

SECURITIES AND EXCHANGE COMMISSION

FORM S-4

Registration of securities issued in business combination transactions

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FILER

TOP AIR MANUFACTURING INC

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REGISTRATION NO. 33-

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM S-4
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933
TOP AIR MANUFACTURING, INC.

(Exact name of registrant as specified in its charter)

IOWA 3563 42-1155462
(State or other (Primary Standard (I.R.S. employer
jurisdiction of incorporation Industrial Classification identification
or organization) Code Number) number)

406 HIGHWAY 20, PARKERSBURG, IOWA 50665
(319) 346-1788
(Address, including zip code, and telephone number, including area code,
of registrant's principal executive offices)

STEVEN R. LIND, PRESIDENT
406 Highway 20
Parkersburg, Iowa 50665
(319) 346-1788
(Name, address, including zip code, and telephone number, including area code,
of agent for service)

Copies of all correspondence to:

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101 SOUTH HANLEY RD. CEDAR FALLS, IOWA 50613
ST. LOUIS, MISSOURI 63105

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO PUBLIC: AS SOON AS
PRACTICABLE AFTER THIS REGISTRATION STATEMENT BECOMES EFFECTIVE AND ALL OTHER
CONDITIONS TO CONSUMMATION OF THE TRANSACTIONS DESCRIBED IN THAT CERTAIN ASSET
PURCHASE AGREEMENT DATED AS OF APRIL 11, 1995 BETWEEN THE REGISTRANT AND CLAY
EQUIPMENT CORPORATION AND CLAY HOLDING, INC. HAVE BEEN SATISFIED OR WAIVED.

IF THE SECURITIES BEING REGISTERED ON THIS FORM ARE BEING OFFERED IN
CONNECTION WITH THE FORMATION OF A HOLDING COMPANY AND THERE IS COMPLIANCE WITH
GENERAL INSTRUCTION G, CHECK THE FOLLOWING BOX. []

<TABLE>

CALCULATION OF REGISTRATION FEE

<CAPTION>

Table with 5 columns: Title of each class of securities to be registered, Amount to be registered, Proposed maximum offering price per share, Proposed maximum aggregate offering price, Amount of registration fee. Row 1: Common Stock, without par value, 850,000 shares, \$0.906, \$770,100, \$265.

<FN>

<F1> Estimated solely for the purpose of calculating the registration fee
pursuant to Rule 457(c) and based upon the average of the bid and asked
price of Top Air Common Stock, as published on the NASDAQ Bulletin Board
on May 5, 1995.

</TABLE>

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR
DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT
SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION
STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF
THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME

PROSPECTUS/INFORMATION STATEMENT

PROSPECTUS
TOP AIR MANUFACTURING, INC.
850,000 SHARES
COMMON STOCK

INFORMATION STATEMENT

CLAY HOLDING, INC.

WE ARE NOT ASKING OUR SOLE SHAREHOLDER FOR A PROXY
AND YOU ARE REQUESTED NOT TO
SEND US A PROXY

This Prospectus of Top Air Manufacturing, Inc., an Iowa corporation ("Top Air"), relates to 850,000 shares of the common stock, without par value, of Top Air (the "Top Air Common Stock") to be issued to Clay Equipment Corporation, an Iowa corporation ("Clay Equipment"), and subsequently distributed to the participants of the Clay Holding, Inc. Employee Stock Ownership Plan (respectively, the "ESOP Participants" and the "ESOP") pursuant to that certain Asset Purchase Agreement dated as of April 11, 1995 among Clay Equipment, Clay Holding, Inc., an Iowa corporation ("Clay Holding") which holds all of the outstanding shares of the capital stock of Clay Equipment, and Top Air, as amended by amendatory agreement dated May 5, 1995 (such Asset Purchase Agreement, as thus amended, being collectively referred to herein as the "Purchase Agreement"). Pursuant to the Purchase Agreement and subject to its terms and conditions, substantially all of the assets of Clay Equipment will be sold to Top Air or a wholly-owned subsidiary of Top Air in exchange for the issuance to Clay Equipment of the lesser of (i) 750,000 shares of the no par value common stock of Top Air (the "Top Air Common Stock"), or (ii) the number of shares of Top Air Common Stock having an aggregate market value of \$1,000,000 as of the Closing Date (as defined in the Purchase Agreement), in either case subject to adjustment (as adjusted, the "Top Air Shares"), and the assumption by Top Air of certain liabilities of Clay Equipment (the "Proposed Transaction"). This Prospectus also serves as the Information Statement of Clay Holding for use in connection with the special meeting of stockholders of Clay Holding (the "Special Meeting") to be held June 26, 1995 at the time and place stated in the Notice of Special Meeting accompanying this Prospectus/Information Statement.

SEE "INVESTMENT CONSIDERATIONS" FOR INFORMATION THAT SHOULD BE CONSIDERED BY RECIPIENTS OF THIS PROSPECTUS/INFORMATION STATEMENT.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED
BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE
SECURITIES COMMISSION NOR HAS THE SECURITIES AND
EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION
PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS.
ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL
OFFENSE.

The date of this Prospectus/Information Statement is -----, 1995.

Consummation of the Proposed Transaction is subject to various conditions, including the approval of the Proposed Transaction by the ESOP Trustee, the direction by ESOP Participants entitled to the distribution of at least ninety percent (90%) of the Top Air Shares in connection with the Proposed Transaction that such distribution be made as a direct rollover which satisfies the

requirements of Section 401(a)(31) of the Internal Revenue Code of 1986, as amended (the "Code"), to an "Eligible Retirement Plan," as defined in Section 402(c)(8)(B) of the Code, and the absence of the exercise by any ESOP Participant of their dissenters' rights. See "SUMMARY INFORMATION - Proposed Transaction"; "TERMS OF THE PROPOSED TRANSACTION - General Description of the Proposed Transaction and Conditions of the Transaction"; "RIGHTS OF DISSENTING STOCKHOLDERS."

No ESOP Participant who directs that the distribution of that portion of the Top Air Shares to which he or she is entitled be made as a "direct rollover" to an Eligible Retirement Plan will be subject in the current tax year to federal income tax on the income derived from such distribution, and thus no amount will be withheld on behalf of such ESOP Participants. Each ESOP Participant who directs that the portion of the Top Air Shares to which he or she is entitled be distributed directly to such Participant will be subject to (i) federal income tax (and withholding) attributable to such distribution, (ii) in the case of those ESOP Participants who are residents of the State of Iowa or certain other states, state income (and withholding) attributable to such distribution, and (iii) a ten percent (10%) penalty applicable to such distribution if such Participant is under the age of 59-1/2 years. See "SUMMARY INFORMATION - Certain Federal Income Tax Consequences" and "CERTAIN FEDERAL INCOME TAX CONSEQUENCES."

Top Air Common Stock is currently quoted on the Nasdaq Bulletin Board under the trading symbol "TOPM." On May 5, 1995, the average of the bid and asked prices for Top Air Common Stock as published by the Nasdaq Bulletin Board was \$0.906 per share. See "SUMMARY INFORMATION - Markets and Market Prices" and "INVESTMENT CONSIDERATIONS - NASDAQ Delisting; Market Volume Considerations."

This Prospectus/Information Statement and the Notice of Special Meeting were first mailed to the ESOP Trustee and the ESOP Participants on or about June --, 1995.

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AVAILABLE INFORMATION

Top Air is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission"), which may be inspected at the public reference facilities of the Commission at Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549; at its New York Regional Office, Room 1400, 7 World Trade Center, New York, New York 10048; and its Chicago Regional Office, 500 West Madison, Suite 1400, Chicago, Illinois 60661-2511. Copies of such materials can be obtained at prescribed rates from the public reference section of the Commission in Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549.

This Prospectus/Information Statement does not contain all of the information set forth in the Registration Statement on Form S-4 and exhibits thereto (the "Registration Statement") covering the securities offered hereby which has been filed by Top Air with the Commission. As permitted by the rules and regulations of the Commission, this Prospectus/Information Statement omits certain information contained in the Registration Statement. For further information with respect to Top Air and the Top Air Common Stock offered hereby, reference is made to such Registration Statement and to the exhibits and schedules filed therewith. Statements made in this Prospectus/Information Statement regarding the contents of any contract or other document referred to herein as an exhibit to the Registration Statement are qualified in all respects by such reference.

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATION NOT CONTAINED IN THIS PROSPECTUS/INFORMATION STATEMENT AND, IF SUCH INFORMATION IS GIVEN OR REPRESENTATION MADE, NEITHER MAY BE RELIED UPON AS HAVING BEEN AUTHORIZED BY TOP AIR, CLAY EQUIPMENT OR CLAY HOLDING. THIS PROSPECTUS/INFORMATION STATEMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY SECURITIES OTHER THAN THE TOP AIR SHARES TO WHICH IT RELATES OR AN OFFER TO ANY PERSON IN ANY JURISDICTION WHERE SUCH AN OFFER WOULD BE UNLAWFUL. NEITHER THE DELIVERY OF THIS PROSPECTUS/INFORMATION STATEMENT NOR ANY DISTRIBUTION OF SECURITIES PURSUANT HERETO SHALL IMPLY OR CREATE AN IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF TOP AIR, CLAY EQUIPMENT OR CLAY HOLDING OR IN THE INFORMATION SET FORTH HEREIN SUBSEQUENT TO THE DATE HEREOF.

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SUMMARY INFORMATION

The following is a summary of certain information regarding Top Air, Clay Equipment and Clay Holding, and certain important terms of the Proposed Transaction and other related matters. This summary does not purport to be complete and is qualified in its entirety by reference to the more detailed information which appears elsewhere in this Prospectus/Information Statement.

BUSINESS OF TOP AIR

Top Air was incorporated under the laws of the State of Iowa in 1981. Top Air is engaged in the business of manufacturing several products used primarily in agricultural operations, including several types of agricultural sprayers, the Auger Dolly, an apparatus used to facilitate the relocation of grain augers, the Straw Command, an attachment for combines that enhances the even spreading of straw and other harvest byproducts, and a line of sprayer replacement parts. Although Top Air's current facility is located in Parkersburg, Iowa, it is anticipated that within 6 months after consummation of the Proposed Transaction the operations of Top Air and Clay Equipment will be consolidated into a newly constructed 85,000 square foot facility located in Cedar Falls, Iowa. See "TERMS OF THE PROPOSED TRANSACTION - Reasons for the Proposed Transaction." At February 28, 1995 Top Air had total assets of approximately \$6.0 million, long term debt of approximately \$0.3 million and stockholders' equity of approximately \$2.5 million. See "Summary Financial Data."

Top Air's principal executive offices are located at 406 Highway 20, Parkersburg, Iowa 50665, and its telephone number is (319) 346-1788.

BUSINESS OF CLAY EQUIPMENT

Clay Equipment was incorporated under the laws of the State of Iowa in 1900 as Iowa Gate Company. Like Top Air, Clay Equipment is engaged in the business of the design, manufacture and sale of agricultural products, including a line of agricultural spreaders sold under the name of "Better Built." Clay Equipment's current facility is located in Cedar Falls, Iowa, and will be closed in conjunction with the removal of the operations of Clay Equipment to the new facility described above. At December 31, 1994, Clay Equipment had total assets of approximately \$3.1 million, total borrowings of approximately \$1.7 million, and stockholder's deficit of approximately \$3.3 million. See "CLAY HOLDING COMPANY, INC. - Consolidated Balance Sheet at December 31, 1994" and "Note 11 to the Clay Holding Company, Inc. Consolidated Financial Statements."

Clay Equipment's principal executive offices are located at 101 Lincoln Street, Cedar Falls, Iowa 50613, and its telephone number is (319) 268-0473.

BUSINESS OF CLAY HOLDING

Clay Holding, which was incorporated under the laws of the State of Iowa in 1976, is not directly engaged in any business other than the holding of all of the issued and outstanding shares of the capital stock of Clay Equipment. Contemporaneously with the consummation of the Proposed Transaction (the "Closing"), Clay Equipment will be liquidated pursuant to a plan of liquidation adopted by the Board of Directors of Clay Equipment (the "Clay Equipment Board") by means of the merger of Clay Equipment with and into its parent, Clay Holding (the "Clay Equipment Liquidation"). All of the shares of the

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capital stock of Clay Holding are owned by the ESOP. See "TERMS OF THE PROPOSED TRANSACTION - General Description of the Proposed Transaction."

Clay Holding's principal executive offices are located at 101 Lincoln Street, Cedar Falls, Iowa 50613, and its telephone number is (319) 268-0473.

PROPOSED TRANSACTION

Subject to the satisfaction of various terms and conditions set forth in the Purchase Agreement, Clay Equipment will transfer substantially all of its assets, including the proceeds of the "Condemnation Award" (defined below), to Top Air in consideration for Top Air's assumption of certain liabilities of Clay Equipment and the delivery to Clay Equipment of the Top Air Shares. Contemporaneously with the Closing, Clay Equipment will be merged with and into Clay Holding, the ESOP will be terminated, and all of the Top Air Shares, except for the shares of "Hold-Back Stock" (hereinafter defined), will be distributed to the ESOP Participants. The Hold-Back Stock to be issued to the ESOP Participants will be held of record by the "Escrow Agent" (defined below) or other independent financial institution (the "Hold-Back Stock Record Owner") for the benefit of the ESOP Participants, subject to the terms of the escrow discussed below.

The number of Top Air Shares to be delivered by Top Air will be equal to the lesser of (i) 750,000 and (ii) that number of shares (rounded up to the next full share) having an aggregate "Market Value" (defined below) of \$1,000,000, in either case subject to increase by that number of shares having a Market Value equal to one-half the amount by which the award (the "Condemnation Award") received by Clay Equipment in connection with the pending condemnation of its manufacturing facility (exclusive of relocation expenses) exceeds \$500,000. No assurance can be given as to the amount of the Condemnation Award or that the condemnation proceedings will be concluded. See "TERMS OF THE PROPOSED TRANSACTION - Financing." At the Closing, 25% of the Top Air Shares (the "Hold-Back Stock") will be delivered to Norwest Bank Iowa, N.A., Cedar Falls, Iowa, as escrow agent (the "Escrow Agent"), and held in escrow for a period of two years pursuant to an escrow agreement to be entered into among Top Air, Clay Equipment and the Escrow Agent (the "Escrow Agreement") to secure certain indemnification obligations of Clay Equipment to Top Air under the terms of the Purchase Agreement. See "TERMS OF THE PROPOSED TRANSACTION - General Description of the Proposed Transaction" and "Indemnification Obligations."

The Purchase Agreement provides that no shares of Top Air Common Stock distributed to Clay Equipment will be transferable for a period of one year following the Closing (the "Lock-Up Period") without the prior consent of Top Air, except with respect to the distribution of the Top Air Shares in a series of contemporaneous transactions (defined herein as the "Distribution") to the ESOP Participants. See "TERMS OF THE PROPOSED TRANSACTION - General Description of the Proposed Transaction."

The Purchase Agreement provides that the consummation of the Proposed Transaction is subject to certain terms and conditions, including the approval of the Purchase Agreement by the required vote of the ESOP Trustee, as the sole holder of Clay Holding common stock, as directed by the ESOP Participants with respect to those shares of Clay Holding common stock allocated to them pursuant to the terms of the Second Restated Clay Holdings, Inc. Employee Stock Ownership Plan and Trust Agreement dated June 29, 1994 (the "ESOP Trust"), the failure of any person to assert dissenters' rights

and the direction of the ESOP Trustee by ESOP Participants entitled to the distribution of at least ninety percent

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(90%) of the Top Air Shares to make such distribution as a "direct rollover" to an Eligible Retirement Plan, as defined in Section 402(c)(8)(B) of the Code. Under the terms of the Purchase Agreement, the Proposed Transaction, if approved, will be consummated on June 26, 1995 (the "Closing Date"), unless such Closing Date is extended by Top Air to a date not later than December 31, 1995. See "TERMS OF THE PROPOSED TRANSACTION - General Description of the Proposed Transaction" and "Conditions of the Proposed Transaction."

DIRECTION BY ESOP PARTICIPANTS; VOTING AT SPECIAL MEETING

The ESOP Trust essentially provides that each ESOP Participant has the right to direct the Trustee with respect to the voting of the common stock of Clay Holding that is allocated to his or her ESOP account on any matter that requires shareholder action.

The Special Meeting of Stockholders of Clay Holding will be held at the offices of Clay Holding, 101 Lincoln Street, Cedar Falls, Iowa 50613 on June 26, 1995, at 9:00 a.m. local time. Approval of the Purchase Agreement requires the affirmative vote of at least a majority of the 90,039 shares of Clay Holding common stock issued and outstanding May 15, 1995. Of such outstanding shares, 42,211 were allocated to the accounts of individual ESOP Participants and 47,828 were unallocated. The ESOP Trustee is required to vote the allocated shares as directed by the ESOP Participants to whom such shares are allocated and the unallocated shares in accordance with the instructions of the ESOP's Advisory Committee. See "INFORMATION REGARDING THE SPECIAL MEETING."

CERTAIN FEDERAL INCOME TAX CONSEQUENCES

The Proposed Transaction has been structured as a tax-free reorganization under Section 368(a) of the Code so that no gain or loss will be recognized for federal income tax purposes by Clay Equipment or Clay Holding. The distribution of the Top Air Shares (including the shares of Hold-Back Stock to be held in escrow) by Clay Holding to the ESOP Trust will be taxable to Clay Holding for federal income tax purposes to the extent that the fair value of such Top Air Shares exceeds Clay Holding's tax basis in such shares. It is expected that no gain will be recognized by Clay Holding as a result of such distribution.

If an ESOP Participant directs that his or her distribution be made in a "direct rollover" to an "Eligible Retirement Plan" (such as, for example, an IRA), he or she will not be taxed in the current year and no income tax will be withheld. If an ESOP Participant directs that his or her distribution be made directly to such Participant, such distribution will be taxable in the current year unless, within 60 days, the Participant rolls it over to an IRA or other plan that accepts rollovers. All ESOP Participants will be subject to federal income tax withholding at the rate of 20% of the value of any portion of the distribution that is not directly rolled over to an Eligible Retirement Plan. Additionally, if the distributee is an Iowa resident, Iowa income tax withholding at the rate of 5% is required. Participants requesting non-rollover distributions who are under age 59-1/2 will incur an additional 10% tax unless certain special tax rules are applicable. See "CERTAIN FEDERAL INCOME TAX CONSEQUENCES."

BECAUSE OF THE SIGNIFICANT TAX CONSEQUENCES WHICH CAN RESULT FROM A DISTRIBUTION, AND THE RESTRICTION UPON THE TRANSFERABILITY OF THE TOP AIR SHARES DURING THE ONE YEAR LOCK-UP PERIOD, EACH ESOP PARTICIPANT IS URGED TO SEEK TAX ADVICE FROM HIS OR HER PERSONAL TAX ADVISOR BEFORE ELECTING

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NOT TO DIRECTLY ROLL OVER THE TOP AIR SHARES RECEIVED IN THE DISTRIBUTION AS DESCRIBED ABOVE.

REASONS FOR THE PROPOSED TRANSACTION

In arriving at a decision to authorize the Purchase Agreement and to recommend that Clay Holding and the ESOP approve the Proposed Transaction with Top Air, the Board of Directors of Clay Equipment considered various factors, including: (a) the opportunity to share in the potential growth of the combined operation, which can compete more effectively than either entity on a stand-alone basis; (b) the unique opportunity to preserve

substantially all of the jobs of its employees; (c) the additional liquidity of the Top Air Common Stock as compared to the Clay Holding common stock; (d) the significant benefits and efficiencies expected to result from the relocation of the combined operations to the state-of-the-art, 85,000 square foot manufacturing facility to be constructed in Cedar Falls, Iowa (the "New Facility"); and (e) the positive effects on the community in which Clay Equipment operates. See "TERMS OF THE PROPOSED TRANSACTION - Background and Reasons for the Proposed Transaction" and "Conditions of the Proposed Transaction."

RECOMMENDATION OF CLAY HOLDING DIRECTORS

At the meeting of directors held to consider the Proposed Transaction, the Board of Directors of Clay Holding (the "Clay Holding Board") carefully considered each aspect of the Proposed Transaction and unanimously concluded that its terms are in the best interests of Clay Equipment, Clay Holding and the ESOP Participants. THE CLAY HOLDING BOARD RECOMMENDS THAT THE ESOP TRUSTEE VOTE, AND THAT EACH ESOP PARTICIPANT DIRECT THE ESOP TRUSTEE TO VOTE THOSE SHARES OF CLAY HOLDING COMMON STOCK ALLOCATED TO HIS OR HER ACCOUNT, FOR THE PROPOSAL TO APPROVE THE PURCHASE AGREEMENT. See "TERMS OF THE PROPOSED TRANSACTION - Background and Reasons for the Proposed Transaction" and "Board Recommendation."

FINANCING

The combined long-term debt of Top Air and Clay Equipment will be refinanced through a single term loan and a revolving line of credit (to fund future working capital requirements), which refinancing (the "New Financing") will be provided by Norwest Bank Iowa, N.A. (the "Bank"). The Bank has issued to Top Air its commitment to provide the New Financing, subject to certain conditions specified therein. The New Facility will be constructed by the City of Cedar Falls, Iowa (the "City"), and leased to Top Air (as assignee of Clay Equipment) under a lease agreement (the "New Facility Lease") for an initial term of ten years (with a renewable five year option on the part of the lessor) at an annual rental of \$206,664. See "TERMS OF THE PROPOSED TRANSACTION - Financing."

OPERATIONS AFTER THE PROPOSED TRANSACTION

Following the Closing of the Proposed Transaction, substantially all of the employees of Clay Equipment will become employees of Top Air. Top Air has agreed to recognize Local 1728 of the International Association of Machinists and Aerospace Workers ("IAMAW") as the exclusive bargaining agent for employees who were included in the IAMAW bargaining unit at Clay Equipment. Pending their relocation to the New Facility, Top Air and Clay Equipment will continue to conduct their operations at their current facilities. None of the directors or officers of Clay Equipment or Clay Holding will become

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a director or officer of Top Air. See "TERMS OF THE PROPOSED TRANSACTION - Operations After Consummation of the Proposed Transaction."

INTEREST OF CERTAIN PERSONS IN THE PROPOSED TRANSACTION

Top Air holds an option (the "Option") to purchase up to 22,956 shares of the common stock of Clay Holding at a cash price of \$10.90 per share. The Option is exercisable upon the occurrence of certain events involving third parties that would be inconsistent with the consummation of the Proposed Transaction, and terminates upon the first to occur of the closing of the Proposed Transaction and June 30, 1995. See "TERMS OF THE PROPOSED TRANSACTION - Interest of Certain Persons in the Proposed Transaction."

FEDERAL SECURITIES LAW; RESTRICTIONS ON TRANSFER

Subject to the one year lock-up period discussed below, all ESOP Participants, other than those who receive Top Air Common Stock pursuant to the Proposed Transaction who are deemed to be "affiliates" of Clay Holding as of the date of the Special Meeting, will receive freely transferable shares of Top Air Common Stock. Affiliates of Clay Holding (e.g. directors, executive officers and large shareholders) will be limited by Rule 145 of the Securities Act of 1933, as amended (the "Securities Act"), regarding their right to resell such stock. Such affiliates may not sell such stock within two years of receiving it unless pursuant to an effective Registration Statement, in accordance with Rule 145(d)

under the Securities Act, or in a transaction otherwise exempt from registration under the Securities Act.

In addition, the Purchase Agreement provides that all of the Top Air Shares distributed in the Proposed Transaction to Clay Equipment will not be transferable for a period of one year without the consent of Top Air, other than in furtherance of the Distribution whereby in a series of transactions to occur contemporaneously with the Closing, the Top Air Shares, except for the Hold-Back Shares, will be distributed to the ESOP Participants. None of the shares of Hold-Back Stock will be transferable during the two-year escrow period. See "TERMS OF THE PROPOSED TRANSACTION - General Description of the Proposed Transaction." See "FEDERAL SECURITIES LAW; RESTRICTIONS ON TRANSFER."

DISSENTERS' RIGHTS

Under Iowa law, any ESOP Participant may dissent from the proposed transaction and, if the proposed transaction is consummated, receive payment of the fair value of his or her allocated shares of Clay Holding common stock in cash by (i) delivering to Clay Holding prior to the taking of the vote at the Special Meeting a written demand for appraisal of his or her shares, together with a written consent to such demand signed by the ESOP Trustee, and (ii) not directing the ESOP Trustee to vote in favor of the approval of the Purchase Agreement at the Special Meeting. The obligation of Top Air to consummate the Proposed Transaction is conditioned upon the failure of any person to assert such dissenters' rights. See "RIGHTS OF DISSENTING STOCKHOLDERS."

MARKETS AND MARKET PRICES

<TABLE>

Top Air Common Stock is currently quoted on the NASDAQ Bulletin Board under the symbol TOPM. Top Air Common Stock had been quoted on the NASDAQ Small-Cap Market until April 13, 1995. See "INVESTMENT CONSIDERATIONS - NASDAQ Delisting; Market Volume Considerations." There is no established public trading market for the Clay Holding common stock. However, certain estimates have been made by independent appraisal for certain purposes. See Note c, below. Such estimated per share prices for the Clay Holding common stock are shown in the following table.

<CAPTION>

	Top Air Common Stock<Fa>			Clay Holding Common Stock<Fb>		
	Bid Price		Cash Dividend Declared	Estimated Price		Dividend Declared
	High	Low		High	Low	
Fiscal 1993						
<S>	<C>	<C>	<C>	<C>	<C>	<C>
First Quarter	\$0.8750	\$0.5000	\$ -	\$16.00	\$16.00	\$ -
Second Quarter	0.7500	0.5625	-	16.00	16.00	-
Third Quarter	0.8125	0.3750	-	14.00	14.00	-
Fourth Quarter	1.1875	0.6250	-	14.00	14.00	-
Fiscal 1994						
First Quarter	\$1.2500	\$0.8125	\$ -	\$14.00	\$14.00	\$ -
Second Quarter	0.8125	0.6250	-	14.00	14.00	-
Third Quarter	1.0625	0.6250	-	<Fc>	<Fc>	-
Fourth Quarter	1.1250	0.8750	-	<Fc>	<Fc>	-
Fiscal 1995						
First Quarter	\$1.0000	\$0.6875	\$ -	\$13.00<Fc>	\$13.00<Fc>	\$ -
Second Quarter	1.3750	0.7500	-	13.00<Fc>	13.00<Fc>	-
Third Quarter	1.8125	0.5625	-	13.00<Fc>	13.00<Fc>	-
Fourth Quarter (through May 4, 1995)	1.0000	0.8125	-	13.00<Fc>	13.00<Fc>	-

<FN>

<Fa> These quotations reflect interdealer prices without retail markup, markdowns or commissions, and may not necessarily represent actual transactions.

<Fb> Because of the lack of an established public market for shares of Clay Holding Common Stock, the Estimated Prices indicated may not reflect the prices which would be paid for such shares on an active market.

<Fc> Under the terms of the ESOP Trust, upon their retirement, all ESOP

Participants have the right to require the repurchase by Clay Holding of those shares of Clay Holding common stock distributable to such ESOP Participants at a price equal to their fair value at the time such right is exercised. The fair value of the ESOP is determined annually by independent appraisal, as of the close of each calendar year, and at such other times as directed by the Advisory Committee of the ESOP. No fair value for the ESOP was established as of year-end 1994. However, in connection with Top Air's due diligence review of Clay Equipment, the independent appraiser who normally establishes the fair value of the ESOP Trust performed an appraisal of Clay Holding as of August 31, 1994 and concluded that the per share fair value of Clay Holding as \$13.00. See, "INFORMATION REGARDING CLAY HOLDING AND CLAY EQUIPMENT - Market Price of and Dividends on Clay Holding Common Stock and Related Shareholder Matters."

</TABLE>

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<TABLE>

COMPARATIVE PER SHARE DATA

The following table sets forth, for the periods indicated (i) selected historical per common share data of Top Air and Clay Holding, (ii) corresponding pro forma per common share amounts for Top Air after giving effect to the Proposed Transaction, and (iii) the pro forma equivalence of one share of Clay Holding common stock after giving effect to the Proposed Transaction. The data presented is based upon the consolidated financial statements and related notes of Top Air and Clay Holding and the pro forma financial statements presented elsewhere herein. The assumptions used in preparation of this table are presented in the Assumptions to Pro Forma Financial Statements.

<CAPTION>

	Top Air Historical	Clay Holding Historical<F1>	Top Air/ Clay Equipment Pro Forma Combined<F2>	Clay Holding Pro Forma Equivalent <F1><F3>
<S>	<C>	<C>	<C>	<C>
Book value per common share: February 28, 1995	\$ 0.80	\$ 1.08	\$ 0.81	\$ 15.55
Cash dividends per common share: Year ended May 31, 1994	--	--	--	--
Nine months ended February 28, 1995	--	--	--	--
Income (loss) per share: Primary and fully diluted: Year ended May 31, 1994	0.08	(15.01)	0.08	1.48
Nine months ended February 28, 1995	0.01	(33.00)	(0.25)	(4.40)

<FN>

<F1> Calculated based on ESOP's allocated shares. Unallocated shares will be cancelled.

<F2> See "PRO FORMA FINANCIAL INFORMATION."

<F3> The pro forma equivalent represents the combined pro forma earnings, dividends and book value per share of Top Air and Clay Equipment multiplied by an assumed distribution of 19.12 shares of Top Air common stock for each share of Clay Holding common stock so that the pro forma equivalent amounts represent the respective values of one share of Clay Holding common stock. No assurances can be given as to the actual distribution of shares that will be utilized in the transaction.

</TABLE>

<TABLE>

SUMMARY FINANCIAL DATA

The following set forth for the periods indicate certain summary historical financial information for Top Air and Clay Holding. The balance sheet information and statement of income information of Top Air included in the summary financial information for the one year period ended May 31, 1995 are derived from the audited financial statements of Top Air as of the last day of, and for, such year. The balance sheet information and the statement of income information for Top Air included in the summary financial information for the nine-months ended February

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28, 1995 and 1994 are derived from the unaudited financial statements of Top Air as of, and for the nine-months ended, February 28, 1995 and 1994. The balance sheet information and statement of income information of Clay Holding included in the summary financial information for the year ended December 31, 1994 and 1993 are derived from the audited financial statements of Clay Holding as of the last day of, and for, such period. All such information includes all adjustments which are, in the opinion of the respective managements of Top Air and Clay Holding, necessary to present a fair statement of the respective financial conditions and results of operations of Top Air and Clay Holding for these period and are of a normal recurring nature. Results of Top Air for the nine-months ended February 28, 1995 is not necessarily indicative of the results for the entire year. The following information should be read in conjunction with the financial statements of Top Air and Clay Holding, and the related notes thereto, included herein, and in conjunction with the unaudited pro forma condensed combined financial information, appearing elsewhere herein. See "PRO FORMA FINANCIAL INFORMATION."

<CAPTION>

	Nine Months Ended February 28,		Twelve Months Ended May 31,	
	1995 (Unaudited)	1994 (Unaudited)	1994	1993
<S> Top Air Manufacturing, Inc.	<C>	<C>	<C>	<C>
Net sales	\$ 3,250,605	\$ 2,911,617	\$ 5,554,182	\$ 4,856,907
Gross profit	1,023,655	883,697	1,829,043	1,395,351
Operating income	79,052	14,381	457,616	122,597
Net income	28,461	1,966	243,510	56,544
Current assets	5,080,750	4,466,109	2,824,510	2,290,289
Current liabilities	3,097,883	2,763,425	858,592	421,355
Total assets	5,958,496	5,217,605	3,558,586	2,910,816
Total stockholder's equity	2,531,909	2,261,706	2,503,250	2,259,740

</TABLE>

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<CAPTION>

	<C>	<C>	Twelve Months Ended December 31,	
			1994	1993
<S> Clay Holding, Inc.			<C>	<C>
Net sales			\$ 7,788,916	\$ 6,381,591
Gross profit			1,843,564	2,256,244
Operating income			(1,283,013)	(727,165)
Net income			(1,416,493)	(611,005)
Current assets			1,868,083	2,946,667
Current liabilities			2,711,471	2,618,931
Total assets			2,994,948	4,178,159
Total stockholder's equity			55,859	1,410,579

</TABLE>

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INVESTMENT CONSIDERATIONS

The ESOP Trustee and the ESOP Participants should carefully consider the following, as well as the other information contained in this Prospectus/Information Statement, before deciding to vote or directing the ESOP Trustee to vote, as the case may be, in favor of the Purchase Agreement.

SEASONAL INDUSTRY

The sale of sprayers, sprayer parts and sprayer booms is seasonal, with approximately 80% of Top Air's sprayer sales being made from December 1 through May 31 of each year. A large percentage of Auger Dollies and Straw Command units are sold during the summer and early fall months in anticipation of the harvesting season.

COMPETITION

Top Air competes with a large number of other agricultural equipment

manufacturers and suppliers who distribute sprayers and sprayer parts. Although Top Air believes that its products are sufficiently different from other products to enable it to establish and maintain a market for such products, many of Top Air's principal competitors are larger than Top Air and have substantial resources. There can be no assurance that competitors will not be able to take actions, including developing new products or offering reduced pricing, which could materially adversely affect the sales revenues of Top Air.

DEPENDENCE ON KEY PERSONNEL

The continued success of Top Air will depend upon the efforts and abilities of certain key officers and employees, particularly Steven R. Lind, its President and Chief Executive Officer. Top Air could be adversely affected if for any reason such officers and employees should no longer be active in Top Air's operations. Steven R. Lind, President and Chief Executive Officer of Top Air, has entered into an employment agreement with Top Air.

CONTROL OF TOP AIR BY PRINCIPAL SHAREHOLDERS

After consummation of the Proposed Transaction, Top Air's officers, directors and principal stockholders will beneficially own approximately 51% of the outstanding shares of Top Air Common Stock (assuming the number of Top Air Shares issued at Closing is 750,000). Accordingly, these officers, directors, and stockholders will have the ability to determine the outcome of most corporate actions requiring stockholder approval and to influence the policies and direction of Top Air. There are no provisions for cumulative voting by stockholders in Top Air's Articles of Incorporation and, accordingly, holders of a majority of the outstanding shares can elect all of Top Air's directors. These facts may tend to discourage attempts to acquire control of Top Air by persons other than those holders. See "INFORMATION REGARDING TOP AIR - Principal Shareholders."

NASDAQ DELISTING; MARKET VOLUME CONSIDERATIONS

From June 20, 1988 until April 13, 1995, the shares of Top Air Common Stock were quoted and traded on the NASDAQ Small-Cap Market. The Top Air Common Stock was delisted from quotation on the NASDAQ Small-Cap Market for failure to maintain a certain minimum bid price of the stock (the "Minimum Bid Criterion"). The Minimum Bid Criterion requires that shares quoted on the NASDAQ Small-Cap Market maintain a minimum bid price of \$1.00 per share or, as an alternative, that the issuer maintain capital and surplus in excess of \$2 million and a market value of the "public float" (i.e., shares not held by directors, officers and holders of 10% or more of the outstanding stock) of \$1 million. Upon review of its decision, the NASDAQ Listing Qualifications Committee agreed

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to permit relisting of the Top Air Common Stock on the NASDAQ Small-Cap Market on evidence that Top Air is in compliance with the Minimum Bid Criterion (the standard for continued, rather than initial, inclusion) and that Top Air meets the initial inclusion standards for all remaining criteria, by June 30, 1995. Management of Top Air believes that upon consummation of the Proposed Transaction, the shares of Top Air Common Stock distributed to the ESOP Participants will be considered "public float" and accordingly, the Minimum Bid Criterion will be met. Top Air further believes that it meets all of the other requirements for initial listing on the NASDAQ Small Cap Market.

Although quoted on the NASDAQ Small-Cap Market until April 13, 1995, shares of Top Air Common Stock had traded sporadically. Since being delisted, shares of Top Air stock have continued to trade in such manner. Although bid and asked price quotes are readily available for stocks quoted on the NASDAQ Bulletin Board, such stocks are generally not as actively followed as stocks which trade on the NASDAQ Small-Cap Market. Accordingly, management of Top Air believes that the relisting of the Top Air Common Stock on the NASDAQ Small-Cap Market would be of value and will use its best efforts to accomplish such relisting. No assurance can be given that the Top Air Common Stock will be relisted for quotation on the NASDAQ Small-Cap Market and, if it is so relisted, that an active trading market will develop. See "DESCRIPTION OF TOP AIR COMMON STOCK."

LACK OF FAIRNESS OPINION

Although the Clay Equipment Board and the Clay Holding Board considered the financial condition, potential alternative transactions and other factors in approving the Purchase Agreement, no formal fairness opinion from an investment advisor was sought in connection with the Proposed Transaction. In concluding that such an opinion would not be obtained, the directors of Clay Equipment and Clay Holding concluded that in view of the financial and other circumstances, the considerable cost involved in obtaining a formal fairness opinion would not be justified.

TAX CONSEQUENCES OF THE ESOP DISTRIBUTION

Although Clay Holding will submit an application to the IRS for the issuance of a determination letter as to the continued qualification of the ESOP under Section 401(a) upon termination and the tax-exempt status of the ESOP Trust under Section 501 of the Code, it is unlikely that such determination letter will be issued prior to the termination of the ESOP and the distribution of the Top Air Shares to the ESOP Participants in connection therewith. Clay Holding has received an opinion of counsel with respect to the continuation of such qualification and status, which opinion is based upon, among other things, the Code, the regulations promulgated thereunder, and certain private letter rulings currently in effect. Such opinion of counsel is not binding upon the IRS. Although it is believed that distributions of this type are generally ruled upon favorably by the IRS, no assurance can be given that a favorable determination will ultimately be received from the IRS or that the position of counsel will not be challenged by the IRS. If the termination of the ESOP would result in the disqualification of the ESOP as a "Qualified Retirement Plan," then certain adverse tax consequences may result in connection with the contemplated cancellation of certain indebtedness of approximately \$1.8 million currently owed by the ESOP to Clay Holding (the "ESOP Debt") and income recognition on the part of ESOP Participants in connection with the distribution from the ESOP of the Top Air Shares (and other ESOP assets) to the ESOP Participants. See "CERTAIN FEDERAL INCOME TAX CONSEQUENCES - Distribution by the ESOP."

DIVIDENDS

Top Air has never declared or paid any cash dividends on its Common Stock and does not intend to do so in the foreseeable future. Top Air anticipates that earnings, if any, will be used to finance the development and expansion of its business. Under the terms of its current credit agreement with the Bank, Top Air is restricted from

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paying cash dividends without the Bank's consent and it is expected that the New Financing will contain restrictions upon the ability of Top Air to declare dividends without the consent of the Bank.

UNINSURED LOSSES

Top Air has warranted the sprayers, sprayer booms, Straw Commands, Auger Dollies and other products manufactured by Top Air to be free from defects in material and workmanship under normal use and service for a period of twenty-four months after date of purchase. Although Top Air carries product liability insurance and casualty insurance customary for manufacturing operations of its type, there are certain types of losses which are uninsurable or not economically insurable. There can be no guaranty against uninsured losses of any kind.

CLAY EQUIPMENT - SIGNIFICANT LOSSES; NEED FOR ADDITIONAL FINANCING

Clay Holding recorded net losses of \$1,416,943 and \$611,055 in 1994 and 1993, respectively. Additionally, Clay Equipment's current working capital credit line expired in March 1995 and has not been renewed by the provider thereof. While no demand for payment of outstanding balances under such working capital credit line has been made by the provider thereof, no further drawdowns on such credit line may be made by Clay Equipment. Further, Clay Equipment is not in compliance with various financial covenants required to be met under its credit agreement with a lending institution in connection with its term debt. At December 31, 1994, the outstanding principal balance of such term debt (which, because of its status, has been classified as current debt) was \$825,000. While no demand for payment has been formally made, such noncompliance has not been waived by the lender. The working capital line of credit and the term debt are collateralized by substantially all of the assets of Clay Equipment. No assurance can be given that the provider of the working capital credit line or the provider of the term loan to Clay Equipment will not demand repayment and, in absence of such repayment, take all measures, including foreclosure, to enforce its rights as a secured party. Further, no assurance can be given that if demand for payment is made by either lender, Clay Equipment would be able to obtain alternate financing or sell a sufficient amount of its assets to avoid foreclosure. See "INFORMATION REGARDING CLAY HOLDING AND CLAY EQUIPMENT - Management's Discussion and Analysis of Financial Condition and Results of Operations."

CLAY HOLDING - ABILITY TO CONTINUE AS A GOING CONCERN

Because of the significant losses and default position of Clay Equipment under its working capital credit line and term loan discussed above, Clay Holding's independent accountants have issued a report which indicates that substantial doubt exists as to Clay Holding's ability to continue as a going concern. See "CONSOLIDATED FINANCIAL STATEMENTS OF

INFORMATION REGARDING THE SPECIAL MEETING

This Prospectus/Information Statement is being furnished to the ESOP Trustee and each ESOP Participant in connection with the Special Meeting, and the request of the ESOP Trustee for letters of direction.

The purpose of the Special Meeting is to consider and vote upon a proposal to approve the Purchase Agreement pursuant to which substantially all of the assets of Clay Equipment (including the proceeds of the Condemnation Award) will be transferred to Top Air or its wholly-owned subsidiary in exchange for the assumption by Top Air of certain liabilities of Clay Equipment and the delivery to Clay Holding of the Top Air Shares. The Purchase Agreement provides that the ESOP will be terminated contemporaneously with the Proposed Transaction, and the Top Air Shares, other than the Hold-Back Stock, will be distributed to the ESOP Participants upon such termination. The Hold-Back Stock, which will be issued to the Hold-Back Stock Record Owner for the benefit of the ESOP Participants, will be held in escrow for a period of two years to secure certain indemnification obligations of Clay Equipment to Top Air under the terms of the Purchase Agreement.

DATE, TIME AND PLACE

The Special Meeting of Stockholders will be held at the offices of Clay Holding, 101 Lincoln Street, Cedar Falls, Iowa 50613 on June 26, 1995, at 9:00 a.m. local time.

RECORD DATE; VOTE REQUIRED

Shares of Clay Holding common stock which are allocated to ESOP Participants will be voted by the ESOP Trustee at the Special Meeting in the manner directed in the letter of direction forwarded by each ESOP Participant to the ESOP Trustee. Failure to return a letter of direction will have the effect of directing the ESOP Trustee to vote against the Proposed Transaction.

Only holders of record of Clay Holding common stock at the close of business on May 15, 1995 (the "Record Date") are entitled to notice of, and to vote at, the Special Meeting. On the Record Date, there were 90,039 shares of Clay Holding common stock outstanding, all of which were held by the ESOP. Of such shares, 42,211 were allocated for the benefit of ESOP Participants and 47,828 were unallocated. Under the provisions of the Second Restated Clay Holding, Inc. Employee Stock Ownership Plan and Trust Agreement dated June 24, 1994, the ESOP Trustee is required to vote all allocated shares of Clay Holding common stock in accordance with the direction of the ESOP participant to whom the shares are allocated. If an ESOP Participant fails to provide direction to the ESOP Trustee, the Clay Holding shares allocated to such ESOP Participant will not be voted. All unallocated shares of Clay Holding common stock held by the ESOP will be voted by the ESOP Trustee as directed by the Advisory Committee, which presently consists of Donald Hartlay (Chairman), Harlan Ehlert, David Clipperton, Curt Hanson and Mark Schrage. The Advisory Committee may take into account the collective voting instructions of the ESOP Participants with respect to their allocated shares in determining the best interests of the ESOP and all ESOP Participants in connection with the Proposed Transaction. Stockholders are entitled to one vote for each share held in their name on the Record Date on each matter to come before the Special Meeting and any adjournment thereof.

All shares of Clay Holding common stock with respect to which duly executed letters of direction have been received by the ESOP Trustee before the vote will be voted by the ESOP Trustee at the Special Meeting in the manner specified on such letters of direction. Any executed letter of direction which does not specify a choice will not be voted at the Special Meeting.

TERMS OF THE PROPOSED TRANSACTION

The following is a summary of the material terms and conditions of the Purchase Agreement, which document is incorporated by reference herein. The summary is qualified in its entirety by reference to the full text of the Purchase Agreement. Top Air, upon written request, will furnish a copy of the Purchase Agreement, without charge, to any person who receives a copy of this Prospectus/Information Statement. Such requests should be directed to Top Air Manufacturing, Inc., 406 Highway 20, Parkersburg, Iowa

GENERAL DESCRIPTION OF THE PROPOSED TRANSACTION

Under the terms of the Purchase Agreement, on the Closing Date, Clay Equipment will transfer to Top Air (or a wholly-owned subsidiary of Top Air established for the purpose of consummating the Proposed Transaction) all of its assets (including the proceeds of the Condemnation Award or Clay Equipment's right to receive such proceeds, if not then received by Clay Equipment) except Clay Equipment's current manufacturing facility and corporate office located at 101 Lincoln Street, Cedar Falls, Iowa and certain incidental property. In consideration of such transfer, Top Air will assume certain liabilities of Clay Equipment, as described below, and issue the Top Air Shares to Clay Equipment for simultaneous distributions (i) by Clay Equipment to its sole shareholder, Clay Holding (pursuant to the Clay Equipment Liquidation), (ii) by Clay Holding to the ESOP, and (iii) pursuant to the termination of the ESOP, by the ESOP to the ESOP Participants of their share of the ESOP's net assets, including the Top Air Shares (other than the Hold-Back Shares) and its rights to receive all or any portion of the Hold-Back Shares (such series of transactions culminating in the distribution of the Top Air Shares to the ESOP Participants being herein referred to as the "Distribution").

The number of shares of Top Air Common Stock to be issued by Top Air to Clay Equipment shall equal the lesser of (i) 750,000 and (ii) that number of shares (rounded up to the next full share) having an aggregate "Market Value" (as defined below) at Closing of \$1,000,000, in each case subject to adjustment as hereinafter described. "Market Value" is defined in the Purchase Agreement to mean the average of the bid and asked price of Top Air Common Stock, on a per share basis, as published on the NASDAQ Bulletin Board for the trading day immediately preceding the Closing Date. The number of shares to be issued and delivered by Top Air is subject to increase by that number of shares the Market Value of which is equal to one-half of the amount by which the Condemnation Award to Clay Equipment by the City and the Iowa Department of Transportation ("DOT") in connection with the pending condemnation of Clay Equipment's current facility (exclusive of any portion attributable to the costs of relocating Clay Equipment's operations) exceeds \$500,000. See "Financing." At the Closing, that number of shares of Top Air Common Stock (rounded up to the next full share) which equals twenty-five percent (25%) of the Top Air Shares will be held in escrow, pursuant to the Escrow Agreement, for a period of two years to secure Top Air's rights to indemnification by Clay Equipment and Clay Holding under the terms of the Purchase Agreement. See "Indemnification Obligations." The shares of Hold-Back Stock will be held of record by the Hold-Back Stock Record Owner for the benefit of those ESOP Participants for whom such shares are allocated, and all incidents of ownership with respect thereto, including the right to vote such shares, will vest in such ESOP Participants, subject to certain risks in connection with payments, if any, of such indemnification obligations to Top Air and certain restrictions on transferability, all as set forth in the Purchase Agreement and the Escrow Agreement.

To effect the Distribution, the Clay Equipment Liquidation will be consummated simultaneously with the Closing, and at or prior to the Closing, Clay Equipment and Clay Holding will cause the ESOP to be amended to provide that, upon termination of the ESOP, each ESOP Participant entitled to distribution of ESOP assets, including the Top Air Shares, shall either (i) direct the ESOP trustee in writing to distribute or "roll over" his or her ESOP assets to an "Eligible Retirement Plan" (as defined in Section 402(c)(8)(B) of the Code), or (ii) if the ESOP participant chooses not to "roll over" the ESOP assets to be distributed to him or her, make payment to the ESOP trustee of the

amount required to be withheld for federal tax purposes and for applicable state tax purposes in respect of the value of the ESOP assets being distributed to such ESOP Participant. Such withholding amounts are currently 20% for Federal tax purposes and 5% for Iowa state tax purposes.

The Purchase Agreement provides that for a period of one year from the Closing, other than in furtherance of the Distribution, none of the Top Air Shares will be transferable or assignable without the consent of Top Air, except by operation of law. To the extent Top Air Shares are transferred or assigned in the Distribution, with the consent of Top Air or by operation of law, the Top Air Shares shall continue to be subject to such restriction on transfer in the hands of the distributee, transferee or assignee.

On or prior to the Closing, Clay Equipment and Clay Holding will cause the ESOP to be terminated. Upon termination, in addition to distributing to the ESOP assets to the ESOP Participants, the ESOP will cause distribution of the Hold-Back Shares to the Hold-Back Stock Record Owner, for the benefit of such ESOP Participant, to be deposited with and held by

the Escrow Agent pursuant to the Escrow Agreement.

As additional consideration for the assets to be transferred, Top Air has agreed to assume all liabilities and obligations of Clay Equipment in respect of the business of Clay Equipment, including Clay Equipment's accounts payable existing as of the close of business on the Closing Date. Top Air shall not assume any liabilities or obligations related to (i) the real estate on which Clay Equipment's current manufacturing facility is located, including environmental liabilities, (ii) any breach by Clay Equipment of any contract, (iii) any product liability claim against Clay Equipment, (iv) taxes payable by Clay Equipment for any period prior to the Closing Date or in connection with the Proposed Transaction, (v) employee claims against Clay Equipment, including any claims made under the contract dated February 4, 1991 between Clay Equipment and Local 1728 of the International Association of machinists and Aerospace Workers, (vi) any violation by Clay Equipment or Clay Holding of any environmental law or certain other matters disclosed in the Purchase Agreement, (vii) any intercompany debt or indebtedness by Clay Equipment to an affiliate, and (viii) any obligation to the ESOP or to any ESOP Participant.

Top Air has agreed to recognize Local 1728 of the International Association of Machinists and Aerospace Workers as the exclusive bargaining agent of the same group of employees who are presently included in the bargaining unit of Clay Equipment.

BACKGROUND AND REASONS FOR THE PROPOSED TRANSACTION

Because of the substantial losses incurred by Clay Equipment in 1993 and the continuation of such losses to a greater extent throughout the first seven months in 1994, in August, 1994, the Clay Equipment Board decided to pursue a possible sale of the business of Clay Equipment or, in the alternative, to sell certain assets in order to generate sufficient cash to remain operating for an indefinite period of time. The Clay Equipment Board had determined that Clay Equipment's market niche was not sufficiently broad to successfully compete with its competitors, most of whom had substantially greater resources than Clay Equipment. Because the Clay Equipment Board recognized that Clay Equipment did not have and could not reasonably expect to obtain sufficient capital to support the development and production of additional product lines, the Clay Equipment Board began to focus on the sale of its business, rather than remaining independent. In August, 1994, Leonard J. Hare, the President and Chief Executive Officer of Clay Equipment met with Steven R. Lind, the President and Chief Executive Officer of Top Air, to discuss a transaction whereby Top Air would acquire Clay Equipment and that all or substantially all of the consideration to be paid by Top Air would consist of shares of Top Air Common Stock. Prior to his meeting with Mr. Lind, Mr. Hare had met with representatives of an investment group who had indicated some interest in acquiring the business of Clay Equipment, subject to numerous conditions, including financing.

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During September 1994, representatives of Clay Equipment commenced negotiations with representatives of Top Air for a potential transaction which culminated in a letter agreement dated October 31, 1994 (the "Letter of Intent") describing the structure and other salient aspects of the Proposed Transaction, and permitting each party the opportunity to conduct a due diligence review, on a confidential basis, of the business, operations and financial condition of the other party. The terms of the definitive Purchase Agreement were reached on or about April 7, 1995. The Purchase Agreement was presented to the Clay Equipment Board at a special meeting held on April 7, 1995. At this meeting, with counsel for Clay Equipment and Clay Holding present, the material terms of the Proposed Transaction as set forth in the Purchase Agreement were reviewed and discussed. Following discussion and deliberation, the Clay Equipment Board concluded that taking into account the financial condition of Clay Equipment, the consummation of the Proposed Transaction would be in the best interest of Clay Equipment, Clay Holding and the ESOP Participants. Accordingly, the Clay Equipment Board, with all directors present, voted unanimously to approve the Purchase Agreement and to submit it to its sole shareholder, Clay Holding and the ESOP Trustee for approval.

In arriving at its decision to authorize the Purchase Agreement and to recommend to Clay Holding and the sole shareholder of Clay Holding the approval of the Proposed Transaction with Top Air, the Clay Equipment Board considered various factors, including: (a) the opportunity to share in the potential growth of the combined operation which can compete more effectively than either entity on a stand-alone basis; (b) the unique opportunity to preserve substantially all of the jobs of its employees; (c) the additional liquidity of the Top Air Common Stock as compared to the Clay Holding common stock; (d) the significant benefits and efficiencies expected to result from the relocation of the combined operations to the New Facility; and (e) the positive effects on the community in which Clay Equipment operates.

As a means of expanding its product lines and revenue base, the Board of Directors of Top Air (the "Top Air Board") had been seeking an acquisition of a company engaged in a similar business as Top Air and offering complementary agricultural products. At its meeting held on January 26, 1995, the Top Air Board, which had been advised at prior meetings of the negotiations with representatives of Clay Equipment, reviewed and discussed in detail the salient terms of the Proposed Transaction as set forth in the Letter of Intent presented to the meeting. Following discussion and deliberation, the Top Air Board concluded that the Proposed Transaction would be in the best interest of Top Air and its shareholders and unanimously authorized Mr. Lind to negotiate a definitive agreement with Clay Equipment and Clay Holding consistent with the terms of the Letter of Intent and containing such other terms, provisions and conditions as deemed necessary or advisable by Mr. Lind and counsel for Top Air. The definitive Purchase Agreement was reviewed by the Top Air directors and approved on April 11, 1995, and formally ratified by the Top Air Board at a meeting held on April 18, 1995.

In arriving at the determination to approve the Purchase Agreement, the Top Air Board took into consideration various factors, including: (a) the current and historical financial results of Clay Equipment; (b) the diversification of its product line to include automation equipment and many components currently purchased by Top Air from third party vendors; (c) the opportunity to relocate to the New Facility, and the expected synergies and efficiencies to result from operating such a modern state of the art facility; (d) the increased number of shareholders resulting from the Distribution and the effect thereof upon Top Air's ability to meet the Minimum Bid Criterion for relisting on the NASDAQ Small-Cap Market; and (e) the significantly increased customer base and expected increased revenues to result therefrom.

BOARD RECOMMENDATION

THE BOARDS OF DIRECTORS OF CLAY HOLDING AND CLAY EQUIPMENT HAVE CAREFULLY CONSIDERED THE TERMS OF THE PURCHASE AGREEMENT AND HAVE UNANIMOUSLY CONCLUDED

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THAT SUCH TERMS ARE FAIR AND THAT THE PROPOSED TRANSACTION IS IN THE BEST INTERESTS OF CLAY EQUIPMENT, CLAY HOLDING AND THEIR RESPECTIVE STOCKHOLDERS, INCLUDING THE ESOP. ACCORDINGLY, THE BOARDS RECOMMEND THAT THE PROPOSAL TO APPROVE THE PURCHASE AGREEMENT BE ADOPTED.

FINANCING

The construction of the New Facility (excluding the costs of the relocation of Clay Equipment's current operations to the New Facility) is expected to cost approximately \$2.0 million. Such cost will be financed through a grant of \$1.6 million from the federal Economic Development Administration matched by a \$400,000 grant from the City, under a program to aid flood distressed businesses such as Clay Equipment. The relocation costs of Clay Equipment will be borne by the City and the Federal Economic Development Authority. The DOT and the City have expressed their intent to acquire Clay Equipment's existing facility through the City's power of eminent domain for construction of a new bridge and possible construction of a flood protection dike. Condemnation proceedings are currently in process; however, no assurance can be given as to the amount of any Condemnation Award which may result from such proceedings or that such proceedings will result in the City's acquisition of the facility. Top Air is not obligated to close the Proposed Transaction if the amount of the Condemnation Award is less than \$500,000. See "Conditions of the Proposed Transaction." The acquisition by the City of Clay Equipment's current facility is subject to an environmental review, and to the extent that clean-up or other costs would be required, the purchase price to be paid by the City for Clay Equipment's current facility would be reduced.

The City will construct the New Facility on nine acres of land located in an industrial park within the City and lease the New Facility to Top Air (as assignee of Clay Equipment) pursuant to the New Facility Lease. The Lease Agreement will be for an initial term of ten years with a five-year renewal option on the part of the City, as lessor. Top Air will have an option to buy the New Facility for \$1.2 million at the end of such 15 year period. The Lease Agreement will require annual lease payments of \$200,664 (which include real estate and personal property taxes), and Top Air will be responsible for utilities, insurance and maintenance.

Top Air has obtained a financing commitment (the "Commitment") from the Bank that provides for the refinancing of existing debt of both Top Air and Clay Equipment by means of a term loan in the amount of \$1,500,000 (the "Term Loan"), the financing of certain aspects of the Proposed Transaction through an additional term loan in the amount of \$500,000 (the "Bridge Loan") and a \$3,000,000 revolving line of credit to fund working capital requirements. Interest accrues on the Term Loan and Bridge Loan at a

fluctuating rate equal at all times to one-half percent over the Bank's base rate (which base rate is currently 9%). Subject to certain requirements that outstanding principal be reduced by a percentage of cash flow, the Term Loan is due five years from the closing of the Proposed Transaction, and the Bridge Loan requires that the principal be repaid in two installments, one due May 31, 1996 and one due May 31, 1997. The Commitment contains customary provisions that certain financial criteria be met and requires that all proceeds of the Condemnation Award and all proceeds received from the sale of the present Top Air facility be applied to repay principal amounts due under the Bridge Loan, with any excess to be applied in reduction of the Term Loan. The Term Loan and the Bridge Loan will be secured by all of the assets of Top Air, which will include the assets acquired by Top Air from Clay Equipment.

OPERATIONS AFTER THE CONSUMMATION OF THE PROPOSED TRANSACTION

Following the consummation of the Proposed Transaction, substantially all of the employees of Clay Equipment will become employees of Top Air. Top Air has agreed to recognize Local 1728 of the IAMAW as the exclusive bargaining agent for employees who were included in the IAMAW bargaining unit at Clay Equipment. None of the directors or officers of Clay Equipment or Clay Holding will become a director or officer of Top Air.

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Pending the completion of the New Facility, the operations of Top Air will continue to be conducted at the separate facilities of Top Air and Clay Equipment that are currently in use. It is currently anticipated that completion of the New Facility will occur on or about January 1, 1996. Upon such completion, the operations of Top Air will be relocated to the New Facility and combined with those of Clay Equipment.

CONDITIONS OF THE PROPOSED TRANSACTION

The obligations of Top Air and Clay Equipment to consummate the Proposed Transaction are subject to the approval of the Purchase Agreement by at least a majority of issued and outstanding shares of Clay Holding.

The obligation of Top Air to consummate the Proposed Transaction is also subject to the fulfillment of certain other conditions (each of which may be waived by Top Air in its discretion), including:

- (a) no adverse change in or loss or damage to the assets to be transferred or to the business of Clay Equipment shall have occurred;
- (b) the representations and warranties of Clay Equipment and Clay Holding shall be true and not breached as of the Closing Date, and all obligations of Clay Equipment and Clay Holding shall have been performed;
- (c) a reasonably satisfactory legal opinion from counsel for Clay Equipment and Clay Holding as to certain legal matters shall have been received by Top Air;
- (d) no action, suit or proceeding shall have been instituted or threatened before any court or governmental body or authority prior to the Closing Date pertaining to the Proposed Transaction, the distribution of the Top Air Shares to the ESOP Participants or to the assets or business of Clay Equipment, which has not been disclosed in the Purchase Agreement;
- (e) Top Air shall be satisfied, in its sole discretion, with the physical, operating, and financial condition of the assets and business of Clay Equipment;
- (f) no person entitled under Iowa law to dissenters' rights shall have exercised such rights;
- (g) Clay Equipment shall have delivered to Top Air satisfactory evidence of the agreement and obligation of the City (or other appropriate governmental authority) with respect to the amount and payment of a Condemnation Award in connection with the City's acquisition of Clay Equipment's current facility of not less than \$500,000 (see "Financing");
- (h) Top Air shall have received satisfactory evidence of the commitment of the City or other governmental authorities to build the New Facility and to enter into the Lease Agreement with Top Air on terms and conditions satisfactory to Top Air (see "Financing");
- (i) Top Air shall have received the binding commitment of a financial institution to refinance certain indebtedness of Clay Equipment on terms satisfactory to Top Air (see "Financing");
- (j) the stockholder's equity of Clay Equipment, as shown on a balance sheet prepared as of the last day of the calendar month immediately preceding the Closing Date, shall be not less than \$1,250,000; and

(k) Plan Participants entitled to the distribution of at least ninety percent (90%) of the Top Air Shares shall have directed the ESOP Trustee to distribute their allocated portion of the ESOP assets as "direct rollovers" to Eligible Retirement Plans.

Clay Equipment's obligation to consummate the Proposed Transaction is also subject to the satisfaction of certain other conditions (each of which may be waived by Clay Equipment in its discretion), including:

- (a) all representations and warranties of Top Air shall be true and not breached as of the Closing Date, and all obligations of Top Air shall have been performed;
- (b) a reasonably satisfactory legal opinion from counsel to Top Air as to certain legal matters shall have been received by Clay Equipment;
- (c) Clay Equipment shall have been advised in writing by the ESOP Trustee that the ESOP Trustee has approved the Proposed Transaction and has voted in excess of the majority of the outstanding shares of Clay Holding in favor of the Proposed Transaction.

CLOSING DATE

The Closing will occur on June 26, 1995, unless all of the conditions to Closing have not been met, in which case Top Air has the option to extend the Closing Date once to a date not later than December 31, 1995. Until Closing, the entire risk of loss with respect to the assets will remain with Clay Equipment.

NO FRACTIONAL SHARES

No fractional shares of Top Air common stock will be distributed to the ESOP Participants. In lieu thereof, each ESOP Participant who is entitled to a fraction of a share of Top Air common stock will, upon distribution of the Shares to the ESOP Participants, receive a full share of Top Air common stock in full payment for such fractional share.

INTEREST OF CERTAIN PERSONS IN THE PROPOSED TRANSACTION

In connection with the Letter of Intent, Clay Holding granted to Top Air an option (the "Option") to purchase up to 22,956 shares of the common stock of Clay Holding at a cash price of \$10.90 per share. The Option is exercisable upon the commencement by a third party of a tender offer regarding the Stock of Clay Holding or any securities of Clay Equipment; the entry by Clay Holding or any affiliated entity into an agreement with a third party to acquire securities or assets of, or to merge with, Clay Holding or Clay Equipment; the acquisition of beneficial ownership by a third party of any stock of Clay Holding or securities of Clay Equipment; or the announcement by a third party of its intention to make such an offer or acquisition. The Option terminates upon the first to occur of the Closing of the Proposed Transaction and June 30, 1995.

INDEMNIFICATION OBLIGATIONS

Pursuant to the Purchase Agreement, Clay Equipment and Clay Holding have agreed to indemnify and hold harmless Top Air against liability, costs and expenses arising from or in connection with any representation or warranty made by either Clay Equipment or Clay Holding in the Purchase Agreement which is not true and correct on the date of the Purchase Agreement and on the Closing Date or the failure of Clay Equipment or Clay Holding to perform under the Purchase Agreement or other document delivered in connection with the Proposed Transaction.

Clay Equipment and Clay Holding will also indemnify and hold Top Air harmless from any liability cost and expense arising from or in connection with (i) any transferee liability law (other than the unemployment compensation experience rating of former employees of either Clay Equipment or Clay Holding); (ii) any payment or performance made by Top Air to any third party in order to perform or discharge fully or partially any liability or obligation of Clay Equipment (except the liabilities assumed by Top Air on the Closing Date); and (iii) any judgment or other circumstances pursuant to which Top Air may be held liable or accountable for, or the assets transferred by Clay Equipment to Top Air may be charged in respect of, any liability or obligation of Clay Equipment (other than the liabilities assumed by Top Air of the Closing Date); (iv) the presence of contaminants, pollutants and other harmful substances in the premise subject to any lease or occupancy assumed by Top Air, and (v) the noncompliance by Clay Equipment with any environmental laws.

Pursuant to the Purchase Agreement, Top Air has agreed to indemnify and hold harmless Clay Equipment against any and all liability, cost and expense arising from or in connection with any representation or warranty made by Top Air in the Purchase Agreement which is not complete, accurate and true at the date of the Purchase Agreement and on the Closing Date or the failure of Top Air to perform under the Purchase Agreement or other document delivered in connection with the Proposed Transaction (including the obligation of Top Air to discharge the liabilities of Clay Equipment assumed on the Closing Date).

The Purchase Agreement provides that the indemnification obligations described above survive the closing of the Proposed Transaction for a period of two years.

ACCOUNTING METHOD

The Proposed Transaction will be accounted for as a purchase. Accordingly, the assets and acquired liabilities assumed will be recorded at their estimated fair values at the date of acquisition. It is estimated that the fair value of net assets acquired by Top Air in the Proposed Transaction will exceed the fair value of the Top Air Shares by approximately \$288,000. Accordingly, such excess will be applied toward the reduction of the assets acquired by Top Air in the Proposed Transaction.

CERTAIN FEDERAL INCOME TAX CONSEQUENCES

THE PROPOSED TRANSACTION

The Proposed Transaction has been structured as a reorganization within the meaning of Section 368(a) of the Code. As a reorganization, no gain or loss will be recognized by Clay Equipment with respect to the Top Air Shares received in the Proposed Transaction. The tax basis of the Top Air Shares received by Clay Equipment will be equal to the tax basis of the assets transferred to and the liabilities assumed by Top Air. No assurance can be given, however, that the IRS will not challenge the qualification of the Proposed Transaction as a reorganization under Section 368(a) of the Code and, if challenged, that the IRS will not prevail in its position. Top Air and Clay Holding believe that even if the IRS were to successfully challenge the treatment of the proposed Transaction as a reorganization under Section 368(a) of the Code, the consequences of such a successful challenge would not be material to Top Air's results of operations, Clay Equipment, Clay Holding, the ESOP or the ESOP Participants.

No gain or loss will be recognized by Clay Holding upon the distribution of such Top Air Shares by its subsidiary, Clay Equipment, which distribution will be made pursuant to the Clay Equipment Liquidation. The tax basis of such Top Air Shares received by Clay Holding will be equal to Clay Equipment's tax basis in such shares.

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The distribution of the Top Air Shares received by Clay Holding (including the shares of Hold-Back Stock to be held in escrow) to the ESOP will be taxable to Clay Holding for federal income tax purposes to the extent that the fair value of such Top Air Shares exceeds Clay Holding's tax basis in such shares. It is expected that no gain will be recognized by Clay Holding as a result of such distribution.

DISTRIBUTION BY THE ESOP

A distribution of Top Air Shares from the ESOP upon its termination may be received by an ESOP Participant in either of two ways so long as the distribution qualifies as an "eligible rollover distribution" to such Participant. Distributions from the ESOP will be eligible rollover distributions with respect to each ESOP Participant unless, with respect to an ESOP Participant, the distribution is a required minimum distribution that must be paid to such ESOP Participant because he or she has attained age 70 1/2. An ESOP Participant may have all or any portion of the distribution either (1) paid in a "direct rollover", or (2) paid directly to such ESOP Participant. A direct rollover is a transfer of the distribution to an Eligible Retirement Plan such as an individual retirement arrangement ("IRA") or to an employer retirement plan.

If a direct rollover is chosen, the distribution will not be taxed in the current year for federal tax purposes and no income tax will be withheld; rather, the incurrence of such a taxable event will be deferred until distribution by the ESOP Participant's Eligible Retirement Plan directly to such ESOP Participant. If the ESOP distribution is paid directly to the ESOP Participant, the distribution will be taxed in the year in which it is received unless, within 60 days of such payment, the participant rolls it over to an IRA or another plan that accepts rollovers. If the distribution is received before age 59 1/2, an additional 10% tax may

be imposed. If the ESOP distribution is not rolled over to an Eligible Retirement Plan, special tax rules may apply and reduce the amount of tax owed. Additionally, the ESOP Trust is required to withhold, for federal income tax purposes, an amount equal to 20% and, with respect to Iowa residents, an additional 5% of the value of the distributions made directly to ESOP Participants for state income tax purposes.

Because the distribution from the ESOP will consist primarily of Top Air Shares and because income tax withholding must be remitted in cash, participants who elect to receive a distribution of their ESOP accounts will be requested to remit to the ESOP plan administrator an amount equal to 20% of the value of their distribution and appropriate amounts to cover state tax withholding requirements in order that the withholding may be accomplished and the distribution made in a timely manner.

An eligible rollover distribution that is paid to the ESOP Participant may still be rolled over in whole or in part to an IRA or another employer plan that accepts rollovers. The rollover must be made within 60 days after the distribution is received. Subject to the withholding requirements discussed above, federal tax on that portion of the distribution that is rolled over will be deferred until it is taken out of the IRA or the employer plan. Up to 100% of the eligible rollover distribution, including an amount equal to the 20% that was withheld, may be rolled over. Since an ESOP Participant who does not elect a direct rollover is required to advance to the ESOP Trustee cash in the amount to be withheld for federal and state purposes, all or part of the Top Air Shares distributed to such ESOP Participant may be rolled over to the IRA or the employer plan within such 60 day period, and the ESOP Participant may seek a refund of the amount withheld. The ESOP Participant will be taxed on the portion of the Top Air Shares not timely rolled over to an IRA or other qualified plan.

If an ESOP Participant receives a payment before reaching age 59 1/2 and it is not rolled over, a penalty tax equal to 10% of the distribution may be imposed in addition to the regular income tax. The additional 10% tax does not apply to the distribution if it is (1) paid to a Participant because of termination of employment during or after the year in which the Participant reaches age 55, (2) paid because of retirement due to disability, (3) paid as equal (or

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almost equal) payments over the Participant's life or life expectancy (or the participant's and his beneficiary's lives or joint life expectancies), or (4) used to pay certain medical expenses.

As discussed above, if the eligible rollover distribution is not rolled over, it will be taxed in the year received. However, if it qualifies as a "lump sum distribution," it may be eligible for the special tax treatment discussed in the next paragraph. A lump sum distribution is a payment, within one year, of the entire balance of an ESOP Participant under the ESOP that is payable because the Participant has reached age 59 1/2 or has separated from service with the employer. For a payment to qualify as a lump sum distribution, the ESOP Participant must have been in the plan for at least five years.

If a lump sum distribution is received after age 59 1/2, the ESOP Participant may be able to make a one time election to figure the tax on the payment by using "five year averaging" or "ten year averaging." Five-year averaging treats the payment much as if it were paid over five years. If the ESOP Participant receiving the lump sum distribution was born before January 1, 1936, a one-time election to figure the tax on the payment by using "ten year averaging" (using 1986 tax rates) instead of five year averaging (using current tax rates) may be made. Like the five year averaging rules, ten year averaging often reduces the tax owed. A lump sum distribution received by an ESOP Participant before he or she reaches age 59 1/2 will not qualify for this special tax treatment.

There are other limits on the special tax treatment for lump sum distributions. For example, an ESOP Participant can generally elect this special tax treatment only once in his lifetime, and the election applies to all lump sum distributions received in that same year. If a payment from the ESOP has been rolled over, this special tax treatment for later payments from the ESOP. If the distribution is rolled over to an IRA, the special tax treatment cannot be used for later payments from the IRA. Also, if only a portion of the distribution is rolled over to an IRA, this special tax treatment is not available for the remainder of the payment.

The distribution of Top Air Shares will not be considered to be a distribution of employer securities eligible for deferral of tax on the net unrealized appreciation of the stock until the stock is later sold.

In general, the rules summarized above that apply to payments to employees also apply to payments to surviving spouses of employees and to spouses or former spouses who are "alternate payees" under a "qualified

domestic relations order," which is an order issued by a court, usually in connection with a divorce or legal separation. Some of the rules summarized above also apply to a deceased employee's beneficiary who is not a spouse.

A surviving spouse, an alternate payee, or another beneficiary is not subject to the additional 10% tax described above, even if that person is younger than age 59 1/2.

Although Clay Holding will submit an application to the IRS for the issuance of a determination letter as to the continued qualification of the ESOP under Section 401(a) of the Code upon termination and the tax-exempt status of the ESOP Trust under Section 501 of the Code, it is unlikely that such determination letter will be issued prior to the termination of the ESOP and the distribution of the Top Air Shares to the ESOP Participants in connection therewith. Clay Holding has received an opinion of counsel with respect to the continuation of such qualification and status, which opinion is based upon, among other things, the Code, the regulations promulgated thereunder, and certain private letter rulings currently in effect. Such opinion of counsel is not binding upon the IRS. Although it is believed that distributions of this type are generally ruled upon favorably by the IRS, no assurance can be given that a favorable determination will ultimately be received from the IRS or that the position of counsel will not be challenged by the IRS. If the termination of the ESOP would result in the disqualification of the ESOP as a Qualified Retirement Plan, then certain adverse tax consequences may result in connection with the cancellation of the ESOP

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Debt and the ESOP Participants may be required to recognize taxable income in connection with the distribution from the ESOP of the Top Air Shares and other assets to the ESOP Participants. See "INVESTMENT CONSIDERATIONS - Tax Consequences of the ESOP Distribution."

BECAUSE OF THE COMPLEXITY OF THE TAX LAWS DISCUSSED ABOVE, AND BECAUSE THE TAX CONSEQUENCES TO A ESOP PARTICIPANT WHO ELECTS NOT TO RECEIVE A "DIRECT ROLLOVER DISTRIBUTION" FROM THE ESOP MAY BE SIGNIFICANT, IT IS RECOMMENDED THAT EACH ESOP PARTICIPANT CONSULT HIS OR HER PERSONAL TAX ADVISOR CONCERNING THE APPLICATION OF THESE FEDERAL, STATE AND LOCAL INCOME TAX CONSEQUENCES OF THE DISTRIBUTION.

FEDERAL SECURITIES LAW; RESTRICTIONS ON TRANSFER

The Top Air Shares to be issued in connection with the Proposed Transaction and distributed to the ESOP Participants have been registered under the Securities Act so that such shares may be sold without restriction (subject to the one year lock-up period described below and the restrictions upon the transferability of the Hold-Back Stock) by such ESOP Participants are not deemed to be "affiliates" of Clay Holding and who do not become affiliates of Top Air. With respect to Clay Holding, the term "affiliate" would include any person who, directly or indirectly, controls, or is controlled by, or is under common control with, Clay Holding at the time that the Purchase Agreement is submitted to a vote of the shareholders of Clay Holding at the Special Meeting. Generally, all directors and executive officers of Clay Holding are considered "affiliates." An affiliate of Clay Holding who desires to resell his or her Top Air Shares must sell such stock either pursuant to an effective registration statement, in accordance with applicable provisions of Rule 145(d) under the Securities Act or in transactions otherwise exempt from registration under the Securities Act.

Rule 145(d) requires that if persons deemed to be affiliates wish to resell their stock within the first two years after receiving it, they may do so only pursuant to and within the quantity of other limitations of Rule 144 under the Securities Act. After two years, if such a person is not an affiliate of Top Air and Top Air is current in the filing of its periodic reports under the Exchange Act, a former affiliate of Clay Holding may resell Top Air Common Stock received in the Proposed Transaction freely and without limitation. After three years, if such a person is not a Top Air affiliate, he or she may resell Top Air Common Stock so received freely and without limitation without regard to the status of Top Air's periodic reports under the Exchange Act.

In addition, none of the shares of Top Air Common Stock distributed to an ESOP Participant or to his or her Eligible Retirement Plan will be transferable or assignable without the prior written consent of Top Air for a period of one year following the closing of the Proposed Transaction except by operation of law. In the event of a transfer by operation of law, the transferee or assignee of such shares shall be bound by the same restriction. Certificates evidencing the Top Air Shares will bear a legend as to the restrictions upon their transferability. Also, none of the shares of Hold-Back Stock will be transferable during the two-year escrow period. See "TERMS OF THE PROPOSED TRANSACTION - General Description of

RIGHTS OF DISSENTING STOCKHOLDERS

Any ESOP Participant has the right to dissent from the Proposed Transaction and to receive the fair value of his or her shares in cash if such participant follows the procedure set forth under the Iowa Business Corporation Act and summarized below:

Under Division XIII of the Iowa Business Corporation Act (a copy of which is attached hereto as Exhibit A), any ESOP Participant may object to the Proposed Transaction and demand payment of the fair value of his or her shares of Clay Holding held by the ESOP, if the Proposed Transaction is consummated, by (i) delivering to Clay

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Holding, before the vote is taken with respect to the Proposed Transaction, a written notice of the ESOP Participant's intent to demand payment for his or her shares if the proposed action is effectuated, together with the ESOP Trustee's written consent to the dissent, and (ii) not directing the ESOP Trustee to vote his or her allocated shares in favor of the Proposed Transaction.

A DIRECTION TO THE ESOP TRUSTEE TO VOTE "AGAINST" THE PROPOSED TRANSACTION WILL NOT CONSTITUTE WRITTEN NOTICE OF AN INTENTION TO DEMAND PAYMENT; HOWEVER, SUCH A DIRECTION OR A PARTICIPANT'S FAILURE TO DIRECT THE ESOP TRUSTEE WITH RESPECT TO THE PROPOSED TRANSACTION WILL SUFFICE AS NOT DIRECTING THE ESOP TRUSTEE TO VOTE IN FAVOR OF THE PROPOSED TRANSACTION.

Under the terms of the Purchase Agreement, the obligations of Top Air to consummate the Proposed Transaction are subject to the condition that no person entitled to dissenter's rights shall have asserted such rights. If the Proposed Transaction is approved and Top Air chooses to waive this condition, Top Air will notify by letter each ESOP Participant who has complied with the foregoing provisions within ten (10) days after the Special Meeting. Such letter will supply a form demanding payment, state where the payment demand must be sent, and set a date by which Top Air must receive the payment demand. A dissenting Participant must then demand payment and certify whether the Participant acquired beneficial ownership of the shares before the date stated in the letter. On the Closing Date or upon receipt of a payment demand, whichever occurs later, Top Air will pay each dissenting ESOP Participant who complied with the foregoing provisions the amount which Top Air estimates to be the fair value of the dissenting Participant's allocated shares, plus accrued interest. If (i) within thirty (30) days after Top Air has made or offered payment for the dissenting ESOP Participant's allocated shares the dissenting participant believes the amount paid or offered is less than the fair value of the shares or that the interest due is incorrectly calculated or (ii) Top Air fails to make payment within sixty (60) days after the date set for demanding payment, the dissenting ESOP participant may notify Clay Holding in writing of the dissenter's own estimate of the fair value of the allocated shares and the amount of interest due, and demand payment of his or her estimate (less any payment made by Top Air) or reject Top Air's offer and demand payment of the fair value of his or her shares and the interest due.

If a demand for payment remains unsettled, Top Air must commence a proceeding within sixty (60) days after receiving the payment demand and petition the court to determine the fair value of the shares and accrued interest. If Top Air does not so commence the proceeding, it shall pay each dissenter whose demand remains unsettled the amount demanded. The court may appoint one or more persons as appraisers to recommend decision on the question of fair value immediately before the Closing of the Proposed Transaction, exclusive of any appreciation or depreciation in anticipation of the Proposed Transaction unless such exclusion would be inequitable. All costs and expenses of such proceedings would be assessable against Top Air, however, the Court may assess costs against the dissenter to the extent it finds that such dissenter acted arbitrarily, vexatiously or not in good faith. Attorneys' fees are generally borne by the party incurring such fees.

If Clay Holding and Clay Equipment do not consummate the Proposed Transaction within sixty (60) days after the date set for demanding payment, a new letter must be sent to each ESOP Participant who has complied with the foregoing provisions and the payment demand procedure repeated.

The above summary of the provisions regarding the rights of the dissenting ESOP Participants under the Iowa Business Corporation Act is qualified in its entirety by the text of Division XIII of such Act which is attached hereto as Exhibit A. Interested ESOP Participants should consult their own counsel for further information regarding dissenters' rights under Iowa law.

PRO FORMA FINANCIAL INFORMATION

The unaudited pro forma financial information set forth below presents the pro forma condensed balance sheet of Top Air and Clay Equipment as of February 28, 1995, as if the Proposed Transaction (and related issuance of Top Air Common Stock) had been consummated at such date. In addition, the unaudited pro forma condensed statements of income of Top Air and Clay Equipment for the fiscal year ended May 31, 1994, and the nine-month period ended February 28, 1995, is presented as if the Proposed Transaction (and related issuance of Top Air Common Stock) had been consummated as of the beginning of the respective periods. The pro forma adjustments do not reflect any operating efficiencies and cost savings which Top Air believes are achievable or the cost of achieving any such operating efficiencies and cost savings.

The following unaudited pro forma financial information has been prepared from, and should be read in conjunction with, the Financial Statements, including the notes thereto, of Top Air and of Clay Holding, respectively, included elsewhere in this Prospectus/Information Statement or incorporated herein by reference.

The unaudited pro forma financial information presented below has been prepared using the purchase method of accounting, whereby the total cost of the acquisition of the business, assets and operations of Clay Equipment will be allocated to the tangible assets acquired and liabilities assumed based upon their respective fair values at the effective date of the Proposed Transaction.

The unaudited pro forma financial information is provided for informational purposes only and is not necessarily indicative of the financial position or operating results that would have occurred had the Proposed Transaction been consummated on the dates, or at the beginning of the period, for which the consummation of such transaction is being given effect, nor is it necessarily indicative of future operating results or financial position.

<TABLE>
TOP AIR MANUFACTURING, INC.
PRO FORMA CONDENSED BALANCE SHEET (UNAUDITED)

FEBRUARY 28, 1995

<CAPTION>

ASSETS	TOP AIR	CLAY EQUIPMENT	PRO FORMA ADJUSTMENTS	PRO FORMA COMBINED
<S>	<C>	<C>	<C>	<C>
Current Assets				
Cash	\$ 50	\$ 1,550	\$ -	\$ 1,600
Receivables	2,938,672	580,394	-	3,519,066
Condemnation award receivable	-	-	50,000 <F3>	
			550,000 <F1>	600,000
Inventories	2,033,595	1,018,551	1,283,156 <F1>	4,335,302
Other	108,433	99,222	-	207,655
TOTAL CURRENT ASSETS	5,080,750	1,699,717	1,883,156	8,663,623
Long Term Receivables	56,092	136,139	-	192,231
Property and Equipment, less accumulated depreciation	801,163	329,262	(329,262) <F1>	801,163
Intangibles and Other Assets	20,491	676,664	(676,664) <F1>	20,491
	\$ 5,958,496	\$ 2,841,782	\$ 877,230	\$ 9,677,508

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities

Current maturities of debt	\$ 2,008,025	\$ 3,110,704	\$ (1,402,480) <F3>	\$ 3,716,249
Accounts payable and accrued expenses	1,089,858	1,307,763	(291,078) <F3>	2,106,543
TOTAL CURRENT LIABILITIES	3,097,883	4,418,467	(1,693,558)	5,822,792
Long-Term Debt	286,504	-	-	286,504
Deferred Income Tax	42,200	-	-	42,200
Excess of Net Assets Acquired Over Cost	-	-	287,977 <F1>	287,977
ESOP Debt Commitment	-	1,723,871	(1,723,871) <F2>	-
Stockholders' Equity				
Common Stock	198,402	513,050	46,875 <F1>	
			(513,050) <F2>	
			3,563 <F3>	248,840
Additional paid-in capital	840,877	1,743,605	609,375 <F1>	
			(1,743,605) <F2>	
			46,313 <F3>	1,496,565
Retained earnings (deficit)	1,492,630	(3,833,340)	3,833,340 <F2>	1,492,630
	2,531,909	(1,576,685)	2,282,811	3,238,035
Less employee stock ownership plan debt guarantee	-	(1,723,871)	1,723,871 <F2>	-
	2,531,909	(3,300,556)	4,006,682	3,238,035
	\$ 5,958,496	\$ 2,841,782	\$ 877,230	\$ 9,677,508

See Notes to Unaudited Pro Forma Balance Sheet.
</TABLE>

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TOP AIR MANUFACTURING, INC.

NOTES TO UNAUDITED PRO FORMA BALANCE SHEET

- (1) To record allocation of purchase price to Clay Equipment assets acquired, including the excess of net assets over cost, and issuance of 750,000 shares of Top Air common stock, at the average of bid and asked price at February 28, 1995.
- (2) To eliminate the Clay liabilities not assumed by Top Air and Clay Equipment's ESOP debt guarantee, common stock, additional paid in capital and retained deficit.
- (3) To record additional Top Air common stock issued for condemnation proceeds in excess of \$500,000, as required by the purchase agreement.

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<TABLE>
TOP AIR MANUFACTURING, INC.
PRO FORMA CONDENSED STATEMENT OF INCOME (UNAUDITED)

YEAR ENDED MAY 31, 1994

<CAPTION>

	Top Air	Clay Equipment	Pro Forma Adjustments	Pro Forma Combined
<S>	<C>	<C>	<C>	<C>
Net sales	\$ 5,554,182	\$ 7,620,460	\$ -	\$ 13,174,642
Cost of goods sold	3,725,139	5,141,293	(257,284) <F1>	

			(123,684) <F4>	8,485,464
GROSS PROFIT	1,829,043	2,479,167	380,968	4,689,178
Operating expenses:				
Selling	772,980	1,555,291	-	2,328,271
Other	598,447	1,637,148	(156,181) <F2>	
			(33,265) <F3>	
			(252,685) <F5>	1,793,464
	1,371,427	3,192,439	(442,131)	4,121,735
OPERATING INCOME (LOSS)	457,616	(713,272)	823,099	567,443
Financial income (expense):				
Interest income	6,507	29,045	-	35,552
Interest expense	(61,432)	(107,965)	2,562 <F6>	(166,835)
	(54,925)	(78,920)	2,562	(131,283)
INCOME (LOSS) BEFORE INCOME TAXES	402,691	(792,192)	825,661	436,160
Federal and state income taxes (credits)	159,181	489	(50,000) <F7>	109,670
NET INCOME (LOSS)	\$ 243,510	\$ (792,681)	\$ 875,661	\$ 326,490
Income (loss) per common share				\$ 0.08
Weighted average number of shares outstanding				3,924,100

See Notes to Unaudited Pro Forma Statements of Income.
</TABLE>

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<TABLE>
TOP AIR MANUFACTURING, INC.
PRO FORMA CONDENSED STATEMENT OF INCOME (UNAUDITED)
NINE MONTHS ENDED FEBRUARY 28, 1995
<CAPTION>

	Top Air	Clay Equipment	Pro Forma Adjustments	Pro Forma Combined
<S>	<C>	<C>	<C>	<C>
Net sales	\$ 3,250,605	\$ 5,067,672	\$ -	\$ 8,318,277
Cost of goods sold	2,226,950	4,100,902	241,268 <F1>	
			(95,596) <F4>	6,473,524
GROSS PROFIT	1,023,655	966,770	(145,672)	1,844,753
Operating expenses:				
Selling	424,418	1,150,408	-	1,574,826
Other	501,893	1,253,277	(117,136) <F2>	
			(36,985) <F3>	
			(184,850) <F5>	1,416,190
	926,311	2,403,685	(338,971)	2,991,025
OPERATING INCOME (LOSS)	97,344	(1,436,915)	193,299	(1,146,272)

Financial income (expense):

Interest income	6,718	40,182	-	46,900
Interest expense	(56,801)	(282,862)	124,706 <F6>	(214,957)
	(50,083)	(242,680)	124,706	(168,057)
INCOME (LOSS) BEFORE INCOME TAXES	47,261	(1,679,595)	318,005	(1,314,329)
Federal and state income taxes (credits)	18,700	3,561	(365,261) <F7>	(343,000)
NET INCOME (LOSS)	\$ 28,561	\$(1,683,156)	\$ 683,266	\$ (971,329)
Income (loss) per common share				\$ (0.25)
Weighted average number of shares outstanding				3,956,854

See Notes to Unaudited Pro Forma Statements of Income.
</TABLE>

TOP AIR MANUFACTURING, INC.

NOTES TO UNAUDITED PRO FORMA STATEMENTS OF INCOME

- (1) To record adjustments to account for Clay Equipment inventories on the lower of cost (first-in, first-out method) or market.
- (2) To amortize excess of assets acquired over cost over a 10 year period using the straight-line method.
- (3) To eliminate amortization of Clay Equipment goodwill.
- (4) To eliminate depreciation on Clay Equipment property and equipment.
- (5) To eliminate Clay Equipment ESOP contribution.
- (6) To eliminate interest expense on Clay Equipment liabilities not assumed.
- (7) To adjust for the income tax effects of the combination.

INFORMATION REGARDING TOP AIR

THE BUSINESS OF TOP AIR

Business Development. Top Air was incorporated under the laws of the State of Iowa in 1981. Top Air manufactures and markets several products including sprayers, the Auger Dolly, the Straw Command, and a line of sprayer replacement parts.

Principal Products and Markets

Sprayers. Top Air currently manufactures several types of agricultural sprayers including skid mount, two-wheel models, three-wheel models, saddle tank models, home lawn models, trailer sprayers, tandem wheel sprayers, Master Link sprayers, Terrain Master sprayers and models which can be mounted in the bed of a pickup truck. The sprayers are sold in sizes ranging from a 14 to 1,000 gallon capacity. Top Air also offers various accessories for the sprayers including several models of folding and self-leveling booms in various lengths and designs.

The sprayers are used primarily for farming activities. They can be pulled directly by a tractor or they can be hooked to a disc so that their combined functions allow the farmer to eliminate one trip over the ground. The sprayers are used for spraying jobs of all types, including the spraying of chemicals, fertilizers, insecticides and weed killers. They are used by farmers and commercial sprayers primarily for row crops, but can also be used on other crops, golf courses, cemeteries, etc. The wheels may be adjusted to compensate for difficult row crop widths. Trees and shrubs may be sprayed by a hand gun attachment to the sprayers.

Auger Dolly. Grain augers are generally used by farmers or grain

elevator operators to fill or empty grain storage facilities. Without use of the Auger Dolly, the augers are difficult to transport to a new location. Several individuals may be required to lift and move them. The Auger Dolly is designed to lift the end of the auger which enables one or two individuals to more easily move the grain auger to a new location.

There are two models of Auger Dollies; i.e., a standard model and an economy model. At the present time, Top Air is manufacturing eight models of collars for the Auger Dolly, the device by which the auger dolly is attached to the grain auger.

Straw Command. The Straw Command is attached to the rear of a

combine to allow straw and harvest trash to be spread evenly over the field, resulting in a better soil bed for spring planting and helping to prevent wind and water erosion.

Sprayer Parts. Top Air stocks a full line of repair and

replacement parts to fit all popular models of sprayers. Top Air distributes these parts to retailers and utilizes them in its own manufacturing processes. Top Air has actively promoted these sprayer parts and has established itself as a major supplier in the replacement parts market.

Other Products. Top Air also custom manufactures products for

other firms on a contract basis. Traditionally, these have been limited production runs of new designs.

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Method of Distribution. Top Air has six salesmen and four

manufacturers' representatives calling upon dealers and distributors in twelve states. Efforts are on going to continue expanding its sales territory into additional states and to further enhance market penetration in the current marketing areas. Top Air is selling its products primarily to implement dealers, farm supply stores and feed stores located primarily in lesser populated agricultural areas for resale to farmers, tradesmen and to the general public for commercial and individual use.

Seasonal Factors. The sale of sprayers, sprayer parts and sprayer

booms is seasonal with approximately 80% of its sprayer sales being made from December 1 through May 31 of each year. A large percentage of Auger Dollies and Straw Command units are sold during the summer and early fall months in anticipation of the harvesting season.

Competitive Conditions. Top Air competes with a large number of

other agricultural equipment manufacturers and suppliers who distribute sprayers and sprayer parts. Top Air's products, however, are considered sufficiently different so that Top Air can establish and maintain a market for its products. In addition, Top Air offers a full line of sprayer products that add to Top Air's ability to penetrate the market. Top Air sells sprayers and fall harvest products on a dated billing program. Under this program, finance charges are suspended until May 10 for sprayers, and October 10 for harvest products to allow Top Air's dealers an incentive to stock larger quantities of products without the necessity to commit financial resources several months in advance. This also allows Top Air to plan its production on a more convenient basis.

Major Customers. The customer base is sufficiently broad that no

customer accounts for 10% or more of Top Air's sales.

Backlog Orders. Top Air had no material sales backlog as of May 1, 1995 or May 31, 1994. Because of the seasonality of its business, Top Air would normally have little or no sales backlog at the end of its fiscal year. See "Seasonal Factors."

Source and Availability of Raw Materials. Top Air currently manufactures the frames for the sprayers but the remaining component parts are purchased for assembly in Top Air's plant. See "TERM OF THE PROPOSED TRANSACTION - Background and Reasons for the Proposed Transaction." Top Air purchases its raw materials from a number of suppliers. Top Air has had no difficulty in obtaining component parts and does not anticipate any difficulty in obtaining sufficient component parts and raw materials as production increases.

Patents and Trademarks. Top Air has received a design patent on the three-wheel sprayer, the master-link sprayer and the self-leveling boom, and has trademark registrations for Top-Air(R) and E-Z Boy(R). While Top Air believes that its patents and trademarks have significant value, Top Air is not dependent upon patents, trademarks, service marks or copyrights.

Product Warranty. Top Air has warranted the sprayers, sprayer booms, Straw Commands, Auger Dollies and other products manufactured by it to be free from defects in material and workmanship under normal use and service for a period of twenty-four months after date of purchase. Top Air carries product liability insurance. See "INVESTMENT CONSIDERATIONS - Uninsured Losses."

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Environmental Compliance. Top Air believes that it is presently in substantial compliance with all existing applicable environmental laws and does not anticipate that such compliance will have a material effect on its future capital expenditures, earnings or competitive position.

Employees. On May 1, 1995, Top Air's plant and executive offices employed 47 people on a full-time basis. Of this number, five are officers and the remainder are sales representatives, production workers, secretaries and truckers. None of Top Air's employees are covered under collective bargaining agreements. However, Top Air has agreed to recognize the IAMAW as the exclusive bargaining agent for employees who were included in the IAMAW bargaining unit at Clay Equipment. See "TERMS OF THE PROPOSED TRANSACTION - Operations After the Consummation of the Proposed Transaction."

Research and Development. Research and development costs incurred for the years ended May 31, 1994 and 1993 were \$150,242 and \$90,846, respectively. Research and development activities consist primarily of wages paid for the design and testing of new equipment and improvements to existing equipment.

PROPERTIES

Top Air owns eight acres of land in Parkersburg, Iowa. The facilities located on this land consist of a building containing the executive offices (approximately 1,600 square feet), assembling area (approximately 2,400 square feet) and manufacturing area (approximately 10,000 square feet). The facilities are constructed out of steel. Although Top Air believes the plant has sufficient capacity to construct its products for the foreseeable future, Top Air believes the contemplated relocation of the combined operations of Top Air and Clay Equipment to the New Facility would result in significant operating synergies and efficiencies. See "TERMS OF THE PROPOSED TRANSACTION - Background and Reasons For the Proposed Transaction," "Financing" and "Operations After the Consummation of the Proposed Transaction."

Top Air also owns a warehouse in Parkersburg, Iowa (containing approximately 8,700 square feet) which was purchased from a former officer for \$80,000 on December 20, 1988. This property is being financed through a contract with the former officer which is being amortized annually through January 1997.

Top Air believes its facilities are adequately insured.

LEGAL PROCEEDINGS

There are no material legal proceedings pending to which Top Air is a party or of which any of its property is the subject.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

Nine Months Ended February 28, 1995, Compared to Nine Months Ended

February 28, 1994

Net Sales. Net sales for the third quarter and nine months ended

February 28, 1995 increased 15% to \$2,281,271 and 12% to \$3,250,605, respectively, compared to \$1,991,189 and \$2,911,617 for the same periods of the previous year. The increases were a result of an overall favorable agricultural industry and a strong demand for Top Air's new line of T-Tank sprayers introduced in the 1995 model year. The backlog of orders at February 28, 1995 was approximately \$ 1.5 million compared to \$ 1.2 million a year ago.

Operating Costs & Expenses. Top Air's cost of goods sold decreased

to 68% and 69% of sales for the third quarter and nine months ended February 28, 1995, respectively, compared to 69% and 70% for the same periods a year ago. The increases in margins were a result of fixed costs being spread over a higher volume of sales and a change in the sales mix consisting of a larger percentage of wholegoods, which carry a higher profit margin. Operating expenses increased 10% to \$ 316,784 and 9% to \$ 944,603 respectively, for the third quarter and nine months ended February 28, 1995 compared to \$ 286,806 and \$ 869,316 for the same periods of the previous year. The increases were primarily a result of expanding Top Air's research and development in order to improve product quality and enhance the product line, combined with increased marketing efforts to strengthen the image of Top Air as a manufacturer of high quality agricultural products. Accordingly, sales salaries and travel increased approximately \$39,000, advertising and promotion increased approximately \$15,000 and R & D expenses increased nearly \$20,000 for the nine month period. Top Air anticipates that it will continue with these expanded efforts as projects and market conditions dictate.

Interest Expense. Interest expense increased 74% to \$35,888 from

\$20,659 for the third quarter and 76% from \$56,901 to \$32,245 for the nine months ended February 28, 1995. The increases are a result of somewhat higher levels of short-term operating debt outstanding during the periods combined with significantly higher interest rates.

Material Changes in Financial Position. Top Air's income from

operations of \$28,461 net additions of property and equipment of approximately \$235,000 offset by \$197,000 of net proceeds from long-term debt borrowings to purchase property and equipment resulted in a increase in working capital of \$16,949 for the nine months ended February 28, 1995.

Liquidity and Capital Resources. At February 28, 1995, Top Air had

working capital of \$1,982,867 an increase of \$280,180 over a year ago and an increase of \$16,949 since May 31, 1994. The current ratio decreased to 1.64 from 3.29 at May 31, 1994. On August 26, 1994 Top Air's Board of Directors approved a plan for a building expansion project. The project would enable Top Air to increase capacity, improve product quality and gain manufacturing efficiencies. It is currently anticipated that the expansion will be approximately 30,000 square feet and will house all of production and assembly operations. The total project cost, including some updated equipment, is expected to be approximately \$800,000. Top Air has been awarded \$133,500 in grants and forgivable loans (subject to job creation goals) in connection with this project. It is anticipated that the balance of the funds would be provided through long-term borrowings from a financial

institution; however no such commitment has as yet been made by Top Air. In view of the Proposed Transaction and resulting relocation of Top Air's current operations to the New Facility, such project has been postponed indefinitely. The costs of such relocation to the

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New Facility, to the extent borne by Top Air, will not be material and will be provided through internally generated funds.

Fiscal Year Ended May 31, 1994 Compared to Fiscal Year Ended May,

31, 1993

Net Sales. Net sales increased \$697,275, or 14.4%, to \$5,554,182

in fiscal 1994 from \$4,856,907 in fiscal 1993. Approximately \$118,000, or 16.9%, of this increase was the result of increases in the sale prices charged by Top Air. The remaining increase was primarily a result of a combination of successful sales of new products introduced, increased marketing efforts and an overall favorable agricultural economy. Sales of sprayers increased \$642,528 or 21.8% and replacement parts increased \$54,747 or 2.9%. Top Air is continuing to develop new products and to modify existing products to meet the demands of the spraying industry.

Operating Costs and Expenses. Cost of goods sold increased 7.6% to

\$3,725,139 in fiscal 1994 from \$3,461,556 in fiscal 1993. However, cost of goods sold as a percentage of net sales decreased to 67.1% in fiscal 1994 from 71.3% in fiscal 1993. The decreased percentage was a result of three primary factors. First, Top Air was able to raise selling prices, which more than offset increased input prices. Secondly, as mentioned above, a greater percentage of sprayers were sold, as opposed to replacement parts, during the past year. Sprayers normally carry a higher profit margin than replacement parts. Finally, the fixed costs included in cost of goods sold were spread over a substantially higher volume of sales.

Operating expenses increased \$98,673, or 7.8%, to \$1,371,427 (or 24.7% of net sales) in fiscal 1994 from \$1,272,754 (or 26.2% of net sales) in fiscal 1993. The increase resulted from expected increases in variable expenses coupled with planned increases in selling expenses and research and development expenses which enabled Top Air to expand the product line and sales. Top Air is continuing to add sales personnel, as necessary, to open up new sales territories.

Interest Expense. Interest expense decreased \$4,653, or 7.0%, to

\$61,432 (or 1.1% of net sales) in fiscal 1994 from \$66,085 (or 1.4% of net sales) in fiscal 1993. Such decrease in interest expense resulted principally from a reduction in the average balance outstanding under Top Air's line of credit.

Income Tax Expense. Top Air's effective income tax rate increased

to 39.5% of income before taxes in fiscal 1994 from 20.0% in fiscal 1993.

Material Changes in Financial Position. Net income for fiscal 1994

was \$243,510, or 4.4% of net sales, an increase of \$186,966 (or 331%) from the fiscal 1993 net income of \$56,544, or 1.2% of fiscal 1993 net sales.

Liquidity. Top Air generated cash flow from operating activities

during fiscal 1994 of \$504,670 which decreased from the cash generated in fiscal 1993 of \$556,331. The decrease in cash flow was primarily due to a general increase in current assets offset with a general increase in current liabilities and an increase in net income.

Investing activities produced a negative cash flow during fiscal 1994 of \$245,104 which increased over the negative cash flow in fiscal 1993 of \$90,740. The change was primarily a result of increased fixed asset purchases.

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Financing activities produced a negative cash flow during fiscal

1994 of \$35,336 which decreased from the negative cash flow during fiscal 1993 of \$300,929. The decrease in fiscal 1994 was primarily a result of an increase in net short term borrowings.

Top Air intends to use cash generated from operations and short-term bank loans to fund fiscal 1995 cash requirements. As of May 31, 1994 Top Air has a \$3,000,000 line of credit, from a bank pursuant to a credit and security agreement originally dated November 10, 1989 which expires October 1, 1994, and bears interest at the prime rate plus 1/2% (currently 7.75%). As of May 31, 1994, there was no indebtedness outstanding under Top Air's line of credit.

Top Air has working capital requirements due primarily to the need to maintain inventories and to finance accounts receivable. Top Air believes it has access to sufficient working capital for its present and immediately foreseeable working capital requirements. Top Air anticipates that it will be borrowing funds seasonally, as the need arises.

Top Air's working capital increased to \$1,965,918 in fiscal 1994 from \$1,868,934 in fiscal 1993. The current ratio decreased to 3.29:1 in fiscal 1994 from 5.44:1 in fiscal 1993. The working capital increase is primarily due to the trade receivables, inventories and accounts payable increasing or decreasing without a proportional increase or decrease in short-term borrowing necessary to finance them.

Capital Resources. Top Air has had minor changes in capital assets -

 during the past four years, and, except for the Proposed Transaction, anticipates no significant changes in fiscal year 1995. In connection with the Proposed Transaction, the combined long-term debt of Top Air and Clay Equipment will be refinanced through the New Financing, to consist of a single term loan and a revolving line of credit (to fund future working capital requirements). The New Financing will be provided by the Bank. The Bank has issued to Top Air its commitment to provide the New Financing, subject to certain conditions specified therein. The New Facility will be constructed by the City and leased to Top Air (as assignee of Clay Equipment) under the New Facility Lease for an initial term of 10 years (with a renewable five year option on the party of the City, as lessor) at an annual rental of \$206,664. See "TERMS OF THE PROPOSED TRANSACTION - Financing" and "PRO FORMA FINANCIAL INFORMATION."

Effects of Inflation. Inflation and changing prices have had a -

 minor effect on Top Air's cost of sales and operating expenses. Top Air had minor price increases during fiscal 1994 and fiscal 1993 as disclosed above.

Impact of Recently Issued Accounting Standards. Top Air adopted -

 FASB Statement No. 109, "Accounting for Income Taxes" for the year ended May 31, 1994. The adoption of FASB No. 109, did not have a material effect on its results of operations or financial condition.

PRINCIPAL SHAREHOLDERS

As of March 31, 1995, the following persons were known to Top Air individually or as a group, to be the beneficial owners, respectively, of more than 5% of the Common Stock. Except as otherwise noted, each person or group identified below holds sole voting and sole investment power with respect to the shares identified as beneficially owned.

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<TABLE>
 <CAPTION>

Name and Address -----	Number of Shares Owned -----	Percentage of Shares Outstanding -----	
		Prior to Proposed Transaction -----	After Proposed Transaction<F3> -----
<S> Robert J. Freeman and	<C> 1,950,000<F1>	<C> 61.43%	<C> 49.69

Dennis W. Dudley, Trustees
under Amended and Restated
Voting Trust Agreement
dated 9/15/92
9387 Dielman Industrial Dr.
St. Louis, MO 63132

Wayne C. Dudley R.R. 1 Aplington, IA 50604	771,284<F2>	24.30%	19.65
Robert J. Freeman 990 Hammond Drive Suite 980 Atlanta, GA 30328	300,250<F2>	9.46%	7.65
S. Lee Kling 1401 S. Brentwood Blvd. St. Louis, MO 63144	270,250<F2>	8.51%	6.89
Franklin A. Jacobs 9387 Dielman Industrial Drive St. Louis, MO 63132	300,250<F2>	9.46%	7.65

<FN>

<F1> The Amended and Restated Voting Trust Agreement (the "Voting Trust") was adopted September 15, 1992 and terminates January 4, 2000 or by earlier agreement. The names and addresses of the voting trustees are: Dennis W. Dudley, R.R. 1, Parkersburg, IA 50665; and Robert J. Freeman, 990 Hammond Drive, Suite 980, Atlanta, GA 30328. Voting power of the Shares deposited in the Voting Trust is shared equally by the trustees. Pursuant to the Voting Trust, the trustees are required to vote to elect Wayne C. Dudley, Dennis W. Dudley, Robert J. Freeman, Franklin A. Jacobs, S. Lee Kling and Sanford W. Weiss as directors.

<F2> These shares are also included in the shares listed as being subject to the Voting Trust discussed in footnote (1).

<F3> Assumes that the number of Top Air Shares issued upon the consummation of the Proposed Transaction will be 750,000.

</TABLE>

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BOARD OF DIRECTORS

Set forth below are descriptions of the backgrounds of the directors of Top Air.

STEVEN R. LIND, 32, has served as President of Top Air since November 1992 and was appointed Chief Executive Officer in July 1993. He also has served as a Director of Top Air since 1993. Mr. Lind had served as a Staff Accountant with McGladrey & Pullen, LLP, certified public accountants, from 1985 to 1988. From 1988 to 1992, he served as Controller of Top Air. From 1992 to 1993, Mr. Lind served as Chief Financial Officer of Top Air.

WAYNE C. DUDLEY, 63, is the founder of Top Air, has served as a Director of Top Air from 1981 to the present, and served as the Chairman of the Board and President or Chief Executive Officer of Top Air from 1981 until 1992. Mr. Dudley is currently a member of the Executive Committee.

DENNIS W. DUDLEY, 43, has served as a Director of Top Air since 1981. From 1989 until 1992, he served as President and Chief Operating Office of Top Air. Currently, Mr. Dudley is self-employed. Prior to serving as President and Chief Operating Officer of Top Air, Mr. Dudley served as executive vice-president from 1981 to 1989.

ROBERT J. FREEMAN, 66, has served as a Director of Top Air since 1990. He has been retired for 17 years. Mr. Freeman currently serves on the Executive Committee, the Audit Committee and the Salary and Stock Option Committee.

FRANKLIN A. JACOBS, 62, has served as a Director of Top Air since 1990. He currently serves on the Executive Committee and the Audit Committee. Mr. Jacobs has served as Chief Executive Officer and Chairman of the Board and a Director of Falcon Products, Inc., a St. Louis-based commercial furniture manufacturer, for

approximately 20 years. He is also a member of the Board of Directors of Magna Group, Inc.

SANFORD W. WEISS, 61, has served as a Director of Top Air since 1990. Mr. Weiss currently serves on the Salary and Stock Option Committee. He has been a principal owner of Weiss & Neuman Shoe Company, an owner of retail shoe stores, for more than 16 years.

S. LEE KLING, 66, has served as a Director of Top Air and Chairman of the Board since 1990. He currently serves on the Executive Committee and the Audit Committee. Mr. Kling served as Chairman of the Board of Landmark Bancshares Corporation, a St. Louis-based bank holding company, from 1974 until 1991 and served as its chief executive officer until 1990. He also serves as Chairman of the Board of Kling Rechter Company, a merchant banking company and as a Director of the following corporations: Bernard Chau, Inc.; E-Systems, Inc.; Hanover Direct, Inc.; Falcon Products, Inc.; Lewis Galoob Toys, Inc.; Magna Group, Inc.; and National Beverage Co.

COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

Director Compensation. For their services, Top Air pays a

 quarterly director's fee of \$1,500 to each director except Steven R. Lind. In addition, Top Air pays to S. Lee Kling a fee of \$1,000 per month for serving as Chairman of the Board and consulting services rendered to Top Air.

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Executive Compensation. The following table sets forth certain

 information regarding the compensation paid to the Chief Executive Officer. No executive officer of Top Air received compensation (annual salary and bonus) in excess of \$100,000 during fiscal 1994.

<TABLE>

SUMMARY COMPENSATION TABLE

<CAPTION>

NAME AND PRINCIPAL POSITION	YEAR <F1>	ANNUAL COMPENSATION			LONG-TERM COMPENSATION			
		SALARY	BONUS	OTHER ANNUAL COMPENSATION	RESTRICTED STOCK AWARD(S)	OPTIONS/ SARS (SHARES)	LTIP PAYOUTS (DOLLARS)	ALL OTHER COMPENSATION <F2>
Steven R. Lind, President and Chief Executive Officer	1994	\$56,458	\$17,100	--	--	10,000	--	\$1,202
	1993	\$47,448	\$ 1,575	--	--	10,000	--	\$ 981

<FN>
 <F1> In accordance with transitional provisions applicable to the revised rules on directors and executive officers compensation disclosure adopted by the Securities and Exchange Commission ("SEC"), as interpreted by the SEC's staff, compensation information for Top Air's 1992 fiscal year has been omitted.

<F2> Includes a contribution of \$1,110 in 1994 to the 401(k) Plan by Top Air on behalf of Mr. Lind. Also includes premiums in the amount of \$92 paid by Top Air in 1994 for term life insurance.

</TABLE>

Stock Options. The following table sets forth certain information

 concerning stock options granted under Top Air's 1993 Stock Option Plan during fiscal 1994 to the Chief Executive Officer of Top Air:

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<TABLE>

OPTION/SAR GRANTS IN LAST FISCAL YEAR

INDIVIDUAL GRANTS

<CAPTION>

NAME	OPTIONS/ SARS GRANTED (SHARES)	PERCENTAGE OF TOTAL OPTIONS/SARS GRANTED TO EMPLOYEES IN FISCAL YEAR	EXERCISE OR BASE PRICE (DOLLARS/SHARE)	EXPIRATION DATE
Steven R. Lind	10,000<F1>	24.4%	\$.8438	1/12/04

<FN>

<F1> Each option listed above was issued at fair market value on date of grant and is exercisable in 33-1/3% annual increments, beginning on the first anniversary of the date of grant and on each anniversary thereafter. All options listed above expire ten years from date of grant, subject generally to earlier termination upon cessation of employment.

</TABLE>

The following table sets forth certain information concerning the number of unexercised options and value of unexercised options outstanding at May 31, 1994 with respect to the Chief Executive Officer of Top Air. No stock options were exercised during fiscal 1994.

<TABLE>

AGGREGATED OPTION/SAR EXERCISES IN LAST FISCAL YEAR
AND FISCAL YEAR-END OPTION/SAR VALUES

<CAPTION>

NAME	SHARES ACQUIRED ON EXERCISE (SHARES)	VALUE REALIZED (DOLLARS)	NUMBER OF UNEXERCISED OPTIONS/SARS AT MAY 31, 1994 (EXERCISABLE/UNEXERCISABLE) (SHARES)	VALUE OF UNEXERCISED IN- THE-MONEY OPTIONS/SARS AT MAY 31, 1994 EXERCISABLE/UNEXERCISABLE (DOLLARS)
Steven R. Lind	N/A	N/A	5,333/16,667	\$2,145/\$5,572

</TABLE>

Employment Arrangements. Top Air has entered into an employment agreement, dated as of November 6, 1992, with Steven R. Lind (the "Agreement"). Under the terms of the Agreement, Mr. Lind will provide services to Top Air in exchange for annual compensation of \$57,000 until such time as the Agreement is terminated. In the event Mr. Lind's employment is terminated, he would receive a one-time payment in an amount equal to fifty percent (50%) of his annual compensation, which would be \$28,500 at present.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

On January 1, 1991, Top Air refinanced a short-term note receivable from Wayne C. Dudley, a former Chief Executive Officer of Top Air, in the amount of \$53,407. The note, as amended, is non-interest bearing and is payable in quarterly installments through December 31, 1994. Top Air agreed to continue

to accept such quarterly payments in lieu of full payment on December 31, 1994, until such note is fully amortized.

Also, on January 31, 1991, Top Air accepted four notes receivable totaling \$64,000 from Robert Freeman, Franklin Jacobs, S. Lee Kling and Sanford Weiss, members of the Board of Directors of Top Air, in payment of an advance made during the year ended May 31, 1990, to Parker/Marshall Group, Inc. Each of these notes was paid in full in October 1993.

INFORMATION REGARDING CLAY HOLDING AND CLAY EQUIPMENT

THE BUSINESS OF CLAY EQUIPMENT

Clay Equipment is engaged in the business of the design, manufacture and sale of agricultural products, including a line of agricultural spreaders sold under the trade name "Better Built." Clay Equipment competes with a large number of other agricultural equipment manufacturers and suppliers who distribute products

similar to those manufactured and sold by Clay Equipment. Clay Equipment's customer base is sufficiently broad so that no customer accounts for more than 10% of Clay Equipment's sales. Clay Equipment purchases its raw materials from a number of suppliers and has not, in the past, had difficulty in obtaining component parts. The current financial condition of Clay Equipment has made purchases of component parts on credit more difficult, and it is expected that such difficulty will continue unless and until such financial condition is improved.

On March 31, 1995, Clay Equipment's plant and executives offices employed 63 people on a full-time basis. Clay Equipment production workers are covered under a collective bargaining agreement with the IAMAW.

Clay Equipment owns its current manufacturing facility located in Cedar Falls, Iowa, consisting of a building containing the executive offices, assembling and manufacturing areas of approximately 120,000 square feet. The facilities are constructed out of concrete and clay tile. Although the plant has sufficient capacity to support Clay Equipment's current sales levels, Clay Equipment does not believe that the design and layout of the plant is such that its manufacturing operations can be conducted efficiently. See "TERMS OF THE PROPOSED TRANSACTION - Operations After the Consummation of the Proposed Transaction."

There are no material legal proceedings pending to which Clay Holding or Clay Equipment is a party or of which any of the properties of Clay Holding is subject.

MARKET PRICE OF AND DIVIDENDS ON CLAY HOLDING COMMON STOCK AND RELATED SHAREHOLDER MATTERS

There is no established public trading market for the Clay Holding common stock. However, under the terms of the ESOP Trust, upon their retirement, all ESOP Participants have the right to require the repurchase by Clay Holding of those shares of Clay Holding stock distributable to such ESOP Participants at a redemption price equal to their fair value at the time such right is exercised. The fair value of the ESOP is determined annually by independent appraisal as of the close of each calendar year and at such other times as directed by the Advisory Committee of the ESOP. Based on such independent appraisals, the per share redemption prices for 1992 and 1993 were \$16.00 and \$14.00, respectively. No fair value for the ESOP was established as of year-end 1994. However, in connection with Top Air's due diligence review of Clay Equipment, the independent appraiser who normally establishes the fair value of the ESOP Trust performed an appraisal of Clay Holding as of August 31, 1994 and concluded

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that the per share fair value of Clay Holding was \$13.00. In view of the continuation of significant losses by Clay Equipment, its strained cash flow position and its default status under certain credit agreements, Clay Holding believes that the current per share fair value of the ESOP Trust is significantly less than \$13.00. See "INFORMATION REGARDING CLAY HOLDING AND CLAY EQUIPMENT - Management's Discussion and Analysis of Financial Condition and Results of Operations."

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

- -----

Net Sales increased from \$6,381,591 in 1993 to \$7,788,916 in 1994 for an increase of \$1,407,325, or 22%. This increase was primarily attributable to the sales from the Better Bilt line of manure handling equipment purchased on October 15, 1993, offset by a decrease in the sales of the Clay products. Sales of the Better Bilt products, which included only a portion of the year in 1993, increased approximately \$2,000,000, while the Clay products decreased approximately \$600,000.

Cost of goods sold increased from \$4,125,347 in 1993 to \$5,960,669 in 1994 for an increase of \$1,835,322, or 44%. The increase resulted from a combination of the sales increase mentioned above, the current year sales mix consisting of a larger volume of products in the Better Bilt line being sold at lower margins, and an adjustment to inventory of approximately \$400,000 to reflect actual quantities and establish a reserve for obsolescence.

Operating expenses increased \$113,168 or 3.8% to \$3,126,577 (or 40.1% of net sales) for 1994 from \$3,013,409 (or 47.2% of net sales) for 1993. This increase was primarily attributable to an increase in administrative expenses of \$220,000 offset by a decrease in selling expenses of \$115,000. The increase in administrative expenses resulted from professional fees and bad debt expense increasing \$140,000 and \$85,000, respectively. Selling expenses decreased approximately \$115,000 due to reduction in size of the sales staff. As a result of this reduction, sales salaries decreased approximately \$90,000 and related travel expenses decreased \$30,000.

Selling expenses for 1994, which decreased by approximately \$115,000 in 1994 compared to 1993, were comprised primarily of salaries and commission of \$730,000 and advertising and promotions of \$300,000. Administrative expenses for 1994, which increased by approximately \$220,000 in 1994 compared to 1993, consisted primarily of salaries of \$230,000, professional fees of \$265,000, bad debts and collection expense of \$90,000 and general insurance of \$165,000.

Interest expense increased \$109,930 or 206% to \$163,206 (or 2.1% of net sales) in 1994 from \$53,276 (or 8% of net sales) in 1993. This increase was a result of increased borrowing required to purchase the new product line discussed above coupled with higher interest rates in 1994.

As a result of the foregoing, the net loss for 1994 was \$1,416,493 (or -18.2% of net sales) compared to the net loss for 1993 of \$611,005 (or -9.6% of 1993 sales). This represents an increase in the net loss of \$805,488 (or -132%) from 1993.

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Liquidity and Capital Resources

Clay Equipment's principal source of funds for its working capital requirements is its cash flow from operations, coupled with available borrowings under its working capital credit line. The significant operating losses incurred by Clay Equipment during the last two years has put significant strain on Clay Equipment's cash flow from operations.

Clay Equipment's current working capital credit line expired in March 1995 and has not been renewed by the provider thereof. While no demand for payment of outstanding balances under such working capital credit line has been made by the provider thereof, no further drawdowns on such credit line may be made by Clay Equipment. Further, Clay Equipment is not in compliance with various financial covenants required to be met under its Credit Agreement with a lending institution in connection with certain term debt. At December 31, 1994, the outstanding principal balance of such term debt (which, because of its status, has been classified as current) was \$825,000. While no demand for payment has been formally made, such non-compliance has not been waived by the lender. The working capital line of credit and the term debt are collateralized by substantially all of the assets of Clay Equipment. No assurance can be given that the provider of the working capital credit line or the provider of the term loan to Clay Equipment will not demand repayment and, in absence of such repayment, take all measures, including foreclosure, to enforce its rights as a secured party. Further, no assurance can be given that if demand for payment is made by either lender, Clay Equipment would be able obtain alternative financing or sell a significant amount of its assets to avoid foreclosure.

Because of the significant losses incurred by Clay Equipment during the past two years, its strained cash flow position and the default position of Clay Equipment under its working capital credit line and term loan discussed above, Clay Holding's independent accountants have issued a report which indicates that substantial doubt exist as to Clay Holding's ability to continue as a going concern.

CLAY HOLDING

All of the issued and outstanding shares of the common stock of Clay Equipment are owned of record by Clay Holding, and all of the issued and outstanding shares of the common stock of Clay Holding are owned by the ESOP, for the benefit of the ESOP Participants. As of December 31, 1994, there were 79 ESOP Participants, including 22 inactive Participants.

GENERAL

Top Air is authorized to issue Twenty Million (20,000,000) shares of no par value common stock.

The holders of common stock are entitled to cast one vote for each share of record on all matters to be voted on by stockholders, including the election of directors. The holders of common stock are entitled to receive dividends when and if declared by the Board of Directors out of legally available funds. In the event of liquidation, dissolution or winding up of the affairs of Top Air, the holders of the common stock are entitled to share ratably in all remaining assets available for distribution to them after the payment of liabilities and after provision has been made for each class of stock, if any, having preference over the common stock. Holders of shares of Top Air Common Stock, as such, have no

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conversion, preemptive or other subscription rights, and there are no redemption provisions applicable to the Top Air Common Stock. All of the outstanding shares of Top Air Common Stock are fully paid and nonassessable.

The bid and asked prices for Top Air Common Stock are currently quoted on the NASDAQ Bulletin Board.

TRANSFER AGENT

The transfer agent and registrar for the Common Stock is the Firststar Trust Company, Milwaukee, Wisconsin.

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COMPARISON OF RIGHTS OF HOLDERS OF
TOP AIR COMMON STOCK AND CLAY EQUIPMENT COMMON STOCK

GENERAL

The rights of Clay Holding stockholders are governed by Clay Holding's Articles of Incorporation and Bylaws and Iowa law and the rights of Top Air stockholders are governed by Top Air's Articles of Incorporation and Bylaws and Iowa law. In most respects, the rights of holders of Clay Holding common stock and Top Air common stock are similar. Stockholders of each of Clay Holding and Top Air are entitled to one (1) vote per share held. Neither the holders of Clay Holding common stock nor the holders of Top Air common stock have preemptive rights to subscribe for or purchase any shares issued by their respective corporations.

INDEMNIFICATION OF DIRECTORS AND OFFICERS

Top Air, Clay Equipment and Clay Holding are all subject to the provisions of The Iowa Business Corporation Act ("IBCA"). The IBCA provides that a corporation may indemnify an officer, director, employee or agent made a party to a proceeding because he was an officer, director, employee or agent of the corporation against liability incurred in connection with a proceeding if: (a) such person acted in good faith; (b) in the case of conduct in an official capacity, the person reasonably believed such conduct was in the corporation's best interests; (c) in all other cases, such person reasonably believed that such conduct was not opposed to the best interests of the corporation; and (d) in the case of any criminal proceeding, such person had no reasonable cause to believe his or her conduct was unlawful. In actions brought by or in the right of the corporation, however, the IBCA provides that no indemnification may be made if the director was judged liable to the corporation. The IBCA also provides that in connection with any proceeding charging personal benefit to a director, no indemnification may be made if such director was adjudged liable on the basis that personal benefit was improperly received by the director. Unless otherwise limited by its charter, a corporation must indemnify a director, officer, agent or employee who successfully defends himself in a proceeding to which he was a party because he was a director of the corporation against reasonable expenses incurred by him in connection with such proceeding. A corporation may pay for or reimburse the reasonable expenses incurred by a director, officer, agent or employee who is a party to a proceeding in advance of the final disposition of the proceeding if such person furnishes the corporation a written

affirmation of his good faith belief that he has met the applicable standard of conduct, undertakes to repay the advance if it is ultimately determined that he is not entitled to indemnification and a determination is made that the facts then known to those making the determination would not preclude indemnification. The indemnification and expense advancement provisions contained in the IBCA are not exclusive of any other rights which may be granted by the articles of incorporation or bylaws, a resolution of directors or stockholders, or an indemnification agreement; however, no indemnification may be granted if a director is found liable for breach of the duty of loyalty, acts or omissions not in good faith or involving intentional misconduct, or unlawful distributions. The termination of a proceeding by judgment, order, settlement conviction, or upon a plea of nolo contendere or its equivalent is not, of itself, determinative that the director did not meet the standard of conduct described above. Any indemnification under the IBCA in connection with a proceeding by or in the right of the corporation is limited to reasonable expenses incurred in connection with the proceeding. Notwithstanding the foregoing, the IBCA provides that a court of competent jurisdiction, upon application, may order that an officer or director be indemnified for reasonable expenses, if, in consideration of all relevant circumstances, the court determines that such individual is fairly and reasonably entitled to indemnification, notwithstanding the fact that (i) he breached the standard

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of conduct required of him; or (ii) he (a) was adjudged liable to the corporation in a proceeding by or in right of the corporation or (b) he was adjudged liable on the basis that personal benefit was improperly received by him; provided that if he was so judged liable his indemnification is limited to reasonable expenses incurred.

The Amended and Restated Articles of Incorporation of Top Air permit Top Air to indemnify directors of the Registrant to the fullest extent permitted by law and authorizes Top Air, by action of its board of directors, to provide indemnification to such of the officers, employees and agents of Top Air to such extent and to such effect as the board of directors determines to be appropriate and authorized by applicable law. The bylaws of Top Air provide for mandatory indemnification of each individual who is or was a director of Top Air to the fullest extent permitted by applicable law.

The Amended and Substituted Articles of Incorporation of Clay Equipment provide that Clay Equipment shall indemnify any person made a party to a proceeding by reason of the fact that the person is or was a director of Clay Equipment or while a director or officer of Clay Equipment was serving at the request of Clay Equipment as a director, officer, partner, trustee, employee or agent of another corporation, partnership, joint venture, trust, or other enterprise to the fullest extent possible, except for (a) breach of a director's duty of loyalty to the corporation or its stockholders, (b) acts or omissions not in good faith or which involve intentional misconduct or knowing violation of the law, (c) transactions from which a director derived an improper personal benefit, or (d) liability under Section 496A.44 of the IBCA (which provides for liability to directors in the event of the payment of an unlawful dividend or an unlawful stock purchase or redemption).

The Restated Articles of Incorporation of Clay Holding provide that Clay Holding shall indemnify any person made a party to a proceeding by reason of the fact that the person is or was a director of Clay Holding or while a director or officer of Clay Holding was serving at the request of Clay Holding as a director, officer, partner, trustee, employee or agent of another corporation, partnership, joint venture, trust, or other enterprise to the fullest extent possible, except for (a) breach of a director's duty of loyalty to the corporation or its stockholders, (b) acts or omissions not in good faith or which involve intentional misconduct or knowing violation of the law, (c) transactions from which a director derived an improper personal benefit, or (d) directors who vote for or assent to an unlawful distribution under the IBCA. The Bylaws of Clay Holding provide that Clay Holding shall indemnify and hold harmless its directors, and the directors of its subsidiaries, to the fullest extent permitted by law.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of Top Air pursuant to the foregoing provisions, or otherwise, Top Air has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the

Securities Act and is, therefore, unenforceable.

RELATIONSHIPS WITH INDEPENDENT ACCOUNTANTS

McGladrey & Pullen, LLP served as the independent auditors for Top Air for the fiscal year ended May 31, 1994 and has been selected to serve in that capacity for the current fiscal year.

McGladrey & Pullen, LLP served as independent auditors for Clay Equipment and Clay Holding for the year ended December 31, 1994 and has been selected to serve in that capacity for the current fiscal year.

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LEGAL MATTERS

The validity of the Top Air Common Stock to be issued in connection with the Proposed Transaction is being passed upon for Top Air by Gallop, Johnson & Neuman, L.C., St. Louis, Missouri. Certain legal matters in connection with the Proposed Transaction will be passed upon for Clay Equipment by Redfern, Mason, Dieter, Larsen & Moore, Cedar Falls, Iowa. Certain matters with respect to the amendment and termination of the ESOP will be passed upon for Clay Holding by Simmons, Perrine, Albright & Ellwood, P.L.C., Cedar Rapids, Iowa.

EXPERTS

The financial statements of Top Air at May 31, 1994 and 1993 and for each of the three years in the period ended May 31, 1994 appearing in this Prospectus/Information Statement and Registration Statement have been audited by McGladrey & Pullen, LLP, independent auditors, as set forth in their report thereon appearing in such 1994 Annual Report, and are included in reliance upon such report given upon the authority of such firm as experts in accounting and auditing.

The financial statements of Clay Holding at December 31, 1994, and for each of the two years in the period ended December 31, 1994 appearing in this Prospectus/Information Statement and Registration Statement have been audited by McGladrey & Pullen, LLP, independent auditors, as set forth in a report thereon appearing elsewhere herein and in the Registration Statement, and are included in reliance upon such report given upon the authority of such firm as such experts in accounting and auditing.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Top Air Manufacturing, Inc.
Parkersburg, Iowa

We have audited the accompanying balance sheets of Top Air Manufacturing, Inc. as of May 31, 1994 and 1993, and the related statements of income, stockholders' equity, and cash flows for the years ended May 31, 1994, 1993 and 1992. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Top Air Manufacturing, Inc. as of May 31, 1994 and 1993, and the results of its operations and its cash flows for the years ended May 31, 1994, 1993 and 1992 in conformity with generally accepted accounting principles.

/s/ McGladrey & Pullen

Waterloo, Iowa
July 6, 1994

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<TABLE>

TOP AIR MANUFACTURING, INC.

BALANCE SHEETS
May 31, 1994 and 1993

<CAPTION>

ASSETS (NOTE 3)	1994	1993
	-----	-----
<S>	<C>	<C>
CURRENT ASSETS		
Cash and cash equivalents	\$ 440,241	\$ 216,011
Trade receivables, less allowance for doubtful accounts 1994 \$47,000; 1993 \$35,000	1,069,360	881,582
Current portion of long-term notes receivable (Note 4)	26,271	18,582
Inventories (Note 2)	1,218,985	1,113,349
Prepaid expenses	49,153	49,365
Deferred income taxes (Note 5)	20,500	11,400
	-----	-----

Total current assets	\$2,824,510	\$2,290,289
	-----	-----
LONG-TERM RECEIVABLES AND OTHER ASSETS		
Notes receivable, net of current portion (Note 4)	\$ 67,401	\$ 53,090
Other assets	1,144	1,256
	-----	-----
	\$ 68,545	\$ 54,346
	-----	-----
PROPERTY AND EQUIPMENT		
Land and improvements	\$ 72,740	\$ 53,118
Buildings	450,075	449,368
Machinery and equipment	509,568	424,602
Transportation equipment	274,642	258,508
Office equipment	132,101	124,975
	-----	-----
	\$1,439,126	\$1,310,571
Less accumulated depreciation	773,595	744,390
	-----	-----
	\$ 665,531	\$ 566,181
	-----	-----
	\$3,558,568	\$2,910,816
	=====	=====

See Notes to Financial Statements.

</TABLE>

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<TABLE>

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LIABILITIES AND STOCKHOLDERS' EQUITY	1994	1993
	-----	-----
<S>	<C>	<C>
CURRENT LIABILITIES		
Current maturities of long-term debt (Note 3)	\$ 35,813	\$ 34,172
Accounts payable	398,595	196,536
Accrued salaries and bonuses, including amounts due to officers 1994 \$71,570; 1993 \$5,085	134,047	28,822
Accrued commissions payable	104,122	96,443
Other accrued expenses, including amounts due to officers and related party 1994 \$6,827; 1993 \$6,124	47,381	61,874
Income taxes payable (Note 5)	138,634	3,508
	-----	-----
Total current liabilities	\$ 858,592	\$ 421,355
	-----	-----
LONG-TERM DEBT (Note 3)	\$ 154,544	\$ 191,521
	-----	-----
DEFERRED INCOME TAXES (Note 5)	\$ 42,200	\$ 38,200
	-----	-----
COMMITMENTS (Note 6)		
STOCKHOLDERS' EQUITY (Note 3)		
Capital stock, common, no par value; stated value \$.0625 per share; authorized 20,000,000 shares; issued 1994 and 1993 3,174,100 shares (Note 6)	\$ 198,381	\$ 198,381
Additional paid-in capital	840,700	840,700
Retained earnings	1,464,169	1,220,659
	-----	-----
	\$2,503,250	\$2,259,740
	-----	-----
	\$3,558,586	\$2,910,816
	=====	=====

</TABLE>

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<TABLE>

TOP AIR MANUFACTURING, INC.

STATEMENTS OF INCOME
Years Ended May 31, 1994, 1993 and 1992

<CAPTION>

	1994	1993	1992
	-----	-----	-----
<S>	<C>	<C>	<C>
Net sales	\$5,554,182	\$4,856,907	\$4,650,925
Cost of goods sold	3,725,139	3,461,556	3,234,370
	-----	-----	-----
Gross profit	\$1,829,043	\$1,395,351	\$1,416,555
	-----	-----	-----
Operating expenses:			
Selling	\$ 772,980	\$ 728,291	\$ 720,968
Provision for doubtful accounts	9,156	11,035	10,902
Other general and administrative, including amounts paid to related parties 1994 \$45,500; 1993 \$35,000; 1992 \$29,000 (Note 7)	589,291	533,428	543,589
	-----	-----	-----
	\$1,371,427	\$1,272,754	\$1,275,459
	-----	-----	-----
Operating income	\$ 457,616	\$ 122,597	\$ 141,096
	-----	-----	-----
Financial income (expense):			
Interest income, including amounts from stockholders 1994 \$1,040; 1993 \$5,106; 1992 \$9,491	\$ 6,507	\$ 14,034	\$ 24,201
Interest expense, including amounts paid to related party and former officer 1994 \$2,403; 1993 \$3,108; 1992 \$3,820 (Note 3)	(61,432)	(66,085)	(102,244)
	-----	-----	-----
	\$ (54,925)	\$ (52,051)	\$ (78,043)
	-----	-----	-----
Income before income taxes	\$ 402,691	\$ 70,546	\$ 63,053
Federal and state income taxes (Note 5)	159,181	14,002	15,350
	-----	-----	-----
Net income	\$ 243,510	\$ 56,544	\$ 47,703
	=====	=====	=====
Earnings per common and common equivalent share (Note 9)	\$.08	\$.02	\$.02
	=====	=====	=====

See Notes to Financial Statements.

</TABLE>

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<TABLE>

TOP AIR MANUFACTURING, INC.

STATEMENTS OF STOCKHOLDERS' EQUITY
Years Ended May 31, 1994, 1993 and 1992

<CAPTION>

	Capital Stock, Issued	Additional Paid-In Capital	Retained Earnings	Total
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Balance, May 31, 1991	\$ 198,381	\$ 840,700	\$1,116,412	\$2,155,493
Net income	--	--	47,703	47,703
	-----	-----	-----	-----
Balance, May 31, 1992	\$ 198,381	\$ 840,700	\$1,164,115	\$2,203,196
Net income	--	--	56,544	56,544
	-----	-----	-----	-----

Balance, May 31, 1993	\$ 198,381	\$ 840,700	\$1,220,659	\$2,259,740
Net income	--	--	243,510	243,510
	-----	-----	-----	-----
Balance, May 31, 1994 (Note 3)	\$ 198,381	\$ 840,700	\$1,464,169	\$2,503,250
	=====	=====	=====	=====

See Notes to Financial Statements.

</TABLE>

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<TABLE>

TOP AIR MANUFACTURING, INC.
STATEMENTS OF CASH FLOWS
Years Ended May 31, 1994, 1993 and 1992

<CAPTION>

	1994	1993	1992
	-----	-----	-----
<S>	<C>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$ 243,510	\$ 56,544	\$ 47,703
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	135,220	128,733	137,303
Amortization	112	112	741
Deferred income taxes	(5,100)	(4,150)	(13,150)
(Gain) loss on sale of equipment	(11,466)	(4,684)	462
Change in assets and liabilities:			
(Increase) decrease in trade receivables	(187,778)	259,716	(326,391)
(Increase) decrease in inventories	(105,636)	58,629	408,054
(Increase) decrease in prepaid expenses	212	31,035	(40,106)
Decrease in income tax refund claim	--	--	100,561
Increase (decrease) in accounts payable and accrued expenses	300,470	52,342	(287,313)
Increase (decrease) in income taxes payable	135,126	(21,946)	25,454
	-----	-----	-----
Net cash provided by operating activities	\$ 504,670	\$ 556,331	\$ 53,318
	-----	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of equipment	\$ 41,093	\$ 16,575	\$ 4,925
Purchase of property and equipment	(264,197)	(123,929)	(70,547)
Payments received on long-term notes receivable	28,000	16,614	27,593
Purchase of intangible asset	(50,000)	--	--
	-----	-----	-----
Net cash (used in) investing activities	\$ (245,104)	\$ (90,740)	\$ (38,029)
	-----	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term borrowings	\$ 2,915,000	\$ 3,075,000	\$ 2,963,000
Principal payments on short-term borrowings	(2,915,000)	(3,329,000)	(2,909,000)
Proceeds from long-term borrowings	--	--	14,096
Principal payments on long-term borrowings	(35,336)	(46,929)	(81,153)
	-----	-----	-----
Net cash (used in) financing activities	\$ (35,336)	\$ (300,929)	\$ (13,057)
	-----	-----	-----
Increase in cash and cash equivalents	\$ 224,230	\$ 164,662	\$ 2,232
CASH AND CASH EQUIVALENTS			
Beginning	216,011	51,349	49,117
	-----	-----	-----
Ending	\$ 440,241	\$ 216,011	\$ 51,349
	=====	=====	=====

See Notes to Financial Statements.

</TABLE>

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<TABLE>

TOP AIR MANUFACTURING, INC.

STATEMENTS OF CASH FLOWS
Years Ended May 31, 1994, 1993 and 1992

<CAPTION>

	1994	1993	1992
	-----	-----	-----
<S>	<C>	<C>	<C>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
Cash payments (receipts) for:			
Interest	\$ 61,750	\$ 69,761	\$ 107,946
Income taxes	\$ 29,155	\$ 40,098	\$ (97,515)
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES			
Long-term note receivable received in payment for sale of intangible asset (Note 4)	\$ 50,000		
	=====		

See Notes to Financial Statements.

</TABLE>

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TOP AIR MANUFACTURING, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Business and Significant
Accounting Policies

Nature of business:

The Company's operations consist of the design, manufacture and sale of agricultural equipment and sprayer repair and replacement parts to dealers located primarily in twelve midwestern states on credit terms that the Company establishes for individual customers.

Significant accounting policies:

Revenue recognition:

Sales of all products are recognized as goods are shipped.

Cash and cash equivalents:

For purposes of reporting cash flows, the Company considers all money market funds and savings accounts to be cash equivalents.

Inventories:

Inventories are valued at the lower of cost (first-in, first-out method) or market.

Property and equipment and depreciation:

Property and equipment is carried at cost. Depreciation on property and equipment is computed by the straight-line method.

Income taxes:

Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss carryforwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for

the effects of changes in tax laws and rates on the date of enactment. Reference should also be made to Note 4 regarding a change in the method of accounting for income taxes.

Research and development:

Research and development costs are charged to operations as they are incurred.

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NOTES TO FINANCIAL STATEMENTS

Note 2. Composition of Inventories

<TABLE>

Inventories at May 31, 1994 and 1993 consisted of the following:

<CAPTION>

	1994	1993
	-----	-----
<S>	<C>	<C>
Raw materials	\$ 31,491	\$ 48,718
Work in process	40,720	71,827
Finished goods	1,146,774	992,804
	-----	-----
	\$1,218,985	\$1,113,349
	=====	=====

</TABLE>

<TABLE>

Note 3. Pledged Assets and Related Debt

<CAPTION>

	Amount Owed	
	-----	-----
	1994	1993
	-----	-----
<S>	<C>	<C>
The Company has a line of credit agreement with a bank which expires October 1, 1994, under which they may borrow up to \$3,000,000 in current notes payable based on a percentage of inventory and trade receivables. Based on the levels of inventory and trade receivables, approximately \$1,268,000 could be borrowed under this agreement on May 31, 1994. The interest rate on advances under this agreement is .5% above the bank's prime rate (current effective rate 7 3/4%). (a)	\$ --	\$ --
	=====	=====

</TABLE>

<TABLE>

Long-term debt at May 31, 1994 and 1993 consisted of the following:

<CAPTION>

	1994	1993
	-----	-----
<S>	<C>	<C>
Note payable, bank, due in monthly installments of \$3,450, including interest at .75% over the bank's prime rate (current effective rate 8%), through September 28, 2000. (a)	\$ 170,357	\$ 198,037
Contract payable, former officer, due in annual installments of \$7,000, plus interest at 10%, through January 1, 1997, collateralized by a warehouse with a depreciated cost at May 31, 1994 and 1993 of \$71,337 and \$74,252, respectively.	20,000	27,000
Notes payable, other	--	656
	-----	-----
	\$ 190,357	\$ 225,693
Less current maturities	35,813	34,172
	-----	-----
	\$ 154,544	\$ 191,521
	=====	=====

</TABLE>

(a) These borrowings are collateralized by substantially all of the assets of the Company except land and buildings. The agreements contain various restrictive covenants including, among others, ones which prohibit the payment of dividends without the bank's written consent and require the Company to maintain certain amounts of working capital and equity and financial ratios. All covenants have been complied with or waived at May 31, 1994.

<TABLE>

The following is a schedule by years of the maturities of the long-term debt as of May 31, 1994:

<S>	Year ending May 31:	<C>
	1995	\$ 35,813
	1996	38,204
	1997	39,794
	1998	36,599
	1999	39,947

		\$ 190,357
		=====

</TABLE>

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NOTES TO FINANCIAL STATEMENTS

Note 4. Notes Receivable

<TABLE>

Notes receivable as of May 31, 1994 consist of the following:

<S>		<C>
	8% note, \$15,000 to be received June 1994 and \$3,310, including interest, receivable quarterly from February 1995 through November 1997	\$ 50,000
	Stockholder, noninterest bearing, to be received \$1,500 quarterly through November 2001	43,672

		\$ 93,672
	Less current portion	26,271

		\$ 67,401
		=====

</TABLE>

Note 5. Accounting Change and Income Taxes

Effective June 1, 1993, the Company adopted FASB Statement No. 109, Accounting for Income Taxes. The adoption of Statement 109 changes the Company's method of accounting for income taxes from the deferred method to the liability method. Under the deferred method, the Company deferred the past effects of timing differences between financial reporting and taxable income. As explained in Note 1, the liability method requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the reported amounts of assets and liabilities and their tax bases. The cumulative effect of the accounting change was not material.

<TABLE>

Net deferred tax liabilities consist of the following components as of May 31, 1994:

<S>		<C>
	Deferred tax assets:	
	Allowance for doubtful notes	\$ 16,450
	Inventory allowances	3,525
	Warranty reserve	525

		\$ 20,500
	Deferred tax liabilities, equipment	42,200

		\$ 21,700
		=====

</TABLE>

<TABLE>

The deferred tax amounts mentioned above have been classified on the accompanying balance sheet as of May 31, 1994 as follows:

<S>		<C>
	Current assets	\$ (20,500)
	Noncurrent liabilities	42,200

		\$ 21,700
		=====

</TABLE>

<TABLE>

Income tax expense is made up of the following components:

<CAPTION>

	Year Ended May 31,		
	-----	-----	-----
	1994	1993	1992

<S>		<C>	<C>
	Current tax expense:		
	Federal	\$ 150,237	\$ 15,000
	State	14,044	3,152
			4,000
		\$ 164,281	\$ 18,152
	Deferred tax expense	(5,100)	(4,150)
			(13,150)
		\$ 159,181	\$ 14,002
			\$ 15,350

</TABLE>

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NOTES TO FINANCIAL STATEMENTS

<TABLE>

Total reported tax expense applicable to the Company's operations varies from the amount that would have resulted by applying the federal income tax rate (1994 35%; 1993 and 1992 34%) to income before income taxes for the following reasons:

<CAPTION>

	Year Ended May 31,		
	1994	1993	1992
<S>	<C>	<C>	<C>
	Income tax expense at statutory federal income tax rate	\$ 140,942	\$ 20,926
	State tax expense, net of federal income tax benefit	9,129	2,554
	Benefit of income taxed at lower rates	(3,350)	(10,540)
	Other	12,460	1,062
		\$ 159,181	\$ 14,002
			\$ 15,350

</TABLE>

Note 6. Stock Option Plans

The Company has a stock option plan adopted in 1993 which provides for the issuance of a maximum of 250,000 shares of common stock to officers, directors and key employees at a price per share of not less than 100% of the market price at the date of grant. During the years ended May 31, 1994 and 1993, options were granted under the plan totaling 41,000 and 39,000 shares, respectively, at option prices of \$.8438 and \$.5938, respectively. During the year ended May 31, 1994, options for 1,000 shares were cancelled, resulting in options for 38,000 shares remaining from those issued during the year ended May 31, 1993. The options granted under this plan become exercisable over three years. Options exercisable were 12,665 and none at May 31, 1994 and 1993, respectively. None of the options granted under the plan have been exercised as of May 31, 1994.

The Company had an incentive stock option plan adopted in 1983 which expired during the year ended May 31, 1993, which provided for the issuance of a maximum of 500,000 shares of common stock to officers and key employees at price per share of not less than 100% of the market price at the date of grant. Options granted and exercisable under this plan at May 31, 1994 and 1993 aggregate 2,000 and 14,950 shares, respectively. These options were granted at prices ranging from \$.625 to \$.8125 per share and expire at various dates through January 1996.

Note 7. Research and Development

Research and development cost included in the income statements as part of general and administrative expenses totaled \$150,242, \$90,846 and \$85,028 for the years ended May 31, 1994, 1993 and 1992, respectively.

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NOTES TO FINANCIAL STATEMENTS

Note 8. Employee Benefit Plan

The Company has a 401(k) defined contribution plan covering substantially all employees. The plan provides for a matching employer contribution based on the employee's contributions up to 10% of compensation. Additional discretionary contributions to the plan may also be made. Employer contributions for the years ended May 31, 1994, 1993 and 1992 were \$15,519, \$15,221 and \$6,700, respectively.

Note 9. Earnings Per Common and Common Equivalent Shares

Earnings per common and common equivalent shares, assuming no dilution, have been computed on the weighted average number of common shares outstanding during the period using the treasury stock method of accounting for the dilutive common equivalent shares discussed in Note 5. The weighted average number of shares of common stock outstanding for the years ended May 31, 1994, 1993 and 1992 were 3,195,054, 3,177,614 and 3,178,830, respectively.

Earnings per common and common equivalent shares, assuming full dilution, for the years ended May 31, 1994, 1993 and 1992 are the same as the earnings per common and common equivalent shares, assuming no dilution.

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<TABLE>

TOP AIR MANUFACTURING, INC.

CONDENSED BALANCE SHEETS

<CAPTION>

ASSETS	FEBRUARY 28, 1995	MAY 31, 1994<F*>
	-----	-----
	(Unaudited)	<C>
<S>	<C>	<C>
CURRENT ASSETS		
Cash and cash equivalents	\$ 50	\$ 440,241
Trade receivables, net of allowance for doubtful accounts February 28, 1995 \$56,000; May 31, 1994 \$47,000	2,938,672	1,069,360
Inventories (Note 2)	2,033,595	1,218,985
Other current assets	108,433	95,924
	-----	-----
Total Current Assets	\$5,080,750	\$2,824,510
	-----	-----
LONG TERM RECEIVABLE AND OTHER ASSETS		
Notes receivable, net of current portion	\$ 56,092	\$ 67,401
Other assets	20,491	1,144
	-----	-----
	\$ 76,583	\$ 68,545
	-----	-----
PROPERTY AND EQUIPMENT, at cost, less accumulated depreciation February 28, 1995 \$793,419; May 31, 1994 \$773,595		
	\$ 801,163	\$ 665,531
	-----	-----
	\$5,958,496	\$3,558,586
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Short-term debt	\$2,008,025	\$ 35,813
Other liabilities and accrued items	1,089,858	822,779
	-----	-----

Total current Liabilities	\$3,097,883	\$ 858,592
	-----	-----
LONG-TERM DEBT	\$ 286,504	\$ 154,544
	-----	-----
DEFERRED INCOME TAX CREDITS	\$ 42,200	\$ 42,200
	-----	-----
STOCKHOLDERS' EQUITY		
Common stock	\$ 198,402	\$ 198,381
Additional paid-in capital	840,877	840,700
Retained earnings	1,492,630	1,464,169
	-----	-----
	\$2,531,909	\$2,503,250
	-----	-----
	\$5,958,496	\$3,558,586
	=====	=====

<FN>
 <F*>Condensed from Audited Financial Statements.
 See notes to Condensed Financial Statements.
 </TABLE>

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<TABLE>

TOP AIR MANUFACTURING, INC

UNAUDITED CONDENSED STATEMENTS OF OPERATIONS

<CAPTION>

	Nine Months Ended February 28,	
	1995	1994
	-----	-----
Net Sales		
<S>	<C>	<C>
	\$3,250,605	\$2,911,617
	-----	-----
Cost and Expenses		
Cost of goods sold	\$2,226,950	\$2,027,920
Selling and administrative expenses	827,310	771,600
Research and development expenses	117,293	97,716
Interest expense	56,901	32,245
	-----	-----
	\$3,228,454	\$2,929,481
	-----	-----
	\$ 22,151	\$ (17,864)
Other income	25,010	21,430
	-----	-----
Income before income taxes	\$ 47,161	\$ 3,566
Income taxes	18,700	1,600
	-----	-----
Net Income	\$ 28,461	\$ 1,966
	=====	=====
Earnings per common share	\$.01	\$.00
	=====	=====
Weighted Average Number of Shares	3,206,854	3,189,668
	=====	=====

See Notes to Condensed Financial Statements.
 </TABLE>

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<TABLE>

TOP AIR MANUFACTURING, INC.

UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
 Nine months ended February 28, 1995 and 1994.

<CAPTION>

1995 1994

<u><S></u>	<u><C></u>	<u><C></u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net cash (used in) operating activities	\$ (2,310,581)	\$ (1,532,280)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of equipment	\$ 54,650	\$ 32,100
Purchase of property and equipment	(289,809)	(266,479)
Payments received on long-term notes receivable	20,610	28,000
Other	(19,431)	--
Net cash (used in) investing activities	\$ (233,980)	\$ (206,379)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	\$ 2,328,000	\$ 1,767,000
Principal payments on short-term borrowings	(388,000)	(210,000)
Proceeds from long-term borrowings	360,000	--
Net proceeds from issuance of common stock February 28, 1995 333 shares; February 28, 1994 none	198	--
Principal payments on long-term borrowings	(195,828)	(28,081)
Net cash provided by financing activities	\$ 2,104,370	\$ 1,528,919
(Decrease) in Cash and Cash Equivalents	\$ (440,191)	\$ (209,740)
CASH AND CASH EQUIVALENTS		
Beginning	440,241	216,011
Ending	\$ 50	\$ 6,271

See Notes to Condensed Financial Statements.
</TABLE>

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TOP AIR MANUFACTURING, INC.

NOTES TO CONDENSED FINANCIAL STATEMENTS
(Unaudited)

Note 1. Condensed Financial Statements

The condensed balance sheet as of February 28, 1995 and the condensed statements of operations for the nine months ended February 28, 1995 and 1994 and the condensed statements of cash flows for the nine months ended February 28, 1995 and 1994, have been prepared by the Company without audit. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows at February 28, 1995 and for all periods presented have been made.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principals have been condensed or omitted. It is suggested that these condensed financial statements be read in conjunction with the financial statements and notes thereto included in the Company's May 31, 1994 Annual report to Shareholders. The results of operations for the periods ended February 28, 1995 and 1994 are not necessarily indicative of the operating results for the full year.

Note 2. Inventories

<TABLE>

Inventories consist of the following:

<CAPTION>

<u><S></u>	<u>February 28, 1995</u>	<u>May 31, 1994</u>
	-----	-----
Finished Goods	\$1,557,042	\$1,146,774
Work in Process	24,697	40,720
Raw Materials and Supplies	451,856	31,491

----- \$2,033,595 =====	----- \$1,218,985 =====
-------------------------------	-------------------------------

</TABLE>

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Clay Holding, Inc.
Cedar Falls, Iowa

We have audited the accompanying consolidated balance sheet of Clay Holding, Inc. and subsidiaries as of December 31, 1994 and the related consolidated statements of income, stockholders' equity, and cash flows for the years ended December 31, 1994 and 1993. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Clay Holding, Inc. and subsidiaries as of December 31, 1994 and the results of its operations and its cash flows for the years ended December 31, 1994 and 1993, in conformity with generally accepted accounting principles.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 12 to the financial statements, the Company has suffered recurring losses from operations. This raises substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 12. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ McGladrey & Pullen, LLP

Waterloo, Iowa
April 11, 1995

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<TABLE>

CLAY HOLDING, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET
DECEMBER 31, 1994

<u><S></u>	<u><C></u>	<u><C></u>
<u>ASSETS (NOTE 5)</u>		
<u>-----</u>		
Current Assets		
Cash and cash equivalents	\$	128,278
Trade receivables, less allowance for doubtful accounts of \$70,000		595,601
Current maturities of note receivable (Note 2)		5,429
Inventories (Note 2)		1,040,685
Prepaid expenses		98,090
		<u>-----</u>
TOTAL CURRENT ASSETS		1,868,083
Long-Term Note Receivable, less current maturities (Note 10)		137,014
Property and Equipment		
Land	\$	3,932
Buildings		54,880
Machinery and equipment		1,822,199

	1,881,011	
Less accumulated depreciation	1,587,900	293,111

Intangibles, principally goodwill, less accumulated amortization of \$60,735		686,321
Other Assets		10,419

		\$2,994,948
		=====

See Notes to Financial Statements.

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LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities		
Notes payable (Note 5)		\$ 753,017
Current maturities of long-term debt (Note 5)		856,875
Accounts payable		593,314
Accrued expenses		508,265

TOTAL CURRENT LIABILITIES		2,711,471
Long-Term Debt, less current maturities (Note 5)		116,355
Deferred Gain (Note 10)		111,263
Commitments and Contingencies (Notes 3, 7, 9 and 13)		
Stockholders' Equity		
Capital stock, common, \$10 par value; authorized 1,000,000 shares; issued 114,720 shares	\$ 1,147,200	
Retained earnings	1,161,903	

	2,309,103	
Less:		
Cost of 24,681 shares of common stock reacquired for the treasury	(529,373)	
Employee stock ownership plan debt guarantee (Note 7)	(1,723,871)	55,859

		\$2,994,948
		=====

</TABLE>

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<TABLE>

CLAY HOLDING, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 1994 AND 1993

<CAPTION>

	1994	1993
	-----	-----
<S>	<C>	<C>
Net sales	\$ 7,788,916	\$ 6,381,591
Cost of goods sold	5,945,352	4,125,347

GROSS PROFIT	1,843,564	2,256,244

Operating expenses:		
Material control	281,434	269,107
Selling	1,507,861	1,622,531
Engineering	149,048	153,884
Administrative	1,102,889	882,542
Employee Stock Ownership Plan contributions (Note 7)	85,345	85,345

	3,126,577	3,013,409

OPERATING (LOSS)	(1,283,013)	(757,165)

Financial income (expense):		
Interest income	33,014	37,074
Interest expense	(163,206)	(53,276)
Other	273	7,796
	(129,919)	(8,406)
	(1,412,932)	(765,571)
Gain on sale of property and equipment	-	154,566
(LOSS) BEFORE INCOME TAXES	(1,412,932)	(611,005)
Federal and state income taxes (Note 6)	3,561	-
NET (LOSS) (NOTE 2)	\$ (1,416,493)	\$ (611,005)
(Loss) per common share	\$ (15.47)	\$ (6.41)
Weighted average number of shares outstanding	91,583	95,353

See Notes to Financial Statements
</TABLE>

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<TABLE>
CLAY HOLDING, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 1994 AND 1993

<CAPTION>

	Capital Stock, Common	Retained Earnings	Treasury Stock	ESOP Debt Guarantee	Total
<S>	<C>	<C>	<C>	<C>	<C>
Balance, December 31, 1992	\$ 1,147,200	\$ 3,189,401	\$ (442,187)	\$ (1,894,561)	\$ 1,999,853
Net (loss)	-	(611,005)	-	-	(611,005)
Reduction in ESOP debt guarantee (Note 7)	-	-	-	85,345	85,345
Purchase of 4,168 shares of common stock for the treasury	-	-	(63,614)	-	(63,614)
Balance, December 31, 1993	1,147,200	2,578,396	(505,801)	(1,809,216)	1,410,579
Net (loss)	-	(1,416,493)	-	-	(1,416,493)
Reduction in ESOP debt guarantee (Note 7)	-	-	-	85,345	85,345
Purchase of 1,684 shares of common stock for the treasury	-	-	(23,572)	-	(23,572)
Balance, December 31, 1994	\$ 1,147,200	\$ 1,161,903	\$ (529,373)	\$ (1,723,871)	\$ 55,859

See Notes to Financial Statements
</TABLE>

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<TABLE>
CLAY HOLDING, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 1994 AND 1993

<CAPTION>

	1994	1993
<S>	<C>	<C>
Cash Flows from Operating Activities		
Net (loss)	\$ (1,416,493)	\$ (611,005)
Adjustments to reconcile net (loss) to net cash (used in) operating activities:		
Depreciation	156,501	118,240
Amortization	47,091	13,644
Amortization of deferred gain	(14,695)	-
(Gain) on sale of property and equipment	(622)	(154,566)
Changes in assets and liabilities, net of effects from purchase of Better-Bilt, Inc. assets (Note 4):		
(Increase) Decrease in:		
Trade receivables	250,363	(379,462)
Inventories	584,548	239,798
Prepaid expenses	72,058	(119,989)
Increase in:		
Accounts payable	63,471	234,597
Accrued expenses	108,645	21,231
NET CASH (USED IN) OPERATING ACTIVITIES	(149,133)	(637,512)
Cash Flows from Investing Activities		
Decrease in restricted cash	118,923	81,077
Principal payments received on notes receivable	2,557	-
Proceeds from sale of property and equipment	7,378	158,294
Purchase of property and equipment	(96,253)	(97,074)
Purchase of certain assets of Better-Bilt, Inc. (Note 4)	-	(1,547,056)
Other	(10,419)	-
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	22,186	(1,404,759)
Cash Flows from Financing Activities		
Proceeds from short term borrowings	200,000	250,000
Principal payments on short term borrowings	(181,983)	(494,000)
Proceeds from long term borrowings	-	1,615,000
Principal payments on long term borrowings	(129,887)	(26,883)
Purchase of common stock for the treasury	(23,572)	(63,614)
Reduction of Employee Stock Ownership Plan Debt guarantee	85,345	85,345
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(50,097)	1,365,848
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(177,044)	(676,423)
Cash and Cash Equivalents		
Beginning	305,322	981,745
Ending	\$ 128,278	\$ 305,322

</TABLE>

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<TABLE>

CLAY HOLDING, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 1994 AND 1993

<CAPTION>

	1994	1993
<S>	<C>	<C>
Supplemental Disclosure of Cash Flow Information		
Cash payments for:		
Interest	\$ 156,843	\$ 42,515
Income taxes	1,301	865
Supplemental Schedule of Noncash Investing and Financing Activities		
Note receivable from sale of property and equipment (Note 10)	\$ 145,000	
Deferred gain on sale of property and equipment (Note 10)	\$ 125,958	
Acquisition of certain assets of Better-Bilt, Inc. (Note 4):		

Cash purchase price component	\$ 1,547,056
	=====
Inventory acquired	\$ 750,000
Property and equipment	50,000
Intangibles	747,056

	\$ 1,547,056
	=====

See Notes to Financial Statements.
</TABLE>

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CLAY HOLDING, INC. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of business: The Company designs, manufactures, and

distributes livestock equipment and other agricultural related
products.

The Company grants credits on an unsecured basis to its customers
on credit terms established for individual customers located
throughout the United States and Canada. the largest
concentration of credit risk is with dealers of agricultural
related products which comprise a large portion of the Company's
customer base.

Significant accounting policies:

Principles of consolidation: The consolidated financial

statements include the accounts of the Company and its
subsidiaries, all of which are wholly-owned. All significant
intercompany balances and transactions have been eliminated in
consolidation.

Cash and cash equivalents: For purposes of reporting cash

flows, the Company considers all money market funds and highly
liquid debt instruments purchased with a maturity of three months
or less to be cash equivalents.

Inventories: Inventories are valued at the lower of cost

(last-in, first-out method) or market since 1971.

Property and equipment: Property and equipment is carried at

cost. Depreciation is computed by accelerated methods over the
estimated useful lives of the assets.

Intangibles: Intangibles, principally goodwill, are carried

at amortized cost. Amortization of goodwill is computed by the
straight-line method over a period of fifteen years.

Income taxes: Deferred taxes are provided on a liability

method whereby deferred tax assets are recognized for deductible
temporary differences and operating loss and tax credit
carryforwards and deferred tax liabilities are recognized for
taxable temporary differences. Temporary differences are the
differences between the reported amounts of assets and liabilities
and their tax bases. Deferred tax assets are reduced by a
valuation allowance when, in the opinion of management, it is more
likely than not that some portion or all of the deferred tax
assets will not be realized. Deferred tax assets and liabilities
are adjusted for the effects of changes in tax laws and rates on
the date of enactment.

Estimated warranty claims: The Company sells its products

with a warranty that provides for repairs or replacements of most
defective parts for a one year period after the sale with warranty
periods of 5 years and 10 years on selected parts. At the time of
sale, the Company accrues an estimate of the cost of providing the

warranty based on prior experience. The estimated warranty liability totaled \$60,000 at December 31, 1994 and is included in accrued expenses.

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CLAY HOLDING, INC. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

NOTE 2. INVENTORIES

<TABLE>

The composition of inventories as of December 31, 1994 is as follows:

	<C>
Inventories (on a FIFO basis):	
Materials, parts and finished products	\$ 2,265,515
Work in process	58,326

	2,323,841
Less allowance to adjust the carrying value of inventories to last-in, first-out (LIFO) basis	1,283,156

Inventories at LIFO	\$ 1,040,685
	=====

</TABLE>

Reductions of inventory quantities in 1994 and 1993 resulted in liquidations of LIFO inventory quantities carried at costs prevailing in prior years which were lower than current costs. The effect of these reductions was to decrease the net (loss) by approximately \$49,000 and \$101,000 in 1994 and 1993, respectively.

NOTE 3. SELF INSURANCE AND LAWSUITS FILED

The Company elected to be self-insured for workmen's compensation liabilities until it obtained workmen's compensation insurance coverage effective February 1992.

Since October 1984, the Company has also been self-insured against product liability claims. However, effective February 1992, the company obtained product liability insurance coverage. The product liability coverage has a limit of \$1,000,000 with a deductible amount of \$100,000 per occurrence.

The Company remains subject to certain legal claims made and occurring before the date it obtained product liability and workmen's compensation insurance. The ultimate liability that could result from these matters cannot be presently determined.

The Company has general liability insurance coverage limited to \$1,000,000 subject to a deductible amount of \$100,000 per occurrence. Subsequent to year-end the Company has been named as a defendant in a lawsuit claiming unspecified damages for injuries occurring on the Company's premises. The case is in the discovery stages, and the extent of liability and damages have not yet been determined.

NOTE 4. BUSINESS COMBINATION

As of the close of business, October 15, 1993, the Company purchased certain assets relating to the Better-Bilt product line from Waste Controls, Inc. Production of Better-Bilt products since the acquisition date have occurred at the Company's Cedar Falls location and is included in the Company's results of operations.

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CLAY HOLDING, INC. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

NOTE 5. PLEDGED ASSETS AND RELATED DEBT

<TABLE>

<S>

<C>

Current notes payable:

The Company has a revolving line of credit agreement with a bank which allows the Company to borrow an amount equal to various percentages of trade receivables and inventory up to a maximum amount of \$500,000. Borrowings under this agreement will bear interest at 2.25% above the Wall Street Journal's national prime lending rate (effective rate of 10.75% at December 31, 1994) and are due March 15, 1995. This note is collateralized by substantially all assets of the Company. (See Note 12)	\$ 450,000
Note payable, bank, due in quarterly installments of \$60,625, including interest at 2.25% above the Wall Street Journal's national prime lending rate (effective rate is 10.75% at December 31, 1994) to March 15, 1995, collateralized by substantially all assets of the Company. (See Note 12)	303,017 <F*>

	\$ 753,017
	=====

A summary of long-term debt follows:

Note payable, bank, due in monthly installments of \$14,783, including interest at 2.25% above the Wall Street Journal's national prime lending rate (effective rate of 10.75% at December 31, 1994), to October 15, 2000, collateralized by substantially all assets of the Company.	\$ 824,580 <F*>
Note payable, Iowa Department of Economic Development Committee, due in annual installments of \$12,857 to September 30, 2000, collateralized by inventory and trade receivables. The note is non interest bearing.	77,144
Note payable, Black Hawk County Economic Development Committee, due in monthly installments of \$967, including interest at 6%, to May 11, 1998, collateralized by substantially all assets of the Company.	35,753
Note payable, City of Cedar Falls, due in monthly installments of \$967, including interest at 6%, to May 15, 1998, collateralized by substantially all assets of the Company.	35,753

	973,230
Less current maturities	856,875

Long-term portion	\$ 116,355
	=====

<FN>

<F*> In connection with this debt, the Company has agreed not to pay any dividends, to maintain certain levels of net worth, current asset to current liability and debt to net worth ratios. The Company was not in compliance with the covenants at December 31, 1994, and the bank has not waived these violations and therefore, the related long-term debt has been classified as current. (See Note 12).

</TABLE>

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CLAY HOLDING, INC. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

<TABLE>

Aggregate maturities required on long-term debt are as follows:

<CAPTION>

Year ending December 31:

<S>	<C>
1995	\$ 856,875
1996	33,493
1997	34,767
1998	22,379
1999	12,857
Later years	12,859

	\$ 973,230
	=====

</TABLE>

NOTE 6. INCOME TAX MATTERS

<TABLE>

The deferred tax assets and liabilities consist of the following components as of December 31, 1994:

<S> <C>
Deferred tax assets:

Accrued vacations	\$ 26,000
Allowance for doubtful accounts	18,000
Allowance for obsolete inventory	46,000
Deferred gain on sale of property	28,000
Net operating loss carryovers	640,000

	758,000
Less valuation allowance	758,000

	\$ -
	=====

</TABLE>

The Company has recorded a valuation allowance of \$758,000 on net deferred tax assets to reduce the total to an amount that management believes will be ultimately realized. Realization of deferred tax assets is dependent upon sufficient future taxable income during the period the deductible temporary differences and carryforwards are expected to be available to reduce taxable income.

<TABLE>

Net operating loss carryover for tax purposes as of December 31, 1994 have the following expiration dates:

<CAPTION>

Expiration Date	Amount
-----	-----
<S>	<C>
2006	\$ 440,000
2007	435,000
2008	641,000
2009	1,045,000

	\$ 2,561,000
	=====

</TABLE>

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CLAY HOLDING, INC. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

<TABLE>

Income tax expense (credits) for the year ended December 31, 1994 and 1993, consists of the following:

<CAPTION>

	1994	1993
	-----	-----
<S>	<C>	<C>
Current	\$ 3,561	\$ -
Deferred	-	-
	-----	-----
	\$ 3,561	\$ -
	=====	=====

</TABLE>

<TABLE>

Reconciliation of income tax expense (credits) computed at the statutory federal income tax rate to the Company's income tax expense (credits) for the years ended December 31, 1994 and 1993 are as follows:

<CAPTION>

	1994	1993
	-----	-----
<S>	<C>	<C>
Computed "expected" tax expense (credits):	\$ (494,526)	\$ (213,852)
Increase (decrease) resulting from:		
Lower bracket rates	141,300	61,100
Deferred tax valuation allowance	336,000	171,000
State income taxes net of federal	3,561	-
Other	17,226	(18,248)
	-----	-----
	\$ 3,561	\$ -
	=====	=====

</TABLE>

NOTE 7. EMPLOYEE STOCK OWNERSHIP PLAN (ESOP)

In 1984, Clay Equipment Corporation established an ESOP which

covers substantially all employees. The primary purpose of the ESOP was to enable Company employees to acquire all outstanding common stock of Clay Holding, Inc. The ESOP borrowed \$2,475,000 from Clay Holding, Inc. to purchase 100% of its outstanding common stock. The note requires annual principal payments of \$85,345, plus interest at 9%, until the debt is paid in full. The Company thereby effectively obligated itself to contribute to the ESOP amounts sufficient to repay the loan. The future obligation of \$1,723,871 has been reflected in the consolidated balance sheet as a reduction of stockholders' equity.

The Company has a commitment to purchase ESOP shares, owned by a retiring employee, at the fair value as determined by an independent appraiser as of the most recent fiscal year end. The Company's commitment to purchase such shares and the timing of the purchases is determined by the retiring employee in accordance with the ESOP provisions. The shares purchased for the years ended December 31, 1994 and 1993 were 1,684 and 4,168, respectively.

The contributions to the ESOP for the years ended December 31, 1994 and 1993 were \$240,492 and \$248,174, respectively. Of these contributions, \$155,147 and \$162,829, represented interest expense for the years ended December 31, 1994 and 1993, respectively. This interest expense is ultimately recorded by Clay Holding, Inc., as interest income, accordingly such amounts are eliminated in consolidation.

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CLAY HOLDING, INC. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

NOTE 8. 401(K) PLAN

The Company maintains a 401(k) defined contribution plan covering substantially all of its employees. The Plan provides for an annual employer contribution percentage match as determined by the Company's Board of Directors. For the years ended December 31, 1994 and 1993 there was no matching contributions by the Company.

<TABLE>

NOTE 9. OPERATING LEASES

The Company leases a warehouse facility, certain equipment and autos under operating leases. Rent expense under the operating leases for the years ended December 31, 1994 and 1993 was approximately \$78,100 and \$40,500, respectively. Future rental payments for the years ending December 31 are approximately:

<S>	<C>
1995	\$ 83,000
1996	65,000
1997	42,000
1998	30,000
1999	12,000

	\$ 232,000
	=====

</TABLE>

<TABLE>

NOTE 10. SALE AND LEASEBACK

During 1994, the Company sold one of its warehouse facilities for \$149,786, net of selling expenses, realizing a gain of \$125,958. In connection with the sale, the Company entered into an agreement to lease back a portion of the building for an initial term of 5 years. The gain resulting from the sale has been recorded as deferred income and is being amortized over the lease term. Included as a deferred item in noncurrent liabilities is the unamortized balance of \$111,263 at December 31, 1994. In connection with the sale, the Company has a note receivable with a December 31, 1994 balance of \$142,443 from the buyer, bearing interest at 8%, due in monthly installments of \$1,386 through June 2001, at which time the remaining principal shall be due. Maturities of the note receivable are as follows:

<S>	<C>
1995	\$ 5,429

1996	5,880
1997	6,368
1998	6,896
1999	7,469
Later years	110,401

	\$ 142,443
	=====

</TABLE>

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CLAY HOLDING, INC. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

NOTE 11. CLAY HOLDING, INC. (PARENT COMPANY ONLY) FINANCIAL INFORMATION

<TABLE>
Condensed Balance Sheet
December 31, 1994

<S>	<C>
ASSETS	
-----	-----
Cash and cash equivalents	\$ 1,290
Receivables from subsidiaries:	
Clay Enterprises, Inc.	17,782
Clay Equipment Corporation	1,679,335

	\$ 1,698,407
	=====
LIABILITIES AND STOCKHOLDERS' EQUITY	
Liabilities	
Deficit equity in subsidiaries:	
Clay Enterprises, Inc.	\$ 17,707
Clay Equipment Corporation	1,624,841

	1,642,548

Stockholders' Equity	
Capital stock, common	1,147,200
Retained earnings	1,161,903

	2,309,103
Less:	
Cost of common stock reacquired for the treasury	(529,373)
Employee stock ownership plan receivable	(1,723,871)

	55,859

	\$ 1,698,407
	=====

</TABLE>

<TABLE>
Condensed Statements of Income
Years Ended December 31, 1994 and 1993

	1994	1993
-----	-----	-----
<S>	<C>	<C>
Interest income, Clay Equipment Corporation	\$ 270,230	\$ 174,860
Equity in net (loss) of subsidiaries:		
Clay Enterprises, Inc.		
Clay Equipment Corporation	(1,686,893)	(785,787)
Other income (expenses)	170	(78)
	-----	-----
Net (loss)	(1,416,493)	(611,005)
	=====	=====

</TABLE>

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CLAY HOLDING, INC. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

NOTE 12. MANAGEMENT'S PLANS

The Company has incurred significant operating losses for the last two years and as of December 31, 1994, the Company's total equity was approximately \$56,000. The Company is not in compliance with the covenants required by the loan agreements with its primary lender and the bank has refused to waive those violations. Further, the bank has refused to renew the Company's revolving line of credit agreement, which expired March 15, 1995. The bank has not formally demanded payment on these obligations.

With a limited amount of equity relative to its debt and substantial on-going operating losses, the Company needs to take action in order to remain viable. Those options include increasing sales, improving gross profits and reducing operating expenses in order to generate profit and cash flow, selling certain assets in order to generate sufficient cash to remain operating for an indefinite period of time, securing additional equity capital, or pursuing a possible sale of the business.

Management has determined that its most feasible option is pursuing the sale of the business. As mentioned in Note 13 of the Notes to Financial Statements, the Company has entered into an agreement to sell substantially all of the business assets of Clay Equipment Corporation (Clay Equipment) to Top Air Manufacturing, Inc. (Top Air) subject to approval by ESOP participants.

Management anticipates the sale to Top Air will be consummated by June 30, 1995. Should the sale not be consummated, management plans to seek other buyers. Management also plans to begin restructuring the Company's operations to restore profitability. These plans include discontinuing certain product lines with low margins and other product lines with low volumes. In addition, the Company would move to a more efficient manufacturing facility to improve gross profit margins, restructure its distribution system to reduce selling expenses, and attempt to reduce other operating expenses. Proceeds from the condemnation of its building, as discussed in Note 13, would be used to retire bank debt and management would seek to acquire new sources of financing.

NOTE 13. SUBSEQUENT EVENTS

Subsequent to December 31, 1994, the Company reached a tentative agreement with the City of Cedar Falls regarding condemnation of the Company's manufacturing facilities. The City will acquire Clay's existing facility through its power of eminent domain for construction of a new bridge and possible construction of a flood protection dike. Under the terms of the agreement, the City and Iowa Department of Transportation have offered a sum of \$631,000 for Clay's land and building. The agreement is contingent upon an environmental study, the results of which must be satisfactory to the City of Cedar Falls. To the extent that clean-up or other costs would be incurred, the price to be paid by the City may be reduced.

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CLAY HOLDING, INC. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

In a related matter, the City of Cedar Falls has agreed to construct a new manufacturing facility for Clay within the City's industrial park. Under the terms of this agreement, the City will construct the new facility, at a cost of approximately \$2,000,000, with a \$1,600,000 grant from the Federal Economic Development Association and \$400,000 in matching City funds. The City will lease the facility to Clay for an initial term of ten years with a five year renewal option. The lease agreement will require annual lease payments of approximately \$200,000 and will contain a purchase option at the end of the 15 year lease.

On April 11, 1995 the Company entered into an agreement with Top Air under which Top Air will acquire substantially all of the business assets of Clay Equipment, including the proceeds from the condemnation aware discussed above, and assume certain liabilities, in exchange for Top Air common stock. The number of

Top Air shares to be received will be equal to the lesser of (i) 750,000 and (ii) that number of shares having an aggregate market value as defined in the agreement of \$1,000,000, in either case subject to increase by that number of shares having a market value equal to one-half the amount by which the award received by Clay Equipment in connection with the pending condemnation of its manufacturing facility (exclusive of relocation expenses) exceeds \$500,000. It is also anticipated that, as a result of the sale, Clay Equipment will cease its business operations and be merged into its parent company.

The sale to Top Air will be dependent upon certain conditions, including approval of all of the Clay ESOP participants, Top Air's satisfaction with the physical, operating and financial condition of the assets and business of Clay, and agreement by appropriate government authorities of the condemnation award discussed above in an amount not less than \$500,000.

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ANNEX A

IOWA BUSINESS CORPORATION ACT
DIVISION XIII
DISSENTERS' RIGHTS
PART A

490.1301 DEFINITIONS FOR DIVISION XIII.--In this division:

1. "Beneficial shareholder" means the person who is a beneficial owner of shares held by a nominee as the record shareholder.

2. "Corporation" means the issuer of the shares held by a dissenter before the corporate action, or the surviving or acquiring corporation by merger or share exchange of that issuer.

3. "Dissenter" means a shareholder who is entitled to dissent from corporate action under section 490.1302 and who exercises that right when and in the manner required by sections 490.1320 through 490.1328.

4. "Fair value", with respect to a dissenter's shares, means the value of the shares immediately before the effectuation of the corporate action to which the dissenter objects, excluding any appreciation or depreciation in anticipation of the corporate action unless exclusion would be inequitable.

5. "Interest" means interest from the effective date of the corporate action until the date of payment, at the average rate currently paid by the corporation on its principal bank loans or, if none, at a rate that is fair and equitable under all the circumstances.

6. "Record shareholder" means the person in whose name shares are registered in the records of a corporation or the beneficial owner of shares to the extent of the rights granted by a nominee certificate on file with a corporation.

7. "Shareholder" means the record shareholder or the beneficial shareholder.

490.1302 SHAREHOLDERS' RIGHT TO DISSENT.--1. A shareholder is entitled to dissent from, and obtain payment of the fair value of the shareholder's shares in the event of, any of the following corporate actions:

a. Consummation of a plan of merger to which the corporation is a party if either of the following apply:

(1) Shareholder approval is required for the merger by section 490.1103 or the articles of incorporation and the shareholder is entitled to vote on the merger.

(2) The corporation is a subsidiary that is merged with its parent under section 490.1104.

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b. Consummation of a plan of share exchange to which the corporation is a party as the corporation whose shares will be

acquired, if the shareholder is entitled to vote on the plan.

c. Consummation of a sale or exchange of all, or substantially all, of the property of the corporation other than in the usual and regular course of business, if the shareholder is entitled to vote on the sale or exchange, including a sale in dissolution, but not including a sale pursuant to court order or a sale for cash pursuant to a plan by which all or substantially all of the net proceeds of the sale will be distributed to the shareholders within one year after the date of sale.

d. An amendment of the articles of incorporation that materially and adversely affects rights in respect of a dissenter's shares because it does any or all of the following:

(1) Alters or abolishes a preferential right of the shares.

(2) Creates, alters, or abolishes a right in respect of redemption, including a provision respecting a sinking fund for the redemption or repurchase, of the shares.

(3) Alters or abolishes a preemptive right of the holder of the shares to acquire shares or other securities.

(4) Excludes or limits the right of the shares to vote on any matter, or to cumulate votes, other than a limitation by dilution through issuance of shares or other securities with similar voting rights.

(5) Reduces the number of shares owned by the shareholder to a fraction of a share if the fractional share so created is to be acquired for cash under section 490.604.

(6) Extends, for the first time after being governed by this chapter, the period of duration of a corporation organized under chapter 491 or 496A and existing for a period of years on the day preceding the date the corporation is first governed by this chapter.

e. Any corporate action taken pursuant to a shareholder vote to the extent the articles of incorporation, bylaws, or a resolution of the board of directors provides that voting or nonvoting shareholders are entitled to dissent and obtain payment for their shares.

2. A shareholder entitled to dissent and obtain payment for the shareholder's shares under this chapter is not entitled to challenge the corporate action creating the shareholder's entitlement unless the action is unlawful or fraudulent with respect to the shareholder or the corporation.

490.1303 DISSENT BY NOMINEES AND BENEFICIAL OWNERS.--1. A record shareholder may assert dissenters' rights as to fewer than all the shares registered in that shareholder's name only if the shareholder dissents with respect to all shares beneficially owned by any one person and notifies the corporation in writing of the name and address of each person on whose behalf the shareholder asserts dissenters' rights. The rights of a partial dissenter under this subsection are determined as if the shares as to which the shareholder dissents and the shareholder's other shares were registered in the names of different shareholders.

2. A beneficial shareholder may assert dissenters' rights as to shares held on the shareholder's behalf only if the shareholder does both of the following:

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a. Submits to the corporation the record shareholder's written consent to the dissent not later than the time the beneficial shareholder asserts dissenters' rights.

b. Does so with respect to all shares of which the shareholder is the beneficial shareholder or over which that beneficial shareholder has power to direct the vote.

PART B

490.1320 NOTICE OF DISSENTERS' RIGHTS.--1. If proposed corporate action creating dissenters' rights under section 490.1302 is submitted to a vote at a shareholders' meeting, the meeting notice must state that shareholders are or may be entitled to assert dissenters' rights under this part and be accompanied by a copy of this part.

2. If corporate action creating dissenters' rights under section 490.1302 is taken without a vote of shareholders, the corporation shall notify in writing all shareholders entitled to assert dissenters' rights that the action was taken and send them the dissenters' notice described in section 490.1322.

490.1321 NOTICE OF INTENT TO DEMAND PAYMENT.--1. If proposed corporate action creating dissenters' rights under section 490.1302 is submitted to a vote at a shareholders' meeting, a shareholder who wishes to assert dissenters' rights must do all of the following:

- a. Deliver to the corporation before the vote is taken written notice of the shareholder's intent to demand payment for the shareholder's shares if the proposed action is effectuated.
- b. Not vote the dissenting shareholder's shares in favor of the proposed action.

2. A shareholder who does not satisfy the requirements of subsection 1, is not entitled to payment for the shareholder's shares under this part.

490.1322 DISSENTERS' NOTICE.--1. If proposed corporate action creating dissenters' rights under section 490.1302 is authorized at a shareholders' meeting, the corporation shall deliver a written dissenters' notice to all shareholders who satisfied the requirements of section 490.1321.

2. The dissenters' notice must be sent no later than ten days after the proposed corporate action is authorized at a shareholders' meeting, or, if the corporate action is taken without a vote of the shareholders, no later than ten days after the corporate action is taken, and must do all of the following:

- a. State where the payment demand must be sent and where and when certificates for certificated shares must be deposited.
- b. Inform holders of uncertificated shares to what extent transfer of the shares will be restricted after the payment demand is received.
- c. Supply a form for demanding payment that includes the date of the first announcement to news media or to shareholders of the terms of the proposed corporate action and requires that the person asserting dissenters' rights certify whether or not the person acquired beneficial ownership of the shares before that date.

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- d. Set a date by which the corporation must receive the payment demand, which date shall not be fewer than thirty nor more than sixty days after the date the dissenters' notice is delivered.
- e. Be accompanied by a copy of this division.

490.1323 DUTY TO DEMAND PAYMENT.--1. A shareholder sent a dissenter's notice described in section 490.1322 must demand payment, certify whether the shareholder acquired beneficial ownership of the shares before the date required to be set forth in the dissenter's notice pursuant to section 490.1322, subsection 2, paragraph "c", and deposit the shareholder's certificates in accordance with the terms of the notice.

2. The shareholder who demands payment and deposits the shareholder's shares under subsection 1 retains all other rights of a shareholder until these rights are canceled or modified by the taking of the proposed corporate action.

3. A shareholder who does not demand payment or deposit the shareholder's share certificates where required, each by the date set in the dissenters' notice, is not entitled to payment for the shareholder's shares under this division.

490.1324 SHARE RESTRICTIONS.--1. The corporation may restrict the transfer of uncertificated shares from the date the demand for their payment is received until the proposed corporate action is taken or the restrictions released under section 490.1326.

2. The person for whom dissenters' rights are asserted as to uncertificated shares retains all other rights of a shareholder

until these rights are canceled or modified by the taking of the proposed corporate action.

490.1325 PAYMENT.--1. Except as provided in section 490.1327, at the time the proposed corporate action is taken, or upon receipt of a payment demand, whichever occurs later, the corporation shall pay each dissenter who complied with section 490.1323 the amount the corporation estimates to be the fair value of the dissenter's shares, plus accrued interest.

2. The payment must be accompanied by all of the following:

a. The corporation's balance sheet as of the end of a fiscal year ending not more than sixteen months before the date of payment, an income statement for that year, a statement of changes in shareholders' equity for that year, and the latest available interim financial statements, if any.

b. A statement of the corporation's estimate of the fair value of the shares.

c. An explanation of how the interest was calculated.

d. A statement of the dissenter's right to demand payment under section 490.1328.

e. A copy of this division.

490.1326 FAILURE TO TAKE ACTION.--1. If the corporation does not take the proposed action within sixty days after the date set for demanding payment and depositing share

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certificates, the corporation shall return the deposited certificates and release the transfer restrictions imposed on uncertificated shares.

2. If after returning deposited certificates and releasing transfer restrictions, the corporation takes the proposed action, it must send a new dissenters' notice under section 490.1322 as if the corporate action was taken without a vote of the shareholders and repeat the payment demand procedure.

490.1327 AFTER-ACQUIRED SHARES.--1. A corporation may elect to withhold payment required by section 490.1325 from a dissenter unless the dissenter was the beneficial owner of the shares before the date set forth in the dissenters' notice as the date of the first announcement to news media or to shareholders of the terms of the proposed corporate action.

2. To the extent the corporation elects to withhold payment under subsection 1, after taking the proposed corporate action, it shall estimate the fair value of the shares, plus accrued interest, and shall pay this amount to each dissenter who agrees to accept it in full satisfaction of the dissenter's demand. The corporation shall send with its offer a statement of its estimate of the fair value of the shares, an explanation of how the interest was calculated, and a statement of the dissenter's right to demand payment under section 490.1328.

490.1328 PROCEDURE IF SHAREHOLDER DISSATISFIED WITH PAYMENT OR OFFER.--1. A dissenter may notify the corporation in writing of the dissenter's own estimate of the fair value of the dissenter's shares and amount of interest due, and demand payment of the dissenter's estimate, less any payment under section 490.1325, or reject the corporation's offer under section 490.1327 and demand payment of the fair value of the dissenter's shares and interest due, if any of the following apply:

a. The dissenter believes that the amount paid under section 490.1325 or offered under section 490.1327 is less than the fair value of the dissenter's shares or that the interest due is incorrectly calculated.

b. The corporation fails to make payment under section 490.1325 within sixty days after the date set for demanding payment.

c. The corporation, having failed to take the proposed action, does not return the deposited certificates or release the transfer restrictions imposed on uncertificated shares within sixty days after the date set for demanding payment.

2. A dissenter waives the dissenter's right to demand payment under this section unless the dissenter notifies the corporation of the dissenter's demand in writing under subsection 1 within thirty days after the corporation made or offered payment for the dissenter's shares.

PART C

490.1330 COURT ACTION.--1. If a demand for payment under section 490.1328 remains unsettled, the corporation shall commence a proceeding within sixty days after receiving the payment demand and petition the court to determine the fair value of the shares and accrued interest. If the corporation does not commence the proceeding within the sixty-day period, it shall pay each dissenter whose demand remains unsettled the amount demanded.

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2. The corporation shall commence the proceeding in the district court of the county where a corporation's principal office or, if none in this state, its registered office is located. If the corporation is a foreign corporation without a registered office in this state, it shall commence the proceeding in the county in this state where the registered office of the domestic corporation merged with or whose shares were acquired by the foreign corporation was located.

3. The corporation shall make all dissenters, whether or not residents of this state, whose demands remain unsettled parties to the proceeding as in an action against their shares and all parties must be served with a copy of the petition. Nonresidents may be served by registered or certified mail or by publication as provided by law.

4. The jurisdiction of the court in which the proceeding is commenced under subsection 2 is plenary and exclusive. The court may appoint one or more persons as appraisers to receive evidence and recommend decision on the question of fair value. The appraisers have the powers described in the order appointing them, or in any amendment to it. The dissenters are entitled to the same discovery rights as parties in other civil proceedings.

5. Each dissenter made a party to the proceeding is entitled to judgment for either of the following:

a. The amount, if any, by which the court finds the fair value of the dissenter's shares, plus interest, exceeds the amount paid by the corporation.

b. The fair value, plus accrued interest, of the dissenter's after-acquired shares for which the corporation elected to withhold payment under section 490.1327.

490.1331 COURT COSTS AND COUNSEL FEES.--1. The court in an appraisal proceeding commenced under section 490.1330 shall determine all costs of the proceeding, including the reasonable compensation and expenses of appraisers appointed by the court. The court shall assess the costs against the corporation, except that the court may assess costs against all or some of the dissenters, in amounts the court finds equitable, to the extent the court finds the dissenters acted arbitrarily, vexatiously, or not in good faith in demanding payment under section 490.1328.

2. The court may also assess the fees and expenses of counsel and experts for the respective parties, in amounts the court finds equitable, for either of the following:

a. Against the corporation and in favor of any or all dissenters if the court finds the corporation did not substantially comply with the requirements of sections 490.1320 through 490.1328.

b. Against either the corporation or a dissenter, in favor of any other party, if the court finds that the party against whom the fees and expenses are assessed acted arbitrarily, vexatiously, or not in good faith with respect to the rights provided by this chapter.

3. If the court finds that the services of counsel for any dissenter were of substantial benefit to other dissenters similarly situated, and that the fees for those services should not be assessed against the corporation, the court may award to these counsel reasonable fees to be paid out of the amounts awarded the dissenters who were benefited.

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 20. INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Iowa Business Corporation Act ("IBCA") provides that a corporation may indemnify any of its directors and officers against liability incurred in connection with a proceeding if: (a) such person acted in good faith; (b) in the case of conduct in an official capacity, the person reasonably believed such conduct was in the corporation's best interests; (c) in all other cases, such person reasonably believed that such conduct was not opposed to the best interests of the corporation; and (d) in the case of any criminal proceeding, such person had no reasonable cause to believe his or her conduct was unlawful. In actions brought by or in the right of the corporation, however, the IBCA provides that no indemnification may be made if the director was judged liable to the corporation. The IBCA also provides that in connection with any proceeding charging personal benefit to a director no indemnification may be made if such director was adjudged liable on the basis that personal benefit was improperly received by the director. The termination of a proceeding by judgment, order, settlement conviction, or upon a plea of nolo contendere or its equivalent is not, of itself, determinative that the director did not meet the standard of conduct described above. Any indemnification under the IBCA in connection with a proceeding by or in the right of the corporation is limited to reasonable expenses incurred in connection with the proceeding. Notwithstanding the foregoing, the IBCA provides that a court of competent jurisdiction, upon application, may order that an officer or director be indemnified for reasonable expenses, if, in consideration of all relevant circumstances, the court determines that such individual is fairly and reasonable entitled to indemnification, notwithstanding the fact that (i) he breached the standard of conduct required of him; or (ii) he (a) was adjudged liable to the corporation in a proceeding by or in right of the corporation or (b) he was adjudged liable on the basis that personal benefit was improperly received by him; provided that if he was so judged liable his indemnification is limited to reasonable expenses incurred.

The Amended and Restated Articles of Incorporation of the Registrant permit the Registrant to indemnify directors of the Registrant to the fullest extent permitted by law and authorizes the Registrant, by action of its board of directors, to provide indemnification to such of the officers, employees and agents of the Registrant to such extent and to such effect as the board of directors determines to be appropriate and authorized by applicable law.

The bylaws of the corporation provide for mandatory indemnification of each individual who is or was a director of the Registrant to the fullest extent permitted by applicable law.

ITEM 21. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Exhibits.

See Exhibit Index.

(b) Financial Statement Schedules.

None

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ITEM 22. UNDERTAKINGS

(1) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of Top Air pursuant to the foregoing provisions, or otherwise, Top Air has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by Top Air of expenses incurred or paid by a director, officer or controlling person of Top Air in the successful defense of any action, suit or proceeding) is asserted

by such director, officer or controlling person in connection with the securities being registered, Top Air will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

(2) The undersigned registrant hereby undertakes to supply by means of a post-effective amendment all information concerning a transaction, and the company being acquired involved therein, that was not the subject of and included in the registration statement when it became effective.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Parkersburg, State of Iowa, on May 5, 1995.

TOP AIR MANUFACTURING, INC.

By: /s/ Steven R. Lind

 Steven R. Lind
 President and Chief Executive Officer

POWER OF ATTORNEY

Each person whose signature appears below hereby severally constitutes and appoints STEVEN R. LIND and S. LEE KLING or either of them singly, his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any or all amendments (including post-effective amendments) to this Registration Statement on Form S-4, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or their substitute may lawfully do or cause to be done by virtue hereof.

<TABLE>

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated:

<CAPTION>

Signature -----	Title -----	Date ----
<S> /s/ S. Lee Kling ----- S. Lee Kling	<C> Director and Chairman of the Board	<C> May 5, 1995
/s/ Steven R. Lind ----- Steven R. Lind	Director, President and Chief Executive Officer (principal executive officer)	May 5, 1995
/s/ Steven F. Bahlmann ----- Steven F. Bahlmann	Secretary and Treasurer (principal financial officer)	May 5, 1995
/s/ Wayne C. Dudley ----- Wayne C. Dudley	Director	May 5, 1995
/s/ Dennis W. Dudley ----- Dennis W. Dudley	Director	May 5, 1995
/s/ Franklin A. Jacobs ----- Franklin A. Jacobs	Director	May 5, 1995
	Director	May --, 1995

Sanford W. Weiss

</TABLE>

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EXHIBIT INDEX

<CAPTION>

Exhibit
Number

Description

<C>	<S>
<F*>3 (a)	Amended and restated Articles of Incorporation of the Registrant, filed as Exhibit 3(c) to Top Air's Annual Report on Form 10-K for fiscal year 1991 (the "1991 Form 10-K").
<F*>3 (b)	Amended and Restated By-laws of the Registrant, filed as Exhibit 3(d) to the 1991 Form 10-K.
<F*>3 (c)	Amendments to the Amended and Restated By-laws, effective October 21, 1992, filed as Exhibit 3(c) to Top Air's Annual Report on Form 10-KSB for fiscal year 1993 (the "1993 Form 10-KSB").
<F*>4 (a)	Promissory note dated September 28, 1990, between Top Air and Merchants National Bank, filed as Exhibit 4(a) to the 1991 Form 10-K.
<F*>4 (b)	Variable balance promissory note dated October 1, 1993, between Top Air and Firststar Bank Cedar Rapids, N.A.
<F*>4 (c)	Credit and Security Agreement originally dated November 10, 1989, between Top Air and Merchants National Bank, filed as Exhibit 4(c) to the 1991 Form 10-K.
<F*>4 (d)	Amendment to Note between Top Air and Firststar Bank Cedar Rapids, N.A., dated January 28, 1992, filed as Exhibit 4(d) to Top Air's Annual Report on Form 10-K for fiscal year 1992 (the "1992 Form 10-K").
<F*>4 (e)	Sixth Amendment to Credit and Security Agreement between Top Air and Firststar Bank Cedar Rapids, N.A., dated October 1, 1993.
5	Opinion of Gallop, Johnson & Neuman, L.C.
8 (a)	Opinion of Simmons, Perrine, Albright & Ellwood, P.L.C., special counsel to Clay Holding, regarding the termination of the ESOP and the distribution by the ESOP of the Top Air Shares and other assets to the ESOP Participants.
<F*>9	Amended and Restated Voting Trust Agreement by and among Robert J. Freeman and Dennis W. Dudley and their successors, dated September 15, 1992, filed as Exhibit 9 to the 1993 Form 10-KSB.
<F*>10 (a)	Land contract between Top Air and Wayne C. Dudley dated December 20, 1988, filed as Exhibit D to Top Air's Annual Report on Form 10-K for fiscal year 1989 (the "1989 Form 10-K").
<F*>10 (b)	Promissory note dated January 1, 1991, between Top Air and Wayne C. Dudley (the "Dudley Note"), filed as Exhibit 10 (b) to the 1991 Form 10-K.
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<F*>10 (c)	Letter amendment, dated August 5, 1994, to the Dudley Note, filed as Exhibit 10(c) to Top Air's Annual Report on Form 10-KSB for fiscal year 1994 (the "1994 Form 10-KSB").

- <F*>10 (d) 1993 Stock Option Plan adopted by the Board of Directors November 6, 1992, filed as Exhibit 10(c) to Top Air's 1993 Form 10-KSB.
- <F*>10 (e) Summary Plan description for 401(k) plan adopted by the Top Air Board on October 22, 1991, filed as Exhibit 28(b) to the 1992 Form 10-K.
- 10 (f) Commitment letter of Norwest Bank Iowa, N.A. to Top Air dated February 28, 1995.
- 10 (g) Asset Purchase Agreement dated as of April 11, 1995 among Clay Equipment Corporation, Clay Holding, Inc., and Top Air Manufacturing, Inc.
- 10 (h) Amendment to Purchase Agreement dated as of May 5, 1995.
- 10 (i) Lease Agreement between the City of Cedar Falls, Iowa and Clay Equipment Corporation (to be assigned to Top Air) regarding the construction of the New Facility and the lease thereof to Clay Equipment.
- 10 (j) Form of Escrow Agreement with respect to the Hold-Back Stock.
- <F*>11 Statement re computation of per share earnings.
- 23 (a) Consent of McGladrey & Pullen, LLP, independent auditors, with respect to the Top Air audited financial statements.
- 23 (b) Consent of McGladrey & Pullen, LLP, independent auditors, with respect to the Clay Holding audited consolidated financial statements.
- 23 (c) Consent of Gallop, Johnson & Neuman, L.C. (included in Exhibit 5).
- 23 (d) Consent of Simmons, Perrine, Albright & Ellwood, P.L.C., included in Exhibit 8(a)).
- 24 Power of Attorney (set forth on signature page).
- 99 (a) Form of Notice of Clay Holding Special Meeting.
- 99 (b) Form of letter to shareholders of Clay Holding to accompany Prospectus/Information Statement.

- - - - -
<FN>
<F*> Incorporated by reference to the indicated documents, or parts thereof, previously filed with the Commission.

</TABLE>

[Gallop, Johnson & Neuman, L.C. Letterhead]

May 9, 1995

Board of Directors
Top Air Manufacturing, Inc.
406 Highway 20
Parkersburg, Iowa 50665

Re: Top Air Manufacturing, Inc.
Registration Statement on Form S-4

Gentlemen:

We have acted as counsel for Top Air Manufacturing, Inc., an Iowa corporation (hereinafter called the "Company"), in connection with various legal matters related to the filing of a Registration Statement on Form S-4 (the "Registration Statement") under the Securities Act of 1933, as amended, covering 850,000 shares of common stock of the Company, without par value (the "Common Stock"), which will be delivered by the Company in exchange for substantially all of the assets of Clay Equipment Corporation (Clay Equipment") and the assumption by the Company of certain liabilities of Clay Equipment.

We have examined such corporate records of the Company, such laws and such other information as we have deemed relevant, including the Company's Amended and Restated Articles of Incorporation, By-Laws, resolutions adopted by the Board of Directors of the Company relating to such offering and certificates received from state officials and from officers of the Company. In delivering this opinion, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals, the conformity to the originals of all documents submitted to us as certified, photostatic or conformed copies and the correctness of statements submitted to us by officers of the Company.

Based solely on the foregoing, the undersigned is of the opinion that:

1. The Company is a corporation duly incorporated, validly

existing and in good standing under the laws of the State of Iowa.

2. The Common Stock being delivered by the Company, if delivered in the manner described in the Registration Statement, will be validly issued and outstanding and will be fully paid and non-assessable.

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Board of Directors

May 9, 1995

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We consent to the filing of this opinion as an exhibit to the Registration Statement and to the use of our name in the Registration Statement. We also consent to your filing of copies of this opinion as an exhibit to the Registration Statement with agencies of such states as you deem necessary in the course of complying with the laws of such states regarding the issuance of the Common Stock being sold.

Very truly yours,

/s/ Gallop, Johnson & Neuman, L.C.
GALLOP, JOHNSON & NEUMAN, L.C.

[Simmons, Perrine, Albright & Ellwood, P.L.C. letterhead]

May 8, 1995

The Board of Directors
Clay Holding, Inc.
101 Lincoln Street
Cedar Falls, Iowa 50613

Ladies and Gentlemen:

RE: Clay Holding, Inc. Employee
Stock Purchase Plan

We have acted as special counsel to Clay Holding, Inc. ("Clay

Holding") and its wholly-owned subsidiary, Clay Equipment
- -----
Corporation ("Clay Equipment") in connection with the contemplated

amendment to the Clay Holding, Inc. Employee Stock Ownership Plan
("ESOP") and the termination thereof, in accordance with and

pursuant to Sections 11.01 and 11.02, respectively, of that certain
Asset Purchase Agreement dated April 11, 1995 among Clay Equipment,
Clay Holding and Top Air Manufacturing, Inc. (the "Purchase

Agreement"). Unless otherwise indicated, defined terms used herein
- -----
shall have the same meanings as ascribed to them in the Purchase
Agreement.

In rendering the opinions expressed herein, we have examined
the "ESOP Trust" (defined below), the latest IRS determination
letter for the ESOP dated February 15, 1995, records, resolutions,
schedules, analyses and other documents as deemed appropriate by
us, including a proposed draft of a Form 5310 and attachments
thereto to be submitted to the Internal Revenue Service ("IRS") for

the issuance of a determination as to the matters being opined upon
herein, and have relied upon written certificates of the officers

of Clay Holding and/or Clay Equipment as to certain factual matters. Based on the foregoing, we are of the opinion that:

1. The ESOP is a qualified stock bonus plan meeting the requirements of Section 401(a) of the Internal Revenue Code of 1986, as amended (the "Code"). The trust created

under the ESOP document (the "ESOP Trust") is a tax-

exempt trust under the provisions of Section 501(a) of the Code.
2. The ESOP satisfies the requirements for an "employee stock ownership plan" set forth in Section 4975(e) (7) of the Code.

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The Board of Directors
Clay Holding, Inc.
May 8, 1995
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3. Neither the consummation of the Transaction nor the contemplated amendment or termination of the ESOP will adversely affect the qualification of the ESOP or the tax-exempt status of the ESOP Trust under Sections 401(a), 501(a), and 4975(e) of the Code.
4. Distributions from the ESOP to Plan Participants following the termination thereof will be subject to federal income taxation to such Plan Participants under Section 402(a) of the Code, except to the extent that any such distribution is rolled over pursuant to the provisions of Section 402(c) of the Code. However, such distributions will be subject to federal income tax withholding under Section 3405(c) (1) to the extent not directly rolled over to an eligible retirement plan as defined in Section 402(c) (8) (B) of the Code.

Our opinion is based upon existing law and currently applicable Treasury Department regulations promulgated or proposed under the Code, current published administrative positions of the IRS contained in Revenue Rulings, Revenue Procedures, and Private Letter Rulings and judicial decisions, all of which are subject to change either prospectively or retroactively.

The information set forth herein is as of the date hereof. We assume no obligation to advise you of changes which may thereafter be brought to our attention. To the extent the opinions expressed

above are based on any factual matters, we have relied upon information provided us by Clay Holding or Clay Equipment with respect to which we have made no independent investigation unless otherwise noted. We do not opine with respect to any law, regulation, rule or governmental policy which may be enacted or adopted after the date hereof, nor assume any responsibility to advise you of subsequent changes in our opinions. We give no opinion on any matter not specifically set forth in this letter and we give no opinion on the fairness of the transactions contemplated by the Purchase Agreement.

The foregoing opinions represent our best judgment of the likely outcome of those issues if challenged and litigated. With respect to some of such issues, existing precedents provide very little guidance because the resolution of such issues will be determined based upon the facts and circumstances peculiar to the matter. Therefore, while the opinions and views expressed in this letter are based upon our best interpretations of existing sources of law and the factual situations, no assurance can be given that such interpretations would be followed by the IRS or the courts if

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The Board of Directors
Clay Holding, Inc.
May 8, 1995
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they became the subject of administrative or judicial proceedings or that the position of counsel as set forth in the opinions expressed herein will not be challenged by the IRS.

We consent to the filing of this opinion as an exhibit to the Registration Statement on Form S-4 to be filed by Top Air Manufacturing, Inc. covering the Shares to be issued by it in connection with the Transaction and to the use of our name in such Registration Statement, and all amendments thereto. We also consent to the filing of copies of this opinion with the appropriate agencies of such states as deemed necessary in the course of complying with the laws of such states regarding such issuance of the Shares.

We consent to the filing of this opinion as an exhibit to the Registration Statement on Form S-4 to be filed by Top Air Manufacturing, Inc. covering the Shares to be issued by it in connection with the Transaction and to the use of our name in such Registration Statement, and all amendments thereto. We also consent to the filing of copies of this opinion with the appropriate agencies of such states as deemed necessary in the course of complying with the laws of such states regarding such

issuance of the Shares.

Except as permitted in the preceding paragraph, this opinion is not be quoted in whole or in part or otherwise referred to in any of the parties' financial statements or other public releases, nor is it to be filed with any governmental agency or other person without the prior written consent of this firm, and this letter may not be relied upon by any other person or for any other purposes whatsoever.

Very truly yours,

SIMMONS, PERRINE, ALBRIGHT &
ELLWOOD, P.L.C.

By /s/ Dean R. Einck

Dean R. Einck, A Member

NORWEST BANKS STATIONERY

February 28, 1995

Steve Lind, President
Top Air Manufacturing, Inc.
Highway 20
Parkersburg, IA 50665

Dear Steve:

Per our discussions, our bank is happy to provide you with the following commitment which includes financing for your existing term loan, the acquisition of the Clay Equipment assets, and a revolving line of credit. Two copies of this commitment letter are included allowing you to accept the terms by signing where indicated.

Terms for the proposed loans to Top Air Manufacturing, Inc. would be as follows:

- A1. \$1,500,000 term loan due 5 years from closing date, amortized over 10 years with monthly principal and interest payments. Priced at 1/2% over Norwest Bank's base rate, floating. This would equate to a current rate of 9.5%.

Collateral would be a blanket security agreement on all assets of Top Air Manufacturing to include assets purchased from Clay Equipment. In addition, the loan would be secured by a first mortgage on the two parcels of real estate in Parkersburg currently used by Top Air for manufacturing and warehousing.

The purpose of this loan is the refinancing of existing equipment debt owed to Norwest by Top Air Manufacturing, and refinancing of liabilities of Clay Equipment as part of the acquisition.

- A2. \$500,000 term loan due 5/31/97. A principal payment of \$250,000 will be due on 5/31/96 with the balance due at maturity. Interest collected monthly, priced at 1/2% over Norwest Bank's base rate, floating. This equates to a current rate of 9.5%.

The purpose of this loan is also to finance the Clay Equipment acquisition, specifically to cover the amount of the acquisition that will be repaid by condemnation proceeds Clay is to receive from the City of Cedar Falls.

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- A3. \$3,000,000 revolving line of credit due 10/1/95. Interest payable monthly, priced at Norwest Bank Iowa's base rate, floating. This equates to a current rate of 9.0%.

Collateral will be a blanket security agreement on all assets of Top Air Manufacturing including assets purchased from Clay Equipment.

Purpose is to fund inventory and accounts receivable. A borrowing base would be utilized allowing borrowings no greater than the total of 50% of inventory and 75% of eligible accounts receivable. Eligible accounts receivable are defined as those accounts with an aging of 90 days or less from due date.

The three notes outlined above will be governed by a loan agreement which will include the following terms:

- A. Minimum Working Capital. The Borrower will maintain at all times an excess of current assets over current liabilities of not less than \$1,750,000.
- B. Minimum Tangible Net Worth. The Borrower will maintain a tangible net worth of not less than \$2,500,000 at fiscal year end.
- C. Capital Expenditures. The borrower will not make any expenditures for fixed or capital assets which would cause the aggregate of all such expenditures made by the Borrower to exceed \$250,000 during any fiscal year of the borrower without written consent of Norwest Bank. Approval of the expenditures for the Clay acquisition is hereby given.
- D. Current Ratio. For fiscal year end May 31, 1995, Borrower will have a ratio of current assets to current liabilities not less than 1.9-1. The Borrower will maintain after that date, a ratio of current assets to current liabilities not less than 2.0 to 1.0 at each FYE.

- E. Leverage Ratio. For fiscal year end May 31, 1995, Borrower will have a ratio of total liabilities to Tangible Net Worth of not greater than 1.3 to 1.0. The Borrower will maintain after that date at all times a ratio of total liabilities to Tangible Net Worth of not greater than 1.25 to 1.0 at each FYE.
- F. Cleanup Requirement. For a period of 30 consecutive days each year, the Company will have no outstandings on the line of credit.
- G. Financial Statements. Monthly internally prepared balance sheet and income statement within 30 days of month end. Annual audited statements prepared by a certified public accountant within 120 days of FYE.

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- H. All condemnation proceeds received by Clay/Top Air will be applied 100% to principal on first note A2 then note A1. 100% of the proceeds received from the sale of Parkersburg real estate will be applied in the same fashion.
- I. Beginning May 31, 1997 and each year thereafter, the Company will be required to apply up to 50% of "free operating cash flow" to note A2 and then to note A1. The annual maximum requirement for pay down will be the amount needed to bring the term debt to the equivalent of a seven year amortization assuming an original balance of \$1,500,000.

Free operating cash flow is defined as follows: Net cash from operating activities minus capital expenditures, per GAAP standards.

- J. Borrower is to maintain all deposit accounts at Norwest Bank, Cedar Valley as part of this loan agreement.

Steve, I believe this commitment meets the financing needs of Top Air Manufacturing and I hope you find it acceptable. On behalf of Norwest, thank you for your existing business and the opportunity to provide additional financing to you. I enjoy working with you and look forward to your response. Please call me with any questions.

Sincerely,

/s/Cathy A. Rottinghaus

Cathy A. Rottinghaus
Assistant Vice President

Accepted By:

Top Air Manufacturing, Inc.

/s/Steven R. Lind

3-1-95

Steven Lind, President

Date

ASSET PURCHASE AGREEMENT

Among

CLAY EQUIPMENT CORPORATION

as Seller

CLAY HOLDING, INC.

as the Sole Shareholder of Seller

and

TOP AIR MANUFACTURING, INC.

as Purchaser

April 11, 1995

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ASSET PURCHASE AGREEMENT

This Asset Purchase Agreement (the "Agreement") is made as of the 11th day of April, 1995, by and among TOP AIR MANUFACTURING, INC., an Iowa corporation ("Top Air"), CLAY EQUIPMENT CORPORATION, an Iowa corporation ("Clay Equipment") and Clay Holding, Inc., an Iowa corporation ("Clay Holding").

WHEREAS, Clay Equipment owns all of the assets, rights and property necessary for, and operates a business which is engaged in, the design, manufacture, sale and distribution of certain livestock equipment and other agricultural products (the "Business"); and

WHEREAS, the directors of Clay Equipment and Clay Holding and the sole shareholder of Clay Equipment have authorized and approved this Agreement and have determined that it is in the best interests of Clay Equipment and Clay Holding to transfer the Transferred Assets to Top Air, in exchange for the Shares and the assumption by Top Air of the Assumed Liabilities as provided for herein, all upon the terms and conditions and subject to the provisions of this Agreement; and

WHEREAS, the directors of Clay Holding have recommended that

the sole stockholder of Clay Holding approve the Transaction, and have directed that Transaction provided for herein be submitted to the ESOP, as the sole stockholder of Clay Holding, and the Plan Participants, to whom shares of employee securities held by the ESOP have been allocated, for such approval.

NOW, THEREFORE, in consideration of the premises and of the agreements and provisions set forth herein, and subject to the conditions herein contained, it is mutually agreed as follows:

I. DEFINITIONS.

For purposes of this Agreement, the following words and phrases have the following meanings:

1.01 "Accounting Firm" means the firm of McGladrey & Pullen, LLP, Waterloo, Iowa.

1.02 "Arbitrator" means the firm of independent certified auditors, other than the Accounting Firm, selected by the Accounting Firm to review the Closing Balance Sheet and issue its report pursuant to Section 15.20.

1.03 "Accounts Receivables Schedule" is defined in Section 4.23.

1.04 "Assigned Contracts" means all of Clay Equipment's contracts, leases and other agreements, a true copy of each of which has been attached hereto by Clay Equipment in Schedule 1.04,

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which Assigned Contracts will be assigned by Clay Equipment to Top Air at the Closing, and the performance of which shall be assumed by Top Air at the Closing, but shall not include the Union Contract.

1.05 "Assumed Liabilities" means all liabilities and obligations of Clay Equipment in respect of the Business, including account payables, existing as of the close of business on December 31, 1994, but only if and to the extent that the same are accrued or reserved for on the 1994 Balance Sheet and remain unpaid and undischarged on the Closing Date, and all other liabilities and obligations of Clay Equipment arising in the regular and ordinary course of the Business from the period commencing January 1, 1995 through the Closing Date, to the extent that the same remain unpaid and undischarged on the Closing Date and are accrued or reserved for on the Closing Balance Sheet, excluding however, those

liabilities and obligations referred to in Section 2.03 or as otherwise provided herein.

1.06 "Assets" means all of the rights of Clay Equipment and all of the right, title and interest of Clay Equipment in and to the property, real, personal and mixed, tangible or intangible, of whatever kind or character and wherever located, which Assets shall include (but not be limited to) the following:

(a) All cash or cash equivalents in transit, in hand or in bank accounts;

(b) All inventory, stock in trade, merchandise, goods, supplies and other products owned by Clay Equipment or otherwise under the control of Clay Equipment as of the Closing Date, including the rights and payment obligations of Clay Equipment under the orders for the purchase of goods set forth in Schedule 1.06(b), complete copies of which have been

provided to Top Air by Clay Equipment, but not including any commitment of Clay Equipment for the purchase of goods which is not set forth in Schedule 1.06(b);

(c) The Closing Accounts Receivable;

(d) All machinery, equipment, tools, vehicles, furniture, fixtures, goods and other items of tangible personal property owned by Clay Equipment set forth and described in Schedule 1.06(d);

(e) All land, structures, improvements, including the Real Property and fixtures, and all water lines, rights of way, uses and easements;

(f) All technologies, methods, formulations, data bases, trade secrets, know-how, inventions and intangible property rights, including the name and all other trade names;

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(g) All contract rights, including the Assigned Contracts, but excluding the Union Contract;

(h) All rights, privileges, claims, demands and choses in action, including, without limitation, the proceeds of the Condemnation Award, the Relocation Expense Award and all rights under express or implied warranties; and

(i) All records, files, books of account, customer and supplier lists and other books and records of Clay Equipment relating to the Business, including those relating to the Transferred Assets and Assumed Liabilities.

1.07 "Balance Sheet Date" means the last day of the calendar month immediately preceding the Closing Date.

1.08 "City" means the City of Cedar Falls, Iowa.

1.09 "Clay Companies" means, collectively, Clay Equipment and Clay Holding.

1.10 "Condemnation Award" means the amount awarded to Clay Equipment in connection with the Condemnation Proceeding, excluding amounts attributable to the Relocation Expense Award.

1.11 "Condemnation Proceeding" means the proceeding of the City or other appropriate governmental authority to take, condemn or partially take or condemn the Real Property for a public use, and the related relocation of the current facility being operated by Clay Equipment to the New Facility.

1.12 "Closing" means the consummation of the Transaction contemplated by this Agreement.

1.13 "Closing Accounts Receivable" is defined in Section 4.23.

1.14 "Closing Balance Sheet" means the consolidated balance sheet of the Clay Companies as of the Balance Sheet Date.

1.15 "Closing Customer List" is defined in Section 4.23.

1.16 "Closing Date" means 10:00 a.m. on May 31, 1995, or such other date and time as are mutually agreed upon in writing by Top Air and the Clay Companies; provided, however, that if all of the

conditions to Closing have not been met, then Top Air shall have the option to extend the Closing Date once, to a date not later than December 31, 1995.

1.17 "Code" means the Internal Revenue Code of 1986, as amended.

1.18 "Closing Inventory Count" means a physical count and

valuation to be taken by Top Air and Clay Equipment, of the inventory of goods and supplies included in the Transferred Assets, determined in accordance with the provisions of Section 4.16 as of the Balance Sheet Date and included in the Closing Balance Sheet.

1.19 "Customer List" is defined in Section 4.23.

1.20 "Distribution" means the series of transactions culminating in the distribution of the Shares to the Plan Participants consisting of: (i) the distribution by Top Air, pursuant to Section 2.02, to Clay Holding; (ii) the distribution of such Shares by Clay Holding to the ESOP; and (iii) the distribution of the Shares to the Plan Participants in accordance with Section 11.01(a).

1.21 "Environmental Laws and Regulations" means all limitations, restrictions, conditions, standards, prohibitions, requirements, obligations, schedules and timetables contained in any Laws relating to pollution, nuisance, or the environment including, without, (i) the Federal Clean Air Act, 42 U.S.C. Sections 7401 et sec.; (ii) the Comprehensive Environmental
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Response, Compensation, and Liability Act, 42 U.S.C. Sections 9601 et sec.; (iii) the Federal Emergency Planning and Community Right-
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to-Know Act, 42 U.S.C. Sections 1101 et sec.; (iv) the Federal
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Insecticide, Fungicide and Rodenticide Act, 7 U.S.C. Sections 136 et sec.; (v) the Federal Water Pollution Control Act, 33 U.S.C.
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Sections 1251 et sec.; (vi) the Solid Waste Disposal Act, 42
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8.S.C. Sections 6901 et sec.; (vii) the Toxic Substances Control
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Act, 15 U.S.C. Sections 2601 et sec.; (viii) Laws relating in
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whole or part to emissions, discharges, releases, or threatened releases of any Hazardous Material; and (ix) Laws relating in whole or part to the manufacture, processing, distribution, use, coverage, disposal, transportation, storage or handling of any Hazardous Material.

1.22 "ERISA" means the Employee Retirement Income Security Act of 1974, as amended, and the rules and regulations thereunder.

1.23 "Escrow Agent" means Norwest Bank Iowa, N.A., Cedar Falls, Iowa.

1.24 "Escrow Agreement" means the agreement between Top Air, Clay Equipment and the Escrow Agent, in the form attached hereto as Schedule 1.24, pursuant to which the Hold-Back Stock shall be

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deposited at the Closing with the Escrow Agent and held by the Escrow Agent through the expiration thereof.

1.25 "ESOP" means the Clay Holding, Inc. Employee Stock Ownership Plan established by the Clay Holding and existing pursuant to the ESOP Trust.

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1.26 "ESOP Trust" means the Second Restated Clay Holding, Inc. Employee Stock Ownership Plan and Trust Agreement dated June 29, 1994.

1.27 "ESOP Trustee" means the trustee under the ESOP Trust.

1.28 "Excluded Assets" means the Real Property and those other Assets listed in Schedule 1.28, which the parties hereby

expressly agree shall not be included in the Transferred Assets.

1.29 "Financial Statements" are defined in Section 4.05.

1.30 "Fixed Assets" means the fixed assets of Clay Equipment as carried on Clay Equipment's books, with the book value thereof to be determined for the purposes of this Agreement in accordance with generally accepted accounting principles, consistently applied, and consistent with Clay Equipment's past accounting practices, including Clay Equipment's past depreciation and amortization practices applicable thereto.

1.31 "Hazardous Materials" means any hazardous, infectious or toxic substance, chemical, pollutant, contaminant, emission or waste which is or becomes regulated by any local, state, federal or foreign authority. Hazardous Materials include, without limitation, anything which is (i) defined as a "pollutant" pursuant to 33 U.S.C. Section 1362(6); (ii) defined as a "hazardous waste" pursuant to 42 U.S.C. Section 6921; (iii) defined as a "regulated substance" pursuant to 42 U.S.C. Section 6991; (iv) defined as a "hazardous substance" pursuant to 42 U.S.C. Section 9601(14); (v) defined as a "pollutant or contaminant" pursuant to 42 U.S.C. Section 9601(33); (vi) petroleum; (vii) asbestos; (viii) polychlorinated biphenyl.

1.32 "Hold-Back Stock" means that number of Shares, rounded to the nearest whole number, which equals twenty-five percent (25%) of the Shares being transferred by Top Air at Closing pursuant to Section 2.02.

1.33 "Lender Debt" is defined in Section 4.04.

1.34 "Lender Liens" is defined in Section 4.04.

1.35 "Market Value" means the average of the bid and asked prices of the Shares, on a per share basis, as reported on the NASDAQ Small Cap Market for the trading day immediately preceding the Closing Date.

1.36 "Minimum Stockholder's Equity" means the stockholder's equity, as shown on the Closing Balance Sheet, of not less than \$1,250,000.

1.37 "New Facility" means the approximate 75,000 square foot plant to be constructed upon a site of approximately 10.5 acres in

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the Cedar Falls Industrial Park located within the City of Cedar Falls, Iowa.

1.38 "1994 Balance Sheet" means the consolidated balance sheet of Clay Holding included in the financial statements of Clay Holding at and for the year ended December 31, 1994, audited and reported upon by the Accounting Firm.

1.39 "Non-Hold-Back Stock" means the Shares, except for the shares of Hold-Back Stock.

1.40 "Plan Participants" means those employees of the Clay Companies who are participants under the ESOP.

1.41 "Proxy Material" means the prospectus of Top Air and proxy or information statement and related materials of Clay Holding included in the Registration Statement to be mailed to the ESOP Trustee and the Plan Participants, giving notice of the Special Meeting, describing and disclosing the material aspects of the Transaction to be voted on, and describing the Distribution.

1.42 "Real Property" means the real property, consisting of approximately 10.8 acres located in Black Hawk County, City of Cedar Falls, Iowa, as more particularly described in Schedule 4.22,

and all improvements thereon, including Clay Equipment's current manufacturing facility and corporate offices, commonly known and numbered as 101 Lincoln Street, Cedar Falls, Iowa.

1.43 "Registration Statement" is defined in Section 13.01.

1.44 "Relocation Expense Award" means that portion of the

Condemnation Award attributable to the relocation of the machinery, equipment and other fixed assets from the Real Property (which presently houses Clay Equipment's facility) to the New Facility.

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

1.46 "Shares" means those shares of Top Air no par value common stock, to be issued and delivered by Top Air pursuant to Section 2.02, subject to the preclosing adjustment provided in Section 3.01.

1.47 "Special Meeting" means the meeting of the stockholders of Clay Holding called for the purpose of approving the Transaction.

1.48 "Transaction" means the acquisition by Top Air of the Transferred Assets in exchange for the Shares and the assumption by Top Air of the Assumed Liabilities pursuant to this Agreement.

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1.49 "Transferred Assets" means all of the Assets except the Excluded Assets.

1.50 "Union Contract" means the contract dated February 4, 1991 between Clay Equipment and Local 1728 of the International Association of Machinists and Aerospace Workers.

II. TRANSFER OF ASSETS.

2.01 Transfer of Assets. At the Closing, and subject to the

terms, provisions and conditions of this Agreement, and in reliance on the representations, warranties and covenants contained herein, Clay Equipment shall transfer, convey and assign to Top Air, and Top Air shall acquire, the Transferred Assets in exchange for the Shares (subject to Section 3.02) and the assumption by Top Air of the Assumed Liabilities.

2.02 Transfer of Top Air Shares. At the Closing, Top Air

shall deliver to Clay Holding and to the Escrow Agent certificates representing the lesser of (a) 750,000 Shares, or (b) that number of Shares (rounded to the nearest full share), having an aggregate Market Value at Closing of One Million Dollars (\$1,000,000). Such certificates shall be issued in the name of Clay Holding, Top Air having been advised by Clay Equipment that in furtherance of the

Distribution, Clay Equipment has authorized the distribution of the Shares, as received, to its sole stockholder, Clay Holding. The certificate(s) representing the Non-Hold-Back Stock will be delivered directly to Clay Holding, and the certificate(s) representing the Hold-Back Stock will be delivered to the Escrow Agent pursuant to Sections 2.04(c) and 3.02.

2.03 Assumption of Liabilities. At the Closing, Top Air

shall assume and agree to pay, discharge or perform, as appropriate, the Assumed Liabilities of Clay Equipment. Such agreement by Top Air shall be evidenced by the Assumption Agreement in the form attached hereto as Schedule 2.03. Unless otherwise

required by law, in no event shall Top Air assume or incur any liability or obligation under this Section 2.03 or under any other provision of the Agreement in respect of any of the following:

- (a) any liabilities or obligations arising out of or in connection with the operation of the Real Estate, including, without limitation, any liability arising out of a breach or violation of any Environmental Laws, and any liability or obligation under or in connection with any other Excluded Asset;
- (b) liabilities or obligations arising out of any breach by Clay Equipment of any provision of any agreement, contract, commitment or lease, including but not limited to liabilities or obligations

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arising out of Clay Equipment's failure to perform any agreement, contract, commitment or lease in accordance with its terms prior to the Closing;

- (c) any product liability or similar claim for injury to person or property, regardless of when made or asserted, which arises out of or is based upon any express or implied representation, warranty, agreement or guarantee made by Clay Equipment, or alleged to have been made by Clay Equipment, or which is imposed or asserted to be imposed by operation of law, in connection with any service performed or product sold or leased by or on behalf of Clay Equipment on or prior to the Closing, including without limitation any claim related to damages or personal injury caused as a result of any defective product, the return or replacement of

defective products or any claim seeking recovery for consequential damage, lost revenue or income;

- (d) any federal, state or local income or other tax (i) payable with respect to the Business, Assets, properties or operations of Clay Equipment or Clay Holding for any period prior to the Closing Date; or (ii) incident to or arising as a consequence of the negotiation or consummation by Clay Equipment and the transactions contemplated hereby;
- (e) any liability or obligation arising prior to or as a result of the Closing to any employee (including, without limitation, any obligations to employees under the Union Contract), agent or independent contractor of Clay Equipment, whether or not employed by Top Air after the Closing, or under any benefit arrangement with respect thereto;
- (f) any liability or obligation of Clay Equipment or Clay Holding arising prior to the Closing related to any violation of any Environmental Law, whether or not disclosed in any Schedule hereto;
- (g) any liability, damages, costs or expenses arising from or in connection with those matters described on Schedule 4.10;
- (h) the Union Contract; or
- (i) any obligation to the ESOP or to any Plan Participant (including, without limitation, any obligation under, arising from or in any manner related to that certain promissory note made by the

ESOP evidencing indebtedness incurred by the ESOP and owing to Clay Equipment).

2.04 Transactions at Closing. At the Closing:

- (a) to the extent not then performed, Clay Holding will amend and terminate the ESOP in accordance with Article XI hereof;
- (b) Clay Equipment will deliver to Top Air full possession of the Transferred Assets and such bill(s) of sale, endorsements, assignments and

other good and sufficient instruments of sale, conveyance, transfer and assignment, all containing covenants of general warranty, in form and substance satisfactory to Top Air (including, without limitation, a Bill of Sale and Assignment in the form of Schedule 2.04), as will be required

or as may be desirable in the opinion of Top Air's counsel in order to effectively vest in Top Air full, indefeasible, merchantable, legal, equitable and beneficial title to the Transferred Assets with full substitution and subrogation to all rights and actions of warranty, free and clear of all debts, claims, security interests, liens, encumbrances and other title retention agreements, pledges, assessments, covenants, restrictions and charges of every nature, except for those shown on Schedule

4.04, and will assign the Assigned Contracts to Top

Air;

- (c) Top Air will deliver the Hold-Back Stock to the Escrow Agent (and Clay Holding will deliver appropriate irrevocable stock powers, fully endorsed in blank, with respect to the Hold-Back Stock) and will deliver the Non-Hold-Back Stock to Clay Holding;

- (d) Top Air will assume the Assumed Liabilities pursuant to an assumption agreement in the form of Schedule 2.04(d);

- (e) Clay Holding will distribute the Non-Hold-Back Stock to the ESOP, together with an assignment of its rights to receive shares of Hold-Back Stock to the extent and at such time as such shares are distributed to Clay Holding by the Escrow Agent, free of escrow; and

- (f) the parties shall perform all of the other obligations required to be performed by them hereunder on or before the Closing.

3.01 Preclosing Adjustment. The number of Shares to be

delivered by Top Air at Closing shall be adjusted upward to reflect one-half of the amount by which the Condemnation Award (excluding the Relocation Expense Award) exceeds the sum of Five Hundred Thousand Dollars (\$500,000.00) based on the Market Value of the Shares. By way of illustration only, if the Condemnation Award is \$550,000.00, and the Market Value of the Shares is \$1.00 per share, 25,000 additional shares be shall delivered by Top Air at Closing (\$50,000 times 1/2 divided by \$1.00 per share).

3.02 Hold Back. To secure the rights of Top Air under

Section 10.01 hereof, at the Closing, the shares of Hold-Back Stock shall be deposited with the Escrow Agent, together with separate stock powers endorsed in blank, to be held by the Escrow Agent pursuant to the terms of the Escrow Agreement to be executed by the parties hereto and the Escrow Agent.

IV. WARRANTIES AND REPRESENTATIONS OF CLAY COMPANIES.

Each of the Clay Companies, jointly and severally, hereby represent and warrant to, and covenant and agree with, Top Air as follows:

4.01 Organization and Standing of Clay Equipment. Clay

Equipment is a corporation duly organized, validly existing and is in good standing with respect to the conduct of the Business under the corporate and other laws of the State of Iowa and has all necessary power and authority to own its assets as now owned and to carry on its Business as now being conducted. Clay Equipment is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its Business or the ownership of its property requires Clay Equipment to be so qualified.

4.02 Organization and Standing of Clay Holding. Clay

Holding is a corporation duly organized, validly existing and is in good standing with respect to the conduct of its business under the corporate and other laws of the State of Iowa and has all necessary power and authority to own its assets as now owned and to carry on its business as now being conducted. Clay Holding is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or the ownership of property by Clay Holding requires it to be so qualified.

4.03 Authority. Clay Equipment and Clay Holding each has

full power and authority to enter into this Agreement and, subject to the obtaining of the approval of the Transaction by the ESOP Trustee, to consummate the transactions contemplated hereby, which have been duly authorized by all proper and necessary corporate and other action on the part of Clay Equipment and Clay Holding, and, subject to the obtaining of the approval of the ESOP Trustee, no

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further authorization, consent or approval of Clay Equipment, its board of directors, Clay Holding or its Board of Directors, or of any regulatory body or third party is required as a condition to the validity of this Agreement or to give effect to the transactions contemplated hereby. This Agreement constitutes a valid and binding agreement of each of the Clay Companies and is enforceable against them in accordance with its terms.

4.04 Good Title and Condition of Assets. Except for the

indebtedness of Clay Equipment to Mercantile Bank of Northern Iowa (the "Bank Debt") pursuant to three promissory notes numbered 9006, 9007 and GP-597,782 in the respective original principal amounts of \$485,000, \$450,000 and \$940,000 and the indebtedness of Clay Equipment to Black Hawk County Economic Development Committee, Inc. (the "County Debt") in the amount of \$50,000 and the indebtedness of Clay Equipment to the City pursuant to two promissory notes in the respective principal amounts of \$50,000 and \$90,000 (the "City Debt") (the Bank Debt, the County Debt and the City Debt are collectively referred to as the "Lender Debt"), all of which indebtedness is secured by the Assets (the "Lender Liens"), as more fully set forth in Schedule 4.04(a), Clay Equipment has good and

marketable title to and interest in all of the Transferred Assets. Except for the Lender Liens and those liens shown in Schedule

4.04(a), the Transferred Assets are free and clear of restrictions

on or conditions to transfer or assignment, and free and clear of all mortgages, conditional sales agreements, liens, pledges, charges, encumbrances, claims, security interests, easements, covenants, conditions or restrictions. At Closing, Clay Equipment shall convey to Top Air good and marketable title to and interests in the Transferred Assets, free and clear of all restrictions on or conditions to transfer or assignment, mortgages, conditional sales agreements, liens, pledges, charges, encumbrances, claims, security interests, easements, covenants, conditions and restrictions, except for the those liens shown on Schedule 4.04(a). Except as

listed on Schedule 4.04(a), all of the tangible personal property

constituting a part of the Transferred Assets is in good operating condition and repair, ordinary wear and tear excepted, and conforms to all applicable laws, ordinances and regulations. Schedule

4.04(b) sets forth the unpaid principal balance of the Bank Debt,

the County Debt and the City Debt as of March 31, 1995.

4.05 Financial Statements. The consolidated balance sheet

of the Clay Companies at December 31, 1994 and the income and expense statement for the year then ended, audited and reported upon the Accounting Firm, are attached hereto as Schedule 4.05 (the

"Financial Statements"). Clay Equipment has provided and will continue to provide Top Air with comparable financial statements for each calendar month concluding with the financial statement for the calendar month immediately preceding the Closing Date (the "Operating Reports"). Except as expressly stated on Schedule 4.05,

the Financial Statements and Operating Reports have been and will continue to be prepared in accordance with generally accepted

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accounting principles and practices consistently applied, are, and will continue to be, accurate and complete, and fairly represent and will continue to fairly represent the financial condition of the Clay Companies and the income, expenses and results of operations of the Clay Companies, for the time period(s) covered thereby, and do not, and will not, omit to state or reflect any material fact concerning the Clay Companies or the Business required to be stated or reflected therein or necessary to make the statements therein not misleading. Clay Equipment has no outstanding or potential unasserted claims, contingent obligations (whether as a guarantor, indemnitor, surety, accommodation party or otherwise), liability for taxes or forward or long-term commitments or obligations, except as set forth in the Financial Statements, the Operating Statements or as set forth in the Schedules to this Agreement.

4.06 Absence of Changes.

(a) Since December 31, 1994, there has not been
any:

(i) transaction by Clay Equipment except in the ordinary course of business as theretofore conducted;

(ii) adverse change in the financial condition, Assets, Business or prospects of Clay Equipment;

(iii) amendment or termination of any contract, agreement or license to which Clay Equipment is a party, except for the termination of contracts and agreements in the ordinary course of business, none of which are material, individually or in the aggregate, to the continued conduct of the Business of Clay Equipment as heretofore conducted;

(iv) mortgage, pledge or other encumbrance of, or the granting of any security interest or lien with respect to, any of the Assets; or

(v) any other event or condition of any character that has had or in the future may have a materially adverse affect on the financial condition, Business, Assets or prospects of Clay Equipment or the Business as heretofore conducted.

(b) Since December 31, 1994, Clay Equipment has not had any customer account to which Clay Equipment had sales in the Business in excess of \$50,000 during the year then ended which ceased doing business with Clay Equipment or advised Clay Equipment that it intended to cease doing business with Clay Equipment or substantially reduce the amount of business it does or proposes to do with Clay Equipment. There are no

bids currently outstanding to customers or proposed customers of Clay Equipment.

4.07 Payment of All Debts and Liabilities. On or prior to

the Closing Date, Clay Equipment shall have paid or provided for the payment of all accounts, debts, bills and liabilities of Clay Equipment which are or subsequent to the Closing could become a lien or encumbrance on or result in a security interest in the Transferred Assets or otherwise affect the use of the Transferred Assets subsequent to the Closing.

4.08 No Conflicting Agreements or Orders. There is no

provision of the Articles of Incorporation or By-laws of Clay Equipment or Clay Holding, or of any mortgage, indenture, lease, contract, security agreement, document, instrument, license or agreement binding on either of the Clay Companies or affecting their properties, or of any federal, state or local law, rule or

regulation, which conflicts with or in any way prevents or will be violated by the execution, delivery or carrying out of the terms of this Agreement, the consummation of the Transaction or the Distribution, nor will such execution, delivery or consummation constitute a default, or an event which with the giving of notice or the passage of time, or both, would constitute a default, under any of the foregoing, nor be the grounds for the suspension, revocation, impairment, forfeiture, nonrenewal or termination of any license, permit, franchise, certificate, consent or authorization. The execution, delivery or consummation of this Agreement will not constitute or result in: (a) the creation or imposition of a security interest in or any lien, charge or encumbrance on, or give to others any interest or right in or with respect to, any of the Transferred Assets, or (b) a complete or partial withdrawal from any employer or multi-employer/employee benefit plan under ERISA or any funding deficiency or lien under ERISA or any other law, rule or regulation against the Transferred Assets. Neither of the Clay Companies is subject to any order, writ, injunction, decree, judgment, award, determination, direction or demand of any court, arbitrator, or federal, state, municipal or other governmental department, bureau, agency or instrumentality which would be violated by the execution, delivery or carrying out of the terms of this Agreement, or the consummation of the Transaction or the Distribution.

4.09 Compliance. Except as set forth in Schedule 4.09, Clay

Equipment has conducted its Business and maintained its properties, including all owned real property and the real property covered by leases, in compliance with, and is not in violation of, applicable laws, rules, regulations and orders of federal, state and local governments and regulatory bodies (including, without limitation, any and all applicable building, zoning and licensing laws, ordinances, regulations or orders affecting the location, size and function of the Assets and all Environmental Laws). Clay Equipment has not received any claim or notice that Clay Equipment has not

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complied in all respects in the operation of its Business and related properties with such laws, rules and regulations. Clay Equipment has all licenses, permits and consents required to be obtained from federal, state, county or municipal authorities with respect to the ownership or use of the Assets or the operation of the Business or otherwise, a complete list of which is set forth in Schedule 4.09.

4.10 Litigation. Except as set forth in Schedule 4.10, no

suit, action, decree, arbitration or legal, administrative or other proceeding, controversy or investigation is pending or threatened against Clay Equipment, or which otherwise might materially affect the Business or financial condition of Clay Equipment or any of the Assets, Clay Equipment's right to transfer the same, the possession and use thereof or the operation by Top Air of a business similar to that heretofore conducted by Clay Equipment. To the knowledge of Clay Equipment, and except for the contemplated Condemnation Proceeding and without notice to the contrary, there is no basis for any such litigation, proceeding, controversy or investigation. Clay Equipment is not in default with respect to any order, writ, injunction or decree of any federal, state, local or foreign court, department, agency or instrumentality, nor has the time period of Clay Equipment's compliance with respect to any of the same been extended or stayed. Clay Equipment is not presently a party to any legal action to recover moneys due to Clay Equipment or damages sustained by Clay Equipment.

4.11 Condition of Clay Equipment. Since December 31, 1994,

Clay Equipment has kept its Business and its organization intact; has kept available the services of its principal managerial and supervisory employees and agents; has maintained the good will of its customers; and has conducted its Business in the same manner as it had been conducted prior to that date.

4.12 Employment Agreements. Except as disclosed on Schedule

4.12 hereof, Clay Equipment has not entered into, and has no
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obligation or liability with respect to, any employment or consulting agreement, executive compensation plan, collective bargaining agreement, deferred compensation agreement, bonus plan, employee pension plan or retirement plan, employee profit sharing plan, employee stock purchase or stock option plan, severance agreement or any other agreement or arrangement providing for remuneration or benefits to employees or their dependents.

4.13 Labor Relations. Clay Equipment has complied with all

applicable laws, rules and regulations relating to the employment of labor, including those relating to wages (including overtime), benefits (including vacation), hours, employee safety or other conditions of employment, collective bargaining and the withholding and payment of taxes. Clay Equipment has withheld all amounts required by law or agreement to be withheld from the wages or salaries of its employees, and is not liable for any arrears of

wages or any tax or penalties for failure to comply with the foregoing. Clay Equipment has paid over, and will pay over, to the appropriate governmental agencies or depositories, at the time or times required by law (without any extensions or stays), all "employment taxes" and "withholding taxes." There are no labor disputes, controversies, grievances, strikes, work slowdowns or stoppages, nor are there any proceedings before any court, governmental agency or arbitrator relating to such matters, including unfair labor practice claims, existing, pending or threatened against Clay Equipment or between Clay Equipment and any of its employees or any union representing or claiming to represent any such employees, and except as described in Schedule 4.10, no

 discharge has occurred which forms the basis for any claim of discrimination against Clay Equipment.

4.14 Taxes. Except as set forth in Schedule 4.14, Clay

 Holding has filed all federal, state and local tax returns and estimates required to be filed by Clay Holding, which returns were filed on a consolidated basis to include Clay Equipment within the times and in the manner prescribed by law. Clay Equipment has delivered to Top Air true and complete copies of the federal income tax returns of Clay Holding for the three (3) years ended December 31, 1992, 1993 and 1994 and the results of the most recent audit of Clay Holding's tax returns, if any, by the Internal Revenue Service and the State of Iowa. There are no pending audits with respect to such returns. No waiver or extension of any filing or payment date or of any statute of limitations with respect to taxes has been requested of or given by Clay Equipment or Clay Holding. No claims have been asserted or threatened for taxes against Clay Equipment, Clay Holding or the Transferred Assets. Clay Equipment and/or Clay Holding have accrued on their books and records all taxes, charges and assessments accruing on the Assets, the Business or the operation thereof which are presently payable. Except as set forth in Schedule 4.14, all taxes which are due and payable or will

 become due and payable by Clay Holding and by Clay Equipment prior to the Closing Date have been, or prior to the Closing Date will be, paid in full or fully provided for and will be paid by Clay Equipment or Clay Holding.

4.15 Name of Company. Clay Equipment is the sole legal

 owner of, and uses, those trade names listed on Schedule 4.15

 (collectively, the "Names"), and the use of the Names does not conflict with the rights of others. At Closing, Clay Equipment will assign each of the Names to Top Air. Clay Equipment agrees to change its name immediately following the Closing and thereafter

not to use the Name or any name similar to "Clay Equipment Corporation," and consents and agrees to the use of such name by Top Air or any affiliate of Top Air subsequent to the Closing.

4.16 Inventory. The inventories contained in the

Transferred Assets consist of items of a quality and quantity currently usable and saleable in the ordinary course of business.

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None of Clay Equipment's inventories are held by Clay Equipment on consignment from others.

4.17 Leases. Except as set forth on Schedule 4.17, no

personal or real property used by Clay Equipment in connection with the Business is held under any lease. Each of the leases identified on Schedule 4.17 is currently in full force and effect.

Neither Clay Equipment nor, to the knowledge of Clay Equipment and without notice to the contrary, any other party to such lease is in default, nor to the knowledge of Clay Equipment and without notice to the contrary has any event occurred, nor does any condition exist, which with the giving of notice or the passage of time, or both, would constitute a default thereunder.

4.18 Insurance. Clay Equipment has maintained and now

maintains (a) "all risk" insurance on the full fair market value of all of the Assets and on its Business, covering property damage by fire or other casualties, and (b) adequate insurance protection against all other liabilities, claims and risks against which it is customary to insure. Clay Equipment has included a true and correct copy of all such insurance policies in Schedule 4.18. All

such policies of insurance shall be in form and substance satisfactory to Top Air with insurers reasonably recognized as adequate by Top Air and all such policies shall be in such amounts as may be reasonably satisfactory to Top Air.

4.19 Other Contracts. Except as listed on Schedule 4.19,

Clay Equipment is not a party to, nor is the property of Clay Equipment bound by, any agreement not entered into in the ordinary course of business, any indenture, mortgage, deed of trust, lease or any other agreement between Clay Equipment and any third party relating to the Transferred Assets or the Business of Clay Equipment. There is no default of Clay Equipment or event that with notice or lapse of time, or both, would constitute a default

nor, to the knowledge of Clay Equipment any default or threatened default by any other party thereto, existing with respect to any of such agreements. Clay Equipment has received no notice that any party to any of such agreements intends to cancel or terminate any of such agreements or to exercise or not exercise any options under any of such agreements. Clay Equipment is not a party to, nor is Clay Equipment or the Assets bound by, any agreement that is materially adverse to the Assets or the business of Clay Equipment.

4.20 Documents. Clay Equipment has furnished to Top Air for

its examination: (a) copies of all agreements, policies, leases, and other instruments and documents listed on the Schedules attached hereto and (b) copies of all tax receipts (including receipts for the payment of sales taxes) for all taxes required to be paid by Clay Equipment for three (3) years prior to the Closing Date, each of which shall be in form and substance reasonably acceptable to Top Air.

4.21 Suppliers. Attached hereto as Schedule 4.21 is a list

of the suppliers of goods and services to Clay Equipment as of the date of this Agreement and for the year ended December 31, 1994.

4.22 Real Property. Schedule 4.22 contains a complete and

accurate legal description of each parcel of real property owned by or leased to Clay Equipment, including the Real Property. Clay Equipment does not own or lease any real property nor use any real property in the conduct of its Business other than the real property described in Schedule 4.22. The use of such property in

Clay Equipment's Business as heretofore used does not violate or encroach upon the rights of any other party.

4.23 Customers; Accounts Receivable.

(a) No customer of Clay Equipment accounted for more than 10% of Clay Equipment's sales during the 12 month period ended December 31, 1994. Clay Equipment has provided Top Air with a list of Clay Equipment's customers (the "Closing Customer List") and the amount of purchases of each of them for such period.

(b) Clay Equipment has delivered to Top Air a current aged list of unpaid accounts receivable owing to Clay

Equipment (the "Accounts Receivable Schedule"), and will deliver to Top Air, as of the close of business on the Balance Sheet Date (the "Closing Accounts Receivable") and as of the Closing Date, such updates of the Accounts Receivable Schedule and other information pertaining to the accounts receivable of Clay Equipment, certified as correct by Clay Equipment. The Accounts Receivable Schedule and any such updates thereto or other related information provided to Top Air set forth or will set forth a true and correct list of all Accounts Receivable as of the respective dates thereof. The Accounts Receivable are, and the Closing Accounts Receivable will be, legal, valid and binding claims, do not reflect any goods placed on a consignment or other basis whereby payment is conditional, and are and will be fully collectible in the ordinary course of business in accordance with their terms, without litigation or other collection expenses, within 180 days of the Closing Date at the full face value thereof, and are not subject to any counterclaim or right of set off.

4.24 ERISA.

(a) List of Plans. Set forth in Schedule 4.24

attached hereto is an accurate and complete list of all employee benefit plans ("Employee Benefit Plans") within the meaning of Section 3(3) of ERISA, whether or not any such Employee Benefit Plans are otherwise exempt from the provisions of ERISA, established, maintained or contributed to or by Clay Equipment or any of its subsidiaries (including,

for this purpose and for the purpose of all of the representations in this Section 4.24, all employers (whether or not incorporated) which by reason of common control are treated together with Clay Equipment, any of its subsidiaries and/or Clay Holding as a single employer within the meaning of Section 414 of the Code.

(b) Status of Plans. Neither Clay Holding nor any

of its subsidiaries maintain or contribute to any Employee Benefit Plan subject to ERISA which is not, or in the past has not been, in substantial compliance with ERISA, or which has incurred any accumulated funding deficiency within the meaning of Section 412 or Section 418B of the Code, or which has applied for or obtained a waiver from the Internal Revenue Service of any minimum funding requirement under Section 412 of the Code. Clay Equipment has not incurred any liability to

the Pension Benefit Guaranty Corporation ("PBGC") in connection with any Employee Benefit Plan covering any employees of Clay Equipment or any such subsidiaries, including any liability under Section 4069 of ERISA and any penalty imposed under Section 4071 of ERISA, or ceased operations at any facility or have withdrawn from any such plan in a manner which could subject it to liability under Sections 4063, 4064 or 4068(f) of ERISA, and know of no facts or circumstances which might give rise to any liability of Clay Equipment or any of its subsidiaries to the PBGC under Title IV of ERISA which could reasonably be anticipated to result in any claims being made against Top Air by the PBGC. Neither Clay Equipment nor any of its subsidiaries have incurred any withdrawal liability (including any contingent or secondary withdrawal liability) within the meaning of Sections 4201 and 4204 of ERISA, to any Employee Benefit Plan which is a "Multiemployer Plan" (as such term is defined in Section 4001(a)(3) of ERISA), and no event has occurred, and there exists no condition or set of circumstances, which presents a risk of the occurrence of any withdrawal from or the partition, termination, reorganization or insolvency of any Multiemployer Plan which could result in any liability to a Multiemployer Plan.

Clay Equipment does not maintain any Employee Benefit Plan which is a "Group Health Plan" (as such term is defined in Section 162(i)(3) of the Code) that has not been administered and operated in all material respects in compliance with the applicable requirements of Section 601 of ERISA and Section 162(k) of the Code and neither Clay Equipment nor any subsidiary are subject to any liability, including, but not limited to, additional contributions, fines, penalties or loss of tax deduction as a result of such administration and operation. Neither Clay Holding nor any of its subsidiaries maintain any Employee Benefit Plan (whether qualified or nonqualified within the meaning of Section 401(a)

of the Code) providing for retiree health and/or life benefits and having unfunded liabilities. Neither Clay Equipment nor any of its subsidiaries maintain any Employee Benefit Plan which is an "Employee Welfare Benefit Plan" (as such term is defined in Section 3(l) of ERISA) and have provided any benefit which is a "Disqualified Benefit" (as such term is defined in Section 4976(b) of the Code) for which an excise tax would be imposed.

(c) Contributions. Full payment has been made of

all amounts of which Clay Equipment is required to pay, under applicable law or under any Employee Benefit Plan or any agreement relating to any Employee Benefit Plan to which Clay Equipment is a party, to have paid as contributions thereto as of the last day of the most recent fiscal year of such Employee Benefit Plan ended prior to the date hereof. Clay Equipment has made adequate provision for reserves to meet contributions that have not been made because they are not yet due under the term, of any Employee Benefit Plan or related agreements. Benefits under all Employee Benefit Plans are as represented and have not been increased subsequent to the date as of which documents have been provided.

(d) Relationship of Accrued Benefits to Pension

Plan Assets. As of the date of this Agreement (i) neither

Clay Equipment nor Clay Holding maintains any Employee Benefit Plans which are subject to Title IV of ERISA and which are "Single Employer Plans" (as such term is defined in Section 4001(a)(15) of ERISA); and (ii) using actuarial assumptions and computation methods consistent with subpart 1 of subtitle E of Title IV of ERISA, the aggregate liabilities of Clay Equipment and its subsidiaries to all such Employee Benefit Plans which are Multiemployer Plans in the event of a complete withdrawal therefrom, as of the close of the most recent fiscal year of each Multiemployer Plan ended prior to the date hereof, would not exceed \$50,000. There has been no material change in the financial condition of any Multiemployer Plan or in any such actuarial assumption or computation method or in benefits under any Multiemployer Plan as a result of collective bargaining or otherwise since the close of each such fiscal year which, individually or in the aggregate, would materially increase such liability.

(e) Tax Qualification. Each Employee Benefit Plan

intended to be qualified under section 401(a) of the Code has been determined to be so qualified by the Internal Revenue Service and nothing has occurred since the date of the last such determination which resulted or is likely to result in the revocation of such determination.

(f) Compliance with Tax Reform Act of 1986. Clay

Holding and each of its subsidiaries have adopted on a timely

basis all amendments to Employee Benefit Plans which are

required by the Tax Reform Act of 1986 and all regulations promulgated under the Code.

(g) Transactions. No "Reportable Event" (as such

term is defined in Section 4043 of ERISA) for which the 30-day notice requirement has not been waived by the PBGC has occurred with respect to any Employee Benefit Plan and neither Clay Equipment nor any of its subsidiaries have engaged in any transaction with respect to the Employee Benefit Plans which would subject it to a tax, penalty or liability for prohibited transactions under ERISA or the Code nor have any of their respective directors, officers or employees to the extent they or any of them are fiduciaries with respect to such plans, breached any of their responsibilities or obligations imposed upon fiduciaries under Title I of ERISA or would result in any claim being made under or by or on behalf of any such plans by any party with standing to make such claim.

(h) Triggering Events. Except as set forth in

Schedule 4.24, the execution of, and consummation of the transactions contemplated by, this Agreement do not constitute a triggering event under any Benefit Plan, policy, arrangement, statement, commitment or agreement, whether or not legally enforceable, which (either alone or upon the occurrence of any additional or subsequent event) will or may result in any payment (whether of severance pay or otherwise), acceleration, vesting or increase in benefits to any employee or former employee or director of Clay Equipment or any of its subsidiaries.

(i) Other Plans. Clay Equipment does not presently

maintain any employee benefit plan or any other foreign pension, welfare or retirement benefit, plan other than those listed in Schedule 4.24. Any foreign pension, welfare or

retirement benefit plans listed in Schedule 4.24 are in

compliance with applicable law.

(j) Documents. Clay Holding and Clay Equipment

have delivered or caused to be delivered to Top Air and its counsel true and complete copies of (i) all Employee Benefit Plans as in effect, together with all amendments thereto which will become effective at a later date, as well as the latest Internal Revenue Service determination letter obtained with respect to any such Employee Benefit Plan qualified under Section 401(a) or tax-exempt under Section 501(a) of the Code

and (ii) Form 5500 for the most recent completed fiscal year for each Employee Benefit Plan required to file such form.

4.25 Environmental.

(a) The operations and activities of Clay Equipment comply, and have in the past complied, in all respects, with all Environmental Laws and Regulations. There are no pending or currently proposed changes to any Environmental Laws and Regulations which, when implemented or effective, would have a material adverse effect on the operations of Clay Equipment or the Business.

(b) Clay Equipment has obtained and is and has been in full compliance with all requirements, permits, licenses and other authorizations which are required with respect to Clay Equipment's operations, as well as the transactions contemplated hereby under all Environmental Laws and Regulations. Schedule 4.25 lists each such permit, license or

other authorization. There are no other such permits, licenses or other authorizations which are required by any Environmental Laws and Regulations to be obtained after the Closing.

(c) There is no civil, criminal, administrative or other action, suit, demand, claim, hearing, notice of violation, proceeding, investigation, notice or demand pending, received, or, to the knowledge of Clay Equipment, threatened against Clay Equipment relating in any way to any Environmental Laws and Regulations except as shown in Schedule

4.25.

(d) Except as shown in Schedule 4.25, Clay

Equipment has not caused or experienced any past or present events, conditions, circumstances, plans or other matters which: (i) are not in compliance with all Environmental Laws and Regulations; (ii) may give rise to any statutory, common law, or other legal liability, or otherwise form the basis of any material claim, action, demand, suit, proceeding, hearing, notice of violation or investigation based on or relating to Hazardous Materials including, without limitation, such matters relating to any property owned, leased or utilized by Clay Equipment; (iii) arise from inventory of or waste from

Hazardous Materials; or (iv) arise from any off-site disposal, release or threatened release of Hazardous Materials.

(e) No asbestos, polychlorinated biphenyls or lead-based paints are on the Real Property or any other real property or in any building owned, operated, leased or utilized by Clay Equipment except as shown in Schedule 4.25.

(f) No past or present employee of Clay Equipment has been exposed to any Hazardous Material owned, produced or utilized except as is anticipated in the normal operation of the Clay Equipment.

(g) Except as shown in Schedule 4.25, Clay

Equipment, has not received any notice or indication from any governmental agency or private or public entity advising it that it is or may be responsible for any investigation or response costs with respect to a release, threatened release or cleanup of chemicals or materials produced by, used, stored, treated, or resulting from any business, commercial or industrial activities, operations or processes, including, without limitation, any Hazardous Materials. Clay Equipment is not aware of any facts which might give rise to such notice.

(h) Except as shown in Schedule 4.25, no

underground tanks, piping or subsurface structures of any type exist or have existed on any real property now or previously owned, operated, leased or utilized by Clay Equipment.

(i) Schedule 4.25 contains a complete description

of all environmental investigations, assessments, audits, studies, tests and related materials in possession of Clay Equipment, or known to Clay Equipment to exist, which relate to the current or prior operations of Clay Equipment or any real property now or previously owned, operated or utilized by Clay Equipment and Clay Equipment has delivered to Top Air copies of all of the above.

4.26 ESOP Participant. Schedule 4.26 contains the name of

each Plan Participant as of the date hereof (whether or not currently employed by either of the Clay Companies) and indicates

as to each Plan Participant the number of shares of Clay Holding common stock allocated to such Plan Participant and the state in which such Plan Participant resides.

4.27 No Misrepresentation. No representation or warranty

made by either Clay Equipment or Clay Holding in this Agreement or any Schedule hereto contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary to make the statements contained herein and therein not misleading.

V. REPRESENTATIONS AND WARRANTIES OF TOP AIR.

Top Air hereby represents and warrants to, and covenants and agrees with, each of the Clay Companies as follows:

5.01 Organization and Standing of Top Air. Top Air is an

Iowa corporation, validly existing and in good standing under the laws of the State of Iowa.

5.02 Binding Agreement. This Agreement constitutes, and

each other instrument to be executed and delivered by Top Air in accordance herewith will constitute, when executed and delivered

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pursuant hereto, the valid and legally binding obligations of Top Air.

5.03 Agreement Within Authority. The execution and delivery

of this Agreement by Top Air, the consummation of the transactions contemplated hereunder and the performance by Top Air of this Agreement and the agreements and instruments which are executed and delivered in connection herewith in accordance with each of their terms will not (a) violate the Articles of Incorporation or Bylaws of Top Air, or (b) violate any judgment, order, writ, injunction, decree or demand against Top Air of any court or federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality.

5.04 No Conflicting Agreements or Orders. No approval or

consent of any foreign, federal, state, county, local or other governmental or regulatory body is required as a condition to the validity of this Agreement or to give effect to the transactions

contemplated hereby.

5.05 Corporate Action. The execution and delivery of this

Agreement by Top Air and the performance of all acts contemplated to be performed by it hereunder have been duly authorized by all necessary corporate action. Top Air has duly executed and delivered this Agreement and the agreements or instruments which are executed in connection herewith.

5.06 No Conflict. The execution and delivery of this

Agreement and each other instrument to be executed by Top Air in accordance herewith and the consummation of the transactions contemplated herein by Top Air will not conflict or be inconsistent with or result in the termination of or constitute a breach of or default under the terms of any indenture, mortgage, deed of trust, covenant, agreement or other instrument to which Top Air is a party or to which its property is subject.

5.07 No Misrepresentation. No representation or warranty

made by Top Air in this Agreement or any Exhibit or Schedule hereto contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary to make the statements contained herein and therein not misleading.

5.08 Shares Validly Issued. The Shares, when issued

pursuant to and as contemplated by the Agreement in exchange for the Transferred Assets, will be validly issued, fully paid and nonassessable, and free and clear of all liens, encumbrances and restrictions, except as contemplated herein.

VI. COVENANTS OF TOP AIR.

6.01 Information. In the event the Transaction is not

consummated for any reason, all copies of non-public proprietary

documents and information provided to Top Air by Clay Equipment or Clay Holding hereunder shall be returned to Clay Equipment by Top Air, and Top Air shall maintain the same in confidence and shall not disclose or utilize the same except with the consent, or for the benefit, of Clay Equipment.

6.02 Satisfaction of Assumed Liabilities. After Closing,

Top Air shall pay, perform and discharge, and shall indemnify Clay Equipment with respect to, the Assumed Liabilities and shall promptly pay any amount thereof determined to be due. Top Air, however, shall have the right to contest in good faith any of such Assumed Liabilities, and Clay Equipment shall cooperate fully with Top Air in connection with any such contest. In the event that Top Air does so contest any of the Assumed Liabilities, Top Air will bear the cost, expense and liability reasonably incurred by Clay Equipment in connection therewith, including but not limited to reasonable attorneys' fees.

6.03 Recognition of Collective Bargaining Unit. After

Closing, Top Air covenants and agrees to recognize Local 1728 of the International Association of Machinists and Aerospace Workers as the Bargaining Agent of the same group of employees who are presently included in the Bargaining Unit of Clay Equipment.

6.04 Credit for Prior Service. After Closing, Top Air

covenants and agrees with respect to employees of Clay Equipment employed by Top Air to recognize service with Clay Equipment for purposes of participation, vesting and for all other purposes under Top Air employee benefit plans.

6.05 Rollover of 401(k) Accounts. After Closing, Top Air

covenants and agrees that all employees of Clay Equipment who have accounts in the Clay Equipment Corporation 401(k) Plan will be given the opportunity to roll their accounts into the Top Air Manufacturing 401(k) Plan.

VII. COVENANTS OF CLAY COMPANIES PENDING CLOSING.

Pending Closing, each of the Clay Companies, jointly and severally, covenant and agree as follows:

7.01 Access to Information. Top Air and its counsel,

accountants and other representatives shall have full access during normal business hours to all properties, books, accounts, records, agreements and documents of or relating to the Business. Clay Equipment shall furnish or cause to be furnished to Top Air and its counsel, accountants and representatives all data and information concerning the operations, finances and assets of Clay Equipment requested by Top Air, including, without limitation, the updating of any of the Schedules attached hereto.

7.02 Maintain Properties. Clay Equipment shall maintain the

Assets on a current basis and in customary repair, order and condition.

7.03 Maintain Organization. Clay Equipment shall keep its

organization intact, keep available the services of its employees and maintain the relationship and goodwill of its customers.

7.04 Regular Course of Business. Clay Equipment shall not,

without the prior written consent of Top Air, purchase, sell or otherwise dispose of any property or assets, or incur any liability, obligation or commitment or engage in any activity or transaction, except in the regular and customary course of business.

7.05 Insurance. Clay Equipment shall cause its policies of

insurance relating to the Business and the Assets of Clay Equipment to continue to be kept in full force and effect and will refrain from taking any action which impairs the continued insurability of the Transferred Assets or the Business.

7.06 Employees. Without the prior written consent of Top

Air, Clay Equipment will not, and will not agree to, enter into or amend any representation, employment or compensation agreement or grant any increase or change in the salaries or other compensation or benefits payable or to become payable by Clay Equipment to any officer, employee, sales agent or representative of Clay Equipment.

7.07 Business Changes. Clay Equipment will not do or agree

to do any of the following without the prior written consent of Top Air:

(a) Enter into any contract, commitment or transaction not in the usual and ordinary course of Clay Equipment's Business as heretofore conducted;

(b) Make any material capital expenditure; or

(c) Agree to, modify, amend, cancel or terminate any of its existing contracts or agreements.

7.08 Consents. As soon as reasonably practical after the

execution and delivery of this Agreement, and in any event on or before the Closing Date, Clay Equipment will obtain the written consent of all persons whose consent to the execution of, and closing of the transactions contemplated by, this Agreement is required, in form and substance acceptable to Top Air; and Clay Equipment will furnish Top Air original executed copies of such consents as they are obtained.

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7.09 Environmental Audit.

(a) Clay Equipment, at its sole cost, shall cause to be performed a phase 1 environmental audit and such additional environmental audits as indicated by the phase 1 audit as being necessary and appropriate (collectively, "Audits") of the Business and Real Property. In the course of the Audits, Top Air shall conduct such due diligence inquiries, which it deems necessary to satisfy itself regarding the environmental conditions of Clay Equipment's operations and facilities. Clay Equipment shall allow Top Air access to Clay Equipment's facilities, files and personnel and will cooperate fully with Top Air in regard to Top Air's environmental inquiries.

(b) All environmental information, data, results, audits, studies, reports, and plans, including but not limited to the Audits, and any drafts thereof, shall be held in strictest confidence by the parties, their affiliates, partners, employees, officers, directors, agents, and contractors, and shall not be released or disclosed without the prior written consent of Clay Equipment.

VIII. CONDITIONS PRECEDENT TO OBLIGATIONS OF TOP AIR.

The obligations of Top Air hereunder are subject to fulfillment (or waiver by Top Air), prior to or on the Closing Date, of the following conditions:

8.01 No Adverse Change. There shall have been no adverse

change in or loss or damage to the Transferred Assets or the Business of Clay Equipment as heretofore conducted.

8.02 Representations, Warranties and Agreements of Clay

Equipment. The representations, warranties, covenants and

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agreements of Clay Equipment and Clay Holding herein shall be true and not breached as of the Closing Date, with the same effect as though such representations, warranties, covenants and agreements had been repeated by Clay Equipment and Clay Holding as of the Closing Date, and all of the obligations of Clay Equipment and Clay Holding hereunder shall have been duly performed.

8.03 Opinion of Counsel. Top Air shall have received the

favorable opinion of counsel for the Clay Companies, dated as of the Closing Date, in the form of Schedule 8.03 and otherwise in

form and substance reasonably satisfactory to Top Air and Top Air's counsel. In rendering such opinion, counsel for the Clay Companies may rely on written certificates of the chief executive officer or the chief financial officer of Clay Equipment and Clay Holding and appropriate public officials as to factual matters, provided a copy thereof is attached to and forms a part of the opinion of counsel

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with the knowledge and consent of the chief executive officer or the chief financial officer of Clay Equipment and/or Clay Holding.

8.04 Absence of Litigation. No action, suit or proceeding

before any court or any governmental body or authority pertaining to the Transaction or Distribution or to their consummation or to the Assets or the Business of Clay Equipment shall have been instituted or threatened on or before the Closing Date except as detailed in Schedule 4.10.

8.05 Corporate Approval. The execution and delivery of this

Agreement by Clay Equipment and Clay Holding and the performance of their respective covenants and obligations under it, shall have been duly authorized by all necessary corporate and other action of Clay Equipment and Clay Holding, and the ESOP Trustee shall have approved the Transaction by voting a majority of the outstanding shares of Clay Holding common stock in favor thereof, and Top Air shall have received copies of all resolutions pertaining to such authorization and approval, certified by the Secretary of Clay Equipment, the secretary of Clay Holding and the ESOP Trustee.

8.06 Consents. All necessary agreements, approvals and

consents (including, without limitation, the approval of the ESOP Trustee) of any parties to the consummation of the Transaction and

other transactions by the Clay Companies contemplated by this Agreement, the Distribution or otherwise pertaining to the related matters covered by this Agreement related to the Clay Companies, shall have been obtained by the Clay Companies and delivered to Top Air.

8.07 Officers' Certificate. Top Air shall have received a

certificate, dated the Closing Date, signed and verified by the Chief Executive Officer and Chief Financial Officer of each of Clay Equipment and Clay Holding certifying, in the form of Schedule 8.07

hereto, that the conditions specified in this Article VIII have been fulfilled.

8.08 Approval of Documents. The form and substance of all

certificates, instruments, opinions and other documents delivered to Top Air under this Agreement shall be satisfactory to Top Air and its counsel.

8.09 Casualty Loss. The Business shall not have been

curtailed or interrupted by, and the Transferred Assets shall not have been affected by, any loss, destruction or damage due to fire or other casualty unless, if any such destruction or damage shall have occurred, Top Air shall have determined that such loss, destruction or damage is not of such nature as to curtail or interrupt the Business of Clay Equipment or determined that available insurance proceeds are sufficient to repair or replace any damaged or lost Transferred Assets and Clay Equipment shall

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have assigned the proceeds of any such insurance to Top Air, which Clay Equipment agrees to do upon the request of Top Air.

8.10 Satisfactory Review of Clay Equipment's Business and

the Assets; Inspections. Top Air shall have been given access to

and been permitted to review the Assets, the Business of Clay Equipment and such other information as shall have been requested by Top Air, and Top Air shall be satisfied, in its sole discretion, with the physical, operating and financial condition of the Assets and the Business of Clay Equipment.

8.11 Dissenters' Rights. No person entitled to appraisal or

dissenters' rights shall have asserted such rights.

8.12 Temporary Lease of Real Property. Clay Equipment shall

have entered into a lease agreement with Top Air for the occupancy by Top Air of the Real Property in order for Top Air to operate the Transferred Assets pending occupancy of the New Facility.

8.13 Evidence of Condemnation Award. If not received prior

to Closing, Clay Equipment shall have delivered to Top Air evidence satisfactory to Top Air of the agreement and obligation of the City with respect to the amount and payment of the Condemnation Award in an amount of not less than \$500,000.

8.14 Evidence of New Plant Lease. Clay Equipment shall have

delivered to Top Air evidence satisfactory to Top Air of the commitment of the City and/or other governmental authority to build the New Facility and to enter into a lease of the New Facility with Top Air, all on terms and conditions satisfactory to Top Air.

8.15 Refinancing of Lender Debt. Top Air shall have secured

the binding commitment of a financial institution to refinance the Lender Debt on terms satisfactory to Top Air.

8.16 Minimum Equity. The stockholder's equity, as shown on

the Closing Balance Sheet and determined in accordance with Section 15.20, is not less than the Minimum Equity.

8.17 Environmental Audit. Top Air shall have received

delivery of the Audits described in Section 7.09, and in its sole and exclusive judgment, the information revealed by the Audits satisfies Top Air that the use or condition of the Real Property or the Assets poses no material health or safety hazard, or that the actual or potential financial exposure for clean up or other remedial costs would not be material, regardless of who would be responsible for such hazards or the cleanup and other costs.

8.18 Approval by ESOP Trustee. Top Air shall have been

advised by the ESOP Trustee to the effect that all of the matters referred to in Section 9.08 have occurred.

8.19 Roll-Over of Shares. Plan Participants entitled to the

distribution of more than ten percent (10%) of the Shares shall have failed to direct the ESOP Trustee as described in Section 11.01(a)(i).

8.20 Accountants' Letter. Top Air shall have obtained the

advice in writing of the Accounting Firm that the Transaction shall be accounted for as a purchase transaction, which advice shall not have been withdrawn as of the Closing Date.

IX. CONDITIONS PRECEDENT TO OBLIGATIONS OF CLAY EQUIPMENT.

The obligations of Clay Equipment hereunder are conditioned upon the fulfillment (or waiver by Clay Equipment), prior to or at the Closing Date, of the following:

9.01 Representations, Warranties and Agreements of Top Air.

The representations, warranties, covenants and agreements of Top Air contained herein shall be true and not breached at and as of the Closing Date, with the same effect as though such representations, warranties, covenants and agreements had been repeated by Top Air at and as of such time, and all of the obligations of Top Air hereunder shall have been duly performed.

9.02 Opinion of Counsel. Clay Equipment shall have received

the favorable opinion of counsel for Top Air, dated as of the Closing Date, in the form of Schedule 9.02 and otherwise in form

and substance satisfactory to Clay Equipment and Clay Equipment's counsel. In rendering their opinion, counsel for Top Air may rely on written certificates of the officers of Top Air and appropriate public officials as to factual matters, provided a copy thereof is attached to and forms a part of the opinion of Top Air's counsel with the knowledge and consent of such officers.

9.03 Performance of Assumed Liabilities. Top Air shall have

assumed and agreed to perform the Assumed Liabilities from and after the Closing Date, as provided in Sections 2.03, 2.04 and 6.02.

9.04 Corporate Approval. The execution and delivery of this

Agreement by Top Air and the performance of Top Air's respective covenants and obligations under it, shall have been duly authorized by all necessary corporate and other action of Top Air, and Clay Equipment shall have received copies of all resolutions pertaining

to such authorization, certified by the Secretary of Top Air.

9.05 Consents. All necessary agreements and consents of any

parties to the consummation of the transactions by Top Air contemplated by this Agreement, or otherwise pertaining to the matters covered by it, shall have been obtained by Top Air and delivered to Clay Equipment.

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9.06 Top Air's Certificate. Clay Equipment shall have

received a certificate, dated the Closing Date, signed and verified by Top Air's chief executive officer and chief financial officer certifying, in the form of Schedule 9.06 hereto, that the

conditions specified in this Article IX (except for Section 9.08) have been fulfilled.

9.07 Approval of Documents. The form and substance of all

certificates, instruments, opinions and other documents delivered to Clay Equipment under this Agreement shall be satisfactory to Clay Equipment and its counsel.

9.08 Approval by ESOP Trustee. Clay Equipment shall have

been advised in writing by the ESOP Trustee that (i) the Proxy Material was mailed to all ESOP Participants at least ten days prior to the Special Meeting, (ii) the Special Meeting was duly held, (iii) pursuant to the Special Meeting, the ESOP Trustee was directed to vote in excess of a majority of the allocated shares held by the ESOP in favor of the transactions contemplated hereunder, (iv) the ESOP Trustee has voted a majority of the outstanding shares of the Clay Holding common stock in favor of and for the approval of the Transaction, and (v) as a result of the foregoing, the Transaction has been approved by the shareholders of Clay Holding.

9.09 Registration of Shares. The Registration Statement

shall have been declared effective by the Securities and Exchange Commission and no stop order shall be in effect.

X. INDEMNIFICATION

This Article sets forth the respects in which Top Air shall be

indemnified by the Clay Companies in the event Top Air shall become obligated or liable for, or shall discharge, obligations or liabilities of Clay Equipment and/or in the event of any misrepresentation or breach of warranty or agreement on the part of either of the Clay Companies hereunder, and the respects in which Clay Equipment shall be indemnified by Top Air in the event Clay Equipment shall become obligated for, or shall discharge, any liabilities of Top Air in the event of any misrepresentations or breach of warranty or agreement on the part of Top Air hereunder.

10.01 Indemnification of Top Air by the Clay Companies.

(a) Representations, Warranties, Covenants and

Agreements. Each of the Clay Companies, jointly and

severally, agree to indemnify Top Air and hold Top Air harmless against any and all loss, liability, damage, claim, cost and expense of any nature whatsoever, including, without limitation, attorneys' fees, arising from or in connection with any representation or warranty made by either of the Clay Companies not being complete, accurate and true at the date of

this Agreement and on the Closing Date or the failure by either of the Clay Companies to fulfill and fully perform each covenant or agreement on the part of either of the Clay Companies under this Agreement or under any other instrument or document executed and delivered by either of the Clay Companies in connection with the transactions contemplated hereby, as any of the same may be amended from time to time.

(b) Failure to Discharge Liabilities. Each of the Clay

Companies, jointly and severally, agree to indemnify Top Air and hold Top Air harmless against any and all loss, liability, damage, claim, cost and expense of any nature whatsoever, including, without limitation, attorneys' fees, arising from or in connection with: (i) any transferee liability law (other than the unemployment compensation experience rating of former employees of either of the Clay Companies), (ii) any payment or performance made by Top Air to any third party in order to perform or discharge fully or partially any liability or obligation of Clay Equipment (except for the Assumed Liabilities), which Top Air shall have the option or be required to do, (iii) any judgment or other circumstances pursuant to which Top Air may be held liable or accountable for, or the Transferred Assets to be acquired hereunder may be

charged in respect of, any liability or obligation of Clay Equipment other than the Assumed Liabilities, (iv) the presence of contaminants, pollutants and other harmful substances in the premises subject to any lease or occupancy assumed by Top Air hereunder, and (v) the noncompliance by Clay Equipment with any Environmental Laws.

(c) Remedies Not Exclusive. The rights and remedies of

Top Air provided for in this Article or otherwise in this Agreement shall be deemed to be cumulative and in addition to and not in limitation or exclusion of all other rights and remedies, whether by terms of other provisions of this Agreement or at law or in equity or otherwise, which may exist on the part of Top Air by reason of any misrepresentation or breach of warranty, covenant or agreement on the part of Clay Equipment or Clay Holding. Such rights and remedies shall be cumulative and may be exercised at any time or from time to time, and any failure or delay of Top Air in exercising any right or remedy at any time shall not constitute a waiver thereof or restrict its subsequent enforcement or the enforcement of any other right or remedy of Top Air. In addition to any other rights and remedies of Top Air hereunder or otherwise, any amounts due and payable to Top Air by reason of the obligations of Clay Equipment and/or Clay Holding to indemnify Top Air and hold Top Air harmless hereunder shall be subject to a right of setoff and reduction on the part of Top Air against any amounts due and payable by Top Air to Clay Equipment hereunder or under any other agreement, at the discretion and designation of Top Air, in whole or in part.

10.02 Indemnification of Clay Equipment by Top Air.

(a) Representations, Warranties, Covenants and

Agreements. Top Air agrees to indemnify Clay Equipment and

hold Clay Equipment harmless against any and all loss, liability, damage, claim, cost and expense of any nature whatsoever, including, without limitation, attorneys' fees, arising from or in connection with any representation or warranty made by Top Air not being complete, accurate and true at the date of this Agreement and on the Closing Date or the failure by Top Air to fulfill and fully perform each covenant or agreement on the part of Top Air under this Agreement (including, but not limited to, Top Air's failure to discharge

the Assumed Liabilities as and when they become due) or under any other instrument or document executed and delivered by Top Air in connection with the transactions contemplated hereby, as any of the same may be amended from time to time.

(b) Remedies Not Exclusive. The rights and remedies of

Clay Equipment provided for in this Article or otherwise in this Agreement shall be cumulative and in addition to and not in limitation or exclusion of all other rights and remedies, whether by the terms of other provisions of this agreement or at law or in equity or otherwise, which may exist on the part of Clay Equipment by reason of any misrepresentation or breach of warranty, covenant or agreement on the part of Top Air hereunder. Such rights or remedies may be exercised at any time or from time to time, and any failure or delay of Clay Equipment in exercising any right or remedy at any time shall not constitute a waiver thereof or restrict its subsequent enforcement or the enforcement of any other right or remedy of Clay Equipment.

10.03 Notice to Indemnifying Party. In the event that any

party may be entitled to, or intends to assert a claim for, indemnification hereunder, not later than thirty (30) days after actual notice of any claim or the filing of any action giving rise to such claim for indemnification, the indemnified party will, if a claim in respect thereof is to be made against another party or parties hereto, notify the indemnifying party or parties thereof. In case any action is threatened or brought against any indemnified party, and it notifies the indemnifying party or parties thereof, the indemnifying party or parties will be entitled to participate in or assume the defense thereof with counsel reasonably satisfactory to such indemnified party and, after notice of its election to assume the defense thereof, the indemnifying party or parties will no longer be liable for any legal or other expense subsequently incurred by the indemnified party in connection with the defense thereof; provided, however, that the indemnified party shall be entitled at all times to participate in the defense of any such action at its own cost.

XI. AMENDMENT AND TERMINATION OF THE ESOP.

To effect the Distribution, the Clay Companies will cause the ESOP to be amended and, contemporaneously with the Closing, to be terminated and, subject to Section 3.02, the Shares to be

distributed to the Plan Participants, all in accordance with this Article XI.

11.01 Amendment to ESOP. At or prior to Closing, the Clay

Companies will cause the ESOP to be amended so as to provide that upon the termination thereof: (a) with respect to each Plan Participant entitled to distribution of the ESOP assets, including the Shares (initially consisting of the Non-Hold-Back Stock), such Plan Participant shall either (i) direct the ESOP Trustee in writing to distribute or "roll-over" his or her ESOP assets to an "Eligible Retirement Plan" (as defined in Section 402(c)(8)(B) of the Code), or (ii) make payment to the ESOP Trustee of the amount required to be withheld for federal tax purposes in respect of the ESOP assets being distributed to such Plan Participant (currently, 20% of the value of such ESOP assets); (b) for a period of one year following the Closing Date, none of the Shares distributed to a Plan Participant or his or her Eligible Retirement Plan will be transferable or assignable without the prior written consent of Top Air, except by operation of law, in which case such transfer or assignment shall not affect the restrictions of this clause (b) on such Shares in the hands of the transferee or assignee, who will hold such Shares subject to such restrictions and the certificates evidencing the Shares will contain an appropriate legend thereon, and (c) such other amendments reasonably deemed necessary by Top Air in order to carry out the intent of this Article XI.

11.02 Termination of the ESOP. On or before the Closing, the

Clay Companies will cause the ESOP to be terminated. In addition to the distribution of the Non-Hold-Back Stock and other ESOP assets, if any, pursuant to Section 11.01(a), the ESOP will assign its rights to the Plan Participants with respect to the Hold-Back Stock so as to require the ESOP to distribute all shares of Hold-Back Stock in accordance with Section 11.01(a) when, and to the extent, received by it pursuant to the Distribution.

XII. SPECIAL MEETING OF STOCKHOLDERS.

In order to satisfy the condition to Closing that the Transaction be approved by the ESOP Trustee, the Special Meeting will be held pursuant to this Article XII.

12.01 Preparation of Proxy Materials. Promptly following the

execution of this Agreement, Top Air, with the assistance of the Clay Companies, shall prepare the Proxy Materials which will constitute the prospectus of Top Air and the proxy or information statement of Clay Holding included in the Registration Statement.

12.02 The Holding of the Special Meeting. Upon the

effectiveness of the Registration Statement, Clay Holding shall mail or cause to be mailed the Proxy Material to the ESOP Trustee and each of the Plan Participants at least ten days prior to the date of the Special Meeting, and shall cause the Special Meeting to be duly held and a vote taken thereat for the approval of the Transaction. The Board of Directors of Clay Holding shall recommend the approval of the Transaction and shall use its best efforts to obtain such approval. Clay Holding shall not permit any matter to be submitted for shareholder action at the Special Meeting, other than as contemplated hereunder, without the prior written consent of Top Air.

XIII. REGISTRATION STATEMENT.

13.01 Preparation and Filing of Registration Statement.

Promptly after the execution hereof, Top Air shall prepare and file as soon as reasonably practicable with the Securities and Exchange Commission a Registration Statement on Form S-4 (the "Registration Statement") for the registration of the Shares under the Securities Act in connection with the Transaction and the Distribution.

13.02 Blue Sky Requirements. Top Air shall take any action

required to be taken under any applicable state Blue Sky or securities laws in connection with the issuance of the Shares and the Distribution thereof.

XIX. CLOSING AND RISK OF LOSS.

14.01 Place and Time. The Closing shall take place on the

Closing Date at the offices of Top Air, 406 Highway 20 and Dudley Road, Parkersburg, Iowa 50665, or at such other place as may be agreed upon by Top Air and Clay Equipment.

14.02 Risk of Loss. The entire risk of loss with respect to

the Transferred Assets will remain on Clay Equipment until the transactions contemplated hereby are closed.

14.03 Simultaneous Performance. None of the transactions

described in Article II will occur unless all such transactions occur.

14.04 Transfer of Possession. Possession of the Transferred

Assets shall be delivered to Top Air at Closing.

XV. MISCELLANEOUS.

15.01 No Commission. All negotiations on behalf of Clay

Equipment and Top Air, respectively, relative to this Agreement and the transactions contemplated hereby have been carried on by Clay Equipment and Top Air directly between Clay Equipment and Top Air and without the intervention of any third party, either as the

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result of any action of Clay Equipment or Top Air, or otherwise, to the knowledge of Clay Equipment or Top Air, in such manner as to give rise to any valid claim against Clay Equipment or Top Air for a finders' fee, brokerage commission or other like payment.

15.02 Survival of Representations and Warranties. The

representations and warranties of Top Air and the Clay Companies, respectively, contained herein shall survive the Closing, regardless of any investigations made by or on behalf of or any disclosure to Top Air or Clay Equipment, for two (2) years following the Closing Date.

15.03 Change of Name. Immediately following the Closing,

Clay Equipment shall change its name to a name other than Clay Equipment Corporation or any portion thereof or any name similar thereto.

15.04 Incorporation of Schedules. The Schedules hereto shall

be deemed to be incorporated in and form a part of this Agreement.

15.05 Further Assurances. Each of the parties agrees to do,

execute, acknowledge and deliver, and cause to be done, executed, acknowledged and delivered, all such further acts, assignments, transfers, instruments, documents, deeds and assurances as shall be required in order to carry out this Agreement and give effect hereto.

15.06 No Assumption of Clay Equipment's Liabilities. EXCEPT

FOR THE ASSUMED LIABILITIES, TOP AIR DOES NOT HEREBY, OR OTHERWISE,
ASSUME OR AGREE TO DISCHARGE OR PERFORM ANY LIABILITY OR OBLIGATION
OF CLAY EQUIPMENT, AND NO SUCH ASSUMPTION OF ANY LIABILITY OF CLAY
EQUIPMENT SHALL ACCRUE TO TOP AIR BY OPERATION OF LAW OR OTHERWISE.

15.07 Transfer Taxes. All sales, transfer, excise and other

taxes, if any, payable by reason of the transactions contemplated
hereunder shall be paid by Clay Equipment.

15.08 Notices. Any notice, consent, request, claim or other

communication hereunder shall be in writing and shall be deemed to
have been duly given at the time of mailing by United States
Certified, Registered or Express mail, or by next business day
courier (for example, Federal Express) postage or charges prepaid,
addressed as follows:

If to Top Air:

Steven R. Lind, President
Top Air Manufacturing, Inc.
406 Highway 20
Parkersburg, Iowa 50665

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with a copy to:

Robert H. Wexler, Esq.
Gallop, Johnson & Neuman, L.C.
16th Floor
101 South Hanley Road
St. Louis, Missouri 63105

If to Clay Equipment:

Leonard J. Hare , President
Clay Equipment Corporation
101 Lincoln Street, Box 729
Cedar Falls, Iowa

with a copy to:

John C. Larsen, Esq.

or to such other address as any party may designate by written notice hereunder.

15.09 Entire Agreement. This Agreement embodies the entire

Agreement between the parties, and no representations, inducements, promises or other agreements, oral or otherwise, not embodied herein, shall be of any force or effect. This Agreement may not be modified or terminated except in writing signed by the parties hereto.

15.10 Designation of Top Air as Agent. Clay Equipment hereby

designates and constitutes Top Air, its officers and agents, as agents and attorneys-in-fact of Clay Equipment, with power (for the purposes of collecting sums due to the Top Air hereunder, or for sales made by Top Air subsequent to Closing) to sign and endorse the name of Clay Equipment and transfer all checks, drafts, notes, money orders and other instruments that may come into the possession of Top Air, granting to Top Air, its officers and agents, full power to do any and all things necessary to be done as fully and effectively as Clay Equipment might or could do, in order to give effect to this Agreement subsequent to the Closing, hereby ratifying all that Top Air, its officers and agents, shall lawfully do or cause to be done by virtue hereof. This power of attorney shall be deemed to be coupled with an interest and shall be irrevocable.

15.11 Binding Effect. This Agreement shall be binding upon

and inure to the benefit of the parties and their respective successors and assigns.

15.12 Third Parties. Nothing contained in this Agreement or

in any instrument or document executed by any party hereto in connection with the transactions contemplated hereby shall create any rights in, or be deemed to have been executed for the benefit of, any person, firm or corporation that is not a party hereto.

15.13 Expenses of the Parties. All expenses involved in the

preparation, authorization and consummation of this Agreement,

including, without limitation, all fees and expenses of agents, representatives, counsel and accountants in connection therewith, shall be borne solely by the party who shall have incurred the same, and no other party shall have any liability in respect thereof.

15.14 Counterparts. This Agreement may be executed

simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

15.15 Iowa Law to Govern. This Agreement shall be governed

by and interpreted and enforced in accordance with the internal laws of the State of Iowa, without regard to its conflicts of law provisions or interpretations.

15.16 Headings. The headings in the Articles and Sections of

this Agreement are inserted for convenience only and shall not constitute a part hereof.

15.17 Publicity. Neither of the parties shall issue, or

permit any of its representatives to issue, any report, statement or release or otherwise publicly disclose any information concerning this Agreement and the transactions contemplated hereby or by any ancillary agreement, or consummated pursuant hereto or thereto, without the prior written consent of the other party. Nothing contained herein shall prevent any party to this Agreement from furnishing any required information to any governmental entity or complying with its legal or contractual obligations, in each case in the opinion of counsel to such party. Top Air and Clay Equipment shall, as soon as practicable following the execution hereof, prepare a joint press release regarding this transaction to be delivered to the news media.

15.18 Mail and Communications. After the Closing, each party

will promptly deliver to the other party the original of any mail or other communication received by that party but pertaining to the business of the other party.

15.19 Allocation of Purchase Price. The Purchase Price shall

be allocated among the Assets in accordance with the provisions of Schedule 15.19 attached hereto. Each party agrees that it will

file IRS Form 8594, reporting the allocation of the Purchase Price to the Internal Revenue Service ("IRS") in accordance with Schedule

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15.19, and will not take any position that varies from or is

inconsistent with such allocation in any other filing made by such party with the IRS or any other governmental entity.

15.20 Review of Closing Balance Sheet. In order to determine

whether or not the Minimum Stockholders Equity has been met, not later than ten days following the Balance Sheet Date, the Clay Companies shall prepare the Closing Balance Sheet and the related statements of income for the period from January 1, 1995 to the Balance Sheet Date in accordance with generally accepted accounting principles, consistently applied, except that the Closing Inventory shall be determined on a FIFO basis, and the effect of the Condemnation Award and the Relocation Expense Award shall not be considered. In preparing such Closing Balance Sheet and related financial statements, the Clay Companies shall consult with Top Air and shall permit Top Air to participate in and review the preparation thereof, including all work papers, schedules and calculations related thereto, prior to the issuance thereof. Top Air shall commence its review of said work papers, schedules and calculations as soon as practicable. Any dispute which may arise between the Clay Companies on the one hand and Top Air on the other hand as to such financial statements shall be resolved in the following manner:

(a) Top Air, if it disputes the financial statements, shall notify Clay Equipment in writing within ten days after its receipt of such financial statements that Top Air disputes the financial statements, specifying in reasonable detail the nature of the dispute;

(b) During the five day period following the date of such notice, the Clay Companies and Top Air shall attempt to resolve such dispute and determine the appropriateness of the financial statements; and

(c) If at the end of such five day period, the parties shall have failed to reach an agreement with respect to such dispute, the matter shall be referred to an Arbitrator selected by the Accounting Firm. The Arbitrator shall issue its report as to the financial statements within ten days after such dispute is referred to the Arbitrator. Each of the parties shall bear all costs and expenses incurred by it in connection with such arbitration except for the fees and expenses of the Arbitrator which shall be borne equally by the

Clay Companies on the one hand and Top Air, on the other hand. This provision for arbitration shall be specifically enforceable by the parties and the decision of the Arbitrator in accordance with the provisions hereof shall be final and binding and there shall be no right of appeal therefrom.

15.21 Acquisition Subsidiary. Top Air may, in its sole

discretion, establish a subsidiary wholly owned by Top Air for the

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purpose of acquiring the Transferred Assets and assuming the Assumed Liabilities and, if such subsidiary is so established, all references to Top Air hereunder, where applicable, shall be deemed to be reference to such subsidiary; provided, however, that nothing

contained in this Section 15.21 shall affect the indemnification obligations of Top Air set forth in Section 10.02.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first set forth above.

TOP AIR MANUFACTURING, INC.,
an Iowa corporation

By: /s/Steve R. Lind

Title: President & CEO

CLAY EQUIPMENT CORPORATION,
an Iowa corporation

By: /s/Leonard J. Hare

Title: CEO

CLAY HOLDING, INC.,

an Iowa corporation

By: /s/Leonard J. Hare

Title: CEO

AMENDMENT TO ASSET PURCHASE AGREEMENT

Among

CLAY EQUIPMENT CORPORATION, CLAY HOLDING, INC.,
and
TOP AIR MANUFACTURING, INC.

THIS FIRST AMENDMENT TO ASSET PURCHASE AGREEMENT ("Amendment") is made as of the 5th day of May, 1995, by and among TOP AIR MANUFACTURING, INC., an Iowa corporation ("Top Air"), CLAY EQUIPMENT CORPORATION, an Iowa corporation ("Clay Equipment") and Clay Holding, Inc., an Iowa corporation ("Clay Holding").

WHEREAS, Top Air, Clay Equipment, and Clay Holding have entered into an Asset Purchase Agreement dated as of April 11, 1995 (the "Agreement") whereby substantially all of the assets of Clay Equipment, except for certain real estate and incidental property, will be transferred to Top Air in exchange for the assumption by Top Air of certain liabilities of Clay Equipment and the issuance by Top Air to Clay Holding of common stock; and

WHEREAS, in order to reflect the intent of the parties that the Transaction constitute a reorganization under Section 368(a)(1)(C) of the Code, and to make certain other revisions to the Agreement, the parties to the Agreement wish to amend the Agreement as set forth herein;

NOW, THEREFORE, in consideration of the premises and of the agreements and provisions set forth herein, and subject to the conditions herein contained, it is mutually agreed as follows:

1. Capitalized Terms. All capitalized terms used herein but -----
not defined herein shall have the meanings set forth in the Agreement.

2. Assumed Liabilities. An additional sentence, to consti-

tute the last sentence of Section 1.05 of the Agreement, shall be added to such Section 1.05, which last sentence shall read as follows:

"Notwithstanding the foregoing, in no event shall any

indebtedness owing by Clay Equipment to Clay Holding or to any affiliate of Clay Equipment or Clay Holding (collectively, "Intercompany Indebtedness") be assumed by Top Air."

3. Closing Date. Section 1.16 of the Agreement is hereby

deleted in its entirety and replaced with the following:

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"1.16 'Closing Date' means 10:00 a.m. on June 30, or such sooner date following the fulfillment of all the conditions to closing, as shall be directed by Top Air; provided, however, that if all of the conditions to

Closing have not been met, then Top Air shall have the option to extend the Closing Date once, to a date not later than December 31, 1995."

4. NASDAQ Delisting. In order to reflect the delisting of

the common stock, without par value, of Top Air from the NASDAQ Small-Cap Market effective April 13, 1995, Section 1.35 of the Agreement is hereby amended by the substitution of the term "NASDAQ Bulletin Board" for the term "NASDAQ Small-Cap Market."

5. Intercompany Indebtedness. A new paragraph, to be num-

bered as (j) shall be added to Section 2.03, which new paragraph (j) shall read as follows:

"Any Intercompany Indebtedness."

To conform Section 2.03 with the new paragraph (j), the word "or" following the phrase "the Union Contract," set forth in paragraph (h) of such Section 2.03 is hereby deleted, and the period at the end of paragraph (i) of such Section 2.03 is hereby changed to a semi-colon.

6. Restriction on Transfer of Shares. A new Section 2.05 is

hereby added to the Agreement which new Section 2.05 shall read in its entirety as follows:

"2.05 Restriction on Transferability of Shares. The Shares to be issued by Top Air pursuant to Section 2.02 shall not be transferable or assignable without the prior written consent of Top Air, except in connection with the Distribution or by operation of law. No permitted

transfer hereunder shall affect shall restriction on the transferability or assignability of the Shares, and those transferees, assignees or distributees who receive Shares will hold such Shares subject to such restrictions. All certificates evidencing Shares shall bear a legend thereon describing the restriction on the transferability thereof pursuant to this Section 2.05."

7. Tax-Free Nature of Transaction. A new Section 2.06 is

hereby added to the Agreement, which new Section 2.06 shall read in its entirety as follows:

"2.06 Plan of Reorganization. Consistent with their

intention that the Transaction qualify as a tax-free reorganization under Section 368(a)(1)(C) of the Code, the parties hereto agree that this Agreement, together with the resolutions adopted in connection herewith by

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the Boards of Directors of Top Air and Clay Equipment, shall constitute the Plan of Reorganization of Top Air and Clay Equipment."

8. Technical Correction. Solely to eliminate a possible

ambiguity, and not to reflect any substantive change in the Agreement, Section 8.19 is hereby deleted in its entirety and replaced with the following:

"Plan Participants entitled to the distribution of at least ninety percent (90%) of the Shares shall have directed the ESOP Trustee as described in Section 11.01 (a) (i)."

9. Elimination of an ESOP Amendment Requirement. Section

11.01 of the Agreement is hereby amended by deleting clause (b) thereof in its entirety, whereupon the current clause (c) of Section 11.01 of the Agreement shall be renumbered and referred to as clause (b).

10. Entire Agreement. Section 15.09 of the Agreement shall

be amended by inserting the following after the word "Agreement" in its first line with "as amended by the First Amendment hereto, ". Every reference to the Agreement made therein shall be deemed to

include this Amendment.

11. No Allocation. In light of the intended tax-free nature

of the Transaction, Section 15.19, "Allocation of Purchase Price,"

shall be and hereby is deleted from the Agreement in its entirety.

12. Ratification of Agreement. Except as expressly stated

herein, all of the provisions of the Agreement shall be unchanged
and shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have caused this
Amendment to be executed as of the date first set forth above.

TOP AIR MANUFACTURING, INC.,
an Iowa corporation

By: /s/ Steven R. Lind

Steven R. Lind, President and
Chief Executive Officer

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CLAY EQUIPMENT CORPORATION,
an Iowa corporation

By: /s/ Leonard J. Hare

Leonard J. Hare, President and
Chief Executive Officer

CLAY HOLDING, INC.,
an Iowa corporation

By: /s/ Leonard J. Hare

Leonard J. Hare, President and
Chief Executive Officer

INDUSTRIAL LEASE AND OPTION

This Lease, is executed this 17th day of April, 1995, by and between the City of Cedar Falls, Iowa, LESSOR, and Clay Equipment Corporation, an Iowa corporation, with its principal office at 101 Lincoln Street, Cedar Falls 50613, LESSEE,

WITNESSETH:

WHEREAS, Lessor is the owner of the real property hereinafter described and has the lawful authority to lease the same for the purposes hereinafter described; and

WHEREAS, Lessor is a corporation organized and existing under the laws of the State of Iowa, and as such is empowered to promote and solicit industrial and economic development projects as authorized and to make and execute leases, contracts and other instruments necessary or convenient for the exercise of its powers and purposes to acquire, whether by purchase, lease or otherwise, and to improve, maintain, equip and furnish one or more projects, including real and personal property deemed necessary in connection therewith, and to lease to others any of its projects and to charge and collect rent therefore; and

WHEREAS, to finance a portion of this project hereinafter described, consisting of the hereinafter described real estate and a facility for the conduct of manufacturing operations, including the acquisition and construction of the facility, to be located on Lots 2 and 3, Cedar Falls Industrial Park, Phase VI, (the "Project"), the United States Department of Commerce Economic Development Administration (the "EDA") has authorized a Grant for Flood Relief Project Award No. 05-19-61126 (the "EDA Grant") to Lessor; and

WHEREAS, pursuant to said Grant and the above powers, Lessor is authorized to enter into this Lease with Lessee, subject to the approval of the terms thereof by the EPA; and

WHEREAS, pursuant to the foregoing recitals, Lessor and Lessee now enter into this Industrial Lease and Option;

NOW, THEREFORE, in consideration of the premises and the mutual representations, covenants and agreements herein contained, LESSOR AND LESSEE HEREBY REPRESENT, COVENANT AND AGREE AS FOLLOWS:

1. Lease of Premises. Lessor does hereby lease and demise to Lessee and Lessee does hereby hire and take as Lessee upon and subject to the terms and conditions herein set forth the tract of real property hereinafter described, together with all improvements and appurtenances thereto, located in Cedar Falls, Black Hawk County, Iowa, (hereinafter the "premises" or the "project"), to-wit:

Lots 2 and 3, Cedar Falls Industrial Park, Phase VI in the City of Cedar Falls, Black Hawk County, Iowa.

2. Term of Lease. (a) The initial term of the Lease (the "Lease Term") shall be a period of ten (10) years, commencing on the first day of the first month following completion of the improvements by the contractor, acceptance thereof by Lessor, and delivery of the premises to Lessee, and terminating on the last day of the one hundred twentieth (120th) month thereafter, both dates inclusive; subject to (1) the limited right of termination by Lessor and other remedies for default as provided in Paragraph 7 hereof, and (2) the option for Lessee to renew this Lease for an additional period as provided in Paragraph 2(b) below.

(b) The Lease Term may be renewed and extended by Lessor, at its option and subject to the review and approval by the United States Department of Commerce, Economic Development Administration (the "EDA"), as provided in the Special Terms and Conditions of the EDA Grant, for an additional period of five years. Lessor will not unreasonably withhold the lease extension option to Lessee. The rental amount for months one hundred twenty-one (121) through one hundred eighty (180) shall be no less than the current lease amount provided in Paragraph 3(a) (A) hereof nor shall it increase more than three percent (3%).

Lessor shall exercise such option to renew the Lease Term unless Lessee is in default and has failed to cure such default as provided in Paragraph 7 hereof by the time of expiration of the Lease Term. If Lessor intends not to renew the Lease, Lessor shall give not less than 180 days' prior written notice to Lessee of its intention not to so renew.

(c) Lessee will have the option to purchase said property upon expiration of the lease extension referenced in Paragraph 2(b) subject to those conditions provided in Paragraph 6 hereof.

3. Rental Amounts. (a) Lessee shall pay Lessor, as a rental fee the aggregate of the following amounts commencing on the first day of the first month following the issuance of an Occupancy Permit by

City:

(A) Monthly Lease Payments at the rate of sixteen thousand seven hundred twenty-two dollars and no cents (\$16,722.00) during the initial one hundred twenty (120) months of the term of the Lease.

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(B) If the Lease Term is renewed by Lessor as provided in Paragraph 2(b) hereof, lease payments for months one hundred twenty-one (121) through one hundred eighty (180) shall be no less than the current lease amount provided in Paragraph 3(a) (A) hereof nor shall it increase more than three percent (3%).

(2) A late payment penalty of three percent (3%) of the applicable Monthly Lease Payment as stated above in the event such Payment is not made by Lessee within five days after the due date thereof.

(3) All other payments of whatever nature which Lessee has agreed to pay or assume hereunder.

(b) The obligations of Lessee to make the foregoing Lease Payments on or before the date the same become due and to perform all of its other obligations, covenants and agreements hereunder shall be absolute and unconditional, without notice or demand, and without abatement, deduction, set-off, counterclaim, recoupment or defense or any right of termination or cancellation arising, and, except as may be otherwise expressly provided herein, notwithstanding any damage to or loss, theft or destruction of the Project or any part thereof, any failure of consideration or frustration of commercial purpose, or any change in Lessor's legal organization or status.

(c) Nothing in this Lease shall be construed to release Lessor from the performance of any agreement on its part herein contained or as a waiver by Lessee of any rights or claims which Lessee may have against Lessor under this Lease or otherwise, but any recovery upon such rights and claims shall be had from Lessor separately, it being the intent of this Lease that Lessee shall be unconditionally and absolutely obligated to perform fully all of its obligations, agreements and covenants under this Lease (including the obligation to make Lease Payments). Lessee may, however, at its own cost and expense and in its own name or in the name of Lessor, prosecute or defend any action or proceeding or take any other action involving third persons which Lessee deems reasonably necessary in order to secure or protect its right of possession, occupancy and use of the Project, and in such event Lessor hereby agrees to cooperate fully with Lessee and to take all action necessary to effect the substitution of Lessee for Lessor in

any such action or proceeding if Lessee shall so request.

4. Lessor's Covenants. Lessor covenants and agrees:

(a) That Lessor owns the premises and has good and legal right to lease said premises to Lessee and that Lessor will put Lessee in possession thereof, and, so long as Lessee pays the Lease Payments and Additional Payments hereby reserved and observes and performs the several covenants, stipulations and agreements provided on Lessee's part, Lessee shall peaceably hold and enjoy the demised premises during the term hereof without any interruption by Lessor or by any person rightfully claiming under Lessor;

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(b) That Lessee may, at its sole cost and expense, make other such additions, changes and alterations in and to any part of the premises as Lessee from time to time may deem necessary or advisable, subject to the express conditions set forth in Paragraph 5 hereof;

(c) That Lessee, notwithstanding the provisions of Paragraph 5(e) hereof, shall have the right to contest any mechanic's or other similar lien filed against or upon the described premises if within the 30-day period referred to in said Paragraph 5(e) hereof it notifies Lessor in writing of its intention to do so and, if requested by Lessor, deposits with Lessor a bond (or other reasonably acceptable security) in favor of Lessor, with a surety company reasonably acceptable to Lessor as surety, in the penal sum of at least the amount of the lien claim so contested plus an additional amount equal to interest thereon for six months at the current statutory rate of interest, indemnifying and protecting Lessor from and against any liability, loss, damage, cost and expense of whatever kind or nature growing out of or in any way connected with said asserted lien in the contesting thereof, but all on the condition that Lessee diligently prosecute such contest, at all times effectively stay or prevent any official or judicial sale of the premises, or any part thereof or interest therein, under execution or otherwise, and pay or otherwise satisfy any final judgment adjudging or enforcing such contested lien claim and thereafter promptly procure record release or satisfaction thereof;

(d) That any part of the structure and any fixtures paid from funds of Lessor shall remain the property of Lessor. Lessee shall have the right to remove from the premises any and all machinery, equipment and fixtures owned by or paid for by Lessee, provided, however, that Lessee shall repair any physical damage to Lessor's property caused by the removal of any such machinery, equipment or fixtures;

(e) That Lessee shall have the right, in its or Lessor's name, to contest the validity or amount of any imposition, as defined in Paragraph 5(o) hereof, which Lessee is required to bear, pay and discharge pursuant to the terms of this Lease, by appropriate legal proceedings instituted, at least ten (10) days before the imposition complained of becomes delinquent, but only if and provided that Lessee, before instituting any such contest, gives Lessor written notice of its intention so to do and, if requested in writing by Lessor, deposits with Lessor a bond (or other reasonably acceptable security) in favor of Lessor, with a surety company reasonably acceptable to Lessor as surety, in a penal sum of at least the amount of the imposition so contested plus an additional amount equal to interest thereon for six months at the current statutory rate of interest, conditioned upon the payment, if so adjudged, of the contested imposition, together with all interest and penalties accruing thereon and costs of suit, if any, and provided further that Lessee diligently prosecutes any such contest, at all times effectively stays or prevents any official or judicial sale therefore, under execution or otherwise, and promptly pays any final judgment enforcing the imposition so contested, and thereafter promptly secures record release or satisfaction

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thereof; and provided further that Lessee hold Lessor whole and harmless from any costs and expenses Lessor may incur related to any such contest;

(f) That Lessor is authorized to (i) enter into this Lease and perform its obligations hereunder, and (ii) grant Lessee the option to purchase the premises as set forth herein;

(g) That Lessor will not transfer or encumber the premises or impose any new restrictions on the premises without Lessee's prior written consent; and

(h) That Lessor will construct the building and improvements on the premises in accordance with the plans, specifications and standards necessary for Lessee to continue its operations, and approved by Lessee and the EDA.

(i) To bear, pay and discharge, before the delinquency thereof, all taxes and assessments, general and special, if any, which may be lawfully taxed, charged, levied, assessed or imposed upon or against or be payable for or in respect of the demised premises, or any part thereof, or any improvements at any time thereon or Lessee's interest therein or under this Lease, including any new lawful taxes and assessments not of the kind enumerated above to the extent that the same are lawfully made, levied or assessed in lieu of or in addition to taxes or assessments now or heretofore customarily levied against said premises or against comparable real property in general, and further

including all water and sewer charges, assessments, and other governmental charges and impositions whatsoever, foreseen or unforeseen.

5. Lessee's Covenants. Lessee covenants and agrees:

(a) To pay the Lease Payments at the time and in the manner herein provided to Lessor or Lessor's order at such place as may from time to time be reasonably designated by Lessor;

(b) To assume full responsibility for all maintenance, upkeep, repair, replacement and improvement of any and all buildings, improvements, machinery, equipment, fixtures and appurtenances of any type now or hereafter located upon said property, and for the care and maintenance of all exterior and unimproved portions thereof: and to hold Lessor harmless from any responsibility or liability therefore of any type whatsoever;

(c) To make no additions, changes or alterations in and to any part of the premises, and improvements thereon, which will adversely affect the structural strength of any part of the same or which would change the character of said premises and improvements so that the premises would not constitute a "facility" as defined in Iowa law. All additions, changes and alterations made by Lessee, upon said conditions, shall (i) be made in a workmanlike manner and in strict compliance with all laws and ordinances applicable thereto, (ii) when commenced, be prosecuted to completion with

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due diligence, and (iii) when completed, be deemed a part of the premises; provided, however, that additions of machinery, equipment and fixtures to the premises by Lessee, the cost of which is financed totally by funds of Lessee independent of any nonfinancing therefore now or hereafter provided by Lessor, and not constituting repairs, renewals or replacements of items owned by Lessor at the time of execution of this lease;

(d) Not do or permit others under its control to do any work in or about the premises or related to the repair, rebuilding, restoration, replacement, alteration of or addition to the premises, or any part thereof, unless Lessee shall have first procured and paid for all requisite municipal and other governmental permits and authorizations. All such work shall be done in good and workmanlike manner and in compliance with all applicable building, zoning and other laws, ordinances, governmental regulations and requirements, and in accordance with the requirements, rules and regulations of all insurers under the policies required to be carried hereby;

(e) Not do or suffer anything to be done whereby the

premises, or any part thereof, may be encumbered by any mechanic's or other similar lien, and if, whenever and as often as any mechanic's or other similar lien is filed against the premises, or any part thereof, purporting to be for or on account of any labor done or materials or services furnished in connection with any work in, on or about the premises done by, for, or under the authority of Lessee, Lessee shall discharge the same of record within thirty (30) days after the date of filing or provide security therefore which is reasonably acceptable to Lessor. Lessee hereby acknowledges and gives notice to all other parties that Lessor does not authorize or consent to and shall not be liable for any labor or materials furnished Lessee or anyone claiming by, through, or under Lessee upon credit, and that no mechanic's or other similar lien for any such labor, services or materials shall attach to or affect the reversionary or other estate of Lessor in and to the premises or any part thereof;

(f) If at any time during the term of this Lease the demised premises or any part thereof is damaged or destroyed by fire or other casualty, to proceed with due diligence to repair, restore, rebuild or replace said damaged or destroyed portion thereof to as good condition as it was in immediately prior to such damage and destruction, subject to such alterations as Lessee may elect to make as otherwise permitted herein. Before commencing the work of repairing, restoring, rebuilding or replacing the improvements as above provided, there shall be delivered to Lessor performance and labor and material payment bonds with respect to such work and in the full amount of the contract covering such work made by the person which contracts to do such work as principal and a surety company or companies reasonably satisfactory to Lessor as surety and in form satisfactory to Lessor. Said bonds shall name Lessor and Lessee as joint obligees. In the event that any such damage or destruction occurs, all of the insurance monies collected or payable on account of such damage or destruction on or under the policy or policies of insurance maintained by Lessee pursuant to the requirements hereof shall be payable jointly to Lessor and

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Lessee as their interests appear, and thereafter endorsed by such other parties to Lessee and to the person or persons performing such work or providing materials therefore upon receipt by Lessor, from time to time, of certificates signed by both Lessee and an architect or engineer selected by Lessee and reasonably approved in writing by Lessor (i) requesting payment of a specified amount of such funds and directing to whom such amount shall be paid; (ii) stating that the amount requested either has been paid by Lessee or is justly due to contractors or other persons who have performed the work or provided necessary materials in the repair and rebuilding of the premises and improvements, and briefly describing such work and materials, and stating that the requested amount does not exceed the fair value of

such work or materials; (iii) stating that, except for the amounts if any stated in said certificate, there are no outstanding indebtedness which are then due and payable for labor, wages, materials, supplies or services in connection with the repair or rebuilding of the damaged improvements which, if unpaid, might become the basis of a mechanic's or other similar lien upon the premises or any part thereof; and (iv) stating that no part of the several amounts paid or due, as stated in said certificate, has been or is being made the basis for the withdrawal of any monies in any previous or then pending application pursuant to this Paragraph. All insurance monies not required to be used for such purposes shall, upon receipt by Lessor of a certificate by said architect or engineer that the work has been completed and that no liens exist, become the property of Lessee. If the insurance monies so collected by the Lessee are insufficient in amount to pay in full the cost of all repairs, restorations, rebuilding and replacements of said damaged or destroyed improvements, Lessee shall provide and furnish all other monies necessary to complete fully all such repairs, restorations, rebuilding and replacements;

(g) Anything in this Lease to the contrary notwithstanding, that Lessor shall have the right at any time and from time to time to withhold payment of endorsement of all or any part of the insurance monies to Lessee, as generally provided in Paragraph 5(f) hereof, in the event (i) Lessee is then in default in the payment of rent or other charges as provided herein, (ii) Lessor has given notice to Lessee of any other default on Lessee's part under this Lease, or (iii) an act of default as described in Paragraph 7 hereof has occurred. In the event Lessee shall cure the defaults specified above or such defaults cease to exist, Lessor shall make such payments from the insurance monies to Lessee in accordance with the provisions of this Lease; provided, however, that if this Lease is terminated or Lessor otherwise re-enters and takes possession of the premises without terminating this Lease under the provisions of Paragraph 7 hereof, Lessor may itself use such insurance monies for the payment of the reasonable and necessary charges of such persons providing work and materials for the repairs, restoration, rebuilding and replacements of the damaged improvements;

(h) That the real property and all buildings, improvements and fixtures located thereon at the time of execution of this Lease, and all work and materials on the buildings and improvements, and anything under this Lease which becomes, is deemed to be, or constitutes a part of said premises and the manufacturing facility

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thereon, and said manufacturing facility as repaired, rebuilt, rearranged, restored or replaced by Lessee under the provisions of this Lease, except as otherwise specifically provided herein, shall be and

remain or become immediately when erected or installed, as the case may be, the absolute property of Lessor to the same extent as if the same had been erected or installed prior to the execution of this Lease, subject only to the express provisions of this Lease and as otherwise noted in Paragraph 4(b), provided that no machinery or equipment or other non-fixture personal effects of the Lessee purchased and installed on the premises by Lessee and no part of which is paid for from funds of Lessor or from the EDA Grant shall be deemed part of the premises;

(i) To keep and preserve the demised premises free from nuisance and not permit the use of the same or any part thereof for other than industrial or manufacturing purposes as described herein for the Project; and not permit the same to be used for any purpose forbidden by law, ordinance or regulation, or for any purpose which would be in violation of the Special Terms and Conditions or the General Terms and Conditions of the said EDA Grant, including the governmental regulations referred to therein, all of which terms and conditions are hereby incorporated by reference;

(j) To pay all utility charges incurred in respect of the premises and Lessee's occupation thereof, and if not paid in due time and if paid by Lessor at Lessor's sole option, to reimburse Lessor for such amounts paid, including late charges, plus interest thereon at the highest lawful rate in the State of Iowa.

(k) Not to sublet or assign Lessee's interest or any part thereof in this Lease or the demised premises without the prior written consent of Lessor, which said consent shall not be unreasonably withheld; and not to alienate or permit to be alienated its interest in the demised premises (which shall be deemed to include but not limited to the sale, lease, rent, option or mortgage thereof, provided, however, that Lessee shall have the absolute right to assign Lessee's interest in the lease to any corporation or other entity in connection with any acquisition of substantially all of the assets of Lessee, acquisition of 80% or more of the stock of Lessee or in connection with any merger involving Lessee; subject to approval by the United States Department of Commerce Economic Development Administration; which consent shall not be unreasonably withheld;

(l) Not to allow trash, refuse, waste material or garbage to accumulate or remain on the premises and to deposit the same in appropriate containers and arrange for the removal thereof periodically as required by law or ordinance;

(m) Not to initiate any proceedings of any kind whatsoever to dissolve or liquidate Lessee or its corporate status without securing the prior written consent thereto of Lessor;

(n) To permit Lessor or Lessor's agents to enter the premises at any reasonable time after giving reasonable notice during normal business hours for the purpose of inspection for conformity to the express requirements of this Lease or making repairs to the premises or to show to prospective purchasers or tenants, subject to the express conditions hereof, and at other times upon reasonable notice to lessee;

(o) To maintain at all times during the term of this Lease public liability insurance (including coverage for all losses whatsoever arising from the ownership, maintenance, operation or use of any automobile, truck or other motor vehicle), under which Lessor shall be named as an additional insured, properly protecting and indemnifying Lessor in an amount not less than \$500,000 for injury, including death, to any one person, not less than \$1,000,000 for personal injuries, including death, in any one accident or occurrence, and not less than \$500,000 for property damage in any one accident or occurrence. Said policy or policies of insurance shall contain a provision that such insurance may not be cancelled by the issuer thereof with not less than thirty (30) days' advance written notice to Lessor and Lessee. Such policy or policies or copies or certificates thereof shall be furnished to Lessor on a current basis at all times during the term of this Lease;

(p) To keep the demised premises, and all buildings and improvements thereon, insured against loss or damage by fire, lightning and all other risks covered by the extended coverage insurance endorsement then in use in the State of Iowa in an amount equal to the full insurable value thereof, with such insurance company or companies authorized to do business in the State of Iowa as may be selected by Lessee and reasonably approved in writing by Lessor, and against loss or damage by water risks as and when and in such amounts as such insurance is obtainable and generally carried by owners of industrial and manufacturing plants in Iowa. The term "full insurable value" shall mean, to the maximum extent possible, the full actual replacement cost of all improvements on the premises. At all times during the term of this Lease, originals or copies of certificates of the policies provided for in this Paragraph, each bearing notations evidencing payment of the premiums or other evidence of such payment satisfactory to Lessor, shall be delivered by Lessee to Lessor. All policies of such insurance, and all renewals thereof, shall name Lessor and Lessee as insureds as their respective interests may appear and shall contain a provision that such insurance may not be cancelled by the insurer thereof without at least thirty (30) days' written notice to Lessor and Lessee. The proceeds of any such policies shall be used and applied in the manner and to satisfy the various obligations set forth in this Lease;

(q) That this Lease is intended to be a net lease and

that the payment of Lease Payments as provided herein is in addition to all other obligations imposed herein upon Lessee;

(r) If default be made in the payment of Lease Payments or any part thereof or of any other payment required to be made to Lessor by the terms hereof, on

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the date due, and after the expiration of all applicable cure periods, or if this Lease is terminated by any method herein provided, to quit and surrender to Lessor or Lessor's agents peaceful possession of the premises upon demand for possession for nonpayment of Lease Payments as aforesaid or upon the effective date of termination after notice thereof, whichever is applicable; and in the event of Lessee's failure to surrender possession as aforesaid, or if the premises become vacant during the term of this Lease, then Lessor may at any time thereafter resume possession thereof by any lawful means, and remove Lessee and Lessee's effects by self-help or proceedings for possession or unlawful detainer, or otherwise, and in any such event Lessee shall pay all costs and attorneys' fees incurred by Lessor in regaining possession and/or asserting Lessor's rights under this Lease; and

(s) At the termination of this Lease, by whatever method herein provided, to surrender peaceful possession of said premises in as good condition as the same were received, usual wear and tear and providential destruction excepted.

6. Option to Purchase. Lessor hereby grants to Lessee the limited right to purchase the Project and the above described property and appurtenances at any time prior to the expiration of one month after the expiration of the original Lease Term plus the five (5) year renewal of said lease, upon the terms and conditions hereinafter set forth:

(a) The purchase price for said Project shall be ONE MILLION TWO HUNDRED EIGHTY-FIVE THOUSAND NINE HUNDRED FIFTY-FIVE DOLLARS AND NO CENTS (\$1,285,955.00); plus (1) any other sums or expenses of any type in connection with said property which have or had accrued to the account of Lessee or were otherwise properly payable by Lessee according to the terms of this Lease but were for any reason paid by Lessor; plus (2) the total of all reasonable costs and expenses incurred or to be incurred by Lessor in the closing of such sale to Lessee, excluding Lessor's legal fees, but including but not limited to the cost of all title examinations and title insurance and other reasonable and necessary closing expenses. Said total sum, determined as provided in this Paragraph, shall be paid in full and in cash or by cashier's check on the date of closing of said purchase.

(b) This option shall be in effect for the term of this

Lease, including any renewal or extension thereof, and for one month thereafter. Notice of election by Lessee to exercise this option shall be in writing delivered or mailed as provided in Paragraph 8 hereof so to reach Lessor prior to the time of expiration of this option. As long as notice of exercise is given prior to expiration of the option, closing may occur after said expiration.

(c) In the event this option is so exercised by Lessee, Lessor shall, within thirty (30) days thereafter, provide to Lessee a commitment for the issuance of title insurance, certified to the date of Lessee's said notice, showing marketable title

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to the premises to be vested in Lessor, according to the Title Examination Standards of the Iowa Bar, free and clear of all liens and encumbrances of record, except any encumbrances which may be satisfied in full by Lessor on or before the date of closing, and except for the special exceptions, if any, noted in Paragraph 1 of this Lease, and except for any lien or encumbrance placed or suffered to be placed upon the premises by Lessee after the date of this Lease, and except for any other lien or encumbrance otherwise permitted or required according to the terms of this Lease, and except for the lien for any taxes thereon which may attach or may have attached after the date of this Lease. Lessee shall thereafter have a period of fifteen (15) days to examine said commitment and to determine if defects are noted therein in the title of Lessor. If defects are found to exist in the title of Lessor which prevent absolute compliance with the requirements of this Paragraph, then Lessor shall at Lessor's expense obtain the removal or correction of any such noted defect, if the same can be done within six months after being so noted. If defects of title are noted which are not capable of correction or removal within such six month period, then Lessee shall have the option of avoiding the obligation to purchase, or of completing the purchase of said premises, with reduction in the price therefore by an amount sufficient to remedy such defect in title or to compensate Lessee for the reduction in value of the premises attributable to such defect, as Lessee may determine.

(d) The property shall be conveyed by special corporate warranty deed, properly executed and acknowledged by officials of Lessor and delivered to Lessee, free and clear of all liens and encumbrances except as provided herein.

(e) In the event of exercise of this option by Lessee, the sale and conveyance of said property shall be closed at the office of Lessor in Cedar Falls, Iowa, on the tenth business day immediately following expiration of the time granted to Lessee for examination of said commitment, or on the tenth business day immediately following the correction of noted defects of title by Lessor, or upon the tenth business day immediately following Lessee's notification to Lessor or

Lessee's intention to waive any noted defects in title, as the case may be. At the time of closing, all papers, documents and final payments provided herein shall be exchanged between the parties. Lessee shall at said time be given full and absolute possession of said premises, without further interference or claim of Lessor or any person claiming through Lessor.

(f) If this Option is not exercised by notice in writing as provided above prior to midnight on the appropriate day of expiration of the same, said Option shall be of no further force or effect, and the consideration paid therefore shall be retained by Lessor. Proof of expiration of this Option without exercise by Lessee may be made by recording of Lessor's affidavit, reciting the failure of Lessee to exercise said Option and to complete the purchase of said property in the manner provided herein and further reciting the expiration of said Option, and by recording of the receipt issued by the United States Postal Service as proof of mailing by certified mail of a copy of such affidavit at least ten days prior to the date of recording the same. Proof of actual receipt of such affidavit by Lessee shall not be required.

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7. Events of Default. (a) If any one or more of the following events shall occur and be continuing, it is hereby defined as and declared to be and to constitute an Event of Default of "default" hereunder:

(1) Default in the due and punctual payment of any Lease Payment by Lessee pursuant to Paragraph 3 hereof, including applicable late payment penalty or penalties, which default shall continue for five (5) days after Lessor has given Lessee written notice specifying such nonpayment; or

(2) Default in the due observance or performance of any other covenant, agreement, obligation or provision of this Lease, or for the applicable provisions of the Special Terms and Conditions or General Terms and Conditions of said EDA Grant, on Lessee's part to be observed or performed, and such default shall continue for 60 days after Lessor has given Lessee written notice specifying such default or such longer period as shall be reasonably required to cure such default; provided that (1) Lessee has commenced such cure within said 60-day period, and (2) Lessee diligently prosecutes such cure to completion; or

(3) Lessee shall (i) admit in writing its inability to pay its debts as they become due; or (ii) file a petition in bankruptcy or for reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under the Bankruptcy Code as now or in the future amended or any other similar present or future

Federal or State statute or regulation, or file a pleading asking for such relief; or (iii) make an assignment for the benefit of its creditors; or (iv) consent to the appointment of a trustee, receiver or liquidator for all or a major portion of its property or shall fail to have vacated or set aside the appointment of any trustee, receiver or liquidator which was made without Lessee's consent or acquiescence; or (v) be finally adjudicated as bankrupt or insolvent under any Federal or State law; or (vi) be subject to any proceedings, or suffer the entry of a final and nonappealable court order, under any Federal or State law, appointing a trustee, receiver or liquidator for all or a major part of its property or ordering the winding-up or liquidation of its affairs, or approving a petition filed against it under the United States Bankruptcy Code, as now or in the future amended, which order or proceeding, if not the subject of Lessee's consent, shall not be dismissed, vacated, denied, set aside or stayed within 60 days after the day of entry or commencement; or (vii) suffer a writ or warrant of attachment or any similar process to be issued by any court against all or any substantial portion of its property, and such writ or warrant of attachment or any similar process is not contested, stayed or released within 60 days after the final entry, or levy after any contest if finally adjudicated or any stay is vacated or set aside; or

(4) Lessee shall vacate or abandon the Project; or

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(5) Violation of any provision, or commission or omission of any act which causes or constitutes a violation of any provision, of the Special Terms and Conditions or General Terms and Conditions of said EDA Grant, if not timely cured to the satisfaction of the EPA.

(b) If any Event of Default specified in Paragraph 7(a) hereof shall have occurred and be continuing, then Lessor may, at Lessor's election, then or at any time thereafter, and while such default shall continue, take any one or more of the following actions:

(1) Cause all Lease Payments for the remainder of the Lease Term to become due and payable; or

(2) Give Lessee written notice of intention to terminate this Lease on a date specified in such notice, which date shall not be earlier than 30 days after such notice is given, and if all defaults have not then been cured, on the date so specified, Lessee's rights to possession of the Project shall cease and this Lease shall thereupon be terminated, and Lessor may reenter and take possession of the Project; or

(3) Without terminating this Lease, reenter the Project or take possession thereof pursuant to legal proceedings or pursuant to any right of self-help or notice provided for by law, and having elected to reenter or take possession of the Project without terminating this Lease, Lessor shall use reasonable diligence to relet the Project, or parts thereof, for such term or terms and at such rental and upon such other provisions and conditions as Lessor may deem advisable, with the right to make alterations and repairs to the Project, and no such reentry or taking of possession of the Project by Lessor shall be construed as an election on Lessor's part to terminate this Lease, and no such reentry or taking of possession by Lessor shall relieve Lessee of its obligation to pay Lease Payments or Additional Payments (at the time or times provided herein), or of any of its other obligations hereunder, all of which shall survive such reentry or taking of possession, and Lessee shall continue to pay the Lease Payments specified herein until the end of the Lease Term, whether or not the Project shall have been relet, less the net proceeds, if any, of any reletting of the Project after deducting of all of Lessor's reasonable expenses of or in connection with such reletting, including without limitation all repossession costs, brokerage commissions, legal expenses, expenses of employees, alteration costs and expenses of preparation for reletting.

Having elected to reenter or take possession of the Project without terminating this Lease, Lessor may, by notice to Lessee given at any time thereafter while Lessee is in default in the payment of Lease Payments or in the performance of any other obligation hereunder, elect to terminate this Lease on a date to be specified in such notice, which date shall be not earlier than 30 days after reentry under

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Subparagraph (b) (3) above, and if all defaults shall not have then been cured, on the date so specified this Lease shall thereupon be terminated. If in accordance with any of the foregoing provisions of this Paragraph 7 Lessor shall have the right to elect to reenter and take possession of the Project, Lessor may enter and expel Lessee and those claiming through or under Lessee and remove the property and effects of both either (forcibly if necessary) without being guilty of any manner of trespass and without prejudice to any remedies for arrears of rent or for preceding breach of covenant. Lessor may take whatever action at law or in equity which may appear necessary or desirable to collect rent then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of Lessee hereunder.

Notwithstanding any of the foregoing, if Lessor elects to reenter or take possession of the Project and relet the same, in such reletting Lessor shall not adversely affect any grant or loan made to Lessor, the City of Cedar Falls, Iowa, by the United States Department

(c) Lessee covenants and agrees with Lessor that Lessee's obligations hereunder shall survive the cancellation and termination of this Lease, for any cause, and that Lessee shall continue to make the Lease Payments required hereunder and perform all other obligations specified herein, all at the time or times provided herein; provided, however, that upon the payment of all Lease Payments required hereunder, Lessee's obligations under this Lease shall thereupon cease and terminate in full.

(d) The rights and remedies reserved by Lessor and Lessee hereunder and those provided by law shall be construed as cumulative and continuing rights. No one of them shall be exhausted by the exercise thereof on one or more occasions. Lessor and Lessee shall each be entitled to specific performance and injunctive or other equitable relief for any breach or threatened breach of any of the provisions hereof, notwithstanding availability of an adequate remedy at law, and each party hereby waives the right to raise such defense in any proceeding in equity.

(e) No waiver of any breach of any covenant or agreement herein contained shall operate as a waiver of any subsequent breach of the same covenant or agreement or as a waiver of any breach of any other covenant or agreement, and in case of a breach by Lessee of any covenant, agreement or undertaking by Lessee, Lessor may nevertheless accept from Lessee any payment or payments hereunder without in any way waiving Lessor's right to exercise any of its rights and remedies as provided herein with respect to any such default or defaults of Lessee which were in existence at the time when such payment or payments were accepted by Lessor.

(f) In the event either party should default under any of the provisions hereof and the other party should employ attorneys or incur other expenses for the

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collection of the Lease Payments or the enforcement of performance of any obligation or agreement on the part of the defaulting party, the defaulting party will on demand pay to the non-defaulting party the reasonable fee of such attorneys and such other expenses so incurred.

(g) If Lessee shall fail to make any payment or to keep or perform any of its obligations as provided herein, then Lessor may (but shall not be obligated so to do) upon the continuance of such failure on Lessee's part for 60 days after notice of such failure is given Lessee by Lessor, and without waiving or releasing Lessee from any obligation hereunder, as an additional but not exclusive remedy,

make any such payment or perform any such obligation, and all sums so paid by Lessor and all necessary incidental costs and expenses incurred by Lessor in performing such obligations shall be deemed Additional Payments and shall be paid by Lessee to Lessor on demand, and if not so paid by Lessee, Lessor shall have the same rights and remedies provided for in Paragraph 7(b) hereof in the case of default by Lessee in the payment of Lease Payments.

8. Administrative and Compliance Requirements.

(a) The Lessee shall maintain books, records, documents and other evidence pertaining to all costs and expenses incurred and revenues acquired under this Agreement.

(b) Audit and Inspection. At any time during normal business hours and as frequently as is deemed necessary, the Lessee shall make available to the Lessor and the Economic Development Administration or their agents for their examination, all of its records pertaining to all matters covered by this Agreement and permit these agencies to audit, examine, make excerpts, or transcripts from such records, contract, invoices, payrolls, personnel records, conditions of employment, and all other matters covered by this Agreement.

(c) Retention of Records. All records in the possession of the Lessee pertaining to this Agreement shall be retained by the Borrower for a period of three (3) years beginning with the date upon which this Agreement is issued. All records shall be retained beyond the three year period if audit findings have not been resolved within that period or if other disputes have not been resolved.

(d) Civil Rights Provision. Lessee will comply with all applicable Civil Rights provisions.

9. Mutual Covenants. It is mutually agreed:

(a) That any notice provided for herein may be given to the party entitled thereto by personal service or by certified mail addressed as follows:

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To Lessor:

Mayor
City of Cedar Falls
220 Clay Street
Cedar Falls, Iowa 50613

To Lessee:

Chief Executive Officer
Clay Equipment Corporation
---- Savannah Park Road
Cedar Falls, Iowa 50613

and

(b) That this Lease shall be binding upon the parties hereto and their successors and assigns, subject to the restrictions herein contained as to subletting or assignment by Lessee;

(c) That the terms and conditions of this Lease, including but not limited to the Lease Term, the Monthly Lease Payments, and the option to purchase the premises, are subject to the review and approval by the EDA, as provided in the Special Terms and Conditions of the EDA Grant; and that, as of the initiation of the Lease, there are in effect in the locality where the project is situated leases for 10 years at the initial rental rate stated in Paragraph 3(a) (A) hereof; and

(d) That the parties shall execute and acknowledge a Memorandum of Lease, stating the existence of this Lease, the purchase option, and the description of the leased premises, and shall record the same in the office of the Recorder of Deeds for Black Hawk County, Iowa.

IN WITNESS WHEREOF, the parties have caused this Lease to be executed in duplicate by their respective officers as of the day and year first above written.

LESSOR:

LESSEE:

By: /s/Ed Stachovic

By: /s/Leonard J. Hare

Mayor

Chief Executive Officer

Attest:

Attest:

/s/Gary L. Hesse

/s/James Rhoads

City Clerk

Secretary

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APPROVAL BY EDA

The foregoing Industrial Lease and Option, and the terms and conditions thereof, is hereby approved by the United States Department of Commerce

Economic Development Administration, as of this 19th day of April, 1995.

UNITED STATES DEPARTMENT OF
COMMERCE, ECONOMIC DEVELOPMENT
ADMINISTRATION

By: /s/Charles Lee

for Regional Director

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4/5/95

AGREEMENT

THIS AGREEMENT is made between the City of Cedar Falls, Iowa, ("City") and Clay Equipment Corporation, an Iowa corporation ("Clay"), in connection with a certain Industrial Lease and Option entered into between the City and Clay contemporaneously herewith.

IN CONSIDERATION of Clay's execution and performance of the Industrial Lease and Option and to create an incentive therefore, the parties agree as follows:

1. The City shall make a series of development incentive payments to Clay upon the conditions set forth in Paragraph 2 of this Agreement on June 1st of each year of the term of the Industrial Lease and Option Agreement referred to above. The amount of each such payment shall be equal to the amount actually assessed to and paid by Clay as property tax on machinery and equipment installed in the premises described in the Industrial Lease, but shall not exceed the amount of \$40,000 in any fiscal year.

2. No such payment shall be owing from the City to Clay in any year unless Clay shall then be in full compliance with each of the following conditions precedent to-wit:

(a) Clay and the City shall have executed the Industrial Lease Agreement, entered into and remaining in continuous occupancy of the premises in the conduct of its business operations, and shall not be in substantial breach of the Industrial Lease

Agreement.

(b) As of May 1st of each year, commencing with May 1, 19---, Clay shall provide the City satisfactory proof of having been lawfully assessed local property taxes for machinery and equipment installed in the premises and having paid such property taxes in full for the prior fiscal year.

3. The terms of this Agreement shall extend through the additional five year term of the Industrial Lease in the event that the option to renew is exercised by the City under Paragraph 2(b) thereof including the obligation to pay Clay after the term expires for obligations accrued during the term.

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4. This Agreement shall be binding upon the successors and assigns of the parties.

Executed this 17th day of April, 1995.

LESSOR:

LESSEE:

CITY OF CEDAR FALLS

CLAY EQUIPMENT CORPORATION, an
Iowa Corporation

By: /s/Ed Stachovic

By: /s/Leonard J. Hare

Mayor

Chief Executive Officer

Attest:

Attest:

/s/Gary L. Hesse

/s/James Rhoads

City Clerk

Secretary

ESCROW AGREEMENT

THIS ESCROW AGREEMENT (the "Escrow Agreement") is made and entered into as of the ----- day of -----, 1995, by and among Top Air Manufacturing, Inc., an Iowa corporation ("Top Air"), Clay Equipment Corporation, an Iowa corporation ("Clay Equipment"), and Norwest Bank Iowa, N.A., a national banking association (the "Escrow Agent").

W I T N E S S E T H:

WHEREAS, Section 3.02 of that certain Asset Purchase Agreement dated April 11, 1995 by and among Top Air, Clay Equipment and Clay Holding, Inc. ("Clay Holding"), as amended by amendatory agreement dated as of May 5, 1995 (collectively, the "Purchase Agreement"), a copy of which has previously been delivered to the Escrow Agent, provides that Top Air and Clay Equipment shall enter into an escrow agreement with an escrow agent and deposit the shares of "Hold-Back Stock" (as defined in the Purchase Agreement) into the escrow account established thereunder as security for the indemnification obligations of Clay Equipment under Section 10.01 of the Agreement; and

WHEREAS, the Escrow Agent is willing to act as escrow agent under this Escrow Agreement;

NOW, THEREFORE, the parties hereby agree as follows:

1. Appointment of Escrow Agent.

Top Air and Clay Equipment hereby appoint Norwest Bank Iowa, N.A. as escrow agent (the "Escrow Agent") to receive, hold and distribute the Hold-Back Stock deposited with the Escrow Agent hereunder in accordance with this Escrow Agreement. The Escrow Agent hereby accepts such appointment, all subject to and upon the terms and conditions set forth herein.

2. General Intention.

It is the parties' intention that the Escrow Agent shall receive, hold and distribute the Hold-Back Stock in accordance with the express provisions of this Escrow Agreement, and, except as

specifically set forth herein, shall not make, be required to make or be liable in any manner for its failure to make, any determination under the Purchase Agreement or any other agreement, including without limitation any determination of whether Top Air or Clay Equipment have complied with the terms of the Purchase Agreement or whether either Top Air or Clay Equipment is entitled to the delivery of any shares of the Hold-Back Stock or to any other right or remedy under the Purchase Agreement.

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3. Specific Provisions.

(a) Simultaneously with the execution of this Escrow Agreement, Top Air will deposit with the Escrow Agent the Hold-Back Stock to be held by the Escrow Agent pursuant to the terms of this Escrow Agreement. The Escrow Agent, by execution of this Escrow Agreement, acknowledges receipt of the Hold-Back Stock.

(b) If and whenever, prior to the second anniversary date of the date hereof (the "Expiration Date"), Top Air shall claim a right to indemnification pursuant to Section 10.01 of the Purchase Agreement, then Top Air shall notify the Escrow Agent and Clay Equipment, in writing, by registered or certified mail, postage prepaid. Such notice shall state the basis for such claim and the nature of the liability, loss, damage, cost or expense incurred by, or imposed upon Top Air on account thereof. If such liability, loss, damage, cost or expense is liquidated in amount, the notice shall so state and such amount shall be deemed the amount of the particular claim of Top Air against the shares of Hold-Back Stock then being held by the Escrow Agent hereunder (the "Escrow Fund"). If the amount is not liquidated, the notice shall so state and, in such event, a claim shall be deemed asserted against the Escrow Fund on behalf of Top Air, to be held hereunder pending the determination of the amount hereof.

(c) If Clay Equipment shall not, within ten (10) days after the mailing of such notice, advise the Escrow Agent and Top Air, in writing, that it denies the right of Top Air to indemnity in respect of such claim, the Escrow Agent is, at the end of such period, authorized to deem such claim admitted to the extent the amount is liquidated, and to the extent such claim becomes liquidated; provided, that, with respect to unliquidated claims,

upon the determination of the amount of such claim, Top Air shall give written notice of such amount to the Escrow Agent and Clay Equipment, whereupon Clay Equipment shall have ten (10) days from the giving of such notice to notify the Escrow Agent of any dispute

it may have with respect to the amount of such claim.

(d) If Clay Equipment shall notify the Escrow Agent and Top Air, in writing, that it disputes any claim made by Top Air against the Escrow Fund or the amount thereof, the parties hereto shall endeavor to settle and compromise said claim or the amount thereof, and if unable to agree on any settlement or compromise, such claim of liability shall be settled by litigation brought in a court of competent jurisdiction. Any liability established by reason of such settlement, compromise or litigation shall be paid and satisfied from the Escrow Fund.

(e) Notwithstanding any other provisions of this Escrow Agreement, Top Air shall be entitled to make claims against the Escrow Fund until the Expiration Date.

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4. Escrow Agent.

The Escrow Agent has been induced to accept its duties under this Escrow Agreement by the following terms, conditions, agreements and representations of Top Air and Clay Equipment:

(a) The Escrow Agent shall not be liable to Top Air or Clay Equipment, or any of them, or any of their successors, representatives, heirs and assigns, for any action or failure to act by the Escrow Agent hereunder, except for the Escrow Agent's own gross negligence or willful misconduct. Top Air and Clay Equipment shall jointly and severally indemnify and hold harmless the Escrow Agent and any successor, representative, employee or agent of the Escrow Agent, from and against any and all losses, liabilities, claims, actions, damages and expenses, including reasonable attorney's fees and disbursements, arising out of or in connection with this Escrow Agreement, except for claims against the Escrow Agent based upon such gross negligence or willful misconduct that are successfully asserted against the Escrow Agent.

(b) In the event of any disagreement between Top Air and Clay Equipment resulting in adverse claims or demands being made in connection with the Escrow Agreement, or in the event that the Escrow Agent in good faith is in doubt as to what action it should take hereunder, the Escrow Agent shall be entitled to hold the Escrow Account until the Escrow Agent shall have received (i) a final non-appealable order of a court of competent jurisdiction directing delivery of the Escrow Fund or (ii) written instructions executed by Top Air and Clay Equipment directing delivery of the Escrow Fund, in which event the Escrow Agent shall disburse the

Escrow Fund in accordance with such order or agreement.

(c) The Escrow Agent shall be entitled to rely upon any order, judgment, certification, demand, notice, instrument or other writing delivered to it hereunder without being required to determine the authenticity or the correctness of any fact stated therein or the propriety or validity of the service thereof. The Escrow Agent may act in reliance upon any instrument or signature believed by it to be genuine and may assume that any person purporting to give any notice or receipt or advice or make any statement or execute any document in connection with the provisions hereof has been duly authorized to do so.

(d) This Escrow Agreement expressly sets forth all the duties of the Escrow Agent with respect to any and all matters pertinent hereto. The Escrow Agent shall not be bound by the provisions of any other agreement, including, without limitation, the Purchase Agreement.

(e) The Escrow Agent shall not be under any duty to give the Escrow Fund held by it hereunder any greater degree of care than it gives its own similar property.

5. Ownership of Escrow and Shares.

Pursuant to and in furtherance of the "Distribution" (as defined in the Purchase Agreement), the shares of Hold-Back Stock being held hereunder will be issued to, and in the name of, a third-party designated by Clay Equipment (the "Record Owner"), as the record holder thereof for the benefit of the "ESOP Participants" (as defined in the Purchase Agreement). Such ESOP Participants, as beneficial holders, shall have all of the rights of a shareholder with respect to the Hold-Back Stock, including the right to vote such shares; provided, however, that all of the

shares of Hold-Back Stock shall be subject to the provisions hereof, including the provisions with respect to the retransfer of any shares pursuant to paragraph 6 hereof. Except as expressly permitted hereunder, none of the shares of Hold-Back Stock shall be sold, exchanged, transferred, pledged, hypothecated or otherwise disposed of by the Record Owner or any beneficial owner thereof at any time during the term of this Escrow Agreement.

6. Distribution and Termination.

(a) Upon the determination of the amount of any claim of Top Air for which it is entitled to indemnification pursuant to Section 10.01 of the Purchase Agreement, the Escrow Agent shall deliver to Top Air that number of shares of the Hold-Back Stock (rounded up to the nearest whole number), together with a related stock power endorsed in blank, the value of which equals the amount of the claim successfully established by Top Air pursuant to paragraph 3 hereof. The value of the shares of Hold-Back Stock shall be determined by reference to the "Market Value" (as hereinafter defined) thereof on the date of such delivery.

(b) This Escrow Agreement shall terminate upon the date upon which all claims of Top Air pursuant to Section 10.01 of the Purchase Agreement which shall have been made by Top Air prior to the Expiration Date shall have been settled or otherwise disposed of.

(c) Upon such termination, and after satisfying all delivery requirements of subparagraph (a) of this paragraph 6 to Top Air, the Escrow Agent shall distribute the remaining Hold-Back Stock, if any, to the Record Holder, or to the ESOP Participants as instructed by the Record Holder.

(d) "Market Value" means the average of the bid and asked prices of the shares of Top Air common stock, on a per share basis, as reported on the NASDAQ Small-Cap Market (or on such other market on which such bid and asked prices are reported or quoted) for the trading day immediately preceding the date on which shares of Hold-Back Stock are delivered to Top Air pursuant to paragraph 3.

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7. Notices.

Any notices, objections or other communications required or permitted hereunder shall be in writing and shall, except as set forth elsewhere in this Escrow Agreement, be deemed to have been duly given when delivered by hand; or when telecopied, receipt confirmed; or when mailed by first-class, certified mail, postage prepaid, to Top Air, Clay Equipment and the Escrow Agent at the following addresses:

If to Top Air:

Top Air Manufacturing, Inc.
Steven R. Lind, President
406 Highway 20

Parkersburg, Iowa 50665
Telecopy No.: (319) 346-1527

with a copy to:

Robert H. Wexler, Esq.
Gallop, Johnson & Neuman, L.C.
101 South Hanley
St. Louis, Missouri 63105
Telecopy No.: (314) 862-1219

If to Clay Equipment:

Clay Equipment Corporation
101 Lincoln Street, Box 729
Cedar Falls, Iowa 50613
Attention: Leonard J. Hare
Telecopy No.: -----

With a copy to:

John C. Larsen, Esq.
Redfern, Mason, Dicter, Larsen & Moore
315 Clay Street
Cedar Falls, Iowa 50613
Telecopy No.: (319) 277-3531

If to Escrow Agent:

Norwest Bank Iowa, N.A.

Attention:-----
Telecopy No.: -----

Notices or communications so given shall be deemed to have been given on the date so delivered, deposited in the United States mail or sent via telecopier; provided, however, that no notice or

communication given to the Escrow Agent shall be deemed effective until actually received by the Escrow Agent. Any address or telecopy number set forth above may be changed by notice given pursuant to this paragraph 7.

8. Miscellaneous.

(a) Any provision of this Escrow Agreement which may be determined by a final judgment to be prohibited or unenforceable shall be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof. It is expressly understood, however, that the parties hereto intend each and every provision of this Escrow Agreement to be valid and enforceable and hereby knowingly waive all rights to object to any provisions of this Escrow Agreement.

(b) The Escrow Agreement shall be binding upon and inure solely to the benefit of the parties hereto and their respective representatives, heirs, successors and assigns. No party may assign any of its rights or obligations under this Escrow Agreement without the written consent of the other parties. This Escrow Agreement shall be construed in accordance with and governed by the internal law of the State of Iowa.

(c) This Escrow Agreement may only be modified or terminated by a writing signed by Top Air, Clay Equipment and Escrow Agent, and no waiver hereunder shall be effective unless in a writing signed by or on behalf of the party to be charged.

(d) Top Air shall pay or reimburse the Escrow Agent upon request for all reasonable expenses, including reasonable attorney's fees, incurred by the Escrow Agent in performance of its duties under this Escrow Agreement.

(e) This Escrow Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument, and any of the parties hereto may execute this Escrow Agreement by signing any such counterpart.

IN WITNESS WHEREOF, the parties hereto have duly executed this Escrow Agreement as of the day and year first above written.

"Top Air"

TOP AIR MANUFACTURING, INC.

By: -----

Title: -----

"Clay Equipment"

CLAY EQUIPMENT CORPORATION

By: -----

Title: -----

"Escrow Agent"

By: -----

Title: -----

[McGladrey & Pullen, LLP Letterhead]

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the use in this Registration Statement of our report, dated July 6, 1994, relating to the financial statements of Top Air Manufacturing, Inc., and to the reference to our Firm under the caption "Experts" in the Propsectus.

/s/ McGladrey & Pullen, LLP

Waterloo, Iowa
May 9, 1995

[McGladrey & Pullen, LLP Letterhead]

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the use in this Registration Statement of our report, dated April 11, 1995, relating to the consolidated financial statements of Clay Holding, Inc. and subsidiaries, and to the reference to our Firm under the caption "Experts" in the Propsectus.

/s/McGladrey & Pullen, LLP

Waterloo, Iowa
May 9, 1995

CLAY HOLDING, INC.
101 LINCOLN STREET, BOX 729
CEDAR FALLS, IOWA 50613

NOTICE OF SPECIAL MEETING
TO BE HELD
JUNE 26, 1995

TO THE STOCKHOLDER
AND ESOP PARTICIPANTS:

Notice is hereby given that a Special Meeting of Stockholders of Clay Holding, Inc. ("Clay Holding") will be held at the offices of Clay Holding, 101 Lincoln Street, Cedar Falls, Iowa 50613 on June 26, 1995, at 9:00 a.m. local time, for the purpose of considering and acting upon a proposal to approve the Asset Purchase Agreement dated as of April 11, 1995, as amended (collectively, the "Purchase Agreement") pursuant to which substantially all of the assets of Clay Equipment Corporation ("Clay Equipment") will be transferred to Top Air Manufacturing, Inc. ("Top Air") or its wholly-owned subsidiary in exchange for the assumption by Top Air of certain liabilities of Clay Equipment and the delivery to Clay Equipment, for ultimate distribution to participants in the Clay Holding, Inc. Employee Stock Ownership Plan (the "ESOP"), the lesser of (i) 750,000 shares of Top Air common stock, and (ii) that number of such shares having a market value of \$1,000,000, in either case subject to adjustment.

The Board of Directors has fixed the close of business on May 15, 1995, as the record date for determining those stockholders entitled to receive notice of, and to vote at, the Special Meeting or any adjournment thereof. Participants in the ESOP as of that date will be entitled to direct the ESOP Trustee regarding the voting of shares of Clay Holding allocated to the account of each of them.

If the ESOP Trustee votes a majority of the shares of Clay Holding common stock held by the ESOP to approve the Purchase Agreement and the transactions contemplated thereby are consummated, any participant who (1) prior to the beginning of the Special Meeting delivers to Clay Holding a written demand for payment of the fair value of the Clay Holdings shares held for such participant's account, together with a consent to such demand signed by the ESOP Trustee, and (2) does not direct the ESOP Trustee to vote his or her allocated shares to approve the Purchase Agreement shall be entitled to have the fair value of such shares

appraised under the applicable provisions of the Iowa Business Corporation Act, as set forth in Exhibit A to the Prospectus/Information Statement accompanying this Notice. For further discussion, see "RIGHT OF DISSENTING STOCKHOLDERS" in the accompanying Prospectus/Information Statement.

By Order of the Board of Directors

Leonard J. Hare, President and Chief Executive Officer

Cedar Falls, Iowa

- -----, 1995

CLAY HOLDING, INC.
101 LINCOLN STREET, BOX 729
CEDAR FALLS, IOWA 50613

-----, 1995

Dear Stockholder and Participant
in the Clay Holding, Inc.
Employee Stock Ownership Plan:

The Boards of Directors of Clay Equipment Corporation ("Clay Equipment") and its sole stockholder, Clay Holding, Inc. ("Clay Holding"), have approved the sale to Top Air Manufacturing, Inc. ("Top Air") of substantially all of the assets of Clay Equipment. This sale of assets is to be governed by an Asset Purchase Agreement (the "Purchase Agreement") whereby, in exchange for such assets, Top Air would assume certain liabilities of Clay Equipment and deliver to Clay Equipment shares of Top Air common stock equal to the lesser of (i) 750,000 and (ii) that number of shares having a market value of \$1,000,000, in either case subject to adjustment.

As a part of the transaction, and subject to the terms and conditions set forth in the Purchase Agreement, the Clay Holding, Inc. Employee Stock Ownership Plan (the "ESOP") will be terminated and the assets of the ESOP, which will then consist primarily of Top Air common stock, will be distributed to the ESOP participants. Participants in the ESOP will be asked to consider and direct the trustees of the ESOP to vote upon the Purchase Agreement.

As you know, the assets of the ESOP are set aside to provide retirement funds for our employees. We have been advised by counsel that an ESOP Participant who elects to directly roll over the distribution of his or her Top Air Shares into an IRA or other eligible retirement plan will not incur any federal or state tax as a result of the distribution.

As described in greater detail in the Prospectus/Information Statement, substantially all of the employees of Clay Equipment will become employees of Top Air immediately upon the closing of the transaction. Moreover, Top Air has agreed that upon consummation of the transaction, it will recognize Local 1728 of the International Association of Machinists and Aerospace Workers as the bargaining agent for employees who were included in its bargaining unit at Clay Equipment. The combined businesses and operations of Clay Equipment and Top Air will be integrated into a modern new facility to be located in Cedar Falls, Iowa. It is

expected that construction of this new facility will begin in June 1995 and be completed in January 1996.

The attached Prospectus/Information Statement sets forth important information in connection with the proposed transaction, and the Board of Directors of Clay Holding requests that the ESOP Trustee and each ESOP participant read it carefully. To approve the sale of substantially all of Clay Equipment's assets to Top Air pursuant to the Purchase Agreement, a majority of the shares of Clay Holding common stock must be voted in favor of it. The Boards of Directors of Clay Equipment and Clay Holding have given careful consideration to each aspect of the proposed transaction and have unanimously concluded that it is in the best interests of Clay Equipment, Clay Holding and the ESOP participants. THE BOARD OF DIRECTORS OF CLAY HOLDING RECOMMENDS THAT EACH ESOP PARTICIPANT DIRECT THE ESOP TRUSTEE TO VOTE HIS OR HER ALLOCATED SHARES FOR THE PROPOSAL TO APPROVE THE PURCHASE AGREEMENT. ---

Leonard J. Hare, President and Chief Executive Officer