing and Steering Committee's Second Omnibus Objection to Claims of BCC Equipment Leasing Corp./Boeing Capital Corp. in the above-captioned case to the following:

Sheldahl, Inc. Steering Committee c/o James E. Rubenstein, Esq. Moss & Barnett, P.A. 4800 Wells Fargo Center 90 South Seventh Street Minneapolis, MN 55402-4129	Faye Knowles Fredrikson & Byron 900 Second Avenue South Suite 1100 Minneapolis, MN 55402
Ethan D. Ganc & Robert Raicht Halperin Battaglia Raicht 555 Madison Avenue, 9th Floor New York, NY 10022	Sarah J. Wencil, Esq. United States Trustee 1015 U.S. Courthouse 400 South Fourth Street Minneapolis, MN 55415

Dated: October 11, 2004.

s/ Susanne M. Hoffman

Susanne M. Hoffman