

SECURITIES AND EXCHANGE COMMISSION

FORM SC 13D/A

Schedule filed to report acquisition of beneficial ownership of 5% or more of a class of equity securities [amend]

Filing Date: **2000-01-31**
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SUBJECT COMPANY

SHELDAHL INC

CIK: **89615** | IRS No.: **410758073** | State of Incorporation: **MN** | Fiscal Year End: **0831**
Type: **SC 13D/A** | Act: **34** | File No.: **005-32932** | Film No.: **517656**
SIC: **3672** Printed circuit boards

Mailing Address

1150 SHELDAHL ROAD
NORTHFIELD MN 55057-0170

Business Address

1150 SHELDAHL RD
NORTHFIELD MN 55057
5076638000

FILED BY

MOLEX INC

CIK: **67472** | IRS No.: **362369491** | State of Incorporation: **DE** | Fiscal Year End: **0630**
Type: **SC 13D/A**
SIC: **3678** Electronic connectors

Mailing Address

2222 WELLINGTON COURT
LISLE IL 60532

Business Address

2222 WELLINGTON CT
LISLE IL 60532
6305274253

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE 13D/A

UNDER THE SECURITIES EXCHANGE ACT OF 1934
(AMENDMENT NO. 1)*

Sheldahl, Inc.

(Name of Issuer)

Common Stock, par value \$.25 per share

(Title of Class of Securities)

822440103

(CUSIP Number)

Louis A. Hecht, Esq.
Corporate Secretary and General Counsel
Molex Incorporated
2222 Wellington Court
Lisle, Illinois 60532-1682
(630) 969-4550

(Name, Address and Telephone Number of Person
Authorized to Receive Notices and Communications)

January 11, 2000

(Date of Event which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of Rule 13d-1(e), 13d-1(f) or 13d-1(g), check the following box [].

NOTE: Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. See Rule 13d-7 for other parties to whom copies are to be sent.

* The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of

1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

Exhibit Index at page 15

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CUSIP No. 822440103

1 NAMES OF REPORTING PERSONS.....Molex Incorporated
I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (entities only)

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) []
(See Instructions) (b) []

3 SEC USE ONLY

4 SOURCE OF FUNDS (See Instructions)..... WC

5 CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED []
PURSUANT TO ITEM 2 (d) OR 2 (e).....

6 CITIZENSHIP OR PLACE OF ORGANIZATION..... Delaware

NUMBER OF	7	SOLE VOTING POWER.....	2,787,176
SHARES			
BENEFICIALLY	8	SHARED VOTING POWER.....	-0-
OWNED BY			
EACH	9	SOLE DISPOSITIVE POWER.....	2,787,176
REPORTING			
PERSON	10	SHARED DISPOSITIVE POWER.....	-0-
WITH			

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY
EACH REPORTING PERSON..... 2,787,176

12 CHECK IF THE AGGREGATE AMOUNT IN ROW (11)
EXCLUDES CERTAIN SHARES (See Instructions) []

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)..... 19.96%

14 TYPE OF REPORTING PERSON (See Instructions)..... CO

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CUSIP No. 822440103

This Amendment No. 1 to Schedule 13D amends and restates in full as set forth below Items 3, 4, 5, 6, 7 and Annex I of the Schedule 13D as originally filed on August 10, 1998 (the "Original Schedule 13D"). Terms not defined in this Amendment No. 1 shall have the respective meanings given to such terms in

ITEM 3. SOURCE AND AMOUNT OF FUNDS OR OTHER CONSIDERATION.

On July 30, 1998, Molex purchased 12,000 shares (the "Series D Shares") of the Company's Series D Convertible Preferred Stock (the "Series D Preferred Stock"), with a par value of \$1.00 per share and a stated value of \$1,000 per share (the "Series D Stated Value"), from the Company at a cost of \$1,000 per share, or an aggregate of \$12,000,000, pursuant to that certain Convertible Preferred Stock Purchase Agreement dated as of July 30, 1998 (the "Series D Preferred Stock Purchase Agreement") among the Company, Molex and certain other purchasers of Series D Preferred Stock named therein. As partial consideration for the transaction, the Company issued a warrant (the "Series D Warrant") to Molex to purchase up to 120,000 shares of the Company's Common Stock at an exercise price equal to \$7.6875 per share (subject to adjustment as provided therein), exercisable at any time from July 30, 1998 (the "Series D Closing Date") through and including July 29, 2001. All funds used by Molex to purchase the Series D Shares were obtained from the working capital of Molex.

On January 11, 2000 Molex purchased 1,300 shares (the "Series F Shares") of the Company's Series F Convertible Preferred Stock (the "Series F Preferred Stock"), with a par value of \$1.00 per share and a stated value of \$1,000 per share (the "Series F Stated Value"), from the Company at a cost of \$1,000 per share, or an aggregate of \$1,300,000, pursuant to that certain Convertible Preferred Stock Purchase Agreement dated as of January 11, 2000 (the "Series F Preferred Stock Purchase Agreement") among the Company, Molex and a certain other purchaser of Series F Preferred Stock named therein. As partial consideration for the transaction, the Company issued a warrant (the "Series F Warrant") to Molex to purchase up to 40,300 shares of the Company's Common Stock at an exercise price equal to \$5.46 per share (subject to adjustment as provided therein), exercisable at any time from January 11, 2000 (the "Series F Closing Date") through and including January 11, 2005. All funds used by Molex to purchase the Series F Shares were obtained from the working capital of Molex.

The Series D Shares and the Series F Shares are collectively referred to herein as the "Shares." The Series D Warrant and the Series F Warrant are collectively referred to herein as the "Warrants."

ITEM 4. PURPOSE OF TRANSACTION

Molex acquired the Shares and the Warrants for the purpose of acquiring an additional equity investment in the Company.

Molex may purchase additional securities of the Company from time to time, which may result in acquiring control of the Company, or propose, or exercise its right of first refusal described in Item 6 below with respect to, an extraordinary business transaction involving the Company, either itself, through entities under its control and/or in concert with others, either in open market transactions, in privately-negotiated transactions or otherwise depending

on Molex's evaluation of the Company's business, prospects and financial condition, the market for the stock of the Company, the terms and conditions of the transaction, other opportunities available to Molex, prospects for Molex's own business, general market conditions, financial market conditions and other factors Molex may deem relevant to its investment decisions. Molex also may, subject to the transfer restrictions contained in the agreements discussed in item 6 below, either itself, through entities under its control and/or in concert with others, dispose of some or all of its investment in the Company depending on similar considerations. Such dispositions may be made from time to time in open market transactions, underwritten public offerings, privately-negotiated transactions or otherwise, on such terms and at such prices as Molex shall determine. A purchase or sale of additional securities of the Company by Molex could result in a change of control and/or a change in management and policies of the Company or lead to an extraordinary corporate transaction.

Molex and the Company have discussed a potential additional \$3.7 million investment by Molex in the Company. As contemplated the additional investment would be on terms similar to that of the Series F Preferred Stock described herein.

Currently a vacancy exists on the Company's board of directors. Molex anticipates that the members of the Company's board of directors will appoint a director to fill such vacancy. Pursuant to the terms of the Agreement Relating to Sheldahl, Molex has the right to select one person to stand for election as a director. Molex has exercised that right and its designee is currently a member of the Company's board of directors. To the extent the Company's board of directors appoints a director to fill the vacancy described above, Molex's designee will participate in the appointment process.

Except as set forth in this Item 4 or in Item 6 below, neither Molex, nor to its knowledge, the Trust, the Partnership or any of their respective trustees, partners, directors or executive officers has any present plans or proposals that relate to or that could result in any of the actions specified in clauses (a) through (j) of Item 4 of Schedule 13D.

ITEM 5. INTEREST IN SECURITIES OF THE ISSUER

(a) As of the date hereof, Molex beneficially owned 2,787,176 shares of Common Stock, or approximately 19.96% of the shares of Common Stock outstanding (assuming exercise of the Warrants and conversion of the shares held by Molex into Common Stock). To Molex's knowledge, neither the Trust nor the Partnership, nor any of the trustees, partners, directors or executive officers of Molex, the Trust or the Partnership, beneficially owns any shares of Common Stock, except that (a) by virtue of their collective authority as members of the Board of Directors of Molex, the directors of

Molex may be deemed to share the power to direct the vote, and to direct the disposition, of the shares of Common Stock by Molex and (b) by virtue of their beneficial ownership of Molex capital stock described in Item 1 hereof, the

Trust, Frederick A. Krehbiel and John H. Krehbiel, Jr. may be deemed to share the power to direct the vote, and to direct the disposition, of the shares of Common Stock beneficially owned by Molex. Any such indirect beneficial ownership is hereby disclaimed. The percentages used in this paragraph 5(a) are calculated based upon the 11,613,000 shares of Common Stock represented to be outstanding as of January 7, 2000, by the Company in its Form 10-Q filed with the Securities and Exchange Commission on January 11, 2000.

(b) Molex has sole voting power and sole investment power with respect to the 2,787,176 shares of Common Stock that it beneficially owned as of the date hereof. To Molex's knowledge, neither the Trust nor the Partnership, nor any of the trustees, partners, directors or executive officers of Molex, the Trust or the Partnership, has any sole or shared voting power or investment power with respect to any shares of Common Stock, except that, (a) by virtue of their collective authority as members of the Board of Directors of Molex, the directors of Molex may be deemed to share the power to direct the vote, and to direct the disposition, of the shares of Common Stock beneficially owned by Molex and (b) by virtue of their beneficial ownership of Molex capital stock described in Item 1 hereof, the Trust, Frederick A. Krehbiel and John H. Krehbiel, Jr. may be deemed to share the power to direct the vote, and to direct the disposition, of the shares of Common Stock beneficially owned by Molex. Any such indirect beneficial ownership is hereby disclaimed.

(c) Except as set forth in Items 3 and 4 above, neither Molex nor to its knowledge, the Trust, the Partnership, or any of their respective trustees, partners, directors or executive officers has effected any transactions in the Common Stock during the preceding 60 days.

(d) Not applicable.

(e) Not applicable.

ITEM 6. CONTRACTS, ARRANGEMENTS, UNDERSTANDINGS OR RELATIONSHIPS WITH RESPECT TO SECURITIES OF THE ISSUER

Series D Preferred Stock Agreements

On July 30, 1998, Molex purchased 12,000 shares of Series D Preferred Stock from the Company pursuant to the Series D Stock Purchase Agreement.

Series D Certificate of Designation

The Certificate of Designation, Preferences and Rights of Series D Convertible Preferred Stock of the Company, dated July 30, 1998 (the "Series D Certificate of Designation"), provides, among other things, that holders of Series D Preferred Stock are entitled to receive, annually on July 30 of each year, in arrears, dividends on the Series D

Preferred Stock at a rate per share (as a percentage of the Series D Stated Value per share) equal to 5% per annum, payable (except in certain limited

circumstances) in shares of Common Stock or, at the option of the Company, in cash, provided that such payment may not be made until all accrued and unpaid dividends on the Company's Series B Preferred Stock previously issued by the Company ("Series B Preferred Stock") for all past dividend periods have been paid and all conversion notices related thereto have been honored to the date of such payment.

Except in certain limited circumstances set forth in the Series D Certificate of Designation and as otherwise required by law, the Series D Preferred Stock has no voting rights. Upon any liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, the holders of the Series D Preferred Stock are entitled to receive out of the assets of the Company, whether such assets are capital or surplus, an amount per share equal to the Series D Stated Value plus accrued but unpaid dividends per share, whether declared or not, after payment of all amounts due the holders of the Series B Preferred Stock but before any distribution or payment is made to the holders of the Company's Junior Securities (as defined in the Series D Certificate of Designation), including the Common Stock.

Each share of Series D Preferred Stock is convertible by the holder thereof into shares of Common Stock at the Series D Conversion Ratio (as defined below) at the option of the holder in whole or in part at any time after the Series D Closing Date. If, at any time after six months following the Series D Closing Date, the Per Share Market Value (as defined in the Series D Certificate of Designation) of the Common Stock is greater than \$12.30 for at least 30 consecutive business days and the average daily trading volume of the Common Stock on the Nasdaq National Market for such 30 consecutive business days exceeds 50,000 shares (subject to adjustment as provided therein), then the Company may, upon 10 days notice provided thereafter, require the conversion of all but not less than all of the then outstanding Series D Preferred Stock at the Series D Conversion Ratio calculated on the Company Conversion Date (as defined in the Series D Certificate of Designation). All, but not less than all, of the then outstanding Series D Preferred Stock shall automatically be converted at the Series D Conversion Ratio on the date of the closing of a Series D Public Offering (as defined below) or such other date as directed by the managing underwriter.

"Series D Conversion Ratio" with respect to a share of Series D Preferred Stock means a fraction, of which the numerator is the Series D Stated Value of such share plus accrued and unpaid dividends (including any accrued but unpaid interest thereon) but only to the extent not paid in cash in accordance with the Series D Certificate of Designation, and of which the denominator is the Series D Conversion Price at such time. The "Series D Conversion Price" is initially \$6.15, subject to adjustment from time to time as provided in the Series D Certificate of Designation.

"Series D Public Offering" means a firm commitment underwritten public offering of Common Stock under which the gross cash proceeds to the Company (after underwriting discounts, commissions and fees) are at least \$25 million and in which the

offering price in such public offering is not less than 200% of the Series D Conversion Price.

Series D Stock Purchase Agreement

The Series D Stock Purchase Agreement provides, among other things, that if Molex should decide to dispose of any of the Series D Shares, the Series D Warrant or the shares of Common Stock issuable upon conversion of the Series D Shares, exercise of the Series D Warrant or which may be issued as payment of dividends on the Series D Shares in accordance with the Series D Certificate of Designation (collectively, the "Series D Securities"), Molex may only do so only pursuant to an effective registration statement under the Securities Act of 1933, as amended (the "Securities Act"), or pursuant to an available exemption from the registration requirements of the Securities Act. In connection with any transfer of any Series D Securities other than pursuant to an effective registration statement or to the Company or to an affiliate of Molex or pursuant to Rule 144 under the Securities Act, the Company may require Molex to provide the Company with a written opinion of counsel experienced in the area of United States securities laws selected by Molex, the form and substance of which shall be reasonably satisfactory to the Company, to the effect that such transfer does not require registration of such transferred securities under the Securities Act.

Series D Warrant

In connection with the transactions contemplated by the Series D Stock Purchase Agreement, the Company issued the Series D Warrant to Molex to purchase, upon the terms and subject to the conditions set forth therein, up to 120,000 shares of Common Stock at an exercise price equal to \$7.6875 per share (subject to adjustment as provided therein), exercisable at any time from the Series D Closing Date through and including July 29, 2001.

Series D Registration Rights Agreement

In connection with the transactions contemplated by the Series D Stock Purchase Agreement, the Company, Molex and the other purchasers of the Series D Preferred Stock named therein entered into a Series D Registration Rights Agreement dated as of July 30, 1998 (the "Series D Registration Rights Agreement"), pursuant to which the Company agreed to prepare and file with the Securities and Exchange Commission (the "Commission") within 25 days after the Series D Closing Date a shelf registration statement (the "Series D Registration Statement") covering all Registrable Series D Securities (as defined below) for an offering to be made on a continuous basis pursuant to Rule 415 under the Securities Act. The Company has agreed to use commercially reasonable efforts to cause the Series D Registration Statement to be declared effective under the Securities Act as promptly as possible after the filing thereof, but in any event within 90 days after the Series D Closing Date and to keep the Series D Registration Statement continuously effective under the Securities Act until the date which is two years after the date that the Series D Registration Statement is declared effective by the

Commission or such earlier date when all the Registrable Series D Securities covered by the Series D Registration Statement have been sold or may be sold without volume restrictions pursuant to Rule 144 under the Securities Act as determined by counsel to the Company pursuant to a written opinion letter addressed to the Company's transfer agent to such effect.

Pursuant to the Series D Registration Rights Agreement, Molex has agreed that (i) it will not sell any Registrable Series D Securities under the Series D Registration Statement until it has received copies of the Prospectus (as defined in the Series D Registration Rights Agreement) as then amended or supplemented and notice from the Company that such Series D Registration Statement and any post-effective amendments thereto have become effective and (ii) Molex and its officers, directors or affiliates will comply with the Prospectus delivery and any other requirements of the Securities Act applicable to them in connection with sales of Registrable Series D Securities pursuant to the Series D Registration Statement.

Pursuant to the Series D Registration Rights Agreement, Molex has also agreed, upon receipt of a notice from the Company of the occurrence of any event of the kind described in Sections 3(c)(ii) through 3(c)(v) of the Series D Registration Rights Agreement (generally relating to the issuance of stop orders suspending the effectiveness of the Series D Registration Statement, requests for additional information and related matters), Molex will discontinue disposition of the Registrable Series D Securities under the Series D Registration Statement until Molex's receipt of copies of the supplemented Prospectus and/or amended Series D Registration Statement or until it is advised in writing by the Company that the use of the applicable Prospectus may be resumed and, in either case, has received copies of any additional or supplemental filings that are incorporated or deemed to be incorporated by reference in such Prospectus or Series D Registration Statement.

The rights of Molex under the Series D Registration Rights Agreement, including the right to have the Company register the Registrable Series D Securities for resale in accordance with the terms thereof, are automatically assignable by Molex to any assignee or transferee of all or a portion of the Series D Preferred Stock, the Series D Warrant or the Registrable Series D Securities, provided that certain conditions set forth in the Series D Registration Rights Agreement are satisfied.

"Registrable Series D Securities" means, with respect to the Series D Registration Statement to be filed after the Series D Closing Date, the shares of Common Stock issuable upon (i) conversion of the Series D Preferred Stock, (ii) exercise of the Series D Warrants (as defined in the Series D Registration Rights Agreement), including the Series D Warrant and (iii) payment of dividends in respect of such Series D Preferred Stock.

The foregoing summary of certain provisions of the Series D Certificate of Designation, the Series D Stock Purchase Agreement, the Series D Warrant and the Series D Registration Rights Agreement is not intended to be complete and is qualified by reference to such documents set forth in Exhibits 1 through 4 attached hereto.

Series F Preferred Stock Agreements

On January 11, 2000, Molex purchased 1,300 shares of Series F Preferred Stock from the Company pursuant to the Series F Stock Purchase Agreement.

Series F Certificate of Designation

The Certificate of Designation, Preferences and Rights of Series F Convertible Preferred Stock of the Company, dated January 11, 2000 (the "Series F Certificate of Designation"), provides, among other things, that holders of Series F Preferred Stock are entitled to receive, annually on February 1 of each year, in arrears, dividends on the Series F Preferred Stock at a rate per share (as a percentage of the Stated Value per share) equal to 5% per annum, payable (except in certain limited circumstances) in shares of Common Stock or, at the option of the Company, in cash, provided that such payment may not be made until all accrued and unpaid dividends on the Series B Preferred Stock, the Series D Preferred Stock and the Series E Preferred Stock previously issued by the Company ("Series E Preferred Stock") for all past dividend periods have been paid and all conversion notices related thereto have been honored to the date of such payment.

Except in certain limited circumstances set forth in the Series F Certificate of Designation and as otherwise required by law, the Series F Preferred Stock has no voting rights. Upon any liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, the holders of the Series F Preferred Stock are entitled to receive out of the assets of the Company, whether such assets are capital or surplus, an amount per share equal to the Series F Stated Value plus accrued but unpaid dividends per share, whether declared or not, after payment of all amounts due the holders of the Series B Preferred Stock, the Series D Preferred Stock and the Series E Preferred Stock but before any distribution or payment is made to the holders of the Company's Junior Securities (as defined in the Series F Certificate of Designation), including the Common Stock.

Each share of Series F Preferred Stock is convertible by the holder thereof into shares of Common Stock at the Series F Conversion Ratio (as defined below) at the option of the holder in whole or in part at any time after the Series F Closing Date. If, at any time after six months following the Series F Closing Date, the Per Share Market Value (as defined in the Series F Certificate of Designation) of the Common Stock is greater than \$10.92 for at least 30 consecutive business days and the average daily trading volume of the Common Stock on the Nasdaq National Market for such 30 consecutive business days exceeds 50,000 shares (subject to adjustment as provided therein), then the Company may, upon 10 days notice provided thereafter, require the conversion of all but not less than all of the then outstanding Series F Preferred Stock at the Series F Conversion Ratio calculated on the Company Conversion Date (as defined in the Series F Certificate of Designation). All, but not less than all, of the then outstanding Series F Preferred Stock shall automatically be

converted at the Series F Conversion Ratio on the date of the closing of a Series F Public Offering (as defined below) or such other date as directed by the managing underwriter.

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"Series F Conversion Ratio" with respect to a share of Series F Preferred Stock means a fraction, of which the numerator is the Series F Stated Value of such share plus accrued and unpaid dividends (including any accrued but unpaid interest thereon) but only to the extent not paid in cash in accordance with the Series F Certificate of Designation, and of which the denominator is the Series F Conversion Price at such time. The "Series F Conversion Price" is initially \$5.46, subject to adjustment from time to time as provided in the Series F Certificate of Designation.

"Series F Public Offering" means a firm commitment underwritten public offering of Common Stock under which the gross cash proceeds to the Company (after underwriting discounts, commissions and fees) are at least \$25 million and in which the offering price in such public offering is not less than 200% of the Series F Conversion Price.

Series F Stock Purchase Agreement

The Series F Stock Purchase Agreement provides, among other things, that if Molex should decide to dispose of any of the Series F Shares, the Series F Warrant or the shares of Common Stock issuable upon conversion of the Series F Shares, exercise of the Series F Warrant or which may be issued as payment of dividends on the Series F Shares in accordance with the Series F Certificate of Designation (collectively, the "Series F Securities"), Molex may only do so only pursuant to an effective registration statement under the Securities Act, or pursuant to an available exemption from the registration requirements of the Securities Act. In connection with any transfer of any Series F Securities other than pursuant to an effective registration statement or to the Company or to an affiliate of Molex or pursuant to Rule 144 under the Securities Act, the Company may require Molex to provide the Company with a written opinion of counsel experienced in the area of United States securities laws selected by Molex, the form and substance of which shall be reasonably satisfactory to the Company, to the effect that such transfer does not require registration of such transferred securities under the Securities Act.

Series F Warrant

In connection with the transactions contemplated by the Series F Stock Purchase Agreement, the Company issued the Series F Warrant to Molex to purchase, upon the terms and subject to the conditions set forth therein, up to 40,300 shares of Common Stock at an exercise price equal to \$5.46 per share (subject to adjustment as provided therein), exercisable at any time from the Series F Closing Date through and including January 11, 2005.

Series F Registration Rights Agreement

In connection with the transactions contemplated by the Series F Stock Purchase Agreement, the Company, Molex and the other purchasers of the Series F Preferred Stock named therein entered into a Series F Registration Rights Agreement dated as of January

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11, 2000 (the "Series F Registration Rights Agreement"), pursuant to which the Company agreed to prepare and file with the Commission within 60 days after the Series F Closing Date a shelf registration statement (the "Series F Registration Statement") covering all Registrable Series F Securities (as defined below) for an offering to be made on a continuous basis pursuant to Rule 415 under the Securities Act. The Company has agreed to use commercially reasonable efforts to cause the Series F Registration Statement to be declared effective under the Securities Act as promptly as possible after the filing thereof, but in any event within 90 days after the Series F Closing Date and to keep the Series F Registration Statement continuously effective under the Securities Act until the date which is two years after the date that the Series F Registration Statement is declared effective by the Commission or such earlier date when all the Registrable Series F Securities covered by the Series F Registration Statement have been sold or may be sold without volume restrictions pursuant to Rule 144 under the Securities Act as determined by counsel to the Company pursuant to a written opinion letter addressed to the Company's transfer agent to such effect.

Pursuant to the Series F Registration Rights Agreement, Molex has agreed that (i) it will not sell any Registrable Series F Securities under the Series F Registration Statement until it has received copies of the Prospectus (as defined in the Series F Registration Rights Agreement) as then amended or supplemented and notice from the Company that such Series F Registration Statement and any post-effective amendments thereto have become effective and (ii) Molex and its officers, directors or affiliates will comply with the Prospectus delivery and any other requirements of the Securities Act applicable to them in connection with sales of Registrable Series F Securities pursuant to the Series F Registration Statement.

Pursuant to the Series F Registration Rights Agreement, Molex has also agreed, upon receipt of a notice from the Company of the occurrence of any event of the kind described in Sections 3(c) (ii) through 3(c) (v) of the Series F Registration Rights Agreement (generally relating to the issuance of stop orders suspending the effectiveness of the Series F Registration Statement, requests for additional information and related matters), Molex will discontinue disposition of the Registrable Series F Securities under the Series F Registration Statement until Molex's receipt of copies of the supplemented Prospectus and/or amended Series F Registration Statement or until it is advised in writing by the Company that the use of the applicable Prospectus may be resumed and, in either case, has received copies of any additional or supplemental filings that are incorporated or deemed to be incorporated by reference in such Prospectus or Series F Registration Statement.

The rights of Molex under the Series F Registration Rights Agreement, including the right to have the Company register the Registrable Series F

Securities for resale in accordance with the terms thereof, are automatically assignable by Molex to any assignee or transferee of all or a portion of the Series F Preferred Stock, the Series F Warrant or the Registrable Series F Securities, provided that certain conditions set forth in the Series F Registration Rights Agreement are satisfied.

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"Registrable Series F Securities" means, with respect to the Series F Registration Statement to be filed after the Closing Date, the shares of Common Stock issuable upon (i) conversion of the Series F Preferred Stock, (ii) exercise of the Series F Warrants (as defined in the Series F Registration Rights Agreement), including the Series F Warrant and (iii) payment of dividends in respect of such Series F Preferred Stock.

The foregoing summary of certain provisions of the Series F Certificate of Designation, the Series F Stock Purchase Agreement, the Series F Warrant and the Series F Registration Rights Agreement is not intended to be complete and is qualified by reference to such documents set forth in Exhibits 6 through 9 attached hereto.

Special Covenants

Pursuant to the Series F Stock Purchase Agreement, the Company has agreed to provide Molex with reasonably requested additional business and financial information. The Company also agreed to discuss strategic options regarding a certain portion of the Company's business to the extent the Company has not entered into, or is not then negotiating, a transaction for the sale or strategic combination of such portion of its business by February 28, 2000. The Company's fulfillment of the foregoing agreements is conditioned upon its being able to do so without its board of director breaching their fiduciary duties. Molex has agreed to uphold its legal responsibilities in the use and care of any information supplied by the Company.

Other Agreements

Company Rights Plan

On July 25, 1998, the Board of Directors of the Company authorized an amendment (the "Rights Amendment") to, and effective July 25th, 1998 the Company and Norwest Bank Minnesota, N.A. amended, Section 1(a) of the Company's Rights Agreement dated as of June 16, 1996. Section 1(a), as amended and in its entirety, is as follows:

"(a) Acquiring Person shall mean any Person (as such term is hereinafter defined) who or which, together with all Affiliates (as such term is hereinafter defined) and Associates (as such term is hereinafter defined) of such Person, without the prior approval of a majority of the Board of Directors, shall be the Beneficial Owner (as such term is hereinafter defined) of voting securities having fifteen percent (15%) or more of the then voting power of the Company, but shall not include the Company, any Subsidiary of the Company, any

employee benefit plan of the Company or of any Subsidiary of the Company, or any entity organized, appointed or established by the Company for or pursuant to the terms of any such plan; provided, however, that if a Person is the Beneficial Owner at the close of business on the date of this Agreement of fifteen percent (15%) or more of the voting power of the Company, such

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Person shall not be deemed an Acquiring Person unless and until such Person acquires any additional Common Stock in any manner other than pursuant to a stock dividend, stock split, recapitalization or similar transaction that does not affect the percentage of outstanding Common Stock beneficially owned by such Person. Notwithstanding the foregoing or the last sentence of this Section 1(a), no Person shall become an Acquiring Person as the result of an acquisition of Common Stock by the Company which, by reducing the number of shares outstanding, increases the proportionate number of shares beneficially owned by such Person to fifteen percent (15%) or more of the then voting power of the Company then outstanding; provided, however, that if a Person shall become the Beneficial Owner of fifteen percent (15%) or more of the then voting power of the Company then outstanding by reason of shares purchased by the Company and shall, after such share purchases by the Company, become the Beneficial Owner of any additional Common Stock of the Company, then such Person shall be deemed to be an Acquiring Person. Notwithstanding the foregoing, if a majority of the Continuing Directors then in office determines in good faith that a Person who would otherwise be an Acquiring Person, as defined pursuant to the foregoing provisions of this paragraph (a), has become such inadvertently, and such Person divests as promptly as practicable a sufficient number of shares of Common Stock so that such Person would no longer be an Acquiring Person, as defined pursuant to the foregoing provisions of this paragraph (a), then such Person shall not be deemed to be an Acquiring Person for any purposes of this Agreement. Notwithstanding the foregoing, Molex Incorporated and its Affiliates and Associates shall not be deemed an Acquiring Person until such time as any one of them becomes the Beneficial Owner of twenty-two percent (22%) or more of the voting power of the Company and references to fifteen percent (15%) in this Agreement shall be deemed to refer to twenty-two percent (22%) when applied to Molex Incorporated and its Affiliates and Associates; provided that Common Stock received by Molex Incorporated as dividends paid or accrued on the Company's Series D Convertible Preferred Stock (the Series D Preferred) shall be excluded from such Beneficial Ownership calculation for Molex Incorporated and its Affiliates and Associates so long as such Beneficial Ownership includes only shares of the Company's Common Stock owned as of the date hereof, shares of Series D Preferred, shares of Series D Preferred converted into Common Stock, Common Stock received as dividends paid or accrued on the Series D Preferred and Common Stock issued directly to Molex Incorporated after the date hereof of the Company."

The foregoing summary of certain provisions of the Rights Amendment is

not intended to be complete and is qualified by reference to the document attached as Exhibit 5.

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Additional Agreements

In connection with the transactions contemplated by the Stock Purchase Agreement, the Company has granted Molex the right to select one representative for nomination to the Board of Directors of the Company, a right of first refusal to purchase the Company in the event that the Board of Directors elects to sell the Company and certain preemptive rights with respect to future equity offerings. The grant of such rights is memorialized in the Agreement Relating to Sheldahl by and between Molex and the Company dated November 18, 1998 (the "Agreement Relating to Sheldahl").

Pursuant to the Agreement Relating to Sheldahl, Molex's right of first refusal is triggered upon a proposal of either (i) a transaction in which a person becomes the beneficial owner of a majority of the Common Stock or securities representing a majority of the Company's voting securities or (ii) the sale or exchange of substantially all of the Company's assets. Pursuant to the Agreement Relating to Sheldahl, Molex's preemptive right is triggered upon the Company's intention to issue additional Common Stock or securities convertible into Common Stock. The preemptive rights allow Molex to purchase additional securities to maintain ownership of the lesser of (i) 15% of Common Stock (determined as if Molex's preferred stock had been converted) or (ii) the percentage of Common Stock Molex owned (determined as if Molex preferred stock had been converted) immediately prior to the transaction. The Agreement Relating to Sheldahl terminates upon the earliest occurrence of (i) Molex failing to own at least 5% of the Company's common stock, (ii) Molex failing to own at least 75% of the Common Stock it owned on November 18, 1998, or (iii) a change in control of the Company.

The foregoing summary of certain provisions of the Agreement Relating to Sheldahl is not intended to be complete and is qualified by reference to the document attached as Exhibit 10.

See the discussion of a potential additional investment by Molex in the Company set forth in Item 4 of this statement.

Special Covenants

Pursuant to the Series F Stock Purchase Agreement, the Company has agreed to provide Molex with reasonably requested additional business and financial information. The Company also agreed to discuss the strategic options regarding a certain portion of the Company's business to the extent it has not entered into, or is not then negotiating, a sale or strategic combination of such business by February 28, 2000. The Company's fulfillment of the foregoing agreements is conditioned upon its being able to do so without its board of director's breaching their fiduciary duties. Molex has agreed to uphold their legal responsibilities in the use and care of any information supplied by the Company.

Except as summarized above, to Molex's knowledge, there exist no contracts, arrangements, understandings or relationships (legal or otherwise) among Molex, the

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Trust, the Partnership and their respective trustees, partners, executive officers or directors or between such persons and any person with respect to any securities of the Company, including but not limited to, transfer or voting of any of the securities, finder's fees, joint ventures, loan or option arrangements, puts or calls, guarantees of profits, division of profits or loss, or the giving or withholding of proxies.

ITEM 7. MATERIAL TO BE FILED AS EXHIBITS

*1. Certificate of Designation, Preferences and Rights of Series D Convertible Preferred Stock of the Company, dated July 30, 1998.

*2. Convertible Preferred Stock Purchase Agreement, dated as of July 30, 1998, among the Company, Molex and the other purchasers of Series D Preferred Stock set forth therein.

*3. Warrant, dated as of July 30, 1998, issued by the Company to Molex.

*4. Registration Rights Agreement, dated as of July 30, 1998, among the Company, Molex and the other purchasers of Series D Preferred Shares set forth therein.

*5. Amendment No. 1, dated as of July 25, 1998, to Rights Agreement, dated as of June 16, 1996, between the Company and Norwest Bank Minnesota, National Association.

**99.6. Certificate of Designation, Preferences and Rights of Series F Convertible Preferred Stock of the Company, dated January 11, 2000.

**99.7. Convertible Preferred Stock Purchase Agreement, dated as of January 11, 2000, among the Company, Molex and the other purchaser of Series F Preferred Stock set forth therein.

**99.8. Warrant, dated as of January 11, 2000, issued by the Company to Molex.

**99.9. Registration Rights Agreement, dated as of January 11, 2000, among the Company, Molex and the other purchaser of Series F Preferred Shares set forth therein.

**99.10. Agreement Relating to Sheldahl, dated November 18, 1998 by and between Molex and the Company.

* Previously filed

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SIGNATURES

After reasonable inquiry and to the best of his knowledge and belief, each of the undersigned certifies that the information set forth in this statement is true, complete and correct.

Date: January 28, 2000

/s/ LOUIS HECHT

Name: Louis Hecht

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ANNEX I

Set forth below are the name, business address and present principal occupation of each of the directors and executive officers of Molex. Except as otherwise noted, each such person is a citizen of the United States and the business address of each such person is c/o Molex Incorporated, 2222 Wellington Court, Lisle, Illinois 60532-1682.

<TABLE>
<CAPTION>

NAME	PRESENT PRINCIPAL OCCUPATION, CITIZENSHIP AND BUSINESS ADDRESS IF OTHER THAN AS INDICATED ABOVE
----	-----

Directors

<S> Frederick A. Krehbiel.....	<C> Co-Chairman and Co-Chief Executive Officer Molex Incorporated
John H. Krehbiel, Jr.....	Co-Chairman and Co-Chief Executive Officer Molex Incorporated

Robert J. Potter.....	President and Chief Executive Officer R.J. Potter Company (business consulting) Williams Square, Suite 1110 5215 North O'Connor Boulevard Irving, TX 75039
Edgar D. Jannotta.....	Senior Director, William Blair & Company, LLC (securities and investment banking) 222 West Adams Street Chicago, IL 60606
F.L. Krehbiel.....	Assistant to the Regional President (Americas) - Global Desktop Business Molex Incorporated
Donald G. Lubin.....	Partner Sonnenschein Nath & Rosenthal (law firm) 8000 Sears Tower Chicago, Illinois 60606

</TABLE>

CUSIP No. 822440103

<TABLE>
<CAPTION>

NAME	PRESENT PRINCIPAL OCCUPATION, CITIZENSHIP AND BUSINESS ADDRESS IF OTHER THAN AS INDICATED ABOVE
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<S>	<C>
Masahisa Naitoh.....	Senior Advisor for The Institute of Energy Economics, Japan (private think tank) Executive Vice President of Itochu Corporation (Japanese global trading firm) International Advisory Board 5-1, Kita-Aoyama 2-chome, Minato-ku Tokyo 107-8077, Japan (citizen of Japan)
Michael J. Birck.....	President and Chief Executive Officer Tellabs, Inc. (telecommunications equipment) 4951 Indiana Avenue Lisle, IL 60532

J. Joseph King.....	President and Chief Operating Officer of Molex Incorporated.
Douglas K. Carnahan.....	Retired Former Senior Vice President and General Manager of Measurement Systems Organization of Hewlett-Packard Company (computers, computer peripherals and instrumentation) 4410 West Chinden Meridian, ID 83642

Executive Officers

Frederick A. Krehbiel.....	Co-Chairman and Co-Chief Executive Officer Molex Incorporated
John H. Krehbiel, Jr.....	Co-Chairman and Co-Chief Executive Officer Molex Incorporated
J. Joseph King.....	President and Chief Operating Officer
Raymond C. Wieser.....	Senior Corporate Vice President

</TABLE>

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<TABLE>
<CAPTION>

NAME

PRESENT PRINCIPAL OCCUPATION,
CITIZENSHIP AND BUSINESS ADDRESS
IF OTHER THAN AS INDICATED ABOVE

<S> Robert B. Mahoney.....	<C> Corporate Vice President, Treasurer and Chief Financial Officer
Ronald L. Schubel.....	Corporate Vice President and Regional President, Americas
Werner W. Fichtner.....	Corporate Vice President and Regional President, Europe Molex Services GmbH Dingolfinger Strasse 4 D-81673 Munich, Germany (citizen of Germany)

Goro Tokuyama.....	Corporate Vice President, Regional President, Far East North and President of Molex Japan Co., Ltd. 1-5-4 Fukami-Higashi Yamato City, Kanagawa 242-8585 Japan (citizen of Japan)
Martin P. Slark.....	Corporate Executive Vice President
James E. Fleischhacker.....	Corporate Vice President and Regional President
Kathi M. Regas.....	Corporate Vice President
Louis A. Hecht.....	Corporate Secretary and General Counsel

</TABLE>

SHELDAHL, INC.
CERTIFICATE OF DESIGNATION, PREFERENCES
AND RIGHTS OF SERIES F
CONVERTIBLE PREFERRED STOCK

Pursuant to Section 302A.401 of the Minnesota Business Corporation Act:

I, the undersigned officer of Sheldahl, Inc., a Minnesota corporation (the "Company"), in accordance with the provisions of Section 302A.401, DO HEREBY CERTIFY:

That pursuant to the authority conferred upon the Board of Directors by the Articles of Incorporation of the Company, the Board of Directors on January 4, 2000 adopted the following resolution creating a series of 7,000 shares of preferred stock designated as Series F Convertible Preferred Stock:

RESOLVED, that pursuant to the authority vested in the Board of Directors of this Company in accordance with the provisions of its Articles of Incorporation, a series of preferred stock known as the Series F Convertible Preferred Stock be, and hereby is, created and that the designation and amount thereof and the rights and preferences of the shares of such preferred stock are as follows:

Section 1. Designation, Amount and Par Value. The series of preferred stock shall be designated as the Series F Convertible Preferred Stock (the "Series F Preferred Stock"), and the number of shares so designated shall be 7,000 (which shall not be subject to increase without the prior written consent of the holders of a majority of the shares of Series F Preferred Stock then outstanding). Each share of Series F Preferred Stock shall have a par value of \$1.00 per share and a stated value of \$1,000 per share (the "Stated Value").

Section 2. Dividends.

(a) The holders of Series F Preferred Stock shall be entitled to receive, annually on February 1 of each year beginning February 1, 2001, in arrears, each a "Dividend Payment Date," dividends on the Preferred Stock at the rate per share (as a percentage of the Stated Value per share) equal to 5% per annum, payable, in shares of Common Stock (as defined in Section 6) provided such payment shall not be made unless and until all accrued and unpaid dividends on the Company's Series B Preferred Stock (the "Series B Preferred Stock") the Company's Series D Preferred Stock (the "Series D Preferred Stock") and on the Company's Series E Preferred Stock (the "Series E Preferred Stock") previously issued by the Company for all past dividend periods shall have been paid and all conversion notices related thereto have been honored to the date of such

payment. Dividends on the Series F Preferred Stock shall be calculated on the basis of a 360-day year, shall accrue daily commencing with the Original Issue Date (as defined in Section 6), and shall be deemed to accrue on such date whether or not declared and whether or not there are profits, surplus or other funds of the Company legally available for the payment of dividends. The party that holds the Series F Preferred Stock on the

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applicable Dividend Payment Date for any dividend payment will be entitled to receive such dividend payment and any other accrued and unpaid dividends which accrued prior to such Dividend Payment Date.

(b) So long as any Series F Preferred Stock shall remain outstanding, except with respect to the redemption or exchange of "rights" under the Rights Agreement, dated as of June 16, 1996, as amended between the Company and Norwest Bank Minnesota, N.A. (the "Rights Agreement") and the Series A Junior Participating Stock reserved for issuance in connection therewith, neither the Company nor any subsidiary thereof shall redeem, purchase or otherwise acquire directly or indirectly any Junior Securities (as defined in Section 6), nor shall the Company directly or indirectly pay or declare any dividend or make any distribution (other than a dividend or distribution described in Section 5) upon, nor shall any distribution be made in respect of, any Junior Securities, nor shall any monies be set aside for or applied to the purchase or redemption (through a sinking fund or otherwise) of any Junior Securities unless all accrued and unpaid dividends on the Series F Preferred Stock for all past dividend periods shall have been paid.

Section 3. Voting Rights. Except as otherwise provided herein and as otherwise required by law, the Series F Preferred Stock shall have no voting rights. However, so long as any shares of Series F Preferred Stock are outstanding, the Company shall not and shall cause its subsidiaries not to, without the affirmative vote of all of the holders of the Series F Preferred Stock then outstanding, (a) alter or change adversely the powers, preferences or rights given to the Series F Preferred Stock; (b) alter or amend this Certificate of Designation in a manner adverse to the holders of Series F Preferred Stock; (c) authorize or create any class of stock without superior ranking as to dividends or distribution of assets upon a Liquidation (as defined in Section 4) or otherwise senior to or pari passu with the Series F Preferred Stock, except for the Series B Preferred Stock and the Series D Preferred Stock and the Series E Preferred Stock; (d) amend its articles of incorporation, bylaws or other charter documents so as to affect adversely any rights of any holders of Series F Preferred Stock; (e) increase the authorized number of shares of Series F Preferred Stock; or (f) enter into any agreement with respect to the foregoing.

Section 4. Liquidation. Upon any liquidation, dissolution or winding-up

of the Company, whether voluntary or involuntary (a "Liquidation"), the holders of Series F Preferred Stock shall be entitled to receive out of the assets of the Company, whether such assets are capital or surplus, for each share of Series F Preferred Stock an amount equal to the Stated Value plus all accrued but unpaid dividends per share, whether declared or not, after payment of all amounts due the holders of Series B Preferred Stock, Series D Preferred Stock and Series E Preferred Stock, but before any distribution or payment shall be made to the holders of any Junior Securities, and if the assets of the Company shall be insufficient to pay in full such amounts after payment of all amounts due the holders of the Series B Preferred Stock, Series D Preferred Stock and Series E Preferred Stock, then the entire assets to be distributed to the holders of Series F Preferred Stock shall be distributed among the holders of Series F Preferred Stock ratably in accordance with the respective amounts that would be payable on such shares if

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all amounts payable thereon were paid in full. A sale, conveyance or disposition of all or substantially all of the assets of the Company or the effectuation by the Company of a transaction or series of related transactions in which more than 50% of the voting power of the Company is disposed of, or a consolidation or merger of the Company with or into any other company or companies shall not be treated as a Liquidation, but instead shall be subject to the provisions of Section 5. The Company shall mail written notice of any such Liquidation, not less than 30 days prior to the payment date stated therein, to each record holder of Series F Preferred Stock.

Section 5. Conversion.

(a) (i) Each share of Series F Preferred Stock is convertible by the holder thereof into shares of Common Stock at the Conversion Ratio (as defined in Section 6) at the option of the holder in whole or in part at any time after the Original Issue Date. The holder shall effect conversions by surrendering the certificate or certificates representing the shares of Series F Preferred Stock to be converted to the Company, together with the form of conversion notice attached hereto as Exhibit A (the "Holder Conversion Notice"), a copy of which, notwithstanding anything herein to the contrary, shall also be promptly sent to the Company's transfer agent and the Company's counsel. Each Holder Conversion Notice shall specify the number of shares of Series F Preferred Stock to be converted and the date on which such conversion is to be effected, which date may not be prior to the date on which the holder delivers such Conversion Notice

by facsimile (the "Holder Conversion Date"). If no Holder Conversion Date is specified in a Holder Conversion Notice, the Holder Conversion Date shall be the date that the Holder Conversion Notice is deemed delivered pursuant to Section 5(h). If the holder is converting less than all shares of Series F Preferred Stock represented by the certificate or certificates tendered by the holder with the Holder Conversion Notice, or if a conversion hereunder cannot be effected in full for any reason, the Company shall promptly deliver to such holder (in the manner and within the time set forth in Section 5(b)) a certificate for such number of shares as have not been converted.

(ii) If, at any time after six months following the Original Issue Date, (A) the Per Share Market Value (as defined in Section 6) is greater than 200% of the Initial Conversion Price (as defined in Section 5(c)) for at least 30 consecutive Business Days; and (B) the average daily trading volume of the Common Stock on the Nasdaq National Market for such 30 consecutive Business Days exceeds 50,000 shares (as adjusted for stock splits, reverse stock splits and stock dividends), then the Company may, upon 10 days notice provided thereafter, require the conversion of all but not less than all of the then outstanding and unconverted shares of Series F Preferred Stock at the Conversion Ratio calculated on the Company Conversion Date (as defined below) by delivering to the holders a notice in the form attached hereto as Exhibit B (the "Company Conversion Notice"). Each Company Conversion Notice under this Section shall specify the date on which such conversion is to be effected, which date may not be prior to the 10th day after the Company delivers such Company Conversion Notice by facsimile (the "Company Conversion Date"). If no Company Conversion Date is specified in a Company Conversion Notice given under this Section, the Company Conversion Date shall be the 11th day after the Company Conversion Notice is deemed delivered pursuant to Section 5(h). Nothing

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contained herein shall limit a holder's right to convert any or all of the Series F Preferred Stock held by it prior to the Company Conversion Date.

(iii) All, but not less than all, of the then outstanding and unconverted shares of Series F Preferred Stock shall automatically be converted at the Conversion Ratio on the date of the closing of a Public Offering (as defined in Section 6) or such date as directed by the managing underwriter (the "Public Offering Conversion Date"). Nothing contained herein shall limit a holder's right to convert any or all of the Series F Preferred Stock held by it prior to the Public Offering conversion Date. The Company shall deliver a Company Conversion Notice to the holders of Series F Preferred Stock not less than five business days prior to the filing of any registration statement in connection with such Public Offering.

A Holder Conversion Date, a Company Conversion Date and a Public

Offering Conversion Date are sometimes referred to herein as a "Conversion Date" and a Holder Conversion Notice and a Company Conversion Notice are sometimes referred to as a "Conversion Notice."

(b) Not later than ten Business Days after the Conversion Date and receipt by the Company of an original share certificate representing the shares of Series F Preferred Stock to be converted, the Company will deliver to the holder (i) a certificate or certificates which shall be free of restrictive legends and trading restrictions (other than those required by Section 3.1(b) of the Purchase Agreement or as may be required by the Rights Agreement) representing the number of shares of Common Stock being acquired upon the conversion of shares of Series F Preferred Stock; (ii) one or more certificates representing the number of shares of Series F Preferred Stock not converted; (iii) a bank check in the amount of accrued and unpaid dividends (if the Company has elected or is required hereunder to pay accrued dividends in cash); and (iv) if the Company has elected and is permitted hereunder to pay accrued dividends in shares of Common Stock, certificates, which shall be free of restrictive legends and trading restrictions (other than those required by the Purchase Agreement or as may be required by the Company's Rights Agreement), representing such number of shares of Common Stock as equals such dividend divided by the Conversion Price on the Conversion Date; provided, however, that the Company shall not be obligated to issue certificates evidencing the shares of Common Stock issuable upon conversion of any shares of Series F Preferred Stock until certificates evidencing such shares of Series F Preferred Stock are either delivered for conversion to the Company or the transfer agent for the Series F Preferred Stock or Common Stock, or the holder of such Series F Preferred Stock notifies the Company that such certificates have been lost, stolen or destroyed and provides a bond (or other adequate security) reasonably satisfactory to the Company to indemnify the Company from any loss incurred by it in connection therewith.

(c) (i) The conversion price for each share of Series F Preferred Stock (the "Conversion Price") on any Conversion Date shall be \$5.46 (the "Initial Conversion Price"), as adjusted from time to time as provided in this Section 5(c).

(ii) If the Company, at any time while any shares of Series F Preferred Stock are outstanding, (a) shall pay a stock dividend or otherwise make a distribution or distributions on shares of its Junior Securities payable in shares of Common Stock, (b) subdivide outstanding shares of Common Stock into a larger number of shares, (c) combine outstanding shares of Common Stock into a smaller number of shares, or (d) issue by reclassification of shares of Common Stock any shares of capital stock of the Company, the Conversion Price shall be multiplied by a fraction of which the numerator shall be the number of shares of Common Stock outstanding before such event and of which the denominator shall be

the number of shares of Common Stock outstanding after such event. Any adjustment made pursuant to this Section 5(c)(ii) shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision, combination or reclassification.

(iii) If the Company, at any time while any shares of Series F Preferred Stock are outstanding, shall issue rights or warrants to all holders of Common Stock entitling them to subscribe for or purchase shares of Common Stock at a price per share less than the Per Share Market Value of Common Stock at the record date mentioned below, the Conversion Price shall be multiplied by a fraction, of which the denominator shall be the number of shares of Common Stock (excluding treasury shares, if any) outstanding on the date of issuance of such rights or warrants plus the number of additional shares of Common Stock offered for subscription or purchase, and of which the numerator shall be the number of shares of Common Stock (excluding treasury shares, if any) outstanding on the date of issuance of such rights or warrants plus the number of shares which the aggregate offering price of the total number of shares so offered would purchase at such Per Share Market Value. Such adjustment shall be made whenever such rights or warrants are issued, and shall become effective immediately after the record date for the determination of stockholders entitled to receive such rights or warrants. However, upon the expiration of any right or warrant to purchase Common Stock the issuance of which resulted in an adjustment in the Conversion Price pursuant to this Section 5(c)(iii), if any such right or warrant shall expire and shall not have been exercised, the Conversion Price shall immediately upon such expiration be recomputed and effective immediately upon such expiration be increased to the price which it would have been (but reflecting any other adjustments in the Conversion Price made pursuant to the provisions of this Section 5 after the issuance of such rights or warrants) had the adjustment of the Conversion Price made upon the issuance of such rights or warrants been made on the basis of offering for subscription or purchase only that number of shares of Common Stock actually purchased upon the exercise of such rights or warrants actually exercised.

(iv) If the Company, at any time while shares of Series F Preferred Stock are outstanding, shall distribute to all holders of Common Stock (and not to holders of Series F Preferred Stock) evidences of its indebtedness or assets or rights or warrants to subscribe for or purchase any security (excluding those referred to in Sections 5(c)(ii) and (iii) above), then in each such case the Conversion Price at which each share of Series F Preferred Stock shall thereafter be convertible shall be determined by multiplying the Conversion Price in effect immediately prior to the record date fixed for determination of stockholders entitled to receive such distribution by a fraction of which the denominator shall be the Per Share Market

Value of Common Stock determined as of the record date mentioned above, and of which the numerator shall be such Per Share Market Value of the Common Stock on such record date less the then fair market value at such record date of the portion of such assets or evidence of indebtedness so distributed applicable to one outstanding share of Common Stock as determined by the Board of Directors in good faith; provided, however, that in the event of a distribution exceeding ten percent (10%) of the net assets of the Company, such fair market value shall be determined by a nationally recognized or major regional investment banking firm or firm of independent certified public accountants of recognized standing (which may be the firm that regularly examines the financial statements of the Company) (an "Appraiser") selected in good faith by the holders of a majority in interest of the shares of Series F Preferred Stock then outstanding and reasonably acceptable to the Company. In either case the adjustments shall be described in a statement provided to the holders of Series F Preferred Stock of the portion of assets or evidences of indebtedness so distributed or such subscription rights applicable to one share of Common Stock. Such adjustment shall be made whenever any such distribution is made and shall become effective immediately after the record date mentioned above.

(v) All calculations under this Section 5 shall be made to the nearest cent or the nearest 1/100th of a share, as the case may be.

(vi) Whenever the Conversion Price is adjusted pursuant to Section 5(c) (ii), (iii) or (iv), the Company shall promptly mail to each holder of Series F Preferred Stock, a notice setting forth the Conversion Price after such adjustment and setting forth a brief statement of the facts requiring such adjustment.

(vii) In case of any reclassification of the Common Stock, any consolidation or merger of the Company with or into another person pursuant to which the Company will not be the surviving entity, the sale or transfer of all or substantially all of the assets of the Company or any compulsory share exchange pursuant to which the Common Stock is converted into other securities, cash or property, the holders of the Series F Preferred Stock then outstanding shall convert such shares only into the shares of stock and other securities, cash and property receivable upon or deemed to be held by holders of Common Stock following such reclassification, consolidation, merger, sale, transfer or share exchange, and the holders of the Series F Preferred Stock shall be entitled upon such event to receive such amount of securities, cash or property as the shares of the Common Stock of the Company into which such shares of Series F Preferred Stock could have been converted immediately prior to such reclassification, consolidation, merger, sale, transfer or share exchange would have been entitled. The terms of any such consolidation, merger, sale, transfer or share exchange shall include such terms so as to continue to give to the

holder of Series F Preferred Stock the right to receive the securities, cash or property set forth in this Section 5(c)(vii) upon any conversion or redemption following such consolidation, merger, sale, transfer or share exchange. This provision shall similarly apply to successive reclassifications, consolidations, mergers, sales, transfers or share exchanges.

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(viii) If:

- A. the Company shall declare a dividend (or any other distribution) on its Common Stock; or
- B. the Company shall declare a special nonrecurring cash dividend on or a redemption of its Common Stock; or
- C. the Company shall authorize the granting to all holders of the Common Stock rights or warrants to subscribe for or purchase any shares of capital stock of any class or of any rights; or
- D. the approval of any stockholders of the Company shall be required in connection with any reclassification of the Common Stock of the Company, any consolidation or merger to which the Company is a party, any sale or transfer of all or substantially all of the assets of the Company, or any compulsory share exchange whereby the Common Stock is converted into other securities, cash or property; or
- E. the Company shall authorize the voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Company;

then the Company shall cause to be filed at each office or agency maintained for the purpose of conversion of Series F Preferred Stock, and shall cause to be mailed to the holders of Series F Preferred Stock at their last addresses as they shall appear upon the stock books of the Company, at least 20 calendar days prior to the applicable record or effective date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution, redemption, rights or warrants, or if a record is not to be taken, the date as of which the holders of Common Stock of record to be

entitled to such dividend, distributions, redemption, rights or warrants are to be determined or (y) the date on which such reclassification, consolidation, merger, sale, transfer or share exchange is expected to become effective or close, and the date as of which it is expected that holders of Common Stock of record shall be entitled to exchange their shares of Common Stock for securities, cash or other property deliverable upon such reclassification, consolidation, merger, sale, transfer or share exchange; provided, however, that the failure to mail such notice or any defect therein or in the mailing thereof shall not affect the validity of the corporate action required to be specified in such notice.

(d) The Company will at all times reserve and keep available out of its authorized and unissued Common Stock solely for the purpose of issuance upon conversion of Series F Preferred Stock and payment of dividends on Series F Preferred Stock, each as herein provided, free from preemptive rights or any other actual or contingent purchase rights of persons other than the holders of Series F Preferred Stock, not less than such number of shares of Common Stock as shall, upon the conversion of all outstanding shares of Series F Preferred Stock and

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payment of dividends hereunder. All shares of Common Stock that shall be so issuable shall, upon issue, be duly authorized, validly issued and fully paid, nonassessable and freely tradeable (except as may be required pursuant to Section 3.1(b) of the Purchase Agreement).

(e) Upon a conversion hereunder the Company shall not be required to issue stock certificates representing fractions of shares of Common Stock, but may if otherwise permitted, make a cash payment in respect of any final fraction of a share based on the Per Share Market Value at such time. If the Company elects not, or is unable, to make such a cash payment, the holder of a share of Preferred Stock shall be entitled to receive, in lieu of the final fraction of a share, one whole share of Common Stock.

(f) The issuance of certificates for shares of Common Stock on conversion of Series F Preferred Stock shall be made without charge to the holders thereof for any documentary stamp or similar taxes that may be payable in respect of the issue or delivery of such certificates, provided that the Company shall not be required to pay any tax that may be payable in respect of any transfer involved in the issuance and delivery of any such certificate upon conversion in a name other than that of the holder of such shares of Series F Preferred Stock so converted and the Company shall not be required to issue or

deliver such certificates unless or until the person or persons requesting the issuance thereof shall have paid to the Company the amount of such tax or shall have established to the satisfaction of the Company that such tax has been paid.

(g) Shares of Series F Preferred Stock converted into Common Stock shall be canceled and shall have the status of authorized but unissued shares of undesignated stock.

(h) Any and all notices or other communications or deliveries to be provided by the holders of the Series F Preferred Stock hereunder shall be in writing and delivered personally, by facsimile, sent by a nationally recognized overnight courier service or sent by certified or registered mail, postage prepaid, addressed to the attention of the Chief Executive Officer of the Company at the facsimile telephone number or address of the principal place of business of the Company as set forth in the Purchase Agreement. Any and all notices or other communications or deliveries to be provided by the Company hereunder shall be in writing and delivered personally, by facsimile, sent by a nationally recognized overnight courier service or sent by certified or registered mail, postage prepaid, addressed to each holder of Series F Preferred Stock at the facsimile telephone number or address of such holder appearing on the books of the Company, or if no such facsimile telephone number or address appears, at the principal place of business of the holder. Any notice or other communication or deliveries hereunder shall be deemed given and effective on the earliest of (i) the date of transmission, if such notice or communication is delivered via facsimile at the facsimile telephone number specified in this Section prior to 11:59 p.m. (Central Time) on such date of transmission; (ii) four days after deposit in the United States mails; (iii) the Business Day following the date of mailing, if sent by nationally recognized overnight courier service; or (iv) upon actual receipt by the party to whom such notice is required to be given.

Section 6. Definitions. For the purposes hereof, the following terms shall have the following meanings:

"Business Day" means any day except a day on which the Nasdaq National Market, the NYSE or the AMEX, as applicable, if the Common Stock is listed for trading or quoted thereon at such time, is closed, and if the Common Stock is not listed for trading or quoted on any of the Nasdaq National Market, the NYSE or the AMEX at such time, then "Business Day" shall mean any day except Saturday, Sunday and any day which shall be a legal holiday or a day on which banking institutions in the State of Minnesota generally are authorized or required by law or other government actions to close.

"Common Stock" means the common stock, \$.25 par value per share, of the Company and stock of any other class into which such shares may hereafter have

been reclassified or changed.

"Conversion Ratio" with respect to a share of Series F Preferred Stock means, at any time, a fraction, of which the numerator is the Stated Value of such share plus accrued but unpaid dividends (including any accrued but unpaid interest thereon) and of which the denominator is the Conversion Price at such time.

"Junior Securities" means the Common Stock and all equity securities (other than the Series B, Series D, Series E and Series F Preferred Stock) of the Company.

"Original Issue Date" means the date of the first issuance of any shares of the Series F Preferred Stock regardless of the number of transfers of any particular shares of Series F Preferred Stock and regardless of the number of certificates which may be issued to evidence such Preferred Stock.

"Per Share Market Value" means on any particular date (a) the closing bid price per share of the Common Stock on such date on the Nasdaq National Market or other stock exchange or quotation system on which the Common Stock is then listed or quoted or if there is no such price on such date, then the closing bid price on such exchange or quotation system on the date nearest preceding such date, or (b) if the Common Stock is not listed or quoted then on the Nasdaq National Market or any stock exchange or quotation system, the closing bid price for a share of Common Stock in the over-the-counter market, as reported by the Nasdaq Stock Market, Bloomberg, L.P. or in the National Quotation Bureau Incorporated or similar organization or agency succeeding to its functions of reporting prices) at the close of business on such date, or (c) if the Common Stock is not then reported by the National Quotation Bureau Incorporated (or similar organization or agency succeeding to its functions of reporting prices), then the average of the "Pink Sheet" quotes for the relevant conversion period, as determined in good faith by the holder, or (d) if the Common Stock is not then publicly traded the fair market value of a share of Common Stock as determined by an Appraiser mutually acceptable to the holders and the Company.

"Person" means a corporation, an association, a partnership, organization, a business, an individual, a government or political subdivision thereof or a governmental agency.

"Public Offering" means a firm commitment underwritten public offering of Common Stock under which the gross cash proceeds to the Company (after underwriting discounts, commissions and fees) are at least \$25 million and in which the offering price in such public offering is not less than 200% of the

Conversion Price.

"Purchase Agreement" means the Convertible Preferred Stock Purchase Agreement, dated as of the January 11, 2000, among the Company and the original holders of the Series F Preferred Stock.

"Registration Rights Agreement" means the Registration Rights Agreement, dated the Original Issue Date, by and among the Company and the original holders of Series F Preferred Stock.

"Underlying Shares" means the shares of Common Stock into which the Shares are convertible in accordance with the terms hereof and the Purchase Agreement.

"Underlying Shares Registration Statement" means an Underlying Shares Registration Statement, pursuant to the Registration Rights Agreement, covering among other things the resale of the shares of Common Stock issuable upon conversion of the Series F Preferred Stock including dividends thereon.

IN WITNESS WHEREOF, I have executed and subscribed this Certificate and do affirm the foregoing as true under the penalties of perjury this _____ day of January, 2000.

SHELDAHL, INC.

By:

Jill Burchill, Chief Financial Officer

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EXHIBIT A

TO CERTIFICATE OF DESIGNATION AND PREFERENCES AND
RIGHTS OF SERIES F CONVERTIBLE PREFERRED STOCK

NOTICE OF CONVERSION
AT THE ELECTION OF HOLDER

(To be Executed by the Registered Holder
in order to Convert Shares of Series F Preferred Stock)

The undersigned hereby elects to convert the number of shares of Series F Convertible Preferred Stock indicated below, into the number of shares of Common

Stock, par value \$.25 per share (the "Common Stock"), of Sheldahl, Inc. (the "Company") indicated below, as of the date written below. If shares are to be issued in the name of a person other than undersigned, the undersigned will pay all transfer taxes payable with respect thereto and is delivering herewith such certificates and opinions as reasonably requested by the Company in accordance therewith. No fee will be charged to the holder for any conversion, except for such transfer taxes, if any.

Conversion calculations:

Date to Effect Conversion

Number of shares of Series F Preferred Stock
to be Converted

Number of shares of Common Stock to be Issued

Applicable Conversion Price

Signature

Name

Address

EXHIBIT B

TO CERTIFICATE OF DESIGNATION AND PREFERENCES AND
RIGHTS OF SERIES F CONVERTIBLE PREFERRED STOCK

NOTICE OF CONVERSION AT
THE ELECTION OF THE COMPANY

Sheldahl, Inc. (the "Company") hereby represents and warrants that the conditions precedent to a Company Conversion pursuant to [Section 5(a)(ii)] [Section 5(a)(iii)] have been satisfied and therefore hereby notifies the addressee hereof that the Company hereby elects to exercise its right to convert [] shares of its Series F Convertible Preferred Stock (the "Preferred Stock") held by the Holder into shares of Common Stock, par value \$.25 per share (the "Common Stock") of the Company according to the terms hereof, as of the date written below. No fee will be charged to the Holder for any conversion hereunder, except for such transfer taxes, if any which may be incurred by the Company if shares are to be issued in the name of a person other than the person to whom this notice is addressed.

Conversion calculations:

Date to Effect Conversion

Number of shares of Preferred Stock to be
Converted

Number of shares of Common Stock to be Issued

Applicable Conversion Price

Name of Holder

Address of Holder

CONVERTIBLE PREFERRED STOCK PURCHASE AGREEMENT

This Convertible Preferred Stock Purchase Agreement (this "Agreement"), dated as of January 11, 2000, among Sheldahl, Inc., a Minnesota corporation (the "Company"), and the parties executing an Acceptance page hereto (individually, a "Purchaser" and collectively the "Purchasers").

WHEREAS, subject to the terms and conditions set forth in this Agreement, the Company desires to issue and sell to the Purchasers and the Purchasers desire to acquire shares of the Company's Series F Convertible Preferred Stock, par value \$1.00 per share (the "Series F Preferred").

NOW, THEREFORE, IN CONSIDERATION of the mutual covenants contained in this Agreement, the Company and the Purchasers agree as follows:

PURCHASE AND SALE OF PREFERRED SHARES

1.1 Purchase and Sale.

(a) Subject to the terms and conditions set forth herein, at the Closing (as defined below), the Company shall issue and sell to the Purchasers and the Purchasers, shall purchase shares of Series F Preferred (the "Shares").

(b) The Shares shall have the respective rights, preferences and privileges set forth in the Certificate of Designation attached hereto as Exhibit A (the "Certificate of Designation"), which shall be filed on or prior to the Closing Date (as defined below) by the Company with the Secretary of State of Minnesota. The Shares, the Warrants (as defined in Section 3.2) and the Underlying Shares (as defined in Section 2.1 (d)) are sometimes collectively referred to herein as the "Securities."

1.2 Purchase Price. The purchase price per Share shall be \$1,000.

1.3 The Closing.

(a) The Closing of the purchase and sale of the Shares (the "Closing") shall take place at the offices of Lindquist & Vennum P.L.L.P., 4200 IDS Center, 80 South 8th Street, Minneapolis, Minnesota on January 11, 2000. The date of the Closing is hereinafter referred to as the "Closing Date."

(b) At the Closing, the Company shall deliver to each Purchaser, (A) a stock certificate registered in the name of such Purchasers for the number of Series F Preferred set forth opposite such Purchaser's name on Schedule A hereto (B) a Warrant to purchase thirty one (31) shares of Common Stock of the Company for each \$1000 of purchase price; and (C) all other documents, instruments and writings required to have been delivered at or prior to the

Closing by the Company to Purchasers pursuant to this Agreement. At the

Closing, each Purchaser shall deliver to the Company the purchase price set forth on Schedule A hereto by wire transfer of same day funds.

REPRESENTATIONS AND WARRANTIES

2.1 Representations, Warranties and Agreements of the Company. The Company hereby makes the following representations and warranties to each of the Purchasers individually:

(a) Organization. The Company is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Minnesota, with the requisite corporate power and authority to own and use its properties and assets and to carry on its business as currently conducted.

(b) Authorization; Enforcement. The Company has the requisite corporate power and authority to enter into and to consummate the transactions contemplated by this Agreement, the Certificate of Designation, the Registration Rights Agreement (defined in Section 4.1(h)) and the Warrants (the "Transaction Documents") and otherwise to carry out its obligations hereunder and thereunder. The execution and delivery of each Transaction Document by the Company and the consummation by it of the transactions contemplated thereby have been duly authorized by all necessary action on the part of the Company. Each Transaction Document has been duly executed by the Company and, when delivered or filed in accordance with the terms hereof, will constitute the valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, liquidation or similar laws relating to, or affecting generally the enforcement of, creditors' rights and remedies or by other equitable principles of general application.

(c) Capitalization. The authorized, issued and outstanding capital stock of the Company is set forth in Schedule 2.1(c). Except as specifically disclosed in Schedule 2.1(c), no shares of Common Stock of the Company are entitled to preemptive or similar rights, nor is any holder of the Common Stock of the Company entitled to preemptive or similar rights. Except as disclosed in Schedule 2.1(c), there are no outstanding options, warrants or commitments of any character whatsoever relating to, or, except as a result of the purchase and sale of the Shares and Warrants hereunder, securities, rights or obligations convertible into or exchangeable for, or giving any person any right to subscribe for or acquire any shares of Common Stock of the Company, or contracts, commitments, understandings, or arrangements by which the Company is bound to issue additional shares of the Company's Common Stock, or securities or rights convertible or exchangeable into shares of the Company's Common Stock.

(d) Issuance of Shares and Warrants. The Shares and the Warrants are duly authorized and, when issued in accordance with the terms hereof, the Certificate of Designation

or the Warrants, as the case may be, shall be validly issued, fully paid and non-assessable. As of the Closing Date, the Company will have and, at all times while any Shares or any Warrants are outstanding, will maintain, an adequate reserve of duly authorized shares of its Common Stock to enable it to perform its obligations under this Agreement, the Warrants and the Certificate of

Designation with respect to the number of Shares and Warrants issued and outstanding at such Closing Date. The shares of Common Stock issuable upon conversion of the Shares and exercise of the Warrants and which may be issued as payment of dividends on the Shares are collectively referred to herein as the "Underlying Shares." When issued in accordance with the terms hereof, the Certificate of Designation or the Warrants, as the case may be, the Underlying Shares will be duly authorized, validly issued, fully paid (except that Underlying Shares issued upon exercise of Warrants shall be fully paid upon delivery of the applicable exercise price therefor) and non-assessable, free and clear of all liens, claims, encumbrances or defects of any kind (collectively, "Liens"), except as set forth in any required legends thereon.

(e) No Conflicts. The execution, delivery and performance of the Transaction Documents by the Company and the consummation by the Company of the transactions contemplated thereby do not and will not (i) conflict with or violate any provision of its Articles of Incorporation or Bylaws; or (ii) subject to obtaining the consents referred to in Section 2.1(f), conflict with, or constitute a default (or an event which with notice or lapse of time or both would become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of, any agreement, indenture or instrument to which the Company is a party; or (iii) result in a violation of any law, rule, regulation, order, judgment, injunction, decree or other restriction of any court or governmental authority to which the Company is subject (other than (x) a violation of the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"), as a result of a failure of the representations and warranties of the Purchasers set forth in the first sentence of Section 2.2(h) to be accurate; or (y) a violation of any federal and state securities laws requiring filings with such authorities and the delivery of certain information pursuant to Rule 502(b)(1) promulgated under the Securities Act of 1933, as amended (the "Securities Act"), and applicable state securities laws, to the Purchasers who are deemed not to be accredited investors as a result of a failure of the representations and warranties of the Purchasers set forth in Section 2.2(c) to be accurate), or by which any property or asset of the Company is bound or affected, except in the case of each of clauses (ii) and (iii), such conflicts, defaults, terminations, amendments, accelerations, cancellations and violations as could not reasonably be expected to, individually or in the aggregate, have or result in a material adverse effect on the results of operations, assets or financial condition of the Company and its subsidiaries, taken as a whole (a "Material Adverse Effect").

(f) Consents and Approvals. Except as specifically set forth in Schedule 2.1(f), and assuming that the representations and warranties of the Purchasers contained in Section 2.2 are true and correct in all respects, the Company is not required to obtain any consent, waiver, authorization or order of, or make any filing or registration with, any court or other federal, state, local or other governmental authority or other person in connection with the execution, delivery and performance by the Company of the Transaction Documents, except for (i) the filings of the Certificate of Designation with respect to the Shares with the Secretary of State of Minnesota;

(ii) the filing of the Underlying Securities Registration Statement(s) (as defined in the Registration Rights Agreement) with the Securities and Exchange Commission (the "Commission"); (iii) the application(s) or any letter(s) acceptable to and approved by the National Association of Securities Dealers,

Inc. ("NASD") for the designation of the Underlying Shares for trading on the Nasdaq National Market (and with any other national securities exchange or market on which the Common Stock is then listed); (iv) any filings, notices or registrations under applicable federal or state securities laws and any filing that may be required under the HSR Act as a result of a failure of the representations and warranties of the Purchasers set forth in the first sentence of Section 2.2(h) to be accurate; and (v) other than, in all other cases, where the failure to obtain such consent, waiver, authorization or order, or to give or make such notice or filing, would not materially impair or delay the ability of the Company to effect the Closing and to deliver to the Purchasers the Shares (and, upon conversion of the Shares and exercise of Warrants, the Underlying Shares) in the manner contemplated hereby and by the Registration Rights Agreement (together with the consents, waivers, authorizations, orders, notices and filings referred to in Schedule 2.1(f), the "Required Approvals").

(g) Litigation; Proceedings. Except as disclosed in Item 3. of the Company's most recent Form 10-K, there is no action, suit, notice of violation, proceeding or investigation pending or, to the knowledge of the Company, threatened against or affecting the Company or any of its properties before or by any court, governmental or administrative agency or regulatory authority (federal, state, county, local or foreign) which could reasonably be expected to, individually or in the aggregate, have a Material Adverse Effect.

(h) No Default or Violation. Neither the Company nor any subsidiary (i) is in default under or in violation of any indenture, loan or credit agreement or any other agreement or instrument to which it is a party or by which it or any of its properties is bound; or (ii) is in violation of any order of any court, arbitrator or governmental body, except as could not reasonably be expected to, in any such case (individually or in the aggregate) have or result in a Material Adverse Effect.

(i) SEC Documents. The Company has filed all reports required to be filed by it under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), including, pursuant to Section 13(a) or 15(d) thereof, for the three years preceding the date hereof (the foregoing materials being collectively referred to herein as the "SEC Documents"), on a timely basis, or has received a valid extension of such time of filing and has filed any such SEC Documents prior to the expiration of any such extension. As of their respective dates, the SEC Documents complied in all material respects with the requirements of the Securities Act and the Exchange Act and the rules and regulations of the Commission promulgated thereunder. The financial statements of the Company included in the SEC Documents comply in all material respects with applicable accounting requirements and the published rules and regulations of the Commission with respect thereto. Such financial statements have been prepared in accordance with generally accepted accounting principles applied on a consistent basis during the periods involved, except as may be otherwise indicated in such financial statements or the notes thereto, and fairly present in all material respects the financial position of the Company as of and for the

dates thereof and the results of operations and cash flows for the periods then ended, subject, in the case of unaudited statements, to normal year-end audit adjustments.

2.2 Representations and Warranties of the Purchasers. Each Purchaser, hereby represents and warrants to the Company with respect to itself or himself as follows:

(a) Organization; Authority. The Purchaser has the requisite power and authority to enter into and to consummate the transactions contemplated by the Transaction Documents to which it is a party and otherwise to carry out its obligations hereunder and thereunder. The purchase of Securities hereunder has been duly authorized by all necessary action on the part of the Purchaser. Each of this Agreement and the Registration Rights Agreement has been duly executed and delivered by the Purchaser and constitutes the valid and legally binding obligation of the Purchaser, enforceable against the Purchaser in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights generally and to general principles of equity.

(b) Investment Intent. The Purchaser is acquiring the Securities for its own account for investment purposes only and not with a view to or for distributing or reselling such Securities or any part thereof or interest therein, without prejudice, however, to such Purchaser's right, subject to the provisions of this Agreement and the Registration Rights Agreement, at all times to sell or otherwise dispose of all or any part of such Securities pursuant to an effective registration statement under the Securities Act and in compliance with applicable state securities laws or under an exemption from such registration.

(c) Purchaser Status. At the time the Purchaser was offered the Shares and the Warrants, it was and, at the date hereof, it is, and at the Closing Date it will be, an "accredited investor" as defined in Rule 501(a)(1), (2), (3) or (4) under the Securities Act.

(d) Experience of Purchaser. The Purchaser, either alone or together with its representatives, has such knowledge, sophistication and experience in business and financial matters so as to be capable of evaluating the merits and risks of the prospective investment in the Securities, and has so evaluated the merits and risks of such investment to its satisfaction.

(e) Ability of Purchaser to Bear Risk of Investment. On the Closing Date, the Purchaser is able to bear the economic risk of an investment in the Securities and is able to afford a complete loss of such investment.

(f) Access to Information. The Purchaser acknowledges that it has been afforded (i) the opportunity to ask such questions as it has deemed necessary of, and to receive answers from, representatives of the Company concerning the terms and conditions of the offering of the Securities, and the merits and risks of investing in the Securities; (ii) access to information about the Company and the Company's financial condition, results of operations, business, properties, management and prospects sufficient to enable it to evaluate its investment; and (iii) the

opportunity to obtain such additional information which the Company possesses or can acquire without unreasonable effort or expense that is necessary to make an informed investment decision with respect to its investment.

(g) Reliance. The Purchaser understands and acknowledges that (i) the Securities are being offered and sold to the Purchaser without registration under the Securities Act in a private placement that is exempt from the registration provisions of the Securities Act under Section 4(2) of the Securities Act or Regulation D promulgated thereunder; and (ii) the availability of such exemption depends in part on, and the Company will rely upon the accuracy and truthfulness of, the foregoing representations and such Purchaser hereby consents to such reliance.

(h) No Affiliation. No Purchaser is an Affiliate or Associate (as such terms are defined in Rule 12b-2 under the Exchange Act) of any other Purchaser or is acting in concert with any other Purchaser. No Purchaser beneficially owns (as determined pursuant to Rule 13d-3 under the Exchange Act) any Securities of any other Purchaser.

(i) No Conflicts. The execution, delivery and performance of the Transaction Documents by the Purchaser and the consummation by the Purchaser of the transactions contemplated thereby do not and will not (i) conflict with or violate any provision of its certificate or articles of incorporation, bylaws, partnership agreement or other governing instrument, as applicable (each as amended through the date hereof), or result in a violation of any law, rule, regulation, order, judgment, injunction, decree or other restriction of any court or governmental authority to which the Purchaser is subject (including foreign, federal and state securities laws and regulations).

(j) Consents and Approvals. Except for Schedule 13D and Form 4 filings by Molex Incorporated, such Purchaser is not required to obtain any consent, waiver, authorization or order of, or make any filing or registration with, any court or other foreign, federal, state, local or other governmental authority or other person in connection with the execution, delivery and performance by such Purchaser of the Transaction Documents.

(k) Litigation; Proceedings. There is no action, suit, notice of violation, proceeding or investigation pending, or to the knowledge of the Purchaser, threatened against or affecting the Purchaser before or by any court, governmental or administrative agency or regulatory authority (federal, state, county, local or foreign) which would adversely affect the legality, validity or enforceability of any of the Transaction Documents in any respect or adversely impair the Purchaser's ability to perform fully on a timely basis its obligations under the Transaction Documents.

(l) Beneficial Ownership of Sheldahl Stock. At and after the Closing, no Purchaser shall be a Beneficial Owner of fifteen percent (15%) or more of outstanding shares of the Company's Common Stock. For purposes of this Section 2.2(1), "Beneficial Owner" shall have the meaning set forth in Section 1(d) of the Rights Agreement dated June 16, 1996, as amended effective July 25, 1998, by and between the Company and Norwest Bank Minnesota, N.A., as the

same may be amended or modified from time to time (the "Rights Agreement"). Each Purchaser has been provided, upon its request, with a copy of such definition and has had an opportunity to review it with such Purchaser's legal counsel. Each Purchaser acknowledges that the transactions contemplated by the Transaction Documents shall not be deemed to have received any required approval under the terms of such Rights Agreement. Notwithstanding the

foregoing, for purposes of Molex Incorporated, such references above to fifteen percent (15%) shall be deemed to refer to twenty-two percent (22%).

(m) Residency. The Purchaser is a resident of or domiciled in the state set forth on Schedule A.

OTHER AGREEMENTS OF THE PARTIES

3.1 Transfer Restrictions.

(a) If the Purchaser should decide to dispose of any of the Securities held by it, the Purchaser understands and agrees that it may do so only pursuant to an effective registration statement under the Securities Act, to the Company or pursuant to an available exemption from the registration requirements of the Securities Act. In connection with any transfer of any Securities other than pursuant to an effective registration statement or to the Company or to an Affiliate of the Purchaser or pursuant to Rule 144 under the Securities Act ("Rule 144"), the Company may require the transferor thereof to provide to the Company a written opinion of counsel experienced in the area of United States securities laws selected by the transferor, the form and substance of which opinion shall be reasonably satisfactory to the Company, to the effect that such transfer does not require registration of such transferred securities under the Securities Act.

(b) The Purchaser agrees to the imprinting, so long as is required by this Section 3.1(b), of the following legend on the Securities:

[NEITHER THESE SECURITIES NOR THE SECURITIES INTO WHICH THESE SECURITIES ARE [CONVERTIBLE] [EXERCISABLE]] [THE SECURITIES REPRESENTED HEREBY] HAVE [NOT] BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS.

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[FOR SHARES ONLY] SHELDAHL, INC. WILL FURNISH WITHOUT CHARGE TO EACH SHAREHOLDER WHO SO REQUESTS A STATEMENT OF THE POWERS, DESIGNATIONS, PREFERENCES AND RELATIVE, PARTICIPATING, OPTIONAL OR OTHER SPECIAL RIGHTS OF THE CLASS OF STOCK OR SERIES THEREOF TO WHICH THE SHARES REPRESENTED BY THIS CERTIFICATE ARE A PART AND THE QUALIFICATIONS, LIMITATIONS OR RESTRICTIONS OF SUCH PREFERENCES AND/OR RIGHTS.

The Underlying Shares issuable upon conversion of Shares and exercise of the Warrants, as the case may be, shall not contain the legend set forth above (or any other legend other than those that identify the existence of the Rights Agreement) if the conversion of such Shares or exercise of the Warrants, as the case may be, occurs at any time while the Underlying Securities Registration Statement is effective under the Securities Act or in the event there is not an effective Underlying Securities Registration Statement at such time, if the Underlying Shares have been sold pursuant to Rule 144, or if in

the written opinion of counsel to the Company experienced in the area of United States securities laws such legend is not required under applicable requirements of the Securities Act (including judicial interpretation and pronouncements issued by the staff of the Commission). The Company makes no representation, warranty or agreement as to the availability of any exemption from registration under the Securities Act with respect to any resale of any Securities.

3.2 The Warrants. At the Closing, the Company shall issue and deliver Common Stock purchase warrants (the "Warrants") entitling the Purchasers to purchase, on the terms and conditions set forth in Exhibit B hereto, an aggregate of 31 shares of Common Stock for each share of Series F Preferred Stock at a price per share equal to the initial Conversion Price (as defined in the Certificate of Designation attached hereto as Exhibit A) (the "Warrant Exercise Price").

3.3 Use Of Proceeds. The Company shall use the Net Proceeds from the placement of the Shares and Warrants for working capital purposes.

ARTICLE IV CONDITIONS

4.1 Conditions Precedent to the Obligation of the Purchasers to Purchase the Series F Shares. The obligation of each Purchaser hereunder to acquire and pay for the Shares and the Warrants is subject to the satisfaction or waiver by each Purchaser, at or before the Closing, of each of the following conditions:

(a) Accuracy of the Company's Representations and Warranties. The representations and warranties of the Company contained herein shall be true and correct in all material respects as of the date when made and as of the Closing Date, as though made on and as of such date;

(b) Performance by the Company. The Company shall have performed, satisfied and complied in all material respects with all covenants, agreements and conditions required by the

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Transaction Documents to be performed, satisfied or complied with by the Company at or prior to the Closing Date;

(c) No Injunction. No statute, rule, regulation, executive order, decree, ruling or injunction shall have been enacted, entered, promulgated or endorsed by any court or governmental authority of competent jurisdiction which prohibits the consummation of any of the transactions contemplated by this Agreement;

(d) No Suspensions of Trading in Common Stock. The trading in the Common Stock shall not have been suspended by the Commission or on the Nasdaq National Market (except for any suspension of trading of limited duration solely to permit dissemination of material information regarding the Company or any suspension of trading of securities generally);

(e) Legal Opinion. The Company shall have delivered to the Purchasers an opinion of outside legal counsel to the Company as to the matters attached hereto as Exhibit C and dated the Closing Date;

(f) Required Approvals. All Required Approvals shall have been obtained;

(g) Delivery of Stock Certificates and Warrants. The Company shall have delivered to the Purchasers or the Purchasers' designee the stock certificate(s) representing the Shares being purchased at the Closing and the Warrants to be received by the Purchasers, registered in the name of the Purchasers, in form satisfactory to the Purchasers;

(h) Registration Rights Agreement. The Company and the Purchasers shall have entered into the Registration Rights Agreement in the form of Exhibit D.

4.2 Conditions Precedent to the Company's Obligations. The obligations of the Company hereunder are subject to the following conditions:

(a) Accuracy of the Representations and Warranties of Purchasers. The representations and warranties of the Purchasers contained herein shall be true and correct in all material respects as of the date when made and as of the Closing Date, as though made on and as of such date;

(b) Performance by the Purchasers. The Purchasers shall have performed, satisfied and complied in all material respects with all covenants, agreements and conditions required by the Transaction Documents to be performed, satisfied or complied with by the Purchasers at or prior to the Closing Date;

(c) No Injunction. No statute, rule, regulation, executive order, decree, ruling or injunction shall have been enacted, entered, promulgated or endorsed by any court or governmental authority of competent jurisdiction which prohibits the consummation of any of the transactions contemplated by this Agreement;

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(d) Required Approvals. All Required Approvals shall have been obtained;

(e) Payment of Purchase Price. The Purchasers shall have paid the purchase price set forth on Schedule A.

MISCELLANEOUS

5.1 Fees and Expenses. Each party shall pay the fees and expenses of its advisers, counsel, accountants and other experts, if any, and all other expenses incurred by such party incident to the negotiation, preparation, execution, delivery and performance of this Agreement, except as set forth in the Registration Rights Agreement. Each Purchaser, severally, shall be responsible for its or his own tax liability that may arise as a result of the investment hereunder or the transactions contemplated by this Agreement.

5.2 Entire Agreement: Amendments. This Agreement, together with the Exhibits and Schedules hereto, the Registration Rights Agreement, the Certificate of Designation (when filed) and the Warrants referenced in Section

3.2, contains the entire understanding of the parties with respect to the subject matter hereof and supersedes all prior agreements and understandings, oral or written, with respect to such matters.

5.3 Notices. Any notice or other communication required or permitted to be given hereunder shall be in writing and shall be deemed to have been received (a) upon hand delivery (receipt acknowledged) or delivery by telex (with correct answer back received), telecopy or facsimile (with transmission confirmation report) at the address or number designated below (if delivered on a business day during normal business hours where such notice is to be received), or the first business day following such delivery (if delivered on a business day after during normal business hours where such notice is to be received); or (b) on the business day following the date of mailing by express courier service, fully prepaid, addressed to such address, or upon actual receipt of such mailing, whichever shall first occur. The addresses for such communications shall be:

If to the Company: Sheldahl, Inc.
 1150 Sheldahl Road
 Northfield, MN 55057-9444
 Attn: Jill Burchill
 Fax: (507) 663-8326 or
 (507) 663-8435

With copies to: Lindquist & Vennum P.L.L.P.
 4200 IDS Center
 80 South Eighth Street
 Minneapolis MN 55402
 Attn: Charles P. Moorse, Esq.
 Fax: (612) 371-3207

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If to the Purchasers: To the address set forth opposite their respective names on Schedule A

or such other address as may be designated in writing hereafter, in the same manner, by such person.

5.4 Amendment; Waivers. No provision of this Agreement may be waived or amended except in a written instrument signed, in the case of an amendment, by both the Company and each Purchaser; or, in the case of a waiver, by the party against whom enforcement of any such waiver is sought. No waiver of any default with respect to any provision, condition or requirement of this Agreement shall be deemed to be a continuing waiver in the future or a waiver of any other provision, condition or requirement hereof, nor shall any delay or omission of either party to exercise any right hereunder in any manner impair the exercise of any such right accruing to it thereafter.

5.5 Headings. The headings herein are for convenience only, do not constitute a part of this Agreement and shall not be deemed to limit or affect any of the provisions hereof.

5.6 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties and their successors and permitted assigns. Neither the Company nor each Purchaser may assign this Agreement or any rights or obligations hereunder without the prior written consent of the other.

Notwithstanding anything to the contrary contained herein, each Purchaser may assign its rights hereunder in connection with any sale or transfer of such Purchaser's Securities to any Affiliate of each Purchaser as long as the transferee Affiliate agrees in writing to be bound by the applicable provisions of this Agreement, in which case the term "Purchasers" shall be deemed to refer to such transferee as though such transferee were an original signatory thereto.

5.7 No Third-Party Beneficiaries. This Agreement is intended for the benefit of the parties hereto and their respective permitted successors and assigns and is not for the benefit of, nor may any provision hereof be enforced by, any other person.

5.8 Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the internal laws of the State of Minnesota without regard to the principles of conflicts of law thereof.

5.9 Execution. This Agreement may be executed in two or more counterparts, all of which when taken together shall be considered one and the same agreement and shall become binding with respect to a Purchaser on the date the acceptance form hereto is executed and delivered by such Purchaser and with respect to the Company on the date executed and delivered by the Company, it being understood that both parties need not sign the same counterpart. In the

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event that any signature is delivered by facsimile transmission, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) the same with the same force and effect as if such facsimile signature page were an original thereof.

5.10 Severability. In case any one or more of the provisions of this Agreement shall be invalid or unenforceable in any respect, the validity and enforceability of the remaining terms and provisions of this Agreement shall not in any way be affected or impaired thereby and the parties will attempt to agree upon a valid and enforceable provision which shall be a reasonable substitute therefor, and upon so agreeing, shall incorporate such substitute provision in this Agreement.

5.11 Covenants. The foregoing covenants shall not be applicable to the extent and for so long as the Board of Directors of the Company has determined in its judgment, after consultation with counsel to the Company, that fulfilling such covenants could result in either a violation of applicable securities laws or breach of the Board of Directors' fiduciary duties. In addition, each of the Purchasers agrees to comply with applicable securities laws in the use and care of any information provided by the Company.

(a) The Company agrees during the fiscal year ended August 25, 2000 to provide to Purchasers such business and financial information as Purchasers reasonably request.

(b) The Company agrees that if by February 28, 2000 it has not engaged in a transaction (or is not then actively negotiating a transaction the Company's board of directors believes, in its good faith judgement, is reasonable likely to be consummated) which would result in a sale or other strategic business combination transaction relating to its Micro Products business, then the Company will meet with Purchasers to discuss strategic

options regarding this activity.

IN WITNESS WHEREOF, the Company has caused this Agreement to be duly executed by its authorized representative and the Purchasers have caused this Agreement to be executed by signing in counterpart the acceptance form attached to this Agreement.

COMPANY:

SHELDAHL, INC.

By

Jill Burchill, Chief Financial Officer

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ACCEPTANCE

The undersigned hereby accepts the terms and conditions set forth in the Convertible Preferred Stock Purchase Agreement, dated January 11, 2000, among Sheldahl, Inc., a Minnesota corporation (the "Company") and the undersigned thereto as the terms and conditions applicable to the purchase of Shares of Series F Convertible Preferred Stock of the Company by the undersigned. By execution of this Acceptance, the undersigned hereby makes each of the representations contained in Section 2.2 of the Convertible Preferred Stock Purchase Agreement.

Purchaser:

By:

Name:

Title:

Dated: January _____, 2000

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SCHEDULE A

PURCHASERS

<TABLE>
<CAPTION>

Name and Address -----	Number of Shares -----	Purchase Price -----	State of Residency -----
<S> Molex Incorporated 2222 Wellington Court Lisle, IL 60532	<C> 1,300	<C> \$1,000	<C> Illinois
Richard S. Wilcox, Jr. HCR 34, Box 5005 Mayer, AZ 86333-9506	500	\$1,000	Arizona

</TABLE>

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SCHEDULE 2.1(c)

Capitalization

<TABLE>

<CAPTION>

<S> Common Stock authorized:	<C> 50,000,000 shares, \$.25 par value
Preferred Stock authorized:	500,000 shares, \$1.00 par value
o Common Stock outstanding as of January 11, 2000:	11,613,020 shares, \$.25 par value
o Series B Convertible Preferred Stock outstanding as of January 11, 2000:	167 shares
o Series D Convertible Preferred Stock outstanding as of January 11, 2000:	32,417 shares
o Series E Convertible Preferred Stock outstanding as of January 11, 2000:	8,060 shares
o Warrants outstanding as of January 11, 2000:	577,582 warrants
o Options outstanding as of January 11, 2000:	1,623,550 options

</TABLE>

1. Rights granted under the Rights Agreement dated June 16, 1996 and amended July 25, 1998 between Sheldahl, Inc. and Norwest Bank Minnesota, N.A. (150,000 shares of Series A Junior Participating Preferred Stock reserved for issuance, subject to increase as provided therein).
2. Additional options and shares may be granted to employees and directors of the Company under the Company's Stock Option Plans and Employee Stock Purchase Plan.
3. Agreement Relating to Sheldahl dated November 18, 1998 between the Company and Molex, Incorporated providing Molex with certain rights to participate in future stock or debt offerings by the Company, including the Series F Preferred Stock under this Agreement.

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SCHEDULE 2.1(f)

Required Approvals

1. See Item 3 of Schedule 2.1(c) incorporated herein by reference.

EXHIBIT B

NEITHER THIS WARRANT NOR THE SECURITIES INTO WHICH THIS WARRANT IS EXERCISABLE HAVE BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS THEREUNDER AND IN COMPLIANCE WITH APPLICABLE STATE SECURITIES OR BLUE SKY LAWS.

SHELD AHL, INC.

Warrant No. F-__

Dated January ____, 2000

Sheldahl, Inc., a corporation organized and existing under the laws of the State of Minnesota (the "Company"), hereby certifies that, for value received, _____, or its registered assigns ("Holder"), is entitled, subject to the terms set forth below, to purchase from the Company up to a total of _____ shares of Common Stock, par value \$.25 per share (the "Common Stock"), of the Company (each such share, a "Warrant Share" and all such shares, the "Warrant Shares") at an exercise price equal to \$_____ per share (as adjusted from time to time as provided in Section 7, the "Exercise Price"), at any time and from time to time from and after the date hereof and through and including January ____, 2005 (the "Expiration Date"), and subject to the following terms and conditions:

1. Registration of Warrant. The Company shall register this Warrant, upon records to be maintained by the Company for that purpose (the "Warrant Register"), in the name of the record Holder hereof from time to time. The Company may deem and treat the registered Holder of this Warrant as the absolute owner hereof for the purpose of any exercise hereof or any distribution to the Holder, and for all other purposes, and the Company shall not be affected by notice to the contrary.

2. Registration of Transfers and Exchanges.

(a) The Company shall register the transfer of any portion of this Warrant in the Warrant Register, upon surrender of this Warrant, with the Form of Assignment attached hereto duly completed and signed, to the Company at the office specified in or pursuant to Section 3(b). Upon any such registration or transfer, a new warrant to purchase Common Stock, in substantially the form of this Warrant (any such new warrant, a "New Warrant"), evidencing the portion of

this Warrant so transferred shall be issued to the

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transferee and a New Warrant evidencing the remaining portion of this Warrant not so transferred, if any, shall be issued to the transferring Holder. The acceptance of the New Warrant by the transferee thereof shall be deemed the acceptance of such transferee of all of the rights and obligations of a holder of a Warrant. Holder may not transfer this Warrant or any portion thereof unless such transfer represents the right to purchase at least 10,000 Warrant Shares or such lesser amount as constitutes the entire Warrant.

(b) This Warrant is exchangeable, upon the surrender hereof by the Holder to the office of the Company specified in or pursuant to Section 3(b) for one or more New Warrants, evidencing in the aggregate the right to purchase the number of Warrant Shares which may then be purchased hereunder. Any such New Warrant will be dated the date of exchange.

3. Duration and Exercise of Warrants.

(a) This Warrant shall be exercisable by the registered Holder on any business day before 5:00 p.m., Minneapolis time, at any time and from time to time on or after the date hereof to and including the Expiration Date. At 5:00 p.m., Minneapolis time on the Expiration Date, the portion of this Warrant not exercised prior thereto shall be and become void and of no value. This Warrant may not be redeemed by the Company.

(b) Subject to Sections 2(b), 5 and 9, upon surrender of this Warrant, with the Form of Election to Purchase attached hereto duly completed and signed, to the Company at its office at 1150 Sheldahl Road, Northfield, MN 55057-9444, Attention: Chief Financial Officer or at such other address as the Company may specify in writing to the then registered Holder, and upon payment of the Exercise Price multiplied by the number of Warrant Shares that the Holder intends to purchase hereunder, in lawful money of the United States of America, in cash via wire transfer or by certified or official bank check or checks, all as specified by the Holder in the Form of Election to Purchase, the Company shall promptly (but in no event later than five business days after the Date of Exercise (as defined herein)) issue or cause to be issued and cause to be delivered to or upon the written order of the Holder and in such name or names as the Holder may designate, a certificate for the Warrant Shares issuable upon such exercise, free of restrictive legends other than as required by the Convertible Preferred Stock Purchase Agreement of even date herewith between the Holder and the Company. Any person so designated by the Holder to receive Warrant Shares shall be deemed to have become holder of record of such Warrant

Shares as of the Date of Exercise of this Warrant.

A "Date of Exercise" means the date on which the Company shall have received (i) this Warrant (or any New Warrant, as applicable), with the Form of Election to Purchase attached hereto (or attached to such New Warrant) appropriately completed and duly signed, and (ii) payment of the Exercise Price for the number of Warrant Shares so indicated by the holder hereof to be purchased.

(c) This Warrant may be exercisable in whole or in part provided a partial exercise shall require a minimum exercise of Warrants to purchase at least _____ Warrant Shares.

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4. Payment of Taxes. The Company will pay all documentary stamp taxes attributable to the issuance of Warrant Shares upon the exercise of this Warrant; provided, however, that the Company shall not be required to pay any tax which may be payable in respect of any transfer involved in the registration of any certificates for Warrant Shares or Warrants in a name other than that of the Holder, and the Company shall not be required to issue or cause to be issued or deliver or cause to be delivered the certificates for Warrant Shares unless or until the person or persons requesting the issuance thereof shall have paid to the Company the amount of such tax or shall have established to the satisfaction of the Company that such tax has been paid. The Holder shall be responsible for all other tax liability that may arise as a result of holding or transferring this Warrant or receiving Warrant Shares upon exercise hereof.

5. Replacement of Warrant. If this Warrant is mutilated, lost, stolen or destroyed, the Company shall issue or cause to be issued in exchange and substitution for and upon cancellation hereof, or in lieu of and substitution for this Warrant, a New Warrant, but only upon receipt of evidence reasonably satisfactory to the Company of such loss, theft or destruction and indemnity, if reasonably satisfactory to it. Applicants for a New Warrant under such circumstances shall also comply with such other reasonable regulations and procedures and pay such other reasonable charges as the Company may prescribe.

6. Reservation of Warrant Shares. The Company covenants that it will at all times reserve and keep available out of the aggregate of its authorized but unissued Common Stock, solely for the purpose of enabling it to issue Warrant Shares upon exercise of this Warrant as herein provided, the number of Warrant Shares which are then issuable and deliverable upon the exercise of this entire Warrant. The Company covenants that all Warrant Shares that shall be so issuable and deliverable shall, upon issuance and the payment of the applicable Exercise Price in accordance with the terms hereof, be duly and validly authorized, issued and fully paid and nonassessable.

7. Certain Adjustments. The Exercise Price and number of Warrant Shares issuable upon exercise of this Warrant are subject to adjustment from time to time as set forth in this Section 7. Upon each such adjustment of the Exercise Price pursuant to this Section 7, the Holder shall thereafter prior to the Expiration Date be entitled to purchase, at the Exercise Price resulting from such adjustment, the number of Warrant Shares obtained by multiplying the Exercise Price in effect immediately prior to such adjustment by the number of Warrant Shares issuable upon exercise of this Warrant immediately prior to such adjustment and dividing the product thereof by the Exercise Price resulting from such adjustment.

(a) If the Company, at any time while this Warrant is outstanding, (i) shall pay a stock dividend or otherwise make a distribution or distributions on shares of its Common Stock (as defined below) or on any other class of capital stock (and not the Common Stock) payable in shares of Common Stock, (ii) subdivide outstanding shares of Common Stock into a larger number of shares, or (iii) combine outstanding shares of Common Stock into a smaller number of shares, the Exercise Price shall be multiplied by a fraction of which the numerator shall be the number of shares of Common Stock (excluding treasury shares, if any) outstanding

before such event and of which the denominator shall be the number of shares of Common Stock (excluding treasury shares, if any) outstanding after such event. Any adjustment made pursuant to this Section shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision or combination, and shall apply to successive subdivisions and combinations.

(b) In case of any reclassification of the Common Stock, any consolidation or merger of the Company with or into another person pursuant to which the Company will not be the surviving entity, the sale or transfer of all or substantially all of the assets of the Company in which the consideration therefor is equity or equity equivalent securities or any compulsory share exchange pursuant to which the Common Stock is converted into other securities or property, then the Holder shall have the right thereafter to exercise this Warrant only into the shares of stock and other securities and property receivable upon or deemed to be held by holders of Common Stock following such reclassification, consolidation, merger, sale, transfer or share exchange, and the Holder shall be entitled upon such event to receive such amount of

securities or property equal to the amount of Warrant Shares such Holder would have been entitled to had such Holder exercised this Warrant immediately prior to such reclassification, consolidation, merger, sale, transfer or share exchange. The terms of any such consolidation, merger, sale, transfer or share exchange shall include such terms so as to continue to give to the Holder the right to receive the securities or property set forth in this Section 7(b) upon any exercise following any such reclassification, consolidation, merger, sale, transfer or share exchange.

(c) If the Company, at any time while this Warrant is outstanding, shall distribute to all holders of Common Stock (and not to holders of this Warrant) evidences of its indebtedness or assets or rights or warrants to subscribe for or purchase any security (excluding those referred to in Sections 7(a), (b) and (d)), then in each such case the Exercise Price shall be determined by multiplying the Exercise Price in effect immediately prior to the record date fixed for determination of stockholders entitled to receive such distribution by a fraction of which the denominator shall be the Exercise Price determined as of the record date mentioned above, and of which the numerator shall be such Exercise Price on such record date less the then fair market value at such record date of the portion of such assets or evidence of indebtedness so distributed applicable to one outstanding share of Common Stock as determined by a nationally recognized or major regional investment banking firm or firm of independent certified public accountants of recognized standing (which may be the firm that regularly examines the financial statements of the Company) (an "Appraiser") mutually selected in good faith by the holders of a majority in interest of the Warrants then outstanding and the Company. Any determination made by the Appraiser shall be final.

(d) If, at any time while this Warrant is outstanding, the Company shall issue or cause to be issued rights or warrants to acquire or otherwise sell or distribute shares of Common Stock to all holders of Common Stock for a consideration per share less than the Exercise Price then in effect, then, forthwith upon such issue or sale, the Exercise Price shall be reduced to the price (calculated to the nearest cent) determined by dividing (i) an amount equal

to the sum of (A) the number of shares of Common Stock outstanding immediately prior to such issue or sale multiplied by the Exercise Price, and (B) the consideration, if any, received or receivable by the Company upon such issue or sale by (ii) the total number of shares of Common Stock outstanding immediately after such issue or sale.

(e) For the purposes of this Section 7, the following clauses shall also be applicable:

(i) Record Date. In case the Company shall take a record of the holders of its Common Stock for the purpose of entitling them (A) to receive a dividend or other distribution payable in Common Stock or in securities convertible or exchangeable into shares of Common Stock, or (B) to subscribe for or purchase Common Stock or securities convertible or exchangeable into shares of Common Stock, then such record date shall be deemed to be the date of the issue or sale of the shares of Common Stock deemed to have been issued or sold upon the declaration of such dividend or the making of such other distribution or the date of the granting of such right of subscription or purchase, as the case may be.

(ii) Treasury Shares. The number of shares of Common Stock outstanding at any given time shall not include shares owned or held by or for the account of the Company, and the disposition of any such shares shall be considered an issue or sale of Common Stock.

(f) All calculations under this Section 7 shall be made to the nearest cent or the nearest 1/100th of a share, as the case may be.

(g) if:

(i) the Company shall declare a dividend (or any other distribution) on its Common Stock; or

(ii) the Company shall declare a special nonrecurring cash dividend on or a redemption of its Common Stock; or

(iii) the Company shall authorize the granting to all holders of the Common Stock rights or warrants to subscribe for or purchase any shares of capital stock of any class or of any rights; or

(iv) the approval of any stockholders of the Company shall be required in connection with any reclassification of the Common Stock of the Company, any consolidation or merger to which the Company is a party, any sale or transfer of all or substantially all of the assets of the Company, or any Compulsory Share exchange whereby the Common Stock is converted into other securities, cash or property; or

(v) the Company shall authorize the dissolution, liquidation or winding up of the affairs of the Company, then the Company shall cause to be

mailed to each Holder at their last addresses as they shall appear upon the Warrant Register, at least 20 calendar days prior to the applicable record or effective date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution, redemption, rights or warrants, or if a record is not to be taken, the date as of which the holders of Common Stock of record to be entitled to such dividend, distributions, redemption, rights or warrants are to be determined or (y) the date on which such reclassification, consolidation, merger, sale, transfer or share exchange is expected to become effective or close, and the date as of which it is expected that holders of Common Stock of record shall be entitled to exchange their shares of Common Stock for securities, cash or other property deliverable upon such reclassification, consolidation, merger, sale, transfer, share exchange, dissolution, liquidation or winding up; provided, however, that the failure to mail such notice or any defect therein or in the mailing thereof shall not affect the validity of the corporate action required to be specified in such notice.

8. Payment of Exercise Price. The Holder shall pay the Exercise Price in the manner provided in Section 3(b).

9. Fractional Shares. The Company shall not be required to issue or cause to be issued fractional Warrant Shares on the exercise of this Warrant. The number of full Warrant Shares which shall be issuable upon the exercise of this Warrant shall be computed on the basis of the aggregate number of Warrant Shares purchasable on exercise of this Warrant so presented. If any fraction of a Warrant Share would, except for the provisions of this Section 9, be issuable on the exercise of this Warrant, the Company shall, at its option, (i) pay an amount in cash equal to the Exercise Price multiplied by such fraction; or (ii) round the number of Warrant Shares issuable, up to the next whole number.

10. Notices. Any and all notices or other communications or deliveries hereunder shall be in writing and shall be deemed given and effective on the earliest of (i) the date of transmission, if such notice or communication is delivered via facsimile at the facsimile telephone number specified in this Section; (ii) the business day following the date of mailing, if sent by nationally recognized overnight courier service; or (iii) upon actual receipt by the party to whom such notice is required to be given. The addresses for such communications shall be: (i) if to the Company, to Sheldahl, Inc., 1150 Sheldahl Road, Northfield, MN 55057-9444, Attention: Chief Financial Officer, or to facsimile no. (507) 663-8326 or (507) 663-8435; or (ii) if to the Holder, to the Holder at the address or facsimile number appearing on the Warrant Register or such other address or facsimile number as the Holder may provide to the Company in accordance with this Section 10.

11. Warrant Agent.

(a) The Company shall serve as warrant agent under this Warrant. Upon thirty (30) days' notice to the Holder, the Company may appoint a new warrant agent.

(b) Any corporation into which the Company or any new warrant agent may be merged or any corporation resulting from any consolidation to which the Company or any new warrant agent shall be a party or any corporation to which the Company or any new warrant agent transfers substantially all of its corporate trust or shareholders services business shall be a successor warrant agent under this Warrant without any further act. Any such successor warrant agent shall promptly cause notice of its succession as warrant agent to be mailed (by first class mail, postage prepaid) to the Holder at the Holder's last address as shown on the Warrant Register.

12. Miscellaneous.

(a) This Warrant shall be binding on and inure to the benefit of the parties hereto and their respective successors and permitted assigns. This Warrant may be amended only in writing signed by the Company and the Holder.

(b) Subject to Section 12(a), above, nothing in this Warrant shall be construed to give to any person or corporation other than the Company and the Holder any legal or equitable right, remedy or cause under this Warrant; this Warrant shall be for the sole and exclusive benefit of the Company and the Holder.

(c) This Warrant shall be governed by and construed and enforced in accordance with the internal laws of the State of Minnesota without regard to the principles of conflicts of law thereof.

(d) The headings herein are for convenience only, do not constitute a part of this Warrant and shall not be deemed to limit or affect any of the provisions hereof.

(e) In case any one or more of the provisions of this Warrant shall be invalid or unenforceable in any respect, the validity and enforceability of the remaining terms and provisions of this Warrant shall not in any way be affected or impaired thereby and the parties will attempt in good faith to agree upon a valid and enforceable provision which shall be a commercially reasonable substitute therefor, and upon so agreeing, shall incorporate such substitute provision in this Warrant.

IN WITNESS WHEREOF, the Company has caused this Warrant to be duly executed by its authorized officer as of the date first indicated above.

SHELDAHL, INC.

By:

Jill Burchill, Chief Financial Officer

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FORM OF ELECTION TO PURCHASE

(To be executed by the Holder to exercise the right to purchase shares of Common Stock under the foregoing Warrant)

To Sheldahl, Inc.:

In accordance with the Warrant enclosed with this Form of Election to Purchase, the undersigned hereby irrevocably elects to purchase _____ shares of Common Stock ("Common Stock"), par value \$.25 per share, of Sheldahl, Inc. and encloses herewith \$_____ in cash via wire transfer or certified or official bank check or checks, which sum represents the aggregate Exercise Price (as defined in the Warrant) for the number of shares of Common Stock to which this Form of Election to Purchase relates, together with any applicable taxes payable by the undersigned pursuant to the Warrant.

The undersigned requests that certificates for the shares of Common Stock issuable upon this exercise be issued in the name of

PLEASE INSERT SOCIAL SECURITY OR
TAX IDENTIFICATION NUMBER

(Please print name and address)

FORM OF ASSIGNMENT

[To be completed and signed only upon transfer of Warrant]

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto _____ the right represented by the within Warrant to purchase _____ shares of Common Stock of Sheldahl, Inc. to which the within Warrant relates and appoints _____ attorney to transfer said right on the books of Sheldahl, Inc. with full power of substitution in the premises.

Dated: _____

(Signature must conform in all respects to name of holder as specified on the face of the Warrant)

Address of Transferee

In the presence of:

REGISTRATION RIGHTS AGREEMENT

This Registration Rights Agreement (this "Agreement") is made and entered into as of January 11, 2000, among Sheldahl, Inc., a Minnesota corporation (the "Company"), Molex Incorporated and Richard S. Wilcox, Jr. (the "Purchasers").

This Agreement is made pursuant to the Convertible Preferred Stock Purchase Agreement, dated as of the date hereof among the Company and the Purchasers (the "Purchase Agreement").

The Company and the Purchasers hereby agree as follows:

1. Definitions

Capitalized terms used and not otherwise defined herein shall have the meanings given such terms in the Purchase Agreement. As used in this Agreement, the following terms shall have the following meanings:

"Advice" shall have meaning set forth in Section 3(j).

"Affiliate" means, with respect to any Person, any other Person that directly or indirectly controls or is controlled by or under common control with such Person. For the purposes of this definition, "control," when used with respect to any Person, means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise; and the terms of "affiliated", "controlling" and "controlled" have meanings correlative to the foregoing.

"Business Day" means any day except a day on which the Nasdaq National Market, the NYSE or the AMEX, as applicable, if the Common Stock is listed for trading or quoted thereon at such time, is closed, and if the Common Stock is not listed for trading or quoted on any of the Nasdaq National Market, the NYSE or the AMEX at such time, then "Business Day" shall mean any day except Saturday, Sunday and any day which shall be a legal holiday or a day on which banking institutions in the State of Minnesota generally are authorized or required by law or other government actions to close.

"Closing Date" shall have the meaning set forth in the Purchase Agreement.

"Commission" means the Securities and Exchange Commission.

"Common Stock" means the Company's Common Stock, par value \$.25 per share.

"Effectiveness Date" means with respect to the Registration Statement to be filed with respect to the Series F Shares and the Warrants, the earlier of (i) the 90th day following the Closing Date or (ii) five days after a no-review decision of the Commission..

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"Effectiveness Period" shall have the meaning set forth in Section 2(a). "Exchange Act" means the Securities Exchange Act of 1934, as amended. "Filing Date" means the 60th day following the Closing Date. "Holder" or "Holders" means the holder or holders, as the case may be, from time to time of Registrable Securities.

"Indemnified Party" shall have the meaning set forth in Section 5(c).

"Indemnifying Party" shall have the meaning set forth in Section 5(c).

"Losses" shall have the meaning set forth in Section 5(a).

"Person" means an individual or a corporation, partnership, trust, incorporated or unincorporated association, joint venture, limited liability company, joint stock company, government (or an agency or political subdivision thereof) or other entity of any kind.

"Preferred Stock" means the shares of Series F Preferred Stock, par value \$1.00 per share, of the Company issued to the Purchasers pursuant to the Purchase Agreement.

"Proceeding" means an action, claim, suit, investigation or proceeding (including, without limitation, an investigation or partial proceeding, such as a deposition), whether commenced or threatened.

"Prospectus" means the prospectus included in the Registration Statement (including, without limitation, a prospectus that includes any information previously omitted from a prospectus filed as part of an effective registration statement in reliance upon Rule 430A promulgated under the Securities Act), as amended or supplemented by any prospectus supplement, with respect to the terms of the offering of any portion of the Registrable Securities covered by the Registration Statement, and all other amendments and supplements to the Prospectus, including post-effective amendments, and all material incorporated by reference or deemed to be incorporated by reference in such Prospectus.

"Registrable Securities" means, with respect to the Registration Statement to be filed after the Closing, the shares of Common Stock issuable upon (i) conversion of the Series F Shares; (ii) exercise of the Series F

Warrants issued by the Company to the Purchasers; and (iii) payment of dividends in respect of such Preferred Stock.

"Registration Statement" means the registration statements contemplated by Section 2(a) (and any additional Registration Statements contemplated in the definition of Registrable Securities), including (in each case) the Prospectus, amendments and supplements to such registration statement or Prospectus, including pre- and post-effective amendments, all exhibits thereto, and all material incorporated by reference or deemed to be incorporated by reference in such registration statement.

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"Rule 144" means Rule 144 promulgated by the Commission pursuant to the Securities Act, as such Rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the Commission having substantially the same effect as such Rule.

"Rule 415" means Rule 415 promulgated by the Commission pursuant to the Securities Act, as such Rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the Commission having substantially the same effect as such Rule.

"Securities Act" means the Securities Act of 1933, as amended.

2. Shelf Registration. On or prior to the Filing Date, the Company shall prepare and file with the Commission a "Shelf" Registration Statement covering all Registrable Securities for an offering to be made on a continuous basis pursuant to Rule 415. The Registration Statement shall be on Form S-3 (or if the Company is not then eligible to register for resale the Registrable Securities on Form S-3, in which case such registration shall be on another appropriate form in accordance herewith which form shall be reasonably acceptable to the Holders). The Company shall (i) not permit any securities other than the Registrable Securities to be included in the Registration Statement; and (ii) use its commercially reasonable efforts to cause the Registration Statement to be declared effective under the Securities Act as promptly as possible after the filing thereof, but in any event prior to the Effectiveness Date, and to keep such Registration Statement continuously effective under the Securities Act until the date which is two years after the date that such Registration Statement is declared effective by the Commission or such earlier date when all Registrable Securities covered by such Registration Statement have been sold or may be sold without volume restrictions pursuant to Rule 144 as determined by the counsel to the Company pursuant to a written opinion letter, addressed to the Company's transfer agent to such effect (the "Effectiveness Period").

3. Registration Procedures. In connection with the Company's registration obligations hereunder, the Company shall:

(a) Prepare and file with the Commission, on or prior to the Filing Date, a Registration Statement on Form S-3 (or if the Company is not then eligible to register for resale the Registrable Securities on Form S-3, in which case such registration shall be on another appropriate form in accordance herewith which Form shall be reasonably acceptable to the Holders) in accordance with the method or methods of distribution thereof as specified by the Holders, and cause the Registration Statement to become effective and remain effective as provided herein.

(b) (i) Prepare and file with the Commission such amendments, including post-effective amendments, to the Registration Statement as may be necessary to keep the Registration Statement continuously effective as to the applicable Registrable Securities for the Effectiveness Period and prepare and file with the Commission such additional Registration Statements in order to register for resale under the Securities Act all of the Registrable Securities; (ii) cause the related Prospectus to be amended or supplemented by any required

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Prospectus supplement, and as so supplemented or amended to be filed pursuant to Rule 424 (or any similar provisions then in force) promulgated under the Securities Act; (iii) respond as promptly as practicable to any comments received from the Commission with respect to the Registration Statement or any amendment thereto and promptly provide the Holders true and complete copies of all correspondence from and to the Commission relating to the Registration Statement; and (iv) comply with the provisions of the Securities Act and the Exchange Act with respect to the disposition of all Registrable Securities covered by the Registration Statement during the applicable period in accordance with the intended methods of disposition by the Holders thereof set forth in the Registration Statement as so amended or in such Prospectus as so supplemented.

(c) Notify the Holders of Registrable Securities to be sold: (i) (A) when a Prospectus or any Prospectus supplement or post-effective amendment to the Registration Statement is proposed to be filed, (B) when the Commission notifies the Company whether there will be a "review" of such Registration Statement and whenever the Commission comments in writing on such Registration Statement, and (C) with respect to the Registration Statement or any post-effective amendment, when the same has become effective; (ii) of any request by the Commission or any other Federal or state governmental authority for amendments or supplements to the Registration Statement or Prospectus or for additional information; (iii) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement covering any or all of the Registrable Securities or the initiation of any Proceedings for that purpose; (iv) of the receipt by the Company of any notification with respect to the suspension of the qualification or exemption from qualification of any of

the Registrable Securities for sale in any jurisdiction, or the initiation or threatening of any Proceeding for such purpose; and (v) of the occurrence of any event that makes any statement made in the Registration Statement or Prospectus or any document incorporated or deemed to be incorporated therein by reference untrue in any material respect or that requires any revisions to the Registration Statement, Prospectus or other documents so that, in the case of the Registration Statement or the Prospectus, as the case may be, it will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(d) Use its best efforts to avoid the issuance of, or, if issued, obtain the withdrawal of (i) any order suspending the effectiveness of the Registration Statement or (ii) any suspension of the qualifications (or exemption from qualification) of any of the Registrable Securities for sale in any jurisdiction, as soon as reasonably practicable.

(e) Furnish to each Holder, without charge, at least one conformed copy of each Registration Statement and each amendment thereto, including financial statements and schedules, all documents incorporated or deemed to be incorporated therein by reference, and all exhibits to the extent requested by such Person (including those previously furnished or incorporated by reference) promptly after the filing of such documents with the Commission.

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(f) Promptly deliver to each Holder, without charge, as many copies of the Prospectus or Prospectuses (including each form of prospectus) and each amendment or supplement thereto as such Persons may reasonably request; and the Company hereby consents to the use of such Prospectus and each amendment or supplement thereto by each of the selling Holders in connection with the offering and sale of the Registrable Securities covered by such Prospectus and any amendment or supplement thereto.

(g) Prior to any public offering of Registrable Securities, use its best efforts to register or qualify or cooperate with the selling Holders in connection with the registration or qualification (or exemption from such registration or qualification) of such Registrable Securities for offer and sale under the securities or Blue Sky laws of such jurisdictions within the United States as any Holder requests in writing, to keep each such registration or qualification (or exemption therefrom) effective during the Effectiveness Period and to do any and all other acts or things necessary or advisable to enable the disposition in such jurisdictions of the Registrable Securities covered by a Registration Statement; provided, however, that the Company shall not be required to qualify generally to do business in any jurisdiction where it is not then so qualified or to take any action that would subject it to general service

of process in any such jurisdiction where it is not then so subject or subject the Company to any material tax in any such jurisdiction where it is not then so subject.

(h) Upon the occurrence of any event contemplated by Section 3(c)(v), as promptly as practicable, prepare a supplement or amendment, including a post-effective amendment, to the Registration Statement or a supplement to the related Prospectus or any document incorporated or deemed to be incorporated therein by reference, and file any other required document so that, as thereafter delivered, neither the Registration Statement nor such Prospectus will contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(i) Use its best efforts to cause all Registrable Securities relating to such Registration Statement to be listed on The Nasdaq National Market and any other securities exchange, quotation system, market or over-the-counter bulletin board, if any, on which similar securities issued by the Company are then listed as and when required pursuant to the Purchase Agreement.

(j) The Company may require each selling Holder to furnish to the Company such information, including information regarding the distribution of such Registrable Securities, as is required by law to be disclosed in the Registration Statement and the Company may exclude from such registration the Registrable Securities of any such Holder who fails to furnish such information within a reasonable time after receiving such request. The failure by the Company to file the Registration Statement by the Filing Date, to cause it to become effective by the Effectiveness Date or to maintain its effectiveness for the Effectiveness Period, if due solely to the breach of a Holder's obligations under this Section, shall not be deemed a breach of the Company's obligations to such Holder under this Agreement or the Purchase Agreement. The rights of Holders that timely supply such information shall not be affected by the preceding

sentence and the Company shall remain obligated hereunder to file, and cause and maintain the effectiveness of the Registration Statement on behalf of such Holders.

If the Registration Statement refers to any Holder by name or otherwise

as the holder of any securities of the Company, then such Holder shall have the right to require (if such reference to such Holder by name or otherwise is not required by the Securities Act or any similar Federal statute then in force) the deletion of the reference to such Holder in any amendment or supplement to the Registration Statement filed or prepared subsequent to the time that such reference ceases to be required.

Each Purchaser, with respect to itself or himself, covenants and agrees that (i) it will not sell any Registrable Securities under the Registration Statement until it has received copies of the Prospectus as then amended or supplemented as contemplated in Section 3(g) and notice from the Company that such Registration Statement and any post-effective amendments thereto have become effective as contemplated by Section 3(c); and (ii) the Purchaser and its officers, directors or Affiliates, if any, will comply with the Prospectus delivery and any other requirements of the Securities Act applicable to them in connection with sales of Registrable Securities pursuant to the Registration Statement.

Each Holder agrees by its acquisition of such Registrable Securities that, upon receipt of a notice from the Company of the occurrence of any event of the kind described in Section 3(c)(ii), 3(c)(iii), 3(c)(iv) or 3(c)(v), such Holder will forthwith discontinue disposition of such Registrable Securities under the Registration Statement until such Holder's receipt of the copies of the supplemented Prospectus and/or amended Registration Statement contemplated by Section 3(h), or until it is advised in writing (the "Advice") by the Company that the use of the applicable Prospectus may be resumed, and, in either case, has received copies of any additional or supplemental filings that are incorporated or deemed to be incorporated by reference in such Prospectus or Registration Statement.

4. Registration Expenses. All fees and expenses incident to the performance of or compliance with this Agreement by the Company shall be borne by the Company, whether or not the Registration Statement is filed or becomes effective and whether or not any Registrable Securities are sold pursuant to the Registration Statement. The fees and expenses referred to in the foregoing sentence shall include, without limitation, (i) all registration and filing fees (including, without limitation, fees and expenses (A) with respect to filings required to be made with The Nasdaq National Market and each other securities exchange or market on which Registrable Securities are required hereunder to be listed, and (B) in compliance with state securities or Blue Sky laws; (ii) printing expenses (including, without limitation, expenses of printing certificates for Registrable Securities and of printing prospectuses if the printing of prospectuses is requested by the holders of a majority of the Registrable Securities included in the Registration Statement but not including printing expenses of a financial printer; (iii) messenger, telephone and delivery expenses incurred by the Company; (iv) fees and disbursements of counsel for the Company; (v) Securities Act liability insurance, if the Company so desires such insurance; and (vi) fees and expenses of all other Persons retained by the

Company in connection with the consummation of the transactions contemplated by this Agreement. In addition, the Company shall be responsible for all of its internal expenses incurred in connection with the consummation of the transactions contemplated by this Agreement (including, without limitation, all salaries and expenses of its officers and employees performing legal or accounting duties), the expense of any annual audit, the fees and expenses incurred in connection with the listing of the Registrable Securities on any securities exchange as required hereunder. The Holders shall bear the expenses and fees of any legal counsel retained by them.

5. Indemnification

(a) Indemnification by the Company. The Company shall, notwithstanding any termination of this Agreement, indemnify and hold harmless each Holder, the officers, directors, agents, investment advisors and employees of each of them, each Person who controls any such Holder (within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act) and the officers, directors, agents and employees of each such controlling Person, to the fullest extent permitted by applicable law, from and against any and all losses, claims, damages, liabilities, costs (including, without limitation, reasonable attorneys' fees) and expenses (collectively, "Losses"), as incurred, arising out of or relating to any untrue or alleged untrue statement of a material fact contained in the Registration Statement, any Prospectus or any form of prospectus or in any amendment or supplement thereto or in any preliminary prospectus, or arising out of or relating to any omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein (in the case of any Prospectus or form of prospectus or supplement thereto, in light of the circumstances under which they were made) not misleading, except to the extent, but only to the extent, that such untrue statements or omissions are based solely upon information regarding such Holder furnished to the Company by such Holder expressly for use therein, which information was reasonably relied on by the Company for use therein or to the extent that such information relates to such Holder or such Holder's proposed method of distribution of Registrable Securities. The Company shall notify the Holders promptly of the institution, threat or assertion of any Proceeding of which the Company is aware in connection with the transactions contemplated by this Agreement.

(b) Indemnification by Holders.. Each Holder shall, severally and not jointly, indemnify and hold harmless the Company, the directors, officers, agents and employees, each Person who controls the Company (within the meaning of Section 15 of the Securities Act and Section 20 of the Exchange Act), and the

directors, officers, agents or employees of such controlling Persons, to the fullest extent permitted by applicable law, from and against all Losses (as determined by a court of competent jurisdiction in a final judgment not subject to appeal or review) arising solely out of or based solely upon any untrue statement of a material fact contained in the Registration Statement, any Prospectus, or any form of prospectus, or arising solely out of or based solely upon any omission of a material fact required to be stated therein or necessary to make the statements therein not misleading to the extent, but only to the extent, that such untrue statement or omission is contained in any information so furnished by such Holder to

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the Company specifically for inclusion in the Registration Statement or such Prospectus and that such information was reasonably relied upon by the Company for use in the Registration Statement, such Prospectus or such form of prospectus or to the extent that such information relates to such Holder or such Holder's proposed method of distribution of Registrable Securities. In no event shall the liability of any selling Holder hereunder be greater in amount than the dollar amount of the net proceeds received by such Holder upon the sale of the Registrable Securities giving rise to such indemnification obligation.

(c) Conduct of Indemnification Proceedings. If any Proceeding shall be brought or asserted against any Person entitled to indemnity hereunder (an "Indemnified Party"), such Indemnified Party promptly shall notify the Person from whom indemnity is sought (the "Indemnifying Party") in writing, and the Indemnifying Party shall assume the defense thereof, including the employment of counsel reasonably satisfactory to the Indemnified Party and the payment of all fees and expenses incurred in connection with defense thereof; provided, that the failure of any Indemnified Party to give such notice shall not relieve the Indemnifying Party of its obligations or liabilities pursuant to this Agreement, except (and only) to the extent that it shall be finally determined by a court of competent jurisdiction (which determination is not subject to appeal or further review) that such failure shall have adversely prejudiced the Indemnifying Party.

An Indemnified Party shall have the right to employ separate counsel in any such Proceeding and to participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party or Parties unless: (1) the Indemnifying Party has agreed in writing to pay such

fees and expenses; or (2) the Indemnifying Party shall have failed promptly to assume the defense of such Proceeding and to employ counsel reasonably satisfactory to such Indemnified Party in any such Proceeding; or (3) the named parties to any such Proceeding (including any impleaded parties) include both such Indemnified Party and the Indemnifying Party, and such Indemnified Party shall have been advised by counsel that a conflict of interest is likely to exist if the same counsel were to represent such Indemnified Party and the Indemnifying Party (in which case, if such Indemnified Party notifies the Indemnifying Party in writing that it elects to employ separate counsel at the expense of the Indemnifying Party, the Indemnifying Party shall not have the right to assume the defense thereof and such counsel shall be at the expense of the Indemnifying Party); provided that if more than one Indemnified Party is seeking indemnification with respect to the same Proceeding, the Indemnifying Party shall not be required to pay for more than one separate counsel for all such Indemnified Parties as a group. The Indemnifying Party shall not be liable for any settlement of any such Proceeding effected without its written consent, which consent shall not be unreasonably withheld. No Indemnifying Party shall, without the prior written consent of the Indemnified Party, effect any settlement of any pending Proceeding in respect of which any Indemnified Party is a party, unless such settlement includes an unconditional release of such Indemnified Party from all liability on claims that are the subject matter of such Proceeding.

(d) Contribution. If a claim for indemnification under Section 5(a) or 5(b) is unavailable to an Indemnified Party because of a failure or refusal of a governmental authority to

enforce such indemnification in accordance with its terms (by reason of public policy or otherwise), then each Indemnifying Party, in lieu of indemnifying such Indemnified Party, shall contribute to the amount paid or payable by such Indemnified Party as a result of such Losses, in such proportion as is appropriate to reflect the relative fault of the Indemnifying Party and Indemnified Party in connection with the actions, statements or omissions that resulted in such Losses, as well as any other relevant equitable considerations. The relative fault of such Indemnifying Party and Indemnified Party shall be determined by reference to, among other things, whether any action in question, including any untrue or alleged untrue statement of a material fact or omission or alleged omission of a material fact, has been taken or made by, or relates to information supplied by, such Indemnifying Party or Indemnified Party, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such action, statement or omission. The amount paid or payable by a party as a result of any Losses shall be deemed to include, subject to the limitations set forth in Section 5(c), any reasonable attorneys' or other

reasonable fees or expenses incurred by such party in connection with any Proceeding to the extent such party would have been indemnified for such fees or expenses if the indemnification provided for in this Section was available to such party in accordance with its terms.

The parties hereto agree that it would not be just and equitable if contribution pursuant to this Section 5(d) were determined by pro rata allocation or by any other method of allocation that does not take into account the equitable considerations referred to in the immediately preceding paragraph. Notwithstanding the provisions of this Section 5(d), the Purchaser shall not be required to contribute, in the aggregate, any amount in excess of the amount by which the proceeds actually received by the Purchaser from the sale of the Registrable Securities subject to the Proceeding exceeds the amount of any damages that the Purchaser has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation.

The indemnity and contribution agreements contained in this Section are in addition to any liability that the Indemnifying Parties may have to the Indemnified Parties.

6. Rule 144. The Company shall file the reports required to be filed by it under the Securities Act and the Exchange Act in a timely manner and, if at any time the Company is not required to file such reports, they will, upon the request of any Holder, make publicly available other information so long as necessary to permit sales of its securities pursuant to Rule 144. The Company further covenants that it will take such further action as any Holder may reasonably request, all to the extent required from time to time to enable such Holder to sell Registrable Securities without registration under the Securities Act within the limitation of the exemptions provided by Rule 144; provided, however, that the Company shall not be obligated to provide an opinion to any Holder regarding the sale of Registrable Securities pursuant to exemptions provided by Rule 144. Upon the request of any Holder, the Company shall deliver to such Holder a written certification of a duly authorized officer as to whether it has complied with such requirements.

7. Miscellaneous

(a) Remedies. In the event of a breach by the Company or by a Holder, of any of their obligations under this Agreement, each Holder or the Company, as the case may be, in addition to being entitled to exercise all

rights granted by law and under this Agreement, including recovery of damages, will be entitled to specific performance of its rights under this Agreement. The Company and each Holder agree that monetary damages would not provide adequate compensation for any losses incurred by reason of a breach by it of any of the provisions of this Agreement and hereby further agrees that, in the event of any action for specific performance in respect of such breach, it shall waive the defense that a remedy at law would be adequate.

(b) Amendments and Waivers. The provisions of this Agreement, including the provisions of this sentence, may not be amended, modified or supplemented, and waivers or consents to departures from the provisions hereof may not be given, unless the same shall be in writing and signed by the Company and the Holders of at least two-thirds of the then outstanding Registrable Securities. Notwithstanding the foregoing, a waiver or consent to depart from the provisions hereof with respect to a matter that relates exclusively to the rights of Holders and that does not directly or indirectly affect the rights of other Holders may be given by Holders of at least a majority of the Registrable Securities to which such waiver or consent relates; provided, however, that the provisions of this sentence may not be amended, modified, or supplemented except in accordance with the provisions of the immediately preceding sentence.

(c) Notices. Any and all notices or other communications or deliveries required or permitted to be provided hereunder shall be in writing and shall be deemed given and effective on the earliest of (i) the date of transmission, if such notice or communication is delivered via facsimile at the facsimile telephone number specified in this Section prior to 4:30 p.m. (Minneapolis time) on a Business Day; (ii) the Business Day after the date of transmission, if such notice or communication is delivered via facsimile at the facsimile telephone number specified in the Purchase Agreement later than 4:30 p.m. (Minneapolis time) on any date and

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earlier than 11:59 p.m. (Minneapolis time) on such date; (iii) the Business Day following the date of mailing, if sent by nationally recognized overnight courier service; or (iv) upon actual receipt by the party to whom such notice is required to be given.

If to the Company:

Sheldahl, Inc.
1150 Sheldahl Road
Northfield, MN 55057-9444
Attn: Jill Burchill

Fax: (507) 663-8326 or
(507) 663-8435

With copies to:

Lindquist & Vennum P.L.L.P.
4200 IDS Center
80 South Eighth Street
Minneapolis MN 55402
Attn: Charles P. Moorse, Esq.
Fax: (612) 371-3207

or such other address as may be designated in writing hereafter, in the same manner, by such Person.

(d) Successors and Assigns. This Agreement shall more to the benefit of and be binding upon the successors and permitted assigns of each of the parties and shall more to the benefit of each Holder. The Company may not assign its rights or obligations hereunder without the prior written consent of each Holder. Each Purchaser may assign its rights hereunder in the manner and to the Persons as permitted under the Purchase Agreement.

(e) Assignment of Registration Rights. The rights of each Purchaser hereunder, including the right to have the Company register for resale Registrable Securities in accordance with the terms of this Agreement, shall be automatically assignable by the Purchaser to any assignee or transferee of all or a portion of the shares of Preferred Stock, the Warrants or the Registrable Securities if: (i) the Purchaser agrees in writing with the transferee or assignee to assign such rights, and a copy of such agreement is furnished to the Company within a reasonable time after such assignment; (ii) the Company is, within a reasonable time after such transfer or assignment, furnished with written notice of (A) the name and address of such transferee or assignee, and (B) the securities with respect to which such registration rights are being transferred or assigned; (iii) following such transfer or assignment the further disposition of such securities by the transferee or assignees is restricted under the Securities Act and applicable state securities laws to the extent required by the Purchase Agreement; (iv) at or before the time the Company receives the written notice contemplated by clause (ii) of this Section, the transferee or assignee agrees in writing with the Company to be bound by all of the provisions of this Agreement; and (v) such transfer shall have been made in accordance with the applicable requirements of the Purchase Agreement. The rights to assignment shall apply to the Purchaser's (and to subsequent) successors and assigns.

(f) Counterparts. This Agreement may be executed in any number of counterparts, each of which when executed and delivered shall be deemed to be an original and, all of which taken together shall constitute one and the same

Agreement. In the event that any signature is delivered by facsimile transmission, such signature shall create a valid binding obligation of the party executing (or on whose behalf such signature is executed) the same with the same force and effect as if such facsimile signature were the original thereof.

(g) Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Minnesota, without regard to principles of conflicts of law.

(h) Cumulative Remedies. The remedies provided herein are cumulative and not exclusive of any remedies provided by law.

(i) Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, illegal, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions set forth herein shall remain in full force and effect and shall in no way be affected, impaired or invalidated, and the parties hereto shall use their reasonable efforts to find and employ an alternative means to achieve the same or substantially the same result as that contemplated by such term, provision, covenant or restriction. It is hereby stipulated and declared to be the intention of the parties that they would have executed the remaining terms, provisions, covenants and restrictions without including any of such that may be hereafter declared invalid, illegal, void or unenforceable.

(j) Headings. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

(k) Shares Held by The Company and its Affiliates. Whenever the consent or approval of Holders of a specified percentage of Registrable Securities is required hereunder, Registrable Securities held by the Company or its Affiliates (other than the Purchaser or transferees or successors or assigns thereof if such Persons are deemed to be Affiliates solely by reason of their holdings of such Registrable Securities) shall not be counted in determining whether such consent or approval was given by the Holders of such required percentage.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

SHELDAHL, INC.

By:

Jill Burchill, Chief Financial Officer

MOLEX INCORPORATED

By:

Name:

Title:

Richard S. Wilcox, Jr.

AGREEMENT RELATING TO SHELDAHL

This Agreement Relating to Sheldahl (the "Agreement") is made as of this 18th day of November, 1998 between Sheldahl, Inc., a Minnesota corporation ("Sheldahl") and Molex Incorporated, a Delaware corporation ("Molex").

A. The parties have executed and delivered a Convertible Preferred Stock Purchase Agreement (the "Purchase Agreement") pursuant to which Molex will acquire shares of Series D Convertible Preferred Stock of Sheldahl.

B. The parties have executed a Limited Liability Company Agreement to form Modular Interconnect Systems, L.L.C. (the "Joint Venture").

C. In connection with Molex's purchase of the Preferred Shares and participation in the Joint Venture, the parties have agreed to certain matters relating to Sheldahl as set forth in this Agreement.

NOW, THEREFORE, the parties hereby agree as follows:

SECTION 1

Right of First Refusal

1.1 "Acquisition" shall mean (i) a transaction including a merger, consolidation, tender offer or exchange offer involving Sheldahl (other than transactions solely between Sheldahl and its subsidiaries or between Sheldahl and Molex) following which any person (as such term is used in Rule 13d-5 of the Securities and Exchange Commission under the Securities Exchange Act of 1934 (the "1934 Act") or group (as such term is defined in Section 13(d) of the 1934 Act) becomes or would become the "Beneficial Owner" (as such term is defined in Rule 13d-3 of the 1934 Act) of (x) a majority of the common stock, or (y) securities representing a majority of the combined voting power of all Voting Securities of Sheldahl, or following which persons who were Beneficial Owners of the common stock and Voting Securities of Sheldahl immediately before such transaction do not, after such transaction, beneficially own, directly or indirectly, a majority of the common stock and combined voting power of the Voting Securities of Sheldahl; or (ii) the disposition, by sale, exchange or otherwise, of substantially all of the assets of Sheldahl. "Voting Securities" shall mean securities of Sheldahl that are entitled to vote in the election of directors of Sheldahl.

1.2 In the event the Board of Directors of Sheldahl receives a bona fide offer (which the Board of Directors of Sheldahl is willing to accept) from a third party for an Acquisition, Sheldahl will advise Molex in writing of the terms and conditions of such offer (the "Notice").

1.3 Molex shall, within thirty (30) days following its receipt of the Notice, advise Sheldahl in writing whether it is willing to consummate the Acquisition with Sheldahl upon substantially the same terms and conditions described in the Notice (but in any event on terms not less favorable to Sheldahl than those described in the Notice), and shall provide Sheldahl evidence of its ability to finance the Acquisition.

1.4 If Molex advises Sheldahl that it is willing to consummate the Acquisition with Sheldahl upon substantially the same terms and conditions described in the Notice (but in any event on terms not less favorable than those described in the Notice), Sheldahl and Molex shall, subject to the fiduciary duties of the Board of Directors of Sheldahl determined in consultation with

Sheldahl's counsel, proceed in good faith to consummate the Acquisition within ninety (90) days of the date on which Molex advised Sheldahl that it was willing to consummate the Acquisition upon substantially the same terms and conditions described in the Notice.

1.5 If Molex advises Sheldahl that it is not willing to consummate the Acquisition with Sheldahl upon substantially the same terms and conditions described in the Notice, or fails to advise Sheldahl of its intentions with the 30-day period referred to in Section 1.3 above, or Molex fails to proceed in good faith to consummate the Acquisition within the 90-day period referred to in Section 1.4 above, Sheldahl shall be free to consummate an Acquisition with any third party upon terms and conditions that are not more favorable to the third party than those described in the Notice.

1.6 If Sheldahl wishes to solicit interests for an Acquisition, Sheldahl shall advise Molex in writing of the terms and conditions upon which it is willing to consummate the Acquisition ("Sheldahl Notice").

1.7 Molex shall, within thirty (30) days following its receipt of the Sheldahl Notice, advise Sheldahl in writing whether it is willing to consummate the Acquisition with Sheldahl upon substantially the same terms and conditions described in the Sheldahl Notice (but in any event on terms not less favorable to Sheldahl than those described in the Sheldahl Notice) and shall provide Sheldahl with evidence of its ability to finance the Acquisition.

1.8 If Molex advises Sheldahl that it is willing to consummate the Acquisition with Sheldahl upon substantially the same terms and conditions described in the Sheldahl Notice (but in any event on terms not less favorable to Sheldahl than those described in the Sheldahl Notice), Sheldahl and Molex shall, subject to the fiduciary duties of the Board of Directors of Sheldahl determined in consultation with Sheldahl's counsel, proceed in good faith to consummate the Acquisition within ninety (90) days of the date on which Molex advised Sheldahl that it was willing to consummate the Acquisition upon substantially the same terms and conditions described in the Sheldahl Notice.

1.9 Notwithstanding the terms of Sections 1.2, 1.3, 1.4 and 1.5, if Molex advises Sheldahl that it is not willing to consummate the Acquisition with Sheldahl upon substantially the same terms and conditions described in the Sheldahl Notice, or fails to advise Sheldahl of its intentions within the 30-day period referred to in Section 1.7 above, or Molex fails to proceed in good faith to consummate the Acquisition within the 90-day period referred to in Section 1.8 above, Sheldahl shall be free to solicit for and consummate the Acquisition with a third party upon terms and conditions that are not more favorable to the third party than those described in the Sheldahl Notice, subject to the terms of Section 1.11.

1.10 In the event any third party advises Sheldahl, after the date of a Notice or a Sheldahl Notice pursuant to which Molex has advised Sheldahl that it is willing to consummate an Acquisition with Sheldahl, that the third party is willing to enter into an Acquisition with

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Sheldahl on the terms and conditions more favorable to Sheldahl than those described in the Notice or the Sheldahl Notice (the "Second Offer"), Sheldahl shall advise Molex in writing of the terms and conditions of such Second Offer (the "Second Notice"). Molex shall, within five (5) business days following its receipt of the Second Notice, advise Sheldahl in writing whether it is willing to consummate the Acquisition with Sheldahl upon substantially the same terms and conditions described in the Second Notice (but in any event on terms not less favorable to Sheldahl than those described in the Second Notice) and shall provide Sheldahl with evidence of its ability to finance the Acquisition. If Molex advises Sheldahl that it is willing to consummate the Acquisition with Sheldahl upon substantially the same terms and conditions described in the Second Notice (but in any event on terms not less favorable to Sheldahl than

those described in the Second Notice), Sheldahl and Molex shall, subject to the fiduciary duties of the board of Directors of Sheldahl determined in consultation with Sheldahl's counsel, proceed in good faith to consummate the Acquisition within ninety (90) days of the date on which molex advised Sheldahl that it was willing to consummate the Acquisition upon substantially the same terms and conditions of the Second Notice. If Molex advises Sheldahl that it is not willing to consummate the Acquisition upon substantially the same terms and conditions of the Second Notice, or fails to advise Sheldahl of its intentions within the five business day period referred to in this section, or Molex fails to proceed in good faith to consummate the Acquisition within ninety (90) days, Sheldahl shall be free to consummate an Acquisition with any third party upon terms and conditions that are not more favorable to the third party than those described in the Second Notice.

1.11 If Sheldahl shall receive offers from (i) any third party as provided in Section 1.9; or (ii) any third party subsequent to the date of the Second Offer that are more favorable to Sheldahl or its shareholders than the Second Offer, Sheldahl shall advise Molex in writing of the terms and conditions of such additional offers prior to accepting any such further offer and, with respect to clause (i) above, Molex shall receive such notice at least five business days prior to Sheldahl accpeting any such offer. However, in light of the fiduciary duties of the Board of Directors of Sheldahl in such a situation, Sheldahl shall be free to accept that offer which the Board of Directors of Sheldahl determines is most favorable to Sheldahl or its shareholders. Sheldahl's decision as to which party's terms are most favorable shall be final and binding.

1.12 If the Acquisition contemplates payment of consideration (including any tax deferral benefits and other non-cash items) to Sheldahl or its shareholders other than cash, and Molex is not able to pay or deliver to Sheldahl or its shareholders the same form of non-cash consideration, Molex shall, in its notice to Sheldahl to express its intention to consummate an Acquisition, set forth in detail the form of consideration Molex is offering in the Acquisition (the "Substitute Consideration"). Such Substitute Consideration shall be substantially equivalent in value from a financial point of view to Sheldahl or its shareholders when compared to the original consideration offered to Sheldahl by a third party or solicited by Sheldahl from a third party, as the case may be. If Molex and Sheldahl disagree whether the Substitute Consideration offered by Molex is "substantially equivalent in value from a financial point of view," the final determination shall be made by a reputable investment bank mutually acceptable to Sheldahl and Molex which has not performed services for either Sheldahl or Molex in the past twelve (12) months, which determination shall be binding upon Molex and Sheldahl; provided, however, that the Board of Directors of Sheldahl, after consultation with its counsel, shall be satisfied in good faith that it has fulfilled its fiduciary duties by accepting the determination of the investment

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bank. In the event it is determined that Molex's Substitute Consideration is not "substantially equivalent in value from a financial point of view," Sheldahl shall provide written notice to Molex reasonably describing such deficiency (the "Deficiency Notice"), in which event Molex may provide a modified offer providing Substitute Consideration which is "substantially equivalent in value from a financial point of view" in writing within five (5) business days of Sheldahl's Deficiency Notice. In the event Molex does not provide the modified offer as provided above within the time period provided above, Sheldahl shall be entitled to accept the third party offer free of any rights of Molex under this Agreement.

SECTION 2

Preemptive Rights

2.1 Except for (i) grants of options to acquire Sheldahl Common Stock

under Sheldahl's employee and consultant benefit plans adopted by Sheldahl and except for Sheldahl Common Stock issued upon exercise of such options granted pursuant to such plans; (ii) shares of Sheldahl Common Stock issued upon conversion of the 15,000 shares of Series B Convertible Preferred Stock of Sheldahl and upon payment of dividends with respect to such shares; (iii) shares of preferred stock, Common Stock or rights of Sheldahl issued pursuant to Sheldahl's Rights Agreement dated June 16, 1996 with Norwest Bank Minnesota, N.A., as amended, (the "Rights Agreement"); (iv) shares of Series D Convertible Preferred Stock of Sheldahl and shares of Sheldahl Common Stock issued upon conversion thereof and upon payment of dividends with respect to such preferred stock; and (v) shares issued upon exercise of warrants outstanding on the date of this Agreement (including all warrants issued or to be issued with respect to the Series D Convertible Preferred Stock), Sheldahl will give Molex written notice of its intention to issue additional Sheldahl Common Stock or securities or debt convertible into, or exercisable or exchangeable for, shares of Sheldahl Common Stock, including options and warrants (the "Convertible Securities"), in a private or public equity or debt offering. If such notice is given by Sheldahl, Molex shall have the right to purchase a portion of such Sheldahl Common Stock or Convertible Securities in such number which, when combined with the Sheldahl Common Stock owned beneficially by Molex, will equal the percentage of the issued and outstanding Sheldahl Common Stock after such purchase which Molex beneficially owned immediately prior to the issuance of such additional Sheldahl Common Stock or Convertible Securities (and including solely for the purpose of determining the number of shares Molex beneficially owned immediately prior to such issuance the number of shares issued by Sheldahl during the term of this Agreement in transactions described in Section 2.4 below which Molex would have been entitled to purchase as a result of such transaction (and which were not purchased under the second or fifth sentence of Section 2.4) if the rights in this Section 2.1 would have applied to such issuance); in no event, however, shall (i) Molex's ownership following any purchase under this Section 2.1 exceed 15% of the issued and outstanding Sheldahl Common Stock (as determined pursuant to Section 4.1); or (ii) Molex's Beneficial Ownership (as defined in the Rights Agreement) following such purchase result in Molex being an "Acquiring Person" (as defined in the Rights Agreement).

2.2 Exercise of Preemptive Rights. In order to exercise its purchase rights hereunder, Molex must within ten business days after receipt of written notice from Sheldahl describing in reasonable detail the stock or securities being offered, the purchase price thereof, the payment

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and other terms and conditions thereof and Molex's percentage allotment, deliver a written notice to Sheldahl describing its election hereunder.

2.3 Expiration of Offering Period. Upon the expiration of the ten-day period described above, Sheldahl shall be entitled to sell such Sheldahl Common Stock or Convertible Securities which Molex has not elected to purchase for a period of 90 days following such expiration on substantially the same terms and conditions as those offered to Molex.

2.4 No Rights in Certain Transactions. Notwithstanding the foregoing, Molex shall not be entitled to the preemptive rights set forth in Section 2.1 above in connection with an issuance by Sheldahl of its Common Stock or Convertible Securities in an acquisition of assets or the business of a third party where Sheldahl is the continuing or surviving entity, but where such transaction is not an Acquisition. For a period of two years from the date hereof, in the event Sheldahl issues shares of Common Stock or Convertible Securities in a transaction described in this Section 2.4, it shall offer Molex the right to purchase a number of shares of Sheldahl Common Stock necessary to allow Molex to beneficially own, after giving effect to such transaction described in this Section 2.4, the lesser of (i) the percentage of issued and outstanding Sheldahl Common Stock which Molex beneficially owned on the date immediately prior to such transaction; or (ii) 15% of the issued and outstanding Sheldahl Common Stock (as determined pursuant to Section 4.1). The purchase price for such shares shall be at a price equivalent to the value of the

Sheldahl Common Stock received by the third party or shareholders of the third party to such transaction. Molex shall exercise this right within ten business days after receipt of written notice from Sheldahl and, notwithstanding clause (ii) in the first sentence of Section 4.1, this Agreement shall not terminate in the event Molex has exercised such right prior to the termination of such ten business day period. Notwithstanding clause (ii) in the first sentence of Section 4.1, after the two-year period described above, this Agreement shall not terminate in the event an issuance of Common Stock or Convertible Securities resulting from an event described in this Section 2.4 causes Molex to beneficially own less than 5% of the issued and outstanding Sheldahl Common Stock (a "Termination Event") if either (i) Sheldahl provides Molex with the right to purchase shares of Sheldahl's Common Stock or Convertible Securities in an amount necessary to allow Molex to beneficially own 5% of the issued and outstanding Sheldahl Common Stock after such issuance and Molex exercises such purchase rights within ten business days after receipt of written notice from Sheldahl describing the stock or securities to be offered and the purchase price thereof; or (ii) Molex purchases shares in the market to increase its beneficial ownership of Sheldahl Common Stock to 5% or more within 90 days of the Termination Event.

SECTION 3 Board Representation

3.1 Board Representation. At least fifteen (15) day sprior to the meeting of the Board of Directors of Sheldahl establishing the slate of directors for the next scheduled Annual Meeting of Shareholders of Sheldahl, Sheldahl shall provide Molex with a notice of such meeting. Prior to the date of such directors' meeting, Molex shall give the nominating committee of Sheldahl's Board of Directors, in writing, the names of two director candidtaes selected from Molex's executive management team. Sheldahl will nominate and solicit proxies for the election of one such candidate submitted by Molex as a member of the Board of Directors of Sheldahl at that

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Annual Meeting of Shareholders and at each succeeding Annual Meeting of Shareholders of Sheldahl; provided, however, that after termination of this Agreement pursuant to Section 4, Sheldahl shall no longer be obligated to nominate and solicit proxies for the election of such designee of Molex as a director of Sheldahl and such nominee shall, if requested by the Board of Directors of Sheldahl, resign from the Sheldahl Board of Directors. At the first meeting of the Board of Directors after the date of this Agreement, Molex's designee (as described above) shall be appointed by the Board of Directors as a Board member.

SECTION 4 Miscellaneous

4.1 Term and Termination. This Agreement shall terminate and Molex shall have no further rights under this Agreement on the earliest to occur of the following: (i) when Molex first ceases to beneficially own at least 75% of the number of shares of Sheldahl Common Stock owned beneficially by Molex as of the date of this Agreement, as indicated on Exhibit A; (ii) subject to Section 2.4, when Molex first ceases to beneficially own at least 5% of the issued and outstanding Sheldahl Common Stock; or (iii) completion of an Acquisition. For purposes of this Agreement, when determining the issued and outstanding Sheldahl Common Stock or the Sheldahl Common Stock owned beneficially by Molex, (i) all issued and outstandaing shares of Series B Convertible Preferred Stock and Series D Convertible Preferred Stock shall be deemed converted to Common Stock; (ii) all warrants to purchase Common Stock outstanding on the date of this Agreement (and not subsequently exercised) shall be deemed issued and outstanding until they terminate; and (iii) all subsequently issued and outstanding Convertible Securities (other than options granted to employees or directors and Convertible Securities that are out of the money) shall be deemed converted to Common Stock. With respect to (i) and (iii) immediately above, the number of shares of Sheldahl Common Stock to be issued upon conversion shall be

determined as of the date a determination is to be made pursuant to this Agreement. A determination of the issued and outstanding Sheldahl Common Stock as of July 30, 1998 is set forth on Exhibit A.

4.2 Governing Law. This Agreement shall be governed in all respects by the laws of the State of Minnesota as applied to contracts entered into solely between residents of, and to be performed entirely within, such state.

4.3 Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns. This Agreement may not be assigned by a party without the prior written consent of the other party.

4.4 Entire Agreement; Amendment. This Agreement and the other documents delivered pursuant hereto constitute the full and entire understanding and agreement between the parties with regard to the subject matter hereof and thereof and supersedes all prior agreements and understandings among the parties relating to the subject matter hereof. Neither this Agreement nor any term hereof may be amended, waived, discharged or terminated other than by a written instrument signed by the party against which enforcement of any such amendment, waiver, discharge or termination is sought.

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4.5 Notices and Dates. Any notice or other communication given under this Agreement shall be sufficient if in writing and sent by registered or certified mail, return receipt requested, postage prepaid, by facsimile, by hand delivery or overnight mail to a party at its address set forth below (or at such other address as shall be designated for such purpose by such party in a written notice to the other party hereto):

if to Sheldahl:	Sheldahl, Inc. 1150 Sheldahl Road Northfield, MN 55057 Attention: James E. Donaghy Fax: 507-663-8326
with a copy to:	Lindquist & Vennum P.L.L.P. 4200 IDS Center 80 South 8th Street Minneapolis, MN 55042 Attention: Charles P. Moorse Fax: 612-371-3207
if to Molex:	Molex Incorporated 2222 Wellington Court Lisle, IL 60532 Attention: Frederick A. Krehbiel Fax: 630-512-8632
with a copy to:	Sonnenschein Nath & Rosenthal 8000 Sears Tower Chicago, IL 60606 Attention: Michael M. Froy Fax: 312-876-7934

All such notices and communications shall be effective when received by the addressee. In the event that any date provided for in this Agreement falls on a Saturday, Sunday or legal holiday, such date shall be deemed extended to the next business day.

4.6 Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restriction of this Agreement shall remain in full force and effect and shall in

no way be affected, impaired or invalidated.

4.7 Costs and Expenses. Each party hereto shall pay its own costs and expenses incurred in connection herewith, including the fees of its counsel, auditors and other representatives, whether or not the transactions contemplated herein are consummated.

4.8 No Third Party Rights. Nothing in this Agreement shall create or be deemed to create any rights in any person or entity not a party to this Agreement.

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4.9 Remedies. Sheldahl and Molex acknowledge that a breach of this Agreement by one party could cause the other party damage which may not be adequately compensated by damages at law. Therefore, Sheldahl and Molex agree that, in addition to other relief afforded by law, seeking an injunction for specific performance shall be a proper mode of relief for violations of this Agreement.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their respective authorized officers as of the date aforesaid.

SHELDAHL, INC.

By: _____
Its _____

MOLEX INCORPORATED

By: _____
Its _____

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EXHIBIT A

BENEFICIAL OWNERSHIP OF SHELDAHL, INC.
BY MOLEX INCORPORATED

As of July 30, 1998

<TABLE>

	Common Shares -----
<S>	<C>
Common Shares Issued and Outstanding	9,660,615
Series B Preferred (including dividends converted at \$6.01 through 7/30/98)	1,330,795
Outstanding Warrants	167,812
Series D Warrants	329,170
Series D Preferred (converted at \$6.15)	5,352,358

Total Sheldahl Common Stock (per Section 3.1)	----- 16,840,750 =====
Molex Incorporated	340,000
Series D Warrants	120,000
Series D Preferred \$12.0M	1,951,219 -----
Molex Incorporated Ownership	2,411,219 =====
Molex Incorporated Percentage Ownership </TABLE>	14.32%