AG SERVICES OF AMERICA INC
Form 10-Q
July 15, 2002

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

(Mark One)

[X] Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended May 31, 2002

or

[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from to

Commission File Number: 000-19320

Ag Services of America, Inc.
(Exact name of registrant as specified in its charter)

Iowa	42-1264455
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1309 Technology Parkway, Cedar Falls, Iowa	50613
(Address of principal executive offices)	(Zip Code)

(319) 277-0261
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

[X] Yes [ ] No

5,476,864 common shares were outstanding as of May 31, 2002.

AG SERVICES OF AMERICA, INC.

INDEX

Page

PART I. FINANCIAL INFORMATION

PART II. OTHER INFORMATION

PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

AG SERVICES OF AMERICA, INC.
CONSOLIDATED CONDENSED BALANCE SHEETS
(Dollars in thousands)

ASSETS	May 31, 2002 (Unaudited)	February 28 2002*
CURRENT ASSETS		
Cash	$25	$42
Customer notes receivable, less allowance for doubtful notes and reserve for discounts May 31, 2002 $16,320; February 28, 2002 $10,521	360,293	202,981
Inventory and other assets	120	3,466
Foreclosed assets held for sale	2,306	2,314
Prepaid income taxes	-	735
Deferred income taxes, net	6,181	4,030
Total current assets	$368,925	$213,568

LONG-TERM RECEIVABLES AND OTHER ASSETS		
Customer notes receivable, less allowance for doubtful notes May 31, 2002 $4,999; February 28, 2002 $4,079;	$62,707	$51,166
Loan origination fees, less accumulated amortization May 31, 2002 $1,235; February 28, 2002 $513;	376	598
Deferred income taxes, net	2,557	2,335
	$65,640	$54,099
PROPERTY AND EQUIPMENT		
Land and building, less accumulated depreciation May 31, 2002 $33; February 28, 2002 None	$5,284	$5,316
Equipment, less accumulated depreciation May 31, 2002 $1,778; February 28, 2002 $1,675	1,373	818
	$6,657	$6,134
	$441,222	$273,801

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES		
Notes payable, including current maturities	$338,467	$179,736
Outstanding checks in excess of bank balances	11,521	10,723
Accounts payable	11,822	1,738
Accrued expenses	2,744	2,233
Income taxes payable	2,770	-
Total current liabilities	$367,324	$194,430
LONG-TERM LIABILITIES		
Notes payable, less current maturities	$-	$7,904
STOCKHOLDERS' EQUITY		
Capital stock	$24,461	$24,396
Retained earnings	50,638	48,481
Accumulated other comprehensive income (loss)	(1,201)	(1,410)
	$73,898	$71,467
	$441,222	$273,801

*Condensed from Audited Financial Statements.

AG SERVICES OF AMERICA, INC.
UNAUDITED CONSOLIDATED CONDENSED STATEMENTS OF INCOME

Three Months Ended May 31, 2002 and 2001
(Dollars in Thousands, Except Per Share Amounts)

	2002	2001
Net revenues:		
Farm inputs	$205,691	$157,901
Financing income	6,316	6,259
	$212,007	$164,160
Cost of revenues:		
Farm inputs	$197,398	$151,423
Financing expense	3,382	3,391
Provision for doubtful notes	4,077	3,027
	$204,857	$157,841
Income before operating expenses and income taxes	$7,150	$6,319
Operating expenses	3,643	3,351
Income before income taxes	$3,507	$2,968
Income taxes	1,350	1,134
Net income	$2,157	$1,834
Earnings per share:		
Basic	$0.39	$0.35
Diluted	$0.39	$0.34
Weighted average shares:		
Basic	5,473,288	5,283,810
Diluted	5,513,826	5,471,116

AG SERVICES OF AMERICA, INC.
UNAUDITED CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
Three Months Ended May 31, 2002 and 2001
(Dollars in Thousands)

	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$2,157	$1,834
Adjustments to reconcile net income to net cash (used in) operating activities:		

Depreciation	148	135
Amortization	722	85
Deferred income taxes	(2,492)	-
(Increase) in customer notes receivable	(168,853)	(119,258)
Changes in assets and liabilities	16,946	14,760
Net cash (used in) operating activities	($151,372)	($102,444)
CASH FLOWS FROM INVESTING ACTIVITIES		
(Purchases) of building and equipment,net	($671)	($175)
(Purchases) proceeds of foreclosed assets held for sale, net	8	(657)
Net cash (used in) investing activities	($663)	($832)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	$164,715	$136,474
Principal payments on borrowings	(13,560)	(37,940)
Increase in excess of outstanding checks over bank balance	798	4,498
Proceeds from issuance of capital stock, net	65	624
Net cash provided by financing activities	$152,018	$103,656
Increase (decrease) in cash	($17)	$380
CASH		
Beginning	42	61
Ending	$25	$441
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash payments for:		
Interest	$2,362	$2,721
Income taxes	$337	$400

AG SERVICES OF AMERICA, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
Three Months Ended May 31, 2002
(Dollars in thousands)

	Capital Stock				
	Shares Issued	Amount	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total

Balance, February 28, 2002	5,468,864	$24,396	$48,481	($1,410)	$71,467
Comprehensive income:					
Net income	-	-	2,157	-	2,157
Other comprehensive income(loss), net of tax	-	-	-	209	209
Total comprehensive income					
Issuance of capital stock upon the exercise of options	8,000	65	-	-	65
Balance, May 31, 2002	5,476,864	$24,461	$50,638	($1,201)	$73,898

AG SERVICES OF AMERICA, INC.
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(UNAUDITED)

Note 1. Basis of Presentation

The accompanying unaudited condensed financial statements have been prepared in accordance with the instructions of Form 10-Q and Rule 10-01 of Regulation S-X. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principals generally accepted in the United States of America have been condensed or omitted. It is suggested these interim consolidated condensed financial statements be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report for the year ended February 28, 2002. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary for a fair presentation of the financial position, results of operations and cash flows for the interim periods presented have been made. Operating results for the three month period ended May 31, 2002 are not necessarily indicative of the results that may be expected for the year ending February 28, 2003.

Principles of Consolidation

The consolidated financial statements include the accounts of Ag Services of America, Inc. (the Company) and its wholly owned subsidiaries, Ag Acceptance Corporation and Powerfarm, Inc. All material intercompany balances and transactions have been eliminated in consolidation.

According to the terms related to the asset backed securitized financing program as described in Note 3 of the consolidated condensed financial statements, the Company formed Ag Acceptance Corporation, a wholly owned, special purpose Corporation.

In conjunction with the Company's e-commerce initiative, the Company created Powerfarm, Inc. a wholly owned subsidiary which operates and manages the Company's website Powerfarm.com.

Note 2. Commitments and Contingencies

Commitments:

In the normal course of business, the Company makes various commitments that are not reflected in the accompanying consolidated condensed financial statements. These include various commitments to extend credit to customers. At May 31, 2002 and February 28, 2002 the Company had approximately $164 million and $153 million, respectively, in commitments to supply farm inputs. No material losses or liquidity demands are anticipated as a result of these commitments.

Contingencies:

The Company is named in lawsuits in the ordinary course of business. Counsel for the Company has advised the Company, while the outcome of various legal proceedings is not certain, it is unlikely that these proceedings will result in any liability which will materially affect the financial position or operating results of the Company.

The availability of lines of credit to finance operations and the existence of a multi-peril crop insurance program are essential to the Company's operations. If the federal multi-peril crop insurance program currently in existence was terminated or negatively modified and no comparable private or government program was established, this would have a material adverse effect on the Company's future operations. The federal government has from time to time evaluated the federal multi-peril insurance program and is likely to review the program in the future, and there can be no assurance of the outcome of such evaluations.

Note 3. Pledged Assets and Related Debt

The Company has an asset backed securitized financing program through November 2002, with a maximum available borrowing amount of $375 million. Under the terms of the facility, the Company sells and may continue to sell or contribute certain notes receivable to Ag Acceptance Corporation ("Ag Acceptance"), a wholly owned, special purpose subsidiary of the Company. Ag Acceptance pledges its interest in these notes receivable to a commercial paper market conduit entity on $305 million of the facility which incurs interest at variable rates in the commercial paper market (current effective rates range from 1.83% to 1.90% at May 31, 2002) and the remaining $70 million is a term note with interest at a variable cost of LIBOR plus 38 basis points (current effective rate is 2.09% at May 31, 2002). The agreement contains various restrictive covenants, including, among others, restrictions on mergers, issuance of stock, declaration or payment of dividends, transactions with affiliates, and requires the Company to maintain certain levels of equity and pretax earnings. Advances under the facility are made subject to portfolio performance, financial covenant restrictions and borrowing base calculations. At May 31, 2002, the Company had approximately $292.8 million outstanding under the asset backed securitized financing program and had a maximum additional amount available of approximately $10.3 million, based on borrowing base computations as provided by the agreement.

The Company also has a $30 million term note that matures in November of 2002. Additional terms of the agreement allow two variable interest rate alternatives based on prime or LIBOR (current effective rates range from 3.875% to 5.25% at May 31, 2002). The agreement also contains various restrictive covenants, including, among others, restrictions on mergers, issuance of stock, declaration or payment of dividends and loans to stockholders, and requires the Company to maintain certain levels of equity and pretax earnings. At May 31, 2002, the Company had $30 million outstanding under the term loan.

In conjunction with the securitized financing program and the term loan, the Company maintains a $15 million revolving bank line of credit through November 2002. The line of credit is accessible to cover any potential deficiencies in available funds financed through the securitization program. All borrowings are collateralized by substantially all assets of the Company. The terms of the agreement allow for two variable interest rate alternatives based on prime or LIBOR (current effective rates range from 3.875% to 5.25% at May 31, 2002). The agreement also contains various restrictive covenants, including, among others, restrictions on mergers, issuance of stock, declaration or payment of dividends and loans to stockholders, and requires the Company to maintain certain levels of equity and pretax earnings. Advances under the line of credit agreement are also subject to portfolio performance,

financial covenant restrictions, and borrowing base calculations. At May 31, 2002 the Company had $9.4 million outstanding under the agreement and had a maximum additional amount available of approximately $5.6 million based on borrowing base computations as provided by the agreement.

Subsequent to quarter end, the Company renegotiated its $30 million term note and $15 million line of credit into one $80 million revolving facility through November 2002. The new agreement calls for a $5 million pay down on July 31, 2002, which will reduce the revolving facility to $75 million. All other provisions of the credit facility have remained substantially the same.

The Company has a credit agreement whereby the Company may borrow up to $3.9 million, with a declining balance provision, on a revolving line of credit through April 2022. This credit agreement is used to finance the Company's new corporate headquarters at a fixed interest rate of 5.74% for five years. There was no outstanding balance under the credit agreement at May 31, 2002. The agreement also contains various restrictive financial covenants.

In February 2002, three executive officers of the Company, who are also the original founders of the Company, loaned an aggregate $4.4 million to the Company, due on March 31, 2003. The Company makes monthly interest payments to these officers at a variable interest rate of 0.5% below the prime rate (current effective rate is 4.25% at May 31, 2002). These notes are unsecured.

Subsequent to quarter end, the Company negotiated an additional credit facility with a financial institution whereby the Company has the ability to borrow up to $19 million. Advances and repayments under this credit agreement are based on the performance of certain customer notes receivable of the Company.

The Company maintains an interest-rate risk-management strategy that uses derivative instruments to minimize significant, unanticipated earnings fluctuations caused by interest-rate volatility. The Company's specific goal is to lower (where possible) the cost of its borrowed funds.

In July 2000, the Company entered into an interest rate swap agreement with an original notional amount of $30 million. The notional amount decreases by $7.5 million annually in each July 2002, 2003, 2004 and 2005. The swap is utilized to manage interest rate exposures and is designated as a cash flow hedge. The swap agreement is a variable receive/fixed pay swap which expires in July, 2005 and has the effect of converting the interest rate paid on the notional amount of the Company's variable rate debt to a fixed rate of 9.78%. The differential to be paid or received on the swap agreement is recognized and accrued over the life of the agreement as other comprehensive income based on the remaining outstanding notional amount or changes in interest rates. The difference between the Company's actual variable interest expense and 9.78% on the notional amount for the next twelve months is reclassified from other comprehensive income and recognized as interest expense.

Note 4. Earnings Per Share

Basic earnings per share is computed by dividing net income available to common stockholders by the weighted average number of shares outstanding. In computing diluted earnings per share, the dilutive effect of stock options during the periods presented increase the weighted average number of shares.

Presented below is the computation of earnings per share for the periods indicated:

	Three Months Ended May 31	
	2002	2001
Computation of weighted average number of basic shares:		
Basic:		
Common shares outstanding at beginning of the period	5,468,864	5,281,064
Weighted average number of shares issued during the period	4,424	2,746
Weighted average shares outstanding (basic)	5,473,288	5,283,810
Net income available to stockholders:	$2,157,448	$1,834,131
Basic earnings per share:	$0.39	$0.35
Diluted:		
Common shares outstanding at beginning of the period	5,468,864	5,281,064
Weighted average number of shares issued during the period	4,424	2,746
Weighted average of potential dilutive shares computed using the treasury stock method using the average market price during the period:		
Options (1)	40,538	187,306

Weighted average shares outstanding (diluted)	5,513,826	5,471,116
Net income available to stockholders:	$2,157,448	$1,834,131
Diluted earnings per share:	$0.39	$0.34

(1) Some of the stock options have been excluded because they are antidilutive.

AG SERVICES OF AMERICA, INC.
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

The following table sets forth percentages of net revenues represented by the selected items in the unaudited condensed statements of income of the Company for the three months ended May 31, 2002 and 2001. In the opinion of management, all normal and recurring adjustments necessary for a fair statement of the results for such periods have been included. The operating results for any period are not necessarily indicative of results for any future period.

	Percentage of Net Revenues	
	Three Months Ended May 31,	
	2002	2001
Net Revenues:		
Farm inputs	97.0%	96.2%
Financing income	3.0%	3.8%
	100.0%	100.0%
Cost of Revenues:		
Farm inputs	93.1%	92.3%
Financing expense	1.6%	2.1%
Provision for doubtful notes	1.9%	1.8%
	96.6%	96.2%
Income before operating expenses and income taxes	3.4%	3.8%
Operating expenses	1.7%	2.0%
Income before income taxes	1.7%	1.8%

Federal and state income taxes	0.7%	0.7%
Net Income	1.0%	1.1%

Net Revenues:

Net revenues increased $48 million or 29% during the three months ended May 31, 2002, compared with the three months ended May 31, 2001. The increase in net revenues was primarily the result of strong demand for the Company's AgriFlex Credit(R) Financing Program and an excellent spring planting season in its primary market area. Financing income as a percentage of net revenues decreased to 3.0% of net revenues for the three months ended May 31, 2002 from 3.8% for the three months ended May 31, 2001. The decrease in financing margin was primarily the result of a decrease in the prime lending rate by approximately 300 basis points, as compared to the same period one year ago.

Revenues primarily consist of farm inputs, including seed, fertilizer, agricultural chemicals, other services (which includes crop insurance commissions, fees charged to customers and other income) and other farm inputs including cash advances for land rental, fuel, irrigation, product application fees and other farm related expenses. Typically, the Company does not realize any farm input margin on "other farm inputs" revenue. Farm input revenue for the quarters ended May 31, 2002 and 2001 are summarized below.

	May 31, 2002		May 31, 2001	
Farm input revenue				
Input only program	$14,067	6.8%	$5,212	3.3%
Seeds	$22,772	11.1%	$16,696	10.6%
Chemicals	$19,212	9.3%	$15,084	9.6%
Fertilizer	$23,816	11.6%	$20,553	13.0%
Other farm inputs				
(cash rents, irrigation,etc.)	$123,339	60.0%	$98,443	62.3%
Other services (insurance, fees, etc.)	$2,485	1.2%	$1,913	1.2%
Total farm input revenue	$205,691	100.0%	$157,901	100.0%

Cost of Revenues

The total cost of revenues increased slightly to 96.6% for the three months ended May 31, 2002, as compared to 96.2% for the three months ended May 31, 2001. The gross margin on the sale of farm inputs as a percentage of net revenues remained constant at 3.9% for the three months ended May 31, 2002 and three months ended May 31, 2001. Gross margin on financing income decreased to 1.4% of net revenues for the first quarter of Fiscal 2003 as compared to 1.7% for the same period one year ago. This decrease in margin was primarily the result of a reduction in the prime lending rate of 300 basis points from the same period last year. The provision for doubtful notes remained relatively constant at 1.9% of net revenues for the three months ended May 31, 2002 as compared to 1.8% of net revenues for the three months ended May 31, 2001.

Operating Expenses

Operating expenses decreased, as a result of management's efforts to control costs, to 1.7% of net revenues for the three months ended May 31, 2002, as compared to 2.0% for the three months ended May 31, 2001. The increase in the dollar amount of operating expenses is attributed to the Company's growth. Payroll and payroll related expenses increased to $2.5 million for the three months ended May 31, 2002 from $2.3 million for the three months ended May 31, 2001.

Net Income

Net income increased 17.6% to $2.2 million for the three months ended May 31, 2002 from $1.8 million for the three months ended May 31, 2001. The increase in net income is primarily attributable to the increase in volume of the Company's AgriFlex Credit(R) program and an excellent spring planting season as mentioned above.

Powerfarm

The Company continues to leverage its business model and use of its credit products via the Internet through Powerfarm.com. The Powerfarm website offers growers one of the most comprehensive assortments of credit options available in the agricultural industry. The site highlights Ag Services credit programs and allows farmers to apply for credit lines electronically. In addition, existing customers have the ability to access detailed account information 24 hours a day through the site.

Inflation

The Company does not believe the Company's net revenues and net income were significantly impacted by inflation or changing prices in Fiscal 2002 or the first three months of Fiscal 2003.

Seasonality

The Company's revenues and income are directly related to the growing cycle for crops. Accordingly, quarterly revenues and income vary during each fiscal year. The following tables show the Company's quarterly net revenues and net income for Fiscal 2002 and the first quarter of Fiscal 2003. This information is derived from unaudited consolidated financial statements, which include, in the opinion of management, all normal and recurring adjustments which management consider necessary for a fair statement of results of those periods. The operating results for any quarter are not necessarily indicative of the results for any future period.

	Fiscal 2003 Quarter Ended			
	May 31	August 31	November 30	February 28
	(Dollars in thousands)			
Net revenues	$212,007			
Net income	$2,157			

	Fiscal 2002 Quarter Ended			
	May 31	August 31	November 30	February 28

	(Dollars in thousands)			
Net revenues	$164,160	$110,310	$25,104	$87,782
Net income	$1,834	$2,025	$1,297	$320

Liquidity and Capital Resources

At May 31, 2002 the Company had working capital of $3.4 million, a decrease of $61.7 million over a year ago and a decrease of $15.7 million since February 28, 2002. The decrease in working capital was due to the restructuring of the Company's debt as the Company's current securitized financing program, term note and revolving line of credit are set to expire in November 2002. As a result of the expiration of these credit facilities within the next twelve months, all debts associated with these facilities are classified as current liabilities on the Company's balance sheet. The Company is presently considering several financing alternatives and expects to replace these facilities by November. Once the new financing program is in place, working capital will return to a more normalized, historical amount.

The components of this net decrease, since February 28, 2002, were (i) $15.1 million decrease resulting from operating activities, consisting of approximately $2.2 million in net income, $0.1 million in depreciation, $0.7 million in amortization, and the remainder from a net change in other working capital items, (ii) capital expenditures of approximately $0.7 million related to the acquisition of equipment and furniture and (iii) net proceeds of $0.1 million from the issuance of common stock upon exercise of options.

The Company has an asset backed securitized financing program through November 2002, with a maximum available borrowing amount of $375 million. Under the terms of the facility, the Company sells and may continue to sell or contribute certain notes receivable to Ag Acceptance Corporation ("Ag Acceptance"), a wholly owned, special purpose subsidiary of the Company. Ag Acceptance pledges its interest in these notes receivable to a commercial paper market conduit entity on $305 million of the facility which incurs interest at variable rates in the commercial paper market (current effective rates range from 1.83% to 1.90% at May 31, 2002) and the remaining $70 million is a three-year term note with interest at a variable cost of LIBOR plus 25 basis points (current effective rate is 2.09% at May 31, 2002). The agreement contains various restrictive covenants, including, among others, restrictions on mergers, issuance of stock, declaration or payment of dividends, transactions with affiliates, and requires the Company to maintain certain levels of equity and pretax earnings. Advances under the facility are made subject to portfolio performance, financial covenant restrictions and borrowing base calculations. At May 31, 2002, the Company had approximately $292.8 million outstanding under the asset backed securitized financing program and had a maximum additional amount available of approximately $10.3 million, based on borrowing base computations as provided by the agreement.

The Company also has a $30 million term note that matures in November of 2002. Additional terms of the agreement allow two variable interest rate alternatives based on prime or LIBOR (current effective rates range from 3.875% to 5.25% at May 31, 2002). The agreement also contains various restrictive covenants, including, among others, restrictions on mergers, issuance of stock, declaration or payment of dividends and loans to stockholders, and requires the Company to maintain certain levels of equity and pretax earnings.
At May 31, 2002, the Company had $30 million outstanding under the term loan.

In conjunction with the securitized financing program and the term loan, the Company maintains a $15 million revolving bank line of credit through November 2002. The line of credit is accessible to cover any potential deficiencies in available funds financed through the securitization program. All borrowings are collateralized by substantially all assets of the Company. The terms of the agreement allow for two variable interest rate alternatives

base on prime or LIBOR (current effective rates range from 3.875% to 5.25% at May 31, 2002). The agreement also contains various restrictive covenants, including, among others, restrictions on mergers, issuance of stock, declaration or payment of dividends and loans to stockholders, and requires the Company to maintain certain levels of equity and pretax earnings. Advances under the line of credit agreement are also subject to portfolio performance, financial covenant restrictions, and borrowing base calculations. At May 31, 2002 the Company had $9.4 million outstanding under the agreement and had a maximum additional amount available of approximately $5.6 million based on borrowing base computations as provided by the agreement.

Subsequent to quarter end, the Company renegotiated its $30 million term note and $15 million line of credit into one $80 million revolving facility through November 2002. The new agreement calls for a $5 million pay down on July 31, 2002, which will reduce the revolving facility to $75 million. All other provisions of the credit facility have remained substantially the same.

The Company has a credit agreement whereby the Company may borrow up to $3.9 million, with a declining balance provision, on a revolving line of credit through April 2022. This credit agreement is used to finance the Company's new corporate headquarters at a fixed interest rate of 5.74% for five years. There was no outstanding balance under the credit agreement at May 31, 2002. The agreement also contains various restrictive financial covenants.

In February 2002, three executive officers of the Company, who are also the original founders of the Company, loaned an aggregate $4.4 million to the Company, due on March 31, 2003. The Company makes monthly interest payments to these officers at a variable interest rate of 0.5% below the prime rate (current effective rate is 4.25% at May 31, 2002). These notes are unsecured.

Subsequent to quarter end, the Company negotiated an additional credit facility with a financial institution whereby the Company has the ability to borrow up to $19 million. Advances and repayments under this credit agreement are based on the performance of certain customer notes receivable of the Company.

The Company maintains an interest-rate risk-management strategy that uses derivative instruments to minimize significant, unanticipated earnings fluctuations caused by interest-rate volatility. The Company's specific goal is to lower (where possible)the cost of its borrowed funds.

In July 2000, the Company entered into an interest rate swap agreement with an original notional amount of $30 million. The notional amount decreases by $7.5 million annually in each July 2002, 2003, 2004 and 2005. The swap is utilized to manage interest rate exposures and is designated as a cash flow hedge. The swap agreement is a variable receive/fixed pay swap which expires in July, 2005 and has the effect of converting the interest rate paid on the notional amount of the Company's variable rate debt to a fixed rate of 9.78%. The differential to be paid or received on the swap agreement is recognized and accrued over the life of the agreement as other comprehensive income based on the remaining outstanding notional amount or changes in interest rates. The difference between the Company's actual variable interest expense and 9.78% on the notional amount for the next twelve months is reclassified from other comprehensive income and recognized as interest expense.

The Company's current securitized financing program, term note and revolving line of credit expire in November 2002. The Company is presently considering several financing alternatives and believes the options available to it will be sufficient to finance the Company and it's operations in the foreseeable future. Failure to obtain alternative financing resources would materially impair the Company's ability to finance sufficient sales of farm inputs in order to continue operations under the normal course of business.

"Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995

Information contained in this report, other than historical information, should be considered forward looking, which reflect Management's current views of future events and financial performance that involve a number of risks and uncertainties. The factors that could cause actual results to differ materially include, but are not limited to, the following: general economic conditions within the agriculture industry; competitive factors and pricing pressures; changes in product mix; changes in the seasonality of demand patterns; changes in weather conditions; changes in agricultural regulations; technological problems; the amount and availability under its asset backed securitization program; unknown risks; and other risks detailed in the Company's Securities and Exchange Commission filings.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

At May 31, 2002 the Company had $337 million outstanding in notes payable at an average variable interest rate of 2.73%. The Company has an interest rate swap that effectively converts $30 million of this variable rate debt to a fixed rate instrument. After considering the effect of this swap, the Company has floating rate debt of $307 million at a variable interest rate of 2.04%. A 10% increase in the average variable interest rate would increase interest expense by approximately 20 basis points. Assuming similar average outstanding borrowings as Fiscal 2002 of $246 million, this would increase the Company's interest expense by approximately $0.5 million.

The above sensitivity analysis is to provide information about the Company's potential market risks as they pertain to an adverse change in interest rates. The above analysis excludes the positive impact that increased interest rates would have on financing income as approximately 95% of the Company's notes receivable are variable rate notes.

AG SERVICES OF AMERICA, INC.
PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

No exhibits were filed during the period covered by this report.

(b) Reports on Form 8-K

No reports on Form 8-K were filed during the period covered by this report.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AG SERVICES OF AMERICA, INC.

(Registrant)

/s/ Gaylen D. Miller

Gaylen D. Miller
Chairman of the Board
(Principal Financial and Accounting Officer)

Date: July 15, 2002

AMENDMENT NO. 5
TO
MASTER TRUST INDENTURE AND SECURITY AGREEMENT

THIS AMENDMENT NO. 5 TO MASTER TRUST INDENTURE AND SECURITY AGREEMENT dated as of May 31, 2002 (this "Amendment") is entered into by and among AG ACCEPTANCE CORPORATION, as Issuer (the "Issuer"), AG SERVICES OF AMERICA, INC., as Servicer (the "Servicer"), U.S. BANK, N.A., as Trustee (d/b/a FIRSTAR BANK, N.A., as Trustee) (the "Trustee") and MBIA INSURANCE CORPORATION, as the Insurer (the "Insurer"). Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Indenture (as defined below and amended hereby).

WHEREAS, the Issuer, the Servicer, the Trustee and the Insurer have entered into that certain Master Trust Indenture and Security Agreement, dated as of June 23, 1999 (as amended, restated, supplemented or otherwise modified from time to time, the "Indenture"); and

WHEREAS, the Issuer, the Servicer, the Trustee and the Insurer have agreed to amend the Indenture as hereinafter set forth;

NOW THEREFORE, in consideration of the premises and other mutual covenants contained herein, the parties hereto agree as follows:

SECTION 1. Amendments. The Indenture is hereby amended as follows, such amendment to be effective as of the date set forth in Section 2 hereof, and subject to the satisfaction of the conditions precedent set forth in Section 2 hereof:

1.1 The Indenture is hereby amended to add the following Section 4.05 of the Indenture:

SECTION 4.05 Collateral Releases.

(a) On any date prior to the Wind Down Date, with the prior written consent of the Control Party in its sole discretion, the Issuer may direct the Trustee in writing to release its Lien on a portion of the Pledged Assets, subject to the following conditions:

(i) immediately prior to such release and after giving effect to such release, no Unmatured Event of Default, Event of Default, Amortization Event or any event which, with the giving of notice or the passage of time or both, would constitute an Amortization Event shall occur;

(ii) immediately prior to such release and after giving effect to such release and the application of all or a portion of the repurchase price pursuant to clause (vi) below, no Asset Deficiency shall exist;

-16-

(iii) not less than 7 Business Days prior to the proposed date of such release (or such shorter notice period acceptable to the Trustee and the Control Party in their sole discretion), the Trustee and the Control Party shall have received a preliminary request (a "Preliminary Request") for the release of the Lien on specified Pledged Assets setting forth the approximate repurchase price for such Pledged Assets and details of such Pledged Assets to be considered for release in substantially the form of Exhibit I ;

(iv) no later than 5:00 p.m. (New York City time) on the Business Day immediately preceding the date of the proposed release, the Control Party shall have received a final request (a "Final Request") for the release of the Lien on specified Pledged Assets, updating the information set forth in the related Preliminary Request, including the final repurchase price, the final list of Pledged Assets to be released and the details of such Pledged Assets to be released in substantially the form of Exhibit J;

(v) the Control Party shall have executed the Final Request evidencing its consent thereto and shall have delivered a copy thereof the Trustee;

(vi) the Trustee and the Control Party shall have received two Servicer's Daily Reports each dated the date of the proposed release, one with respect to the Pledged Assets before giving effect to such release and one with respect to the Pledged Assets after giving effect to such release, together with a certificate of a Servicing Officer, certifying the accuracy of such Servicer's Daily Reports and certifying the compliance with the other provisions of this Section 4.05(a); and

(vii) the receipt by the Trustee of the amount, if any, necessary to reduce to zero any Asset Deficiency after giving effect to such Release, which amount shall be retained by the Trustee and immediately applied to reduce such Asset Deficiency, if any, to zero.

(b) Upon the satisfaction of the conditions set forth above, at the expense of the Issuer, the Trustee shall release its Lien on Pledged Assets described in the Final Request by executing a Release substantially in the form of Annex A to Exhibit J, and upon the written request of the Issuer, such other documents or instruments as may be reasonably necessary to terminate and remove of record such Lien.

1.2 The Indenture is hereby amended to delete clause (p)(i) from Section 9.01 of the Indenture and to substitute the following therefor:

(p)(i) the Originator's Consolidated Pre-Tax Margin shall be less than 2.0% as of the end of the fiscal quarter ended May 31, 2002, shall be less than 1.75% as of the end of the fiscal quarter ended August 31, 2002, shall be less than 2.1% as of the end of the fiscal quarter ended November 30, 2002, or less than 3.0% as of the end of any fiscal quarter thereafter;

-17-

1.3 Section 9.01 of the Indenture is hereby amended to delete clause (t) in its entirety and to substitute the following therefor:

(t) the Originator shall fail to achieve a Fixed Charge Coverage Ratio of at least (i) 1.70 to 1.00 as of the end of the four-Fiscal Quarter period ended May 31, 2002, (ii) 1.55 to 1.00 as of the end of the four-Fiscal Quarter period ended August 31, 2002, (iii) 1.70 to 1.00 as of the end of the four-Fiscal Quarter period ended November 30, 2002 and as of the end of the four-Fiscal Quarter period ended February 28, 2003 and (iv) 1.75 to 1.00 as of the end of any Fiscal Quarter thereafter for the four-Fiscal Quarter period then ended; or

1.4 The Indenture is hereby amended to add Exhibit I and J attached hereto as Exhibit I and J, respectively, to the Indenture.

SECTION 2. Amendment Effective Date. This Amendment shall become effective as of the date (the "Amendment Effective Date") on which each of the following conditions precedent shall have been satisfied:

(a) each of the Issuer, the Servicer, the Trustee and the Insurer shall have received a copy of this Amendment duly executed by each of the parties hereto; and

(b) either (i) the Noteholder's Consents attached to this Amendment shall have been duly executed and delivered by the Majority Noteholders; or (ii) with respect to each Rating Agency, the Rating Agency Condition shall have been satisfied with respect thereto.

SECTION 3. Covenants, Representations and Warranties of the Issuer and the Servicer.

3.1 Upon the effectiveness of this Amendment, (i) each of the Issuer and the Servicer hereby reaffirms all representations and warranties made by it in the Indenture as amended hereby (except for those representations and warranties that relate to a specific date) and agrees that all such covenants, representations and warranties shall be deemed to have been remade as of the effective date of this Amendment (except for those representations and warranties that relate to a specific date) and (ii) each of the Issuer and the Servicer hereby represents and warrants that no Asset Deficiency is continuing and no Event of Default or event or circumstance which, with the giving of notice or the passage of time, or both, would constitute an Event of Default shall have occurred and be continuing.

3.2 Each of the Issuer and the Servicer represents and warrants that this Amendment constitutes a legal, valid and binding obligation of such party, enforceable against it in accordance with its terms.

3.3 In consideration for the execution of this Amendment by the Insurer and the Trustee, and the execution by the Noteholders of their respective consent to this Amendment, each of the Issuer and the Servicer hereby waives each and every claim, defense, demand, action and suit of any kind or nature whatsoever against each of the

Insurer, Trustee, Noteholder and each of their respective directors, officers, shareholders, employees and agents arising on or prior to the date hereof in connection with the Indenture, any of the other Transaction Documents and the transactions contemplated thereby.

SECTION 4. Reference to and Effect on the Indenture and the Transaction Documents.

4.1 As of the Amendment Effective Date, each reference in the Indenture to "this Indenture", "hereunder", "hereof", "herein", or words of like import shall mean and be a reference to the Indenture as amended hereby, and each reference to the Indenture in any other Transaction Document, instrument or agreement executed and/or delivered in connection with the Indenture shall mean and be a reference to the Indenture as amended hereby.

4.2 Except as specifically amended above and in connection herewith, the Indenture and all other documents, instruments and agreements executed and/or delivered in connection therewith shall remain in full force and effect and are hereby ratified and confirmed.

4.3 The execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of the Trustee or the Insurer under the Indenture or any other document, instrument or agreement executed in connection therewith, nor constitute a waiver of any provision contained therein, except as specifically set forth herein.

SECTION 5. Governing Law. This Amendment will be governed by and construed in accordance with the internal laws (as opposed to any conflict of law provisions, except Sections 5-1401 and 5-1402 of the New York General Obligations Law) and decisions of the State of New York.

SECTION 6. Severability. Each provision of this Amendment shall be severable from every other provision of this Amendment for the purpose of determining the legal enforceability of any provision hereof, and the unenforceability of one or more provisions of this Amendment in one jurisdiction shall not have the effect of rendering such provision or provisions unenforceable in any other jurisdiction.

SECTION 7. Execution in Counterparts. This Amendment may be executed in one or more counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original, but all of which taken together shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page to this Amendment by facsimile shall be effective as delivery of a manually executed counterpart of this Amendment.

SECTION 8. Successors and Assigns. This Amendment shall be binding upon, and shall inure to the benefit of, the parties hereto and their respective successors and assigns.

SECTION 9. Headings. Section headings in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment for any other purpose.

[remainder of page intentionally left blank]

-19-

IN WITNESS WHEREOF, the parties have caused this Amendment to be executed by their respective officers thereunto duly authorized, as of the date first above written.

AG ACCEPTANCE CORPORATION, as the Issuer

By:_________________________
Name:
Title:

AG SERVICES OF AMERICA, INC., as Servicer

By:_________________________
Name:
Title:

U.S. BANK, N.A., as Trustee
(d/b/a FIRSTAR BANK, N.A., as Trustee)
By:_________________________
Name:
Title:

MBIA INSURANCE CORPORATION, as Insurer
By:_________________________
Name:
Title:

-20-

CONSENT TO
AMENDMENT NO. 5
TO
MASTER TRUST INDENTURE AND SECURITY AGREEMENT

The undersigned, as the Series 1999-1 Noteholder, hereby consents to the Amendment No. 5 to the Master Trust Indenture and Security Agreement dated as of May 31, 2002 (the "Amendment") to which this Consent is attached. The consent granted hereunder shall apply only to the foregoing Amendment and shall not be deemed to be a consent to any other amendment for which the consent of the undersigned is required.

TRIPLE-A ONE FUNDING CORPORATION, as
the Series 1999-1 Noteholder and
Majority Noteholder

By: MBIA Insurance Corporation,
as Attorney-in-Fact

By:______________________________
Name:
Title:

-21-

CONSENT TO
AMENDMENT NO. 5
TO
MASTER TRUST INDENTURE AND SECURITY AGREEMENT

The undersigned, as the Series 1999-2 Noteholder hereby consents to the Amendment No. 5 to the Master Trust Indenture and Security Agreement dated as of May 31, 2002 (the "Amendment") to which this Consent is attached. The consent granted hereunder shall apply only to the foregoing Amendment and shall not be deemed to be a consent to any other amendment for which the consent of the undersigned is required.

COBANK, ACB, as the Series
1999-2 Noteholder

By:____________________________
Name:
Title:

-22-

Exhibit I

FORM OF PRELIMINARY REQUEST FOR RELEASE OF SPECIFIED COLLATERAL

To: U.S. Bank N.A., as Trustee (d/b/a Firstar Bank, N.A., as Trustee)
U.S. Bank Trust Center
EP-MN-T2CT Chuck Pedersen
180 East Fifth Street
St. Paul, Minnesota 55101
Facsimile No.: 651-244-1797

MBIA Insurance Corporation
113 King Street
Armonk, New York, 10504
Attention: Andrew Laterza - IPM/STF Corporate
Facsimile No.: 914-765-3810

Re: Master Trust Indenture And Security Agreement, dated as of June 23, 1999 among Ag Acceptance Corporation, a Delaware corporation, as Issuer (the "Issuer"), Ag Services of America, Inc. ("Ag Services"), an Iowa corporation, as Servicer (the "Servicer"), U.S. Bank N.A., as Trustee (d/b/a Firstar Bank, N.A., as Trustee) (the "Trustee") and MBIA Insurance Corporation, as the "Insurer" (as amended, restated, supplemented or otherwise modified from time to time, the "Indenture"). Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Indenture.

Pursuant to Section 4.05(a)(iii) of the Indenture, Ag Services anticipates the repurchase from the Issuer, for an aggregate repurchase price of approximately $________, the Acquired Advances and the other Pledged Assets related thereto as described below and in connection therewith, hereby requests that the Control Party consent to the release of the Lien on such Pledged Assets as of [Insert proposed release date], as such list of Pledged Assets may be modified as set forth on the Final Request related hereto to be delivered to the Control Party on [Insert proposed release date].

Loan No. Obligor Year/Loan Type O/S Advance Bal. Accrued/Unpaid Interest and Costs

AG SERVICES OF AMERICA, INC.

By:____________________________
Name:
Title:

-23-

AG ACCEPTANCE CORPORATION

By:___________________________
Name:
Title:

-24-

Exhibit J

[FORM OF FINAL REQUEST FOR RELEASE OF SPECIFIED COLLATERAL/
FORM OF RELEASE]

To: U.S. Bank N.A., as Trustee (d/b/a Firstar Bank, N.A., as Trustee)
U.S. Bank Trust Center
EP-MN-T2CT Chuck Pedersen
180 East Fifth Street
St. Paul, Minnesota 55101
Facsimile No.: 651-244-1797

MBIA Insurance Corporation
113 King Street
Armonk, New York, 10504
Attention: Andrew Laterza - IPM/STF Corporate
Facsimile No.: 914-765-3810

Re: Master Trust Indenture And Security Agreement, dated as of June 23, 1999 among Ag Acceptance Corporation, a Delaware corporation, as Issuer (the "Issuer"), Ag Services of America, Inc. ("Ag Services"), an Iowa corporation, as Servicer (the "Servicer"), U.S. Bank N.A., as Trustee (d/b/a Firstar Bank, N.A., as Trustee)(the "Trustee") and MBIA Insurance Corporation, as the "Insurer" (as amended, restated, supplemented or otherwise modified from time to time, the "Indenture"). Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Indenture.

Pursuant to Section 4.05(a)(iv) of the Indenture, Ag Services desires to repurchase from the Issuer, for an aggregate repurchase price of $________ (the "Repurchase Price"), the Acquired Advances and the other Pledged Assets related thereto as described below and in connection therewith, hereby requests the release of the Lien on such Pledged Assets as of [Insert proposed release date]. A payment to the Noteholders in the aggregate amount of $_______ will be required to reduce any Asset Deficiency to zero after giving effect to such repurchase.

Loan No. Obligor Year/Loan Type O/S Advance Bal. Accrued/Unpaid Interest and Costs

AG SERVICES OF AMERICA, INC.

By:_________________________
Name:
Title:

-25-

AG ACCEPTANCE CORPORATION

By:________________________
Name:
Title:

Acknowledged and Agreed to
the __ day of 200_

MBIA Insurance Corporation,
as Control Party

By:_______________________
Name:
Title:

-26-

Annex A

RELEASE

KNOW ALL MEN BY THESE PRESENTS, that U.S. Bank N.A., as Trustee (d/b/a Firstar Bank, N.A., as Trustee) (the "Trustee") under that certain Master Trust Indenture And Security Agreement, dated as of June 23, 1999 among Ag Acceptance Corporation, a Delaware corporation, as Issuer (the "Issuer"), Ag Services of America, Inc. ("Ag Services"), an Iowa corporation, as Servicer (the "Servicer"), U.S. Bank N.A., as Trustee (d/b/a Firstar Bank, N.A., as Trustee) (the "Trustee") and MBIA Insurance Corporation, as the "Insurer" (as amended, restated, supplemented or otherwise modified from time to time, the "Indenture"; unless otherwise defined herein, capitalized terms used in this Release have the meanings ascribed to them in the Indenture), in accordance with the terms of the Indenture, does hereby without recourse, representation or warranty and in express reliance upon the statements made by Ag Services and the Issuer in the request dated [Insert Date], relative to this Release (the "Final Request") and in the Servicer's Daily Report and a certificate of the Servicing Officer delivered in connection therewith, REMISE, CONVEY, RELEASE AND QUIT CLAIM unto the Issuer all the right, title and interest (including, without limitation, any and all security interests and any and all liens, charges, claims, encumbrances and other third party rights) whatsoever that the Trustee may have acquired for itself or for the benefit of the Secured Parties (or that any Secured Party may have acquired) in, through or by the Indenture, in (a) the Pledged Assets specified in the Final Request attached hereto and (b) all payments and proceeds thereof (exclusive of the repurchase price paid to the Issuer pursuant to the terms of the Indenture) (the "Released Assets"). The Trustee, for itself as Trustee and on behalf of the other Secured Parties in accordance with the terms of the Indenture, and in express reliance upon the statements made by the Company in the Final Request and in the Servicer's Daily Report and a certificate of the Servicing Officer delivered in connection therewith, further hereby, without recourse, representation or warranty, relinquishes, releases and renders ineffective all of the rights, powers and interests of the Trustee and the Secured Parties with respect to the Released Assets, derived from or arising under the Indenture.

This Release is in no way to operate to discharge the Lien of the Indenture Agreement upon any property other than the Released Assets, but it is only to release the Released Assets and none other; and the remaining or unreleased Collateral is to remain as security for payment of the indebtedness secured thereby and for full performance of all of the covenants, conditions and obligations contained in the Indenture or in any other Transaction Document, and the other documents described therein.

-27-

IN WITNESS WHEREOF, this Release has been executed this [ ] day of [ ], 200_.

U.S. BANK, N.A., as Trustee
(d/b/a FIRSTAR BANK, N.A., as Trustee)
By:________________________
Name:
Title:

-28-

AMENDMENT NO. 6
TO
MASTER TRUST INDENTURE AND SECURITY AGREEMENT

THIS AMENDMENT NO. 6 TO MASTER TRUST INDENTURE AND SECURITY AGREEMENT dated as of June 18, 2002 (this "Amendment") is entered into by and among AG ACCEPTANCE CORPORATION, as Issuer (the "Issuer"), AG SERVICES OF AMERICA, INC., as Servicer (the "Servicer"), U.S. BANK, N.A., (d/b/a FIRSTAR BANK, N.A.), as Trustee (the "Trustee"), and MBIA INSURANCE CORPORATION, as the Insurer (the "Insurer"). Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Indenture (as defined below and amended hereby).

WHEREAS, the Issuer, the Servicer, the Trustee and the Insurer have entered into that certain Master Trust Indenture and Security Agreement, dated as of June 23, 1999 (as amended, restated, supplemented or otherwise modified from time to time, the "Indenture"); and

WHEREAS, the Issuer, the Servicer, the Trustee and the Insurer have agreed to amend the Indenture as hereinafter set forth;

NOW THEREFORE, in consideration of the premises and other mutual covenants contained herein, the parties hereto agree as follows:

SECTION 1. Amendments. The Indenture is hereby amended as follows, such amendment to be effective as of the date set forth in Section 2 hereof, and subject to the satisfaction of the conditions precedent set forth in Section 2 hereof:

1.1 The defined term "Required Reserves" contained in Section 1.01 is hereby amended to delete the percentage "15%" set forth in clause (ii) thereof and to substitute the percentage "18%" therefor.

1.2 The defined term "Scheduled Wind Down Date" contained in Section 1.01 is hereby deleted in its entirety and the following definition substituted therefor:

> "Scheduled Wind Down Date" means the Distribution Date occurring in November, 2002, as such date may from time to time be extended pursuant to Section 12.01 hereof.

1.3. The defined terms "Consolidated Capital" and "Consolidated Capital Requirement" contained in Section 1.01 are hereby deleted in their entirety.

SECTION 2. Amendment Effective Date. This Amendment shall become effective as of the date (the "Amendment Effective Date") on which each of the following conditions precedent shall have been satisfied:

(a) each of the Issuer, the Servicer, the Trustee and the Insurer shall have received a copy of this Amendment duly executed by each of the parties hereto; and

(b) either (i) the Noteholder's Consents attached to this Amendment shall have been duly executed and delivered by the Majority Noteholders of each Series of Notes; or (ii) with respect to each Rating Agency, the Rating Agency Condition shall have been satisfied with respect thereto.

SECTION 3. Covenants, Representations and Warranties of the Issuer and the Servicer.

3.1 Upon the effectiveness of this Amendment, (i) each of the Issuer and the Servicer hereby reaffirms all representations and warranties made by it in the Indenture as amended hereby (except for those representations and warranties that relate to a specific date) and agrees that all such covenants, representations and warranties shall be deemed to have been remade as of the effective date of this Amendment (except for those representations and warranties that relate to a specific date) and (ii) each of the Issuer and the Servicer hereby represents and warrants that no Asset Deficiency is continuing and no Event of Default or event or circumstance which, with the giving of notice or the passage of time, or both, would constitute an Event of Default shall have occurred and be continuing.

3.2 Each of the Issuer and the Servicer represents and warrants that this Amendment constitutes a legal, valid and binding obligation of such party, enforceable against it in accordance with its terms.

3.3 In consideration for the execution of this Amendment by the Insurer and the Trustee, and the execution by the Noteholders of their respective consent to this Amendment, each of the Issuer and the Servicer hereby waives each and every claim, defense, demand, action and suit of any kind or nature whatsoever against each of the Insurer, Trustee, Noteholder and each of their respective directors, officers, shareholders, employees and agents arising on or prior to the date hereof in connection with the Indenture, any of the other Transaction Documents and the transactions contemplated thereby.

SECTION 4. Reference to and Effect on the Indenture and the Transaction Documents.

4.1 As of the Amendment Effective Date, each reference in the Indenture to "this Indenture", "hereunder", "hereof", "herein", or words of like import shall mean and be a reference to the Indenture as amended hereby, and each reference to the Indenture in any other Transaction Document, instrument or agreement executed and/or delivered in connection with the Indenture shall mean and be a reference to the Indenture as amended hereby.

4.2 Except as specifically amended above and in connection herewith, the Indenture and all other documents, instruments and agreements executed and/or delivered in connection therewith shall remain in full force and effect and are hereby ratified and confirmed.

4.3 The execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of the Trustee or the Insurer under the Indenture or any other document,

-30-

instrument or agreement executed in connection therewith, nor constitute a waiver of any provision contained therein, except as specifically set forth herein.

SECTION 5. Governing Law. This Amendment will be governed by and construed in accordance with the internal laws (as opposed to any conflict of law provisions, except Sections 5-1401 and 5-1402 of the New York General Obligations Law) and decisions of the State of New York.

SECTION 6. Severability. Each provision of this Amendment shall be severable from every other provision of this Amendment for the purpose of determining the legal enforceability of any provision hereof, and the unenforceability of one or more provisions of this Amendment in one jurisdiction shall not have the effect of rendering such provision or provisions unenforceable in any other jurisdiction.

SECTION 7. Execution in Counterparts. This Amendment may be executed in one or more counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original, but all of which taken together shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page to this Amendment by facsimile shall be effective as delivery of a manually executed counterpart of this Amendment.

SECTION 8. Successors and Assigns. This Amendment shall be binding upon, and shall inure to the benefit of, the parties hereto and their respective successors and assigns.

SECTION 9. Headings. Section headings in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment for any other purpose.

[remainder of page intentionally left blank]

-31-

IN WITNESS WHEREOF, the parties have caused this Amendment to be executed by their respective officers thereunto duly authorized, as of the date first above written.

AG ACCEPTANCE CORPORATION, as the Issuer

By:___________________________
Name:
Title:

AG SERVICES OF AMERICA, INC., as Servicer

By:____________________________
Name:
Title:

U.S. BANK, N.A. (d/b/a FIRSTAR BANK, N.A.), as Trustee

By:____________________________
Name:
Title:

MBIA INSURANCE CORPORATION, as Insurer

By:____________________________
Name:
Title:

-32-

CONSENT TO
AMENDMENT NO. 6
TO
MASTER TRUST INDENTURE AND SECURITY AGREEMENT

The undersigned, as the Series 1999-1 Noteholder, hereby consents to the Amendment No. 6 to the Master Trust Indenture and Security Agreement dated as of June 18, 2002 (the "Amendment") to which this Consent is attached. The consent granted hereunder shall apply only to the foregoing Amendment and shall not be deemed to be a consent to any other amendment for which the consent of the undersigned is required.

TRIPLE-A ONE FUNDING CORPORATION,
as the Series 1999-1 Noteholder and
Majority Noteholder

By: MBIA Insurance Corporation,

as Attorney-in-Fact

By:______________________________
Name:
Title:

-33-

CONSENT TO
AMENDMENT NO. 6
TO
MASTER TRUST INDENTURE AND SECURITY AGREEMENT

The undersigned, as the Series 1999-2 Noteholder hereby consents to the Amendment No. 6 to the Master Trust Indenture and Security Agreement dated as of June 18, 2002 (the "Amendment") to which this Consent is attached. The consent granted hereunder shall apply only to the foregoing Amendment and shall not be deemed to be a consent to any other amendment for which the consent of the undersigned is required.

COBANK, ACB, as the Series
1999-2 Noteholder

By:________________________
Name:
Title:

-34-