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AG SERVICES OF AMERICA INC
Form DEFR14A
June 12, 2003

SCHEDULE 14A
(Rule 14a-101)
INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No. 1)

Filed by the Registrant [X]

Filed by a Party other than the Registrant []

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to Section 240.14a-11(c) or Section 240.14a-12

AG SERVICES OF AMERICA, INC.

(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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AG SERVICES OF AMERICA, INC.
1309 Technology Parkway
Cedar Falls, Iowa 50613

June 12, 2003

Dear Shareholder:

You are invited to the annual meeting of shareholders, to be held on July 14, 2003, at the corporate headquarters of Ag Services of America, Inc., 1309 Technology Parkway, Cedar Falls, Iowa 50613, at 9:00 a.m., Central Standard Time. You will find information about the annual meeting in the enclosed Notice of Annual Meeting and proxy statement. In addition, you will also find enclosed a form of proxy and information on how to grant your proxy by mail. The subjects to be considered at the meeting are important to our future. We encourage you to vote by granting your proxy as soon as possible in order to ensure that your vote will be counted at the annual meeting.

At the annual meeting, we will ask you to consider and vote on five proposals:

1. To approve a securities purchase agreement that we entered into on February 24, 2003 with ASP/ASA, LLC, pursuant to which, among other things, we will issue and sell up to 70,000 shares of 8.375% convertible preferred stock to ASP/ASA, LLC. ASP/ASA, LLC will hold a majority of voting power with respect to our company upon the first closing of the sale of convertible preferred stock.
2. To re-elect two members to our board of directors.
3. To elect five new members to our board of directors; these five will replace four members who have agreed to resign from our board of directors and fill one newly created position, each effective only upon the completion of the first closing of the sale of convertible preferred stock to

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ASP/ASA, LLC.

4. To remove the first paragraph of Article VII of our Amended and Restated Articles of Incorporation, which provides that our board of directors shall be divided into three classes, each of which is elected in a different year for a three year term. The removal of this provision will be effective only upon completion of the first closing of the sale of convertible preferred stock to ASP/ASA, LLC. If the first closing occurs, each member of our board of directors will continue in office until our next annual meeting.

5. To ratify the appointment of McGladrey & Pullen, LLP, as our independent public accountants for the fiscal year ending February 29, 2004.

In addition, at the meeting we will consider and act upon any other matters that may properly come before the meeting or any adjournment thereof.

This annual meeting is designed to serve as our regular annual meeting and as a special meeting necessary in order to complete the transactions contemplated by the securities purchase agreement. Proposals 2 and 5 are matters required to be addressed at our regular annual meeting. Proposals 1, 3 and 4 relate to the securities purchase agreement. The accompanying proxy statement provides greater detail as to how these proposals relate to each other.

As described in the enclosed materials, our board of directors unanimously approved the securities purchase agreement and believes that it is in the best interests of our company. The board of directors recommends a vote "for" each of the five proposals contained in this proxy statement.

Regardless of whether you plan to attend the annual meeting, your vote is important. We urge you to participate by promptly completing and returning the enclosed proxy card as soon as possible. You may revoke your proxy and vote in person if you decide to attend the annual meeting.

On behalf of the board of directors and management, we thank you for your continued support of Ag Services of America, Inc. during these challenging times.

Sincerely,

/s/ Henry C. Jungling, Jr.

Henry C. Jungling, Jr.
President

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/s/ Gaylen D. Miller

Gaylen D. Miller
Chairman of the Board

/s/ Kevin D. Schipper

Kevin D. Schipper
Chief Executive Officer and

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Secretary

This proxy statement is dated June 12, 2003 and is first being mailed to shareholders on or about June 13, 2003.

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AG SERVICES OF AMERICA, INC.
1309 Technology Parkway
Cedar Falls, Iowa 50613

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON JULY 14, 2003

Dear Ag Services of America, Inc. Shareholder,

It is my pleasure to invite you to the annual meeting of the shareholders of Ag Services of America, Inc. to be held on Monday, July 14, 2003, at our corporate headquarters, 1309 Technology Parkway, Cedar Falls, Iowa 50613, at 9:00 a.m., Central Standard Time.

At the annual meeting, we will ask you to consider and vote on the following proposals:

1. The approval of a securities purchase agreement that we entered into on February 24, 2003 with ASP/ASA, LLC, pursuant to which, among other things, we will issue and sell up to 70,000 shares of 8.375% convertible preferred stock to ASP/ASA, LLC. ASP/ASA, LLC will hold a majority of voting power with respect to our company upon the first closing of the sale of the convertible preferred stock.
2. The re-election of two members to our board of directors.
3. The election of five new members to our board of directors; these five will replace four members who have agreed to resign from our board of directors and fill one newly-created position, each effective only upon the completion of the first closing of the sale of convertible preferred stock to ASP/ASA, LLC.
4. The removal of the first paragraph of Article VII of our Amended and Restated Articles of Incorporation, which provides that our board of directors shall be divided into three classes, each of which is elected in a different year for a three year term. The removal of this provision will be effective only upon completion of the first closing of the sale of convertible preferred stock to ASP/ASA, LLC. If the first closing occurs, each member of our board of directors will continue in office until our next annual meeting.
5. The ratification of the appointment of McGladrey & Pullen, LLP, as our independent public accountants for the fiscal year ending February 29, 2004.

In addition, at the meeting we will consider and act upon any other matters that may properly come before the meeting or any adjournment thereof.

This annual meeting is designed to serve as our regular annual meeting and as a special meeting necessary in order to complete the transactions contemplated by the securities purchase agreement. Proposals 2 and 5 are matters required to be addressed at our regular annual meeting. Proposals 1, 3 and 4 relate to the securities purchase agreement. The accompanying

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proxy statement provides greater detail as to how these proposals relate to each other.

The accompanying proxy statement describes these proposals in greater detail. If you were a shareholder at the close of business on June 2, 2003, you are entitled to notice of, and you may vote at, the annual meeting.

Whether or not you plan to attend the annual meeting, we ask that you submit your proxy as soon as possible so that your shares can be voted at this meeting. You may vote by mailing a traditional proxy card or by voting in person. Submitting your proxy will NOT prevent you from voting in person. Please review the instructions on the enclosed proxy card and in the proxy statement regarding your voting options.

By order of the board of directors,

/s/ Kevin D. Schipper

Kevin D. Schipper
Corporate Secretary

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Cedar Falls, IA
June 12, 2003

YOUR VOTE IS IMPORTANT

Please mark, sign and date the enclosed proxy card and mail it promptly in the enclosed return envelope.

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QUESTIONS AND ANSWERS ABOUT THE PROPOSALS AND THE ANNUAL MEETING

Below are brief answers to frequently asked questions concerning the proposals and the annual meeting. These questions and answers do not, and are not intended to, address all the information that may be important to you. You should read the summary and the remainder of this proxy statement, including all annexes, carefully.

1. Q: Why Did You Send Me This Proxy Statement?

A: We sent you this proxy statement and the enclosed proxy card because our board of directors is soliciting your proxy to vote at our annual meeting of shareholders. This proxy statement summarizes the information you need to know to vote at the annual meeting. However, you do not need to actually attend the annual meeting to vote your shares. Instead, you may simply complete, date, and sign the enclosed proxy card and return it in the enclosed envelope.

We intend to send this proxy statement, the attached Notice of Annual Meeting and the enclosed proxy card on or about June 13, 2003 to all shareholders of record at the close of business on June 2, 2003, the record date for the annual meeting. At the close of business on the record date for the annual meeting, there were 5,479,514 shares of our common stock entitled to vote on the matters to be voted upon at the annual meeting. Our common stock is currently our only class of voting stock.

2. Q: What am I Being Asked to Vote on at the Annual Meeting ?

A: At our annual meeting, we will ask you to consider and vote on five proposals:

1. To approve a securities purchase agreement that we entered into with ASP/ASA, LLC on February 24, 2003, pursuant to which we will, among other things, issue and sell up to 70,000 shares of 8.375% convertible preferred

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stock to ASP/ASA, LLC.

2. To re-elect two members to our board of directors.
3. To approve the election of five new members to our board of directors. These five will replace four of our current directors who will be resigning and fill one newly created board position, each effective only upon the completion of the first closing of the sale of convertible preferred stock to ASP/ASA, LLC.
4. To remove the first paragraph of Article VII of our Amended and Restated Articles of Incorporation, which provides that our board of directors shall be divided into three classes, each of which is elected in a different year for a three year term. The removal of this provision will be effective only upon completion of the first closing of the sale of convertible preferred stock to ASP/ASA, LLC. If the first closing occurs, each member of our board of directors will continue in office until our next annual meeting.
5. To ratify the appointment of McGladrey & Pullen, LLP as our independent certified public accountants for the fiscal year ending February 29, 2004.

This annual meeting is designed to serve as our regular annual meeting and as a special meeting necessary in order to complete the transactions contemplated by the securities purchase agreement. Proposals 2 and 5 are matters required to be addressed at our regular annual meeting. Proposals 1, 3 and 4 relate to the securities purchase agreement. Approval of Proposal 1 is required in order to effect the first closing contemplated by the securities purchase agreement. There are other conditions to the first closing, and we cannot assure you that the first closing will occur even if Proposal 1 is approved. Proposals 3 and 4, if approved, will become effective only upon completion of the first closing. If the first closing does not occur, Proposals 3 and 4 will not go into effect.

3. Q: Is the Board of Directors Recommending that I Vote in Favor of the Proposals?

A: Yes. After considering a number of factors, our board of directors unanimously determined that the terms of the securities purchase agreement are in the best interests of Ag Services and our shareholders. Our board of directors recommends that you vote FOR

1. Approval of the securities purchase agreement;
2. The re-election of two members to our board of directors;

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3. The election to our board of directors of the five nominees named in this proxy statement, effective only upon completion of the first closing;
4. The removal of the first paragraph of Article VII of our Amended and Restated Articles of Incorporation, effective only upon completion of the first closing; and
5. The ratification of the appointment of McGladrey & Pullen, LLP as our independent public accountants for the year ending February 29, 2004.

4. Q: How Many Votes Do I Have?

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A: Each share of our common stock that you own entitles you to one vote on the matters to be voted on at the annual meeting. The enclosed proxy card indicates the number of shares of our common stock that you own.

5. Q: What Vote Is Required to Hold a Valid Meeting and to Approve the Proposals?

A: A quorum is necessary to hold a valid annual meeting. A quorum is reached when the holders of at least a majority of the outstanding shares of stock are present in person or represented by proxy at the annual meeting. As long as a quorum is present, the affirmative vote of a majority of the shares cast is required for approval of the securities purchase agreement and for approval of the amendment to our Amended and Restated Articles of Incorporation, and the affirmative vote of a plurality of the shares cast is required for election of the nominees to our board of directors.

6. Q: How Will the Votes be Counted?

A: All votes will be tabulated by the inspector of election appointed for the meeting, who will separately tabulate affirmative and negative votes, abstentions and broker non-votes. If you indicate "ABSTAIN" on any of the proposals when granting your proxy, your shares will still count towards a quorum but will not be counted as a vote either for or against the proposal. Broker non-votes will be counted towards a quorum but will not be counted as a vote either for or against the proposals. Therefore, abstentions and broker non-votes will not be counted in determining the number of votes on the proposals. Broker non-votes occur when brokers do not vote on some matters because they have not been authorized to vote by the beneficial owners of the shares and do not have discretionary authority to vote on those matters.

7. Q: How Do I Vote by Granting a Proxy?

A: If you are a shareholder of record, you may direct your vote by granting a proxy. You can grant your proxy by mailing in your completed, signed and dated proxy card. Whether or not you plan to attend the annual meeting, we urge you to grant your proxy by signing, dating and returning the enclosed proxy card in the enclosed envelope.

8. Q: How Do I Direct My Vote If My Shares Are Held in a Brokerage Account or By a Bank or Other Nominee?

A: If you are the beneficial owner of shares held for you in a brokerage account or by a bank or other nominee, you may direct your vote by submitting voting instructions to your broker, bank or nominee, which will grant a proxy in accordance with your instructions. To direct your vote, you should follow the instructions provided on the voting instructions card provided by your broker, bank or nominee.

A number of brokers and banks are participating in a program provided through ADP Investor Communication Services that offers telephone and Internet voting options. If your broker or bank is participating in that program, you may be able to direct the voting of your shares by telephone, by calling the telephone number shown on the voting form that you receive from your broker or bank, or over the Internet at the voting website of ADP Investor Communications (www.proxyvote.com). If your broker or bank participates in a different program and provides different instructions for directing your vote telephonically or over the Internet, you should follow those instructions instead.

9. Q: How Will My Shares be Voted If I Grant My Proxy?

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A: If you properly fill in your proxy card and send it to us in time to vote, the proxy holders named on your proxy card will vote your shares as you have directed. If you sign the proxy card but do not make specific choices, the proxy holders will vote your shares "FOR" approval of the proposals as recommended by our board of directors.

10. Q: May I Revoke My Proxy?

A: If you grant your proxy, you may revoke it at any time before it is exercised at the annual meeting by any one of the following three ways:

* filing a written notice of revocation with our Corporate Secretary no later than the date of the annual meeting;

* filing another executed proxy, which bears a later date, with our Corporate Secretary; or

* attending the annual meeting and voting in person. Please note that simply attending the annual meeting (but not voting) will NOT revoke your proxy.

11. Q: Can I Still Vote in Person If I Have Already Granted My Proxy?

A: Yes. If you plan to attend the annual meeting and vote in person, we will give you a ballot at the meeting. However, if your shares are held in the name of your broker, bank or other nominee, you must bring a proxy issued in your name from the broker, bank or nominee indicating that you were the beneficial owner of the shares on June 2, 2003, the record date for voting. Granting your proxy will not affect your right to attend the annual meeting and vote in person.

12. Q: Who Pays the Costs of Soliciting These Proxies?

A: We will pay all costs of soliciting these proxies, including preparing, assembling, printing and mailing the enclosed materials. We will ask banks, brokers and other institutions, nominees and fiduciaries to forward the proxy material to their principals. We may reimburse them for expenses.

13. Q: Do I Have Appraisal Rights for Any of the Matters to be Considered at the Annual Meeting?

A: As a shareholder, you are not entitled to appraisal rights in the event you dissent from approval of the proposals.

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SUMMARY

This summary, together with the preceding question and answer section, highlights important information relating to the securities purchase agreement and other matters discussed in greater detail elsewhere in this proxy statement. This summary includes parenthetical references to pages in other portions of this proxy statement containing a more detailed description of the topics presented in this summary. This summary does not contain all of the information you should consider before voting on the proposals. To more fully understand the matters to be considered at the annual meeting, you should read carefully this entire proxy statement

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and all of its annexes, including the securities purchase agreement, which is attached as Annex A, before voting on whether to approve the proposals. In addition, we incorporate by reference important business and financial information about us into this proxy statement. You may obtain the information incorporated by reference into this proxy statement without charge by following the instructions described in "Where You Can Find More Information."

Overview of the Securities Purchase Agreement

On February 24, 2003, we entered into a securities purchase agreement with ASP/ASA, LLC. The securities purchase agreement provides for, among other things, the sale to ASP/ASA, LLC of up to 70,000 shares of 8.375% convertible preferred stock at \$1,000 per share.

Under the securities purchase agreement, the convertible preferred stock is to be sold at three closings. At the first closing, we will sell 35,000 shares of convertible preferred stock to ASP/ASA, LLC for \$35 million. If the second closing occurs, we will sell 17,500 shares of convertible preferred stock for \$17.5 million at that closing. If the third closing occurs, we will sell 17,500 shares of convertible preferred stock to ASP/ASA, LLC for \$17.5 million at that closing.

The first closing will occur upon the satisfaction of various conditions, as described more fully on page 36. The second and third closings will occur no sooner than May 2004 and May 2005, upon the satisfaction of additional conditions, as described more fully on page 37. We do not believe, however, that we will satisfy all of the conditions to ASP/ASA, LLC's obligation to purchase convertible preferred stock from us at the second closing. If the second closing does not occur, ASP/ASA, LLC will not be obligated to purchase convertible preferred stock from us at the third closing. As a result, we do not believe that ASP/ASA, LLC will be obligated to purchase convertible preferred stock from us at the second closing or the third closing. In addition, even if the second closing does occur, we and ASP/ASA, LLC will have the option to forego the third closing in the event we do not need the funds to support our growth plans.

After the first closing occurs, ASP/ASA, LLC will hold a majority of our voting rights and will control our board of directors.

The Parties to the Securities Purchase Agreement (page 10)

Ag Services of America, Inc.

Ag Services of America, Inc.
1309 Technology Parkway
Cedar Falls, Iowa 50613
319-277-0261

Ag Services of America, Inc., an Iowa corporation, is a supplier of financing and agricultural crop inputs, including seeds, chemicals and fertilizer, to farmers throughout the United States.

Our common stock is traded on the New York Stock Exchange under the symbol "ASV."

ASP/ASA, LLC

ASP/ASA, LLC
c/o American Securities Capital Partners, LLC
The Chrysler Center

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666 Third Avenue, 29th Floor
New York, NY 10017
(212) 476-8000

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ASP/ASA, LLC is a Delaware limited liability company and an indirect subsidiary of American Securities Capital Partners, LLC. ASP/ASA, LLC was formed solely for the purpose of facilitating the transactions contemplated by the securities purchase agreement.

American Securities Capital Partners, LLC

American Securities Capital Partners, LLC
The Chrysler Center
666 Third Avenue, 29th Floor
New York, NY 10017
(212) 476-8000

American Securities Capital Partners, LLC is a private investment management company that makes equity investments in both privately and publicly held companies, primarily in the United States and Canada. American Securities Capital Partners, LLC is not a party to the securities purchase agreement.

The Annual Meeting (page 10)

* Date, Time and Place. The annual meeting will take place on Monday, July 14, 2003, at 9:00 a.m., local time, at 1309 Technology Parkway, Cedar Falls, Iowa.

* Matters to be Considered . Shareholders will consider and vote on five proposals:

1. the approval of the securities purchase agreement;
2. the re-election of two members of our board of directors;
3. the election of five new members to our board of directors; these five will replace four members who have agreed to resign from our board of directors and fill one newly created board position, each effective only upon the first closing of the sale of convertible preferred stock to ASP/ASA, LLC pursuant to the securities purchase agreement;
4. the removal of the first paragraph of Article VII of our Amended and Restated Articles of Incorporation, which provides that our board of directors shall be divided into three classes, with one class being elected at each annual meeting for a three year term; the removal of this provision will be effective only upon completion of the first closing of the sale of convertible preferred stock to ASP/ASA, LLC; and
5. to ratify the appointment of McGladrey & Pullen, LLP, as our independent public accountants for the fiscal year ending February 29, 2004.

This annual meeting is designed to serve as our regular annual meeting and as a special meeting necessary in order to complete the transactions contemplated by the securities purchase agreement. Proposals 2 and 5 are matters required to be addressed at our regular annual meeting. Proposals 1, 3 and 4 relate to the securities purchase agreement. Approval

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of Proposal 1 is required in order to effect the first closing contemplated by the securities purchase agreement. There are other conditions to the first closing, and we cannot assure you that the first closing will occur even if Proposal 1 is approved. Proposals 3 and 4, if approved, will become effective only upon completion of the first closing. If the first closing does not occur, Proposals 3 and 4 will not go into effect.

* Record Date and Shares Entitled to Vote; Quorum . The record date for determining the holders of shares of our common stock entitled to notice of, and to vote at, the annual meeting is June 2, 2003 . On the record date, 5,479,514 shares of our common stock were outstanding and entitled to vote on the proposals contained in this proxy statement . The presence, in person or by proxy, of shares representing at least a majority of all the votes entitled to be cast is necessary to constitute a quorum for the transaction of business at the meeting.

* Vote Required . The affirmative vote of a majority of the shares cast at a meeting at which a quorum is present is required for approval of the securities purchase agreement and to amend our Amended and Restated Articles of Incorporation. The affirmative vote of a plurality of the shares cast at a meeting at which a quorum is present is required for election of the nominees to our board of directors . Each share of our common stock is entitled to one

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vote. Certain of our shareholders, who currently hold approximately 23% of our outstanding shares, have agreed to vote to approve the securities purchase agreement and related matters .

* Procedures for Voting . You may vote shares you hold of record in either of two ways:

* by completing and returning the enclosed proxy card, or

* by voting in person at the annual meeting.

If you hold shares of our common stock in "street name" through a broker or other financial institution, you must follow the instructions provided by the broker or other financial institution regarding how to instruct it to vote those shares.

* Voting of Proxies . Shares of common stock represented by properly executed proxies received at or prior to the annual meeting that have not been revoked will be voted at the meeting in accordance with the instructions indicated on the proxies. Shares of common stock represented by properly executed proxies for which no instruction is given will be voted FOR each of the proposals contained in this proxy statement.

* Revocability of Proxies . Your proxy may be revoked at any time before it is voted. If you complete and return the enclosed proxy card but wish to revoke it, you must either (1) file with our Corporate Secretary a written, later-dated notice of revocation, (2) send a later-dated proxy card to our Corporate Secretary at or before the annual meeting, or (3) attend the annual meeting and vote in person. Please note that your attendance at the meeting will not, by itself, revoke your proxy.

* Failure to Vote . If you indicate "ABSTAIN" on any of the proposals when granting your proxy, your shares will still count towards a quorum but will not be counted as a vote either for or against such proposal. If you do not instruct your broker to vote your shares or if

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you abstain from voting, your shares will count towards a quorum but will not be counted as a vote either for or against the proposals. If you are a holder of record and send your proxy but do not instruct how to vote, your shares will count toward a quorum and will be counted as a vote FOR the proposals.

Shareholder Voting Agreement (page 31)

James D. Gerson, Henry C. Jungling, Rebecca L. Jungling, Michael Lischin, Ervin Mellema, Gaylen D. Miller, Glenna R. Miller and Kevin D. Schipper, who currently own approximately 23% of the outstanding shares of our common stock, entered into a shareholder voting agreement with ASP/ASA, LLC, under which they agreed to vote their shares in favor of approval of the securities purchase agreement and related matters. The shareholder voting agreement is attached to this proxy statement as Annex C.

Recommendation of Our Board of Directors

Our board of directors has unanimously adopted the securities purchase agreement and has determined that it is in the best interests of Ag Services that we enter into the securities purchase agreement and complete the transactions contemplated by the securities purchase agreement. Our board of directors unanimously recommends that shareholders vote FOR approval of the securities purchase agreement and the related proposals having to do with the election to our board of directors of the five nominees named in this proxy statement and the removal of the provision in our Amended and Restated Articles of Incorporation relating to a staggered board of directors. In addition, the board of directors unanimously recommends that shareholders vote FOR the re-election of two members of our board of directors and to ratify the appointment of our independent public accountants.

Opinions of Our Financial Advisor (pages 17 and 24)

In connection with the proposed transactions, our financial advisor, Rabobank International, delivered to our board of directors an opinion as to the fairness to our company, as of February 24, 2003, from a financial point of view, of the consideration to be received by us for the sale of convertible preferred stock pursuant to the securities purchase agreement. The full text of the written opinion of Rabobank, dated February 24, 2003, is attached to this proxy statement as Annex D. After the securities purchase agreement was executed, we revised the projections that Rabobank had used to prepare its opinion dated February 24, 2003. As a result of these revised projections, as well as our belief that the conditions to the second closing and third closing will not be satisfied, we requested that Rabobank supplement their analysis and opinion dated February 24, 2003 by reviewing the fairness, from a financial point of view, of the consideration to be received by us for the sale of the convertible preferred stock, using our revised projections and assuming that the

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second closing and the third closing will not occur. The full text of this opinion, dated June 2, 2003, is attached to this proxy statement as Annex E.

We encourage you to read these opinions carefully in their entirety for a description of the procedures followed, assumptions made, matters considered and limitations on Rabobank's review. The opinions of Rabobank are addressed to our board of directors and do not

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constitute a recommendation to any shareholder as to any matters relating to the securities purchase agreement.

Interests of Certain Persons in the Transaction (page 30)

When considering the recommendation of our board of directors, you should be aware that some of our directors and executive officers have interests in the transaction that are different from, or in addition to, yours. These interests include, among others, payments to some of our directors and executive officers in connection with non-competition agreements to be entered into with us, the execution of new employment agreements with some of our directors and executive officers and the repayment to some of our directors and executive officers of notes due to them.

Appraisal Rights (page 31)

Our shareholders are not entitled to appraisal rights in connection with the transactions contemplated by the securities purchase agreement or any of the other proposals being presented at the annual meeting.

Conditions to the Transactions (page 36)

The completion of the transactions contemplated by the securities purchase agreement depends on the satisfaction or waiver of a number of conditions, including, but not limited to, the following:

- * the approval of the securities purchase agreement by our shareholders and the election of the nominees named in this proxy statement to our board of directors;
- * the receipt of debt financing for Ag Services satisfactory to ASP/ASA, LLC;
- * the execution of various additional agreements;
- * the achievement of certain net income targets and levels of loan commitments;
- * the absence of any legal restraint preventing the consummation of the transactions;
- * the accuracy of the parties' representations and warranties in the securities purchase agreement, subject to materiality qualifiers;
- * the performance by each party of its obligations under the securities purchase agreement in all material respects; and
- * the absence of a material adverse effect.

We do not believe that we will satisfy all of the conditions to ASP/ASA, LLC's obligation to purchase convertible preferred stock from us at the second closing. In addition, if the second closing does not occur, ASP/ASA, LLC will not be obligated to purchase convertible preferred stock from us at the third closing. As a result, we do not believe that ASP/ASA, LLC will be obligated to purchase convertible preferred stock from us at the second closing or the third closing.

Termination of the Securities Purchase Agreement (page 39)

We and ASP/ASA, LLC may mutually agree in writing to terminate the securities purchase agreement.

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Either we or ASP/ASA, LLC may terminate the securities purchase agreement if:

* our shareholders do not approve the securities purchase agreement;

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* the first closing, the second closing or the third closing do not occur by specified dates;

* a governmental entity has issued a permanent injunction or other order or decree preventing the transactions that is in effect and has become final and nonappealable;

* the other party breaches any of its representations, warranties or covenants in the securities purchase agreement, which breach is incurable or is not cured within 30 calendar days of written notice of the breach.

We or ASP/ASA, LLC may terminate the securities purchase agreement if the first closing does not occur by June 15, 2003. Pursuant to a letter agreement between us and ASP/ASA, LLC, however, we have agreed to reimburse ASP/ASA, LLC for expenses in the amount of \$1,500,000, and upon receipt of this payment, ASP/ASA, LLC has agreed to amend the securities purchase agreement to extend the date by which the first closing must occur to July 15, 2003. If this payment is not made, both we and ASP/ASA, LLC will have the right to terminate the securities purchase agreement on June 15, 2003 because the first closing will not occur by that date.

In addition, ASP/ASA, LLC may terminate the securities purchase agreement if our board of directors withdraws its recommendation in favor of the proposals contained in this proxy statement or recommends another transaction.

Certificate of Designations (page 40)

The terms of the convertible preferred stock are set forth in a certificate of designations, preferences and rights attached to this proxy statement as Annex B. The convertible preferred stock will rank senior to all other classes or series of our capital stock with respect to liquidation, dissolution or winding up of our company. The convertible preferred stock is convertible into our common stock at the rate of \$8.50 per share, subject to adjustments, and will accrue cumulative cash dividends at the rate of 8.375% per year. We will be required to redeem the convertible preferred stock, including the compounded accrued dividends on that stock, on the seventh anniversary of the first closing date.

The certificate of designations provides for a liquidation preference for the holders of convertible preferred stock in the event of a liquidation or change of control.

Under the terms of the certificate of designations, ASP/ASA, LLC will hold a majority of our voting power after the first closing.

Additional Agreements

Under the securities purchase agreement, we are required to enter into various additional agreements, including:

* a registration rights agreement with ASP/ASA, LLC (page 42) ; and

* a management consulting agreement with American Securities Capital

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Partners, LLC (page 44) .

In addition, certain of our shareholders will be required to enter into a shareholder agreement with ASP/ASA, LLC (page 43) .

Election of Directors (pages 44 and 46)

At the meeting, Kevin D. Schipper and Ervin J. Mellema have been nominated for re-election as members of our board of directors. The election of these two directors is part of our regular annual meeting, and their election will be effective regardless of whether the first closing under the securities purchase agreement occurs. The descriptions of Messrs. Schipper and Mellema are contained in this proxy statement.

In addition, four members of our board of directors have agreed to resign, and our board will be increasing in size from six to seven members, effective only upon completion of the first closing. The descriptions of the five persons nominated to replace the resigning directors and fill the newly-created board position upon completion of the first closing are also contained in this proxy statement.

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Our board of directors unanimously recommends that shareholders vote FOR the re-election of Messrs. Schipper and Mellema. Our board of directors also unanimously recommends that shareholders vote FOR the election to the board of directors of the five nominees named in this proxy statement, effective as of the first closing.

Additional Information

If you have questions about the proposals or this proxy statement, or would like additional copies of the proxy statement or the proxy card, you should call Kevin D. Schipper, our Corporate Secretary, at (319) 277-0261.

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THE PARTIES TO THE SECURITIES PURCHASE AGREEMENT

Ag Services of America, Inc.

We are an Iowa corporation and a supplier of financing and agricultural crop inputs, including seed, chemicals and fertilizer, to farmers throughout the United States.

Our principal executive office is located at 1309 Technology Parkway, Cedar Falls, Iowa 50613, and our telephone number is 319-277-0261.

Our common stock is traded on New York Stock Exchange under the symbol "ASV."

ASP/ASA, LLC

ASP/ASA, LLC is a Delaware limited liability company and an indirect subsidiary of American Securities Capital Partners, LLC. ASP/ASA, LLC was formed solely for the purpose of facilitating the transactions contemplated by the securities purchase agreement.

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The mailing address of ASP/ASA, LLC is c/o American Securities Capital Partners, LLC., The Chrysler Center, 666 Third Avenue, 29th Floor, New York, New York 10017, and its telephone number is (212) 476-8000.

American Securities Capital Partners, LLC

American Securities Capital Partners, LLC is a private investment management company that makes equity investments in both privately and publicly held companies, primarily in the United States and Canada. American Securities Capital Partners, LLC is not a party to the securities purchase agreement.

The principal executive office of American Securities Capital Partners, LLC is located at The Chrysler Center, 666 Third Avenue, 29th Floor, New York, New York 10017, and its telephone number is (212) 476-8000.

THE ANNUAL MEETING

Date, Time and Place

We are furnishing this proxy statement to holders of our common stock in connection with the solicitation of proxies by our board of directors for use at the annual meeting to be held on Monday, July 14, 2003, 9:00 a.m., local time, at our headquarters at 1309 Technology Parkway, Cedar Falls, Iowa, and at any adjournments or postponements of the annual meeting. This proxy statement, the attached notice of annual meeting and the accompanying proxy card are first being sent or given to our shareholders on or about June 13, 2003.

Matters to Be Considered

At the annual meeting, holders of record of our common stock as of the close of business on June 2, 2003 will consider and act on:

1. The approval of a securities purchase agreement that we entered into on February 24, 2003 with ASP/ASA, LLC, pursuant to which, among other things, we will issue and sell up to 70,000 shares of 8.375% convertible preferred stock to ASP/ASA, LLC at up to three closings. ASP/ASA, LLC will hold a majority of voting power with respect to our company upon the first closing of the sale of convertible preferred stock.
2. The re-election of two members to our board of directors.
3. The election of five new members to our board of directors; these five will replace four members who have agreed to resign from our board of directors and fill one newly created board position, each effective only upon the completion of the first closing of the sale of convertible preferred stock to ASP/ ASA, LLC.

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4. The removal of the first paragraph of Article VII of our Amended and Restated Articles of Incorporation, which provides that our board of directors shall be divided into three classes, with one class being elected at each annual meeting for a three year term. The removal of this provision will be effective only upon completion of the first closing of the sale of convertible preferred stock to ASP/ASA, LLC. If this proposal is approved and the first closing occurs, each member of our board of directors will continue in office until our next annual meeting.

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5. The ratification of the appointment of McGladrey & Pullen, LLP, as our independent public accountants for the fiscal year ending February 29, 2004.

This annual meeting is designed to serve as our regular annual meeting and as a special meeting necessary in order to complete the transactions contemplated by the securities purchase agreement. Proposals 2 and 5 are matters required to be addressed at our regular annual meeting. Proposals 1, 3 and 4 relate to the securities purchase agreement. Approval of Proposal 1 is required in order to effect the first closing contemplated by the securities purchase agreement. There are other conditions to the first closing, and we cannot assure you that the first closing will occur even if Proposal 1 is approved. Proposals 3 and 4, if approved, will become effective only upon completion of the first closing. If the first closing does not occur, Proposals 3 and 4 will not go into effect.

In addition, at the meeting we will consider and act upon any other matters that may properly come before the meeting or any adjournment thereof.

Reasons for Seeking Shareholder Approval

You are being asked to consider and vote on five proposals. The first proposal is the approval of the securities purchase agreement that we entered into on February 24, 2003 with ASP/ASA, LLC, pursuant to which, among other things, we will issue and sell up to 70,000 shares of 8.375% convertible preferred stock to ASP/ASA, LLC. The second proposal is the re-election of two members to our board of directors. The third proposal is the election of five new members to our board of directors, effective only upon completion of the first closing. The fourth proposal is to remove the first paragraph of Article VII of our Amended and Restated Articles of Incorporation, which provides for a staggered board of directors. The removal of this provision will be effective only upon completion of the first closing. The fifth proposal is the ratification of the appointment of McGladrey & Pullen, LLP as our independent public accountants for the fiscal year ending February 29, 2004.

Proposal 1. Our common stock is listed on the New York Stock Exchange ("NYSE"). Proposal 1 requires your approval because of rules that apply to companies with common stock listed on the NYSE. One of the NYSE rules requires us to obtain shareholder approval for sales of stock that could result in an issuance of 20% or more of our outstanding stock or voting power. The NYSE rules also require shareholder approval for stock issuances that would result in a change of control. After the first closing, ASP/ASA, LLC will hold approximately 60% of our voting power. As a result, we need your approval before we can complete the first closing.

Proposal 2. We are asking you to re-elect two directors to our board of directors. The election of these two directors is part of our regular annual meeting, and their election will be effective regardless of whether the first closing under the securities purchase agreement occurs.

Proposal 3. As part of the transactions contemplated by the securities purchase agreement, four of our directors have agreed to resign and a new board position is being created, each effective only upon the completion of the first closing. Our articles of incorporation provide that our shareholders must elect directors to permanently fill these vacancies. As a result, we are asking you to consider and vote on the election of five new persons to our board of directors, effective only upon the first closing. If the first closing does not occur, the election of these five persons will not go into effect.

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Proposal 4. As part of the transactions contemplated by the securities purchase agreement, we are asking you to consider and vote on the removal of the first paragraph of Article VII of our Amended and Restated Articles of Incorporation, which provides that our board of directors shall be divided into three classes, with one class being elected at each annual meeting for a three year term. If the first closing does not occur, this provision in our Amended and Restated Articles of Incorporation will not be removed. If this proposal is approved and the first closing does occur, each member of our board of directors will continue in office until our next annual meeting.

Proposal 5. We are asking you to ratify the appointment of McGladrey & Pullen, LLP as our independent public accountants for the fiscal year ending February 29, 2004. This proposal is part of our regular annual meeting.

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Record Date and Shares Entitled to Vote; Procedures for Voting; Quorum

Our board of directors has fixed the close of business on June 2, 2003, as the record date for determining the holders of shares of our common stock who are entitled to notice of, and to vote at, the annual meeting. A shareholders' list will be available for inspection by any shareholder entitled to vote at the annual meeting beginning two business days after the date of the Notice of Annual Meeting and continuing through the annual meeting. As of the record date, 5,479,514 shares of our common stock were issued and outstanding. You are entitled to one vote for each share of our common stock that you hold as of the record date.

If you are a record holder of shares of our common stock on the record date, you may vote those shares of our common stock in person at the annual meeting or by proxy as described below under "Voting of Proxies." If you hold shares of our common stock in "street name" through a broker or other financial institution, you must follow the instructions provided by the broker or other financial institution regarding how to instruct it to vote those shares.

The presence, in person or by proxy, of shares representing at least a majority of all the votes entitled to be cast on the approval of the proposals is necessary to constitute a quorum for the transaction of business at the annual meeting.

Vote Required

To hold a valid annual meeting of our shareholders, a quorum must be present, which means the holders of at least a majority of the outstanding shares of our common stock must be present, in person or by proxy. Approval of the securities purchase agreement and the amendment to our Amended and Restated Articles of Incorporation requires the affirmative vote of a majority of the votes cast, and the election of the directors requires the affirmative vote of a plurality of the votes cast, at the annual meeting.

James D. Gerson, Henry C. Jungling, Rebecca L. Jungling, Michael Lischin, Ervin Mellema, Gaylen D. Miller, Glenna R. Miller and Kevin D. Schipper have agreed, under the terms of a shareholder voting agreement, to vote shares currently representing approximately 23% of the outstanding shares of our

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common stock in favor of approval of the securities purchase agreement and related matters. See "Proposal 1 - Approval of the Purchase Agreement - Shareholder Voting Agreement." For information with respect to the beneficial ownership of our common stock by our directors and executive officers, please see "Beneficial Ownership of Common Stock."

Voting of Proxies

Whether or not you plan to attend the annual meeting in person, you are requested to complete, sign, date and promptly return the enclosed proxy card in the envelope provided for this purpose to ensure that your shares are voted. Shares of common stock represented by properly executed proxies received at or prior to the annual meeting that have not been revoked will be voted at the annual meeting in accordance with the instructions indicated on the proxies as to the proposal and in accordance with the judgment of the persons named in the proxies on all other matters that may properly come before the annual meeting. Shares of common stock represented by properly executed proxies for which no instruction is given on the proxy card will be voted FOR approval of the proposals.

If you indicate "ABSTAIN" on either of the proposals when granting your proxy, your shares will still count towards a quorum but will not be counted as a vote either for or against such proposal. Broker non-votes will be counted towards a quorum but will not be counted as a vote either for or against the proposals. Therefore, abstentions and broker non-votes will not be counted in determining the number of votes on the proposals. Broker non-votes occur when brokers do not vote on some matters because they have not been authorized to vote by the beneficial owners of the shares and do not have discretionary authority to vote on those matters.

If the annual meeting is postponed or adjourned, at any subsequent reconvening of the annual meeting, all proxies will be voted in the same manner as they would have been voted at the original convening of the annual meeting (except for any proxies that previously have been revoked or withdrawn effectively), even if they have been effectively voted on the same or any other matter at a previous meeting.

Please return your marked proxy card promptly so your shares can be represented at the annual meeting, even if you plan to attend the meeting in person.

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Revocability of Proxies

You may revoke your proxy at any time prior to the time it is voted at the annual meeting. You may revoke your proxy by:

- * executing a later-dated proxy card relating to the same shares and delivering it to our Corporate Secretary before the taking of the vote at the annual meeting;
- * filing with our Corporate Secretary, before the taking of the vote at the annual meeting, a written notice of revocation bearing a later date than the proxy card; or
- * attending the annual meeting and voting in person (although attendance at the annual meeting will not, in and of itself, revoke a proxy).

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Any written revocation or subsequent proxy card should be delivered to Ag Services of America, Inc., 1309 Technology Parkway, P.O. Box 668, Cedar Falls, IA 50613, Attention: Corporate Secretary, or hand delivered to our Corporate Secretary or his representative before the taking of the vote at the annual meeting.

Proxy Solicitation

This proxy solicitation is being made on behalf of our board of directors. We will solicit proxies initially by mail. Further solicitation may be made by our directors, officers and employees personally, by telephone, facsimile, e-mail, Internet or otherwise, but they will not be specifically compensated for these services. Upon request, we will reimburse brokers, dealers, banks or similar entities acting as nominees for their reasonable expenses incurred in forwarding copies of the proxy materials to the beneficial owners of the shares of our common stock they hold of record. We will bear the expenses incurred in connection with printing, filing and mailing of this proxy statement.

THE TRANSACTION

Background of the Transaction

Our business is seasonal in nature, and depends in large part upon continued access to capital markets and the availability of large amounts of debt financing. In 2002, our management began facing difficulty refinancing our debt obligations. As a result, management considered several options, including increasing our equity to support additional debt. In March of 2002, we announced that we had defaulted on our primary credit facility. As a condition to a waiver of this default, we agreed to obtain additional equity. To assist us in meeting our continued financing needs and additional capital requirements, we retained the investment banking services of Rabobank International on May 9, 2002.

As part of its investment banking activities, Rabobank analyzed our capital structure, including the debt facilities we had in place at that time. On June 10, 2002, Rabobank recommended that we pursue strategic financial alternatives, including a significant investment in, or sale of, our company. The recommendation was based in large part on our need for additional equity to support increased credit facilities in a very challenging credit environment. On June 24, 2002, we announced a \$35 million increase to our revolving line of credit and an additional \$30 million increase to our commercial paper securitization program to a total facility size of \$375 million. With these increased credit facilities, we anticipated that we would be able to meet our financing needs for the 2002 crop year.

At our request, Rabobank initiated contact with 75 parties to elicit their interest in acquiring or making an investment in our company. These potential investors consisted of 34 financial sponsors, 33 commercial banks and other specialty financial institutions and eight strategic companies in the wholesale/retail crop input distribution industry or related industries. During the first two weeks of July 2002, Rabobank received 31 indications of interest, which resulted in 31 fully negotiated confidentiality agreements.

By August 1, 2002, seven parties had expressed interest in proceeding to the next stage and had requested a meeting with our senior management. In addition to these seven parties, three crop input participants expressed an interest in discussing joint venture opportunities with us only after a substantial investment in our company by a financial sponsor.

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From September 9 to September 12, 2002, our senior management made presentations to the seven parties who expressed an interest in making an investment, including American Securities Capital Partners, LLC, or ASCP, which indirectly owns ASP/ASA, LLC. These presentations provided the parties

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with further details regarding our business, historical performance, key financial aspects and future projections. On October 1, 2002, management met with ASCP to answer further questions.

During this time, we, with the assistance of Rabobank, continued to seek a replacement for our credit facilities and found that market conditions continued to be very challenging. We had previously requested permission from our lenders to extend credit to our 2003 crop year customers. On October 28, 2002, we were notified that our request had been denied. We then reviewed our alternatives and announced on November 5, 2002, that financing for 2003 crop year customers was not available and that we were pursuing other alternatives, including the sale of or strategic investment in our company.

On November 2, 2002, we received a preliminary letter of intent from ASCP. From November 4 through November 6, 2002, we met with several other prospective investors and continued to negotiate the final terms of a letter of intent with ASCP. The other prospective investors ultimately elected not to proceed with a transaction with us. On November 13, 2003, our board of directors met to review our options, including a review of the letter of intent submitted by ASCP. At that time, our directors also reviewed a preliminary liquidation model of our company prepared by our management. Our directors believed that a liquidation was the only viable alternative to a sale of, or a significant investment in, our company at that time.

Because three of our directors, Messrs. Miller, Jungling and Schipper, will each receive non-competition payments and their loans to us will be repaid if we complete the proposed transaction with ASCP, our board concluded that the proposal should be reviewed by our independent directors. Accordingly, the board of directors appointed a Special Committee consisting of Messrs. Gerson, Mellema and Lischin to make a recommendation to the entire board of directors. Upon review of the available alternatives, the Special Committee voted to authorize our management to enter into the letter of intent with ASCP. Upon further negotiation of its terms, the letter of intent was recommended by the Special Committee and approved by unanimous consent of the board on November 14, 2002.

On November 27, 2002, we were made aware of concerns regarding the accounting structure of the transaction proposed in the letter of intent. Specific concerns related to the accounting treatment of the sale of preferred stock based on the dividend and participation rights. As a result, ASCP presented us with an alternative transaction structure. On December 12, 2002, our board of directors met to review this proposed alternative transaction structure and to review a more detailed liquidation analysis prepared by our management. Our board of directors requested additional review of the alternative structure by Rabobank to address the accounting concerns.

On December 4, 2002, we obtained commitments for \$100 million of financing and authorization to make customer commitments of up to \$125 million for the 2003 crop year.

On January 13, 2003, the board of directors met to review a third structure proposed by ASCP. The structure provided for the sale of

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convertible preferred stock with cumulative cash dividends that would result in more favorable accounting treatment than the structure initially proposed. Among other changes to the terms of the convertible preferred stock, the conversion price was lowered to \$8.50 per share from \$10.50 per share as a result of the elimination of warrants and the addition of a cumulative cash pay dividend.

On January 22, 2003, the board met to review the financial presentation of each of the alternative proposed structures. Upon review of the terms and the financial impact of each of proposed structures, the Special Committee recommended the third proposed structure, providing for the sale of convertible preferred stock with cumulative cash pay dividends and a conversion price of \$8.50 per share. The Special Committee also engaged an outside accounting firm to assist the Special Committee in its review of the liquidation analysis. On February 4, 2003, the board of directors met to hear the presentation of the outside accounting firm stating that, based on its review, nothing came to its attention that caused it to believe that management's assumptions used in the liquidation analysis did not provide a reasonable basis for the analysis, assuming an orderly liquidation could occur. The liquidation analysis showed that the discounted net present value of the amount to be realized upon liquidation was estimated to be approximately \$8.82 per share.

On February 18, 2003, the Special Committee met telephonically and reviewed the proposed transaction with ASCP. The discussion included topics such as the financial impact to our shareholders, accounting presentation, our ability to secure financing before and after closing the transaction, and other aspects of the transaction. At that meeting, Rabobank presented its analysis and delivered its oral opinion to our board of directors, subsequently confirmed in its written opinion dated as of February 24, 2003, to the effect that, as of that date and based upon the assumptions made, matters considered and limits of review set forth in its written opinion, the consideration to be received by the company pursuant to the transaction was fair, from a financial point of view, to the company .. In addition, the Special Committee discussed liquidation as the only other viable alternative for us, and reviewed the impact liquidation would have on our shareholders, employees and customers. Upon conclusion of significant discussion, the Special Committee recommended the transaction and the board unanimously approved the proposed transaction.

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After the securities purchase agreement was executed, and based upon our inability to obtain additional financing for the 2003 crop year, we revised the projections that Rabobank had used to prepare its opinion dated February 24, 2003. As a result of the revised projections, we no longer believe that we will satisfy certain of the conditions to ASP/ASA, LLC's obligation to purchase convertible preferred stock from us at the second closing. If the second closing does not occur, ASP/ASA, LLC will not be obligated to purchase convertible preferred stock from us at the third closing. Because of the revised projections and our belief that the conditions to the second and third closing will not be satisfied, we requested that Rabobank supplement their analysis and opinion dated February 24, 2003 by reviewing the fairness, from a financial point of view, of the consideration to be received by us for the sale of the convertible preferred stock, using our revised projections and assuming that the second closing and third closing will not occur. Rabobank provided such an opinion to our board dated June 2, 2003, as described below under "Recent Developments Subsequent to Execution of Securities Purchase Agreement and Additional Analysis by Our Financial Advisor."

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Reasons for the Transaction

The Special Committee believes that there are a number of reasons for entering into the securities purchase agreement and completing the transactions contemplated by the securities purchase agreement, and that these transactions will be vital for our continued success in the future. Some of these reasons are described below.

* Immediate Need for Capital. The market for debt financing has been and continues to be very challenging. We have an immediate need for capital to support our business. The sale of convertible preferred stock to ASP/ASA, LLC would provide us with \$35 million in the near term .

* Line of Credit. Because of the difficult financial environment, we have been unable to obtain a line of credit without an equity investment by a significant financial partner. We anticipate that the transactions contemplated by the securities purchase agreement will provide us with increased access to credit.

* Limited Financing Alternatives. During the past nine months, Rabobank contacted more than 75 parties regarding an equity investment in, or possible sale of, our company. ASA/ASP, LLC is the only party that has elected to proceed with a transaction. Because of our current financial condition, the Special Committee believed that the transactions contemplated by the securities purchase agreement are the only available alternative to liquidation.

* Liquidation Analysis. Prior to the execution of the securities purchase agreement , a liquidation analysis was prepared by management and reviewed by an independent accounting firm, which showed that the discounted net present value of the amount to be realized upon liquidation of the company was estimated to be approximately \$8.82 per share. This liquidation analysis was subsequently revised to reflect our updated liquidation assumptions. The revised analysis shows that the expected discounted net present value of the amount to be realized upon liquidation would be less than or equal to \$8.43 per share.

* Uncertainties of Liquidation. The Special Committee believes that the process of liquidation could be very costly and uncertain. In addition, we were informed by our current lenders that a liquidation event and wind down of our credit facilities would be managed by the lenders' agents and we would not manage the liquidation in the normal course of business. Accordingly, the likelihood of our being able to undergo an orderly liquidation would be low. Therefore, the Special Committee concluded that the completion of sale of convertible preferred stock to ASP/ASA, LLC and the other transactions contemplated by the securities purchase agreement would be a preferable alternative for us.

Factors Considered by the Board

Our board of directors has approved the securities purchase agreement and has determined that the sale of convertible preferred stock under the securities purchase agreement is in the best interest of our company and our shareholders. During the course of its deliberations, the board considered, with the assistance of our management and our financial and other advisors, various factors, including, but not limited to, the following:

- * All of the reasons described under "Reasons for the Transactions" above;
- * Our financial condition, as well as our historical results of operations and prospects for the future;

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* The potential uses of the proceeds from the sale of convertible preferred stock and the potential to obtain larger credit facilities;

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* The requirement of existing and prospective lenders that we obtain additional equity contributions in order to obtain a new and larger credit facility;

* Our limited ability to obtain other sources of capital and credit;

* The final securities purchase agreement and terms of the convertible preferred stock;

* Advice rendered by the financial advisor and legal counsel to our board of directors;

* The oral opinion of Rabobank to our board of directors on February 18, 2003, subsequently confirmed in its written opinion dated as of February 24, 2003, to the effect that, as of that date and based upon the assumption made, matters considered and limits of review set forth in its written opinion, the consideration to be received by the company pursuant to the transaction was fair, from a financial point of view, to the company;

* Discussions with management;

* Interests in the transaction of some of our directors and executive officers;

* Stock price and volume performance for the prior year;

* Stock ownership before and after the transaction;

* Dilution to our current shareholders;

* Accounting treatment of the sale of convertible preferred stock;

* Income tax consequences to us with respect to the sale of convertible preferred stock;

* The effect of filing a registration statement for all of the stock issued in the transactions; and

* The liquidation analysis.

The board did not quantify or otherwise assign relative weights to the individual items described above. The board relied on the experience and expertise of its financial advisor for quantitative analysis of the financial terms of the transactions. In considering the factors described above, individual members of the board may have given different weight to different factors. The board considered all of these factors as a whole and believes that the factors favor the sale of convertible preferred stock contemplated by the securities purchase agreement.

Some of the factors considered by the board and described above have changed since we executed the securities purchase agreement. For example, because we revised the projections that Rabobank used to prepare its opinion dated February 24, 2003, as well as our belief that the conditions to the second closing and the third closing will not be satisfied, we requested that Rabobank review the fairness, from a financial point of view, of the

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consideration to be received by us for the sale of the convertible preferred stock, using our revised projections and assuming that the second closing and the third closing will not occur. Rabobank provided such an opinion to our board dated June 2, 2003. In addition, the liquidation analysis considered by the board was revised subsequent to the execution of the securities purchase agreement to reflect our revised financial projections.

Opinion of Our Financial Advisor Dated February 24, 2003

On February 18, 2003 Rabobank delivered its oral opinion to the company's board of directors, subsequently confirmed in its written opinion dated as of February 24, 2003, to the effect that, as of that date and based upon the assumptions made, matters considered and limits of review set forth in its written opinion, the Consideration to be received by the company pursuant to the Transaction was fair from a financial point of view to the company. For the purposes of this opinion, Rabobank assumed, with the company's consent, that the first closing and the second closing will be consummated in accordance with the terms of the securities purchase agreement, and that the third closing may or may not be consummated as the result of the determination by the company or ASP/ASA, LLC that the additional funds are not needed by the company. The issuance and sale of the convertible preferred stock pursuant to

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the first closing, the second closing and the third closing, as applicable, is referred to in this section of the proxy statement as the "Transaction," and the aggregate consideration to be received by the company at the first closing, the second closing and the third closing, as applicable, is referred to in this section of the proxy statement as the "Consideration." A copy of Rabobank's written opinion dated February 24, 2003 is attached to this proxy statement as Annex D.

After the securities purchase agreement was executed, the company revised the projections that Rabobank had used to prepare its opinion dated February 24, 2003. As a result of the revised projections, the company no longer believes that it will satisfy certain of the conditions to ASP/ASA, LLC's obligation to purchase convertible preferred stock from the company at the second closing. If the second closing does not occur, ASP/ASA, LLC will not be obligated to purchase convertible preferred stock from the company at the third closing. Because of the revised projections and the company's belief that the conditions to the second and third closing will not be satisfied, the company requested that Rabobank supplement its analysis and opinion dated February 24, 2003 by reviewing the fairness, from a financial point of view, of the consideration to be received by the company for the sale of the convertible preferred stock, using the company's revised projections and assuming that the second closing and third closing will not occur. Rabobank provided such an opinion to the company's board dated June 2, 2003, as described below under "Recent Developments Subsequent to Execution of Securities Purchase Agreement and Additional Analysis by Our Financial Advisor."

Rabobank's written opinion dated February 24, 2003 sets forth the assumptions made, matters considered and limits on the scope of review undertaken by Rabobank. Each holder of the company's common stock is urged to read Rabobank's opinion in its entirety. Rabobank's opinion was intended for the use and benefit of the company's board of directors, does not address the merits of the underlying decision by the company to engage in the Transaction and does not constitute a recommendation to any shareholder as to how that shareholder should vote on the Transaction or any related matter. The consideration was determined on the basis of negotiations between the

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company and ASP/ASA, LLC and was approved by the company's board of directors. This summary of Rabobank's opinion dated February 24, 2003 is qualified by reference to the full text of the opinion attached as Annex D.

In arriving at its opinion, Rabobank, among other things:

- * Examined the securities purchase agreement;
- * Examined the company's audited financial statements for the fiscal years 1996 through 2002;
- * Examined certain publicly available business and financial information relating to the company that Rabobank deemed to be relevant, including the company's annual reports on Form 10-K for the fiscal years ended 1996 through 2002 and the company's quarterly reports on Form 10-Q for the quarters ended May 31, August 31 and November 30, 2002;
- * Examined certain monthly financial statements provided to Rabobank by the company;
- * Examined certain internal business, operating and financial information, including financial forecasts for the company for the fiscal years 2003 through 2010 prepared by the senior management of the company which gives effect to the Transaction;
- * Examined a liquidation analysis prepared by the senior management of the company which gives effect to a liquidation of the company;
- * Examined the financial position, operating results and certain stock market information regarding the company and compared them with those of certain publicly traded companies that Rabobank deemed to be relevant;
- * Examined the potential pro forma impact of the Transaction on the company, including its capitalization, fully-diluted earnings and book value;
- * Examined other financial studies and analyses and took into account other matters as Rabobank deemed necessary, including Rabobank's assessment of general economic, market and monetary conditions;
- * Conducted discussions with members of senior management of the company concerning the matters described in the bullet-points set forth above, and the prospects for the company if the Transaction is not consummated; and
- * Considered other matters which Rabobank deemed relevant to its inquiry and took into account accepted financial and investment banking procedures that Rabobank deemed relevant.

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Management of the company advised Rabobank that, absent approval of the Transaction, the company would be forced to liquidate, and that if the company were liquidated, the discounted book value of the company would be less than the current book value on a going-concern basis. The company did not provide Rabobank with any financial forecast that did not give effect to the Transaction other than the liquidation analysis.

In connection with the preparation of its opinion, Rabobank contacted more than 70 parties to solicit their interest in acquiring or making an investment in the company.

In preparing its opinion, Rabobank assumed and relied, without

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independent verification, upon the accuracy and completeness of all the information examined by or otherwise reviewed or discussed with Rabobank for purposes of its opinion, including without limitation the financial forecasts and the liquidation analysis prepared by the senior management of the company. Rabobank was advised by the senior management of the company that the financial forecasts and liquidation analysis were each reasonably prepared on good faith bases reflecting the best currently available estimates and judgments of the senior management of the company. With regard to the financial forecasts, Rabobank further assumed that (i) the financial forecasts would be achieved in the amounts and at the times contemplated by the financial forecasts and (ii) all material assets and liabilities (contingent or otherwise) of the company were as set forth in the company's financial statements or other information made available to Rabobank. These financial forecasts did not take into account any payments that may be made to management of the company in respect of any non-competition arrangements to be entered into with the company. With regard to the liquidation analysis, Rabobank further assumed that all material assets and liabilities (contingent or otherwise) of the company were as set forth in the liquidation analysis. Rabobank thus expressed no opinion with respect to the financial forecasts or the liquidation analysis or any of the assumptions, estimates or judgments upon which either was based. The company did not request that Rabobank evaluate the potential consideration to be received by the holders of the company's common stock in a liquidation scenario.

Rabobank did not make or obtain an independent valuation or appraisal of the assets, liabilities, solvency or other issues relating to the solvency of the company. Rabobank further assumed that in all respects material to its analysis, the representations and warranties contained in the securities purchase agreement were true and correct and that each party to the securities purchase agreement would perform all of the covenants and agreements required to be performed by it under the securities purchase agreement without any waiver of any material terms or conditions by the company. Rabobank further assumed that all material corporate, governmental, regulatory or other consents and approvals requisite to consummate the Transaction had been or would be obtained.

Rabobank's opinion was limited to the consideration the company would receive pursuant to the Transaction and did not address any other matters, including, but not limited to, the company's ability to satisfy its obligations or the company's ability to access capital markets for financing requirements or solvency, in each case at any time, including presently and following consummation of the Transaction. Without limiting the foregoing, Rabobank expressed no opinion (i) as to the price at which the company's common stock would trade at any future time or as to the effect of the Transaction on the trading price of the company's common stock; (ii) whether any alternative transaction might produce consideration for the company in an amount in excess of that contemplated by the Transaction; or (iii) as to the fairness or any other aspect of any portion of the Transaction (including the voting rights associated with the convertible preferred stock) other than the issuance and sale by the company of the convertible preferred stock for the Consideration.

Rabobank's opinion was based upon economic, market, financial and other conditions existing on, and other information disclosed to Rabobank, as of the date of its opinion. It should be understood that, although subsequent developments may affect Rabobank's opinion, Rabobank does not have any obligation to update, revise or reaffirm its opinion.

The following is a summary of certain financial and comparative analyses performed by Rabobank that were presented to the board of directors in connection with the written opinion delivered to the board of directors on

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February 24, 2003. The financial analyses summarized below include information presented in tabular format. In order to understand fully Rabobank's financial analyses, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses. Considering the data described below without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of Rabobank's financial analyses.

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Public Company Trading Analysis

Using publicly available information and estimates of future financial results published by Bloomberg, L.P. and the SNL Financial DataSource database, Rabobank performed a public company trading analysis and compared certain financial and operations data and ratios provided by company management (on a stand-alone basis assuming the Transaction is not consummated) with the corresponding data and ratios of the following thirteen publicly traded companies in the specialty finance industry:

- * Delta Financial Corporation
- * HPSC, Inc.
- * Consumer Portfolio Services, Inc.
- * American Business Financial Services, Inc.
- * PMC Capital, Inc.
- * ASTA Funding, Inc.
- * Medallion Financial Corp.
- * Wilshire Financial Services Group Inc.
- * Pacific Crest Capital, Inc.
- * DVI, Inc.
- * Capital Crossing Bank
- * United PanAm Financial Corp.
- * World Acceptance Corporation

No company utilized as a comparison in the analyses described below is identical to the company. In addition, the analyses performed by Rabobank incorporate projections prepared by research analysts using only publicly available information. These estimates may or may not prove to be accurate. An analysis of publicly traded comparable companies is not mathematical; rather it involves complex considerations and judgments concerning differences in financial and operating characteristics of the public companies and other factors that could affect the public trading value of the companies to which they are being compared.

Rabobank derived estimated per-share valuation ranges for the company's common stock by comparing:

- * price to earnings ratios based upon the selected companies'

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last-twelve-months earnings per share as of February 21, 2003;

* price to earnings ratios based upon the selected companies' estimated 2003 earnings per share; and

* price to book value ratios based on the selected companies' stated book values as of February 21, 2003.

The results of this analysis were as follows:

Company	High for Selected Companies	Average for Selected Companies	Adjusted Average for Selected Companies*	Low for Selected Companies	
Price to earnings ratios based upon last twelve months earnings per share as of February 21, 2003	6.3x	12.1x	6.7x	6.6x	1.7x
Price to earnings ratios based upon estimated 2003 earnings per share	5.9x	9.7x	7.8x	7.9x	5.4x

* Determined by excluding highest and lowest multiples

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Based on these analyses, Rabobank derived an average present value per share of company common stock, prior to the company's receipt of the consideration to be paid by ASP/ASA, LLC pursuant to the Transaction, of:

* \$6.65 per share, by comparing price to earnings ratios based upon fiscal year ending February 28, 2003 projected earnings and using a price to earnings ratio of 6.5x, representing the approximate mid-point for its range; and

* \$10.39 per share, by comparing price to earnings ratios based upon fiscal year ending February 28, 2003 projected book value and using a price to book value ratio of 0.75x, representing the approximate mid-point for its range.

Terminal Equity Value Analysis

Rabobank performed a terminal equity value analysis to derive an implied valuation range for the company under the following two scenarios:

* The first closing and the second closing are consummated; and

* The first closing, second closing and third closing are consummated.

In each scenario, Rabobank used financial projections provided by the company's management for the fiscal years 2004 to 2010, which assumed the company's receipt of the consideration to be paid by ASP/ASA, LLC pursuant to the Transaction. With management's consent and advice, Rabobank adjusted

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management's financial projections to apply a 38.5% tax rate to each projected year, and then derived ranges of implied present values of the company's common stock, by:

* Calculating the projected fiscal year 2006, 2008 and 2010 terminal values of the company based upon each of:

* price to earnings ratio multiples ranging from 8.0x to 12.0x, as applied to the projected net earnings per share of the company's common stock at the end of each of these fiscal years; and

* book value to earnings multiples ranging from 0.75x to 1.25x, as applied to the projected book value of the company at the end of each of these fiscal years.

* Discounting those terminal values to present values using discount rates ranging from 7.5% to 8.0%.

* Rabobank then divided the terminal values by 11.8 million (assuming the first closing and the second closing are consummated) and by 13.8 million (assuming the first closing, the second closing and the third closing are consummated), representing the number of fully diluted shares of the company's common stock projected to be issued and outstanding in 2006, 2008 and 2010 under the two scenarios.

Based upon this approach, Rabobank calculated the ranges of present estimated equity value per share of the company's common stock.

First Closing and Second Closing are Consummated Net Income to Common Method -----			
	Fiscal Year Multiple	Discount Rate Range	Range of Implied Present Values Per Share

Fiscal Year 2006 Estimated Earnings	10.0x	7.5% - 8.0%	\$10.19 - \$10.30
Fiscal Year 2008 Estimated Earnings	10.0x	7.5% - 8.0%	\$14.71 - \$15.03
Fiscal Year 2010 Estimated Earnings	10.0x	7.5% - 8.0%	\$21.44 - \$22.10

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First Closing and Second Closing are Consummated
Book Value Method

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	Fiscal Year Multiple	Discount Rate Range	Range of Implied Present Book Values Per Share

Fiscal Year 2006 Estimated Book Value	1.00x	7.5% - 8.0%	\$11.40 - \$11.54
Fiscal Year 2008 Estimated Book Value	1.00x	7.5% - 8.0%	\$12.67 - \$12.94
Fiscal Year 2010 Estimated Book Value	1.00x	7.5% - 8.0%	\$14.95 - \$15.41

First Closing, Second Closing and Third Closing are Consummated
Net Income to Common Method

	Fiscal Year Multiple	Discount Rate Range	Range of Implied Present Values Per Share

Fiscal Year 2006 Estimated Earnings	10.0x	7.5% - 8.0%	\$9.25 - \$9.35
Fiscal Year 2008 Estimated Earnings	10.0x	7.5% - 8.0%	\$14.35 - \$14.65
Fiscal Year 2010 Estimated Earnings	10.0x	7.5% - 8.0%	\$22.36 - \$23.04

First Closing, Second Closing and Third Closing are Consummated
Book Value Method

	Fiscal Year Multiple	Discount Rate Range	Range of Implied Present Book Values Per Share

Fiscal Year 2006 Estimated Book Value	1.00x	7.5% - 8.0%	\$10.76 - \$10.88
Fiscal Year 2008 Estimated Book Value	1.00x	7.5% - 8.0%	\$12.01 - \$12.27

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Fiscal Year			
2010 Estimated			
Book Value	1.00x	7.5% - 8.0%	\$14.50 - \$14.95

Discounted Equity Value Analysis

Rabobank performed an analysis of the implied present value per share of the company's common stock under the following two scenarios:

- * the first closing and the second closing are consummated; and
- * the first closing, second closing and third closing are consummated.

In each scenario, the analysis was performed by utilizing earnings per share and book value per share projections provided by company management to calculate implied share prices for the company, assuming the company's receipt of the consideration to be paid by ASP/ASA, LLC pursuant to the Transaction.

First Closing and Second Closing are Consummated
Earnings Per Share to Common Method

	Fiscal Year Multiple	Discount Rate	Range of Implied Present Values Per Share
Fiscal Year 2006 Estimated Earnings Per Share	8.0x - 12.0x	7.75%	\$8.58 - \$12.87
Fiscal Year 2008 Estimated Earnings Per Share	8.0x - 12.0x	7.75%	\$12.58 - \$18.87
Fiscal Year 2010 Estimated Earnings Per Share	8.0x - 12.0x	7.75%	\$18.28 - \$27.42

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First Closing and Second Closing are Consummated
Book Value Per Share Method

	Fiscal Year Multiple	Discount Rate	Range of Implied Present Values Per Share
Fiscal Year 2006 Estimated			

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Book Value Per Share	0.75x - 1.25x	7.75%	\$8.29 - \$13.81
Fiscal Year			
2008 Estimated			
Book Value Per Share	0.75x - 1.25x	7.75%	\$9.25 - \$15.42
Fiscal Year			
2010 Estimated			
Book Value Per Share	0.75x - 1.25x	7.75%	\$10.97 - \$18.28

First Closing, Second Closing and Third Closing are Consummated
Earnings Per Share to Common Method

	Fiscal Year Multiple	Discount Rate	Range of Implied Present Values Per Share
Fiscal Year			
2006 Estimated			
Earnings Per Share	8.0x - 12.0x	7.75%	\$7.82 - \$11.73
Fiscal Year			
2008 Estimated			
Earnings Per Share	8.0x - 12.0x	7.75%	\$12.32 - \$18.47
Fiscal Year			
2010 Estimated			
Earnings Per Share	8.0x - 12.0x	7.75%	\$19.07 - \$28.60

First Closing, Second Closing and Third Closing are Consummated
Book Value Per Share Method

	Fiscal Year Multiple	Discount Rate	Range of Implied Present Values Per Share
Fiscal Year			
2006 Estimated			
Book Value Per Share	0.75x - 1.25x	7.75%	\$7.82 - \$13.03
Fiscal Year			
2008 Estimated			
Book Value Per Share	0.75x - 1.25x	7.75%	\$8.77 - \$14.62
Fiscal Year			
2010 Estimated			
Book Value Per Share	0.75x - 1.25x	7.75%	\$10.64 - \$17.73

Management Liquidation Analysis

Rabobank received a liquidation analysis from company management, which indicated a discounted net present value per share valuation of the company of approximately \$8.82. This analysis represented the company management's expected pay-out per share pursuant to a four-year, orderly wind down of the business, utilizing recovery assumptions that were not shared with Rabobank. Rabobank did not perform any independent analysis with respect to this liquidation analysis, and expressed no view as to the liquidation analysis or the assumptions underlying it. This liquidation analysis was subsequently revised, as described below under "Recent Developments Subsequent to Execution of Securities Purchase Agreement and Additional Analysis by Our Financial Advisor."

The summary set forth above summarizes the material analyses performed by Rabobank but does not purport to be a complete description of the analyses performed by Rabobank in arriving at its opinion. The preparation of a fairness opinion is a complex process and is not necessarily susceptible to partial or summary description. Accordingly, Rabobank believes that its analyses must be considered as a whole and that selecting portions of its analyses and the factors considered by Rabobank, without considering all analyses and factors, could create an incomplete view of the processes underlying the Rabobank opinion. Rabobank did not assign

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relative weights to any of its analyses in preparing its opinion. The matters considered by Rabobank in its analyses were based on numerous macroeconomic, operating and financial assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond the company's and Rabobank's control and involve the application of complex methodologies and educated judgments. Any estimates contained in the Rabobank analyses are not necessarily indicative of actual past or future results or values, which may be significantly more or less favorable than the estimates. Estimated values do not purport to be appraisals and do not necessarily reflect the prices at which businesses or companies may be sold in the future. The estimates are inherently subject to uncertainty.

The board of directors selected Rabobank to act as its financial advisor because Rabobank is familiar with the company and its business. An affiliate of Rabobank is the lead agent bank and lead credit under the company's amended and restated credit agreement. In addition, an affiliate of Rabobank currently holds approximately 10.5% of the company's common stock for its own account and for the accounts of customers.

Rabobank will receive a fee from the company for its services in connection with the Transaction, a portion of which was payable upon delivery of its opinion to the company's board of directors, and an additional significant portion of which is payable contingent upon the consummation of the Transaction. In addition, the company agreed to indemnify Rabobank against certain liabilities arising out of its engagement.

Recent Developments Subsequent to Execution of the Securities Purchase Agreement and Additional Analysis by Our Financial Advisor

At the time the securities purchase agreement was executed, the company had targeted funding commitments that would support customer loan commitments of up to \$438 million for the 2003 crop year. The company expected that this funding would support the projections provided to and relied upon by Rabobank

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in preparing its opinion dated February 24, 2003 and described herein. These projections were the basis for the net income target levels and customer loan commitment levels that are conditions to ASP/ASA, LLC's obligation to purchase convertible preferred stock from the company at the second closing. Specifically, one condition to ASP/ASA, LLC's obligation to purchase convertible preferred stock from the company at the second closing is that the company shall have achieved 90% of a specified annual net income target for the previous fiscal year and that ASP/ASA, LLC shall reasonably expect that the company will achieve 90% of the specified annual net income target for the then current fiscal year. These annual net income targets are \$7 million for 2003, \$8.9 million for 2004, \$14.1 million for 2005 and \$21 million for 2006. In addition, another condition to ASP/ASA, LLC's obligation to purchase convertible preferred stock from the company at the second closing is that the company shall have approved at least \$500 million in loans to customers for the 2004 crop year. Moreover, if the second closing does not occur, ASP/ASA, LLC is not obligated to purchase convertible preferred stock from the company at the third closing.

Primarily due to a difficult credit environment, the company has not been able to secure funding commitments as targeted on February 24, 2003. As of May 6, 2003, the company had secured funding commitments that will allow the company to extend up to approximately \$255 million in customer loans for the 2003 crop year. Accordingly, the company believes that it is unlikely that it will achieve the net income targets or meet the customer loan commitment requirements that are each specified in the securities purchase agreement as a condition to ASP/ASA's obligation to purchase convertible preferred stock from the company at the second closing. As a result, the company does not believe that ASP/ASA, LLC will be obligated to purchase convertible preferred stock from it at the second closing or the third closing.

Based on the company's updated liquidation assumptions, the company's senior management reviewed the liquidation analysis that had been previously performed. The revised liquidation analysis showed that the discounted net present value of the amount to be realized upon liquidation was estimated to be between \$7.18 and \$9.68 per share, but that the expected amount to be realized would be less than or equal to \$8.43 per share.

As discussed above under "Opinion of Our Financial Advisor," the opinion of Rabobank dated February 24, 2003 assumed, with the company's consent and consistent with the company's projections at the time, that the first closing and the second closing would be consummated in accordance with the terms of the securities purchase agreement, and that the third closing may or may not be consummated. Because of the revisions to the company's projections and the company's current view that the conditions to the second closing and the third closing described above will not be satisfied, the company requested that Rabobank supplement its analysis and opinion of February 24, 2003 by reviewing the fairness of the consideration to be received by the company for the sale of the convertible preferred stock, from a financial point of view, using the company's revised projections and assuming that the second closing and the third closing will not occur. This supplemental analysis is provided below.

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Rabobank delivered its opinion dated June 2, 2003 to the company's board of directors to the effect that, as of that date and based upon the assumptions made, matters considered and limits of review set forth in its written opinion, the Consideration to be received by the company pursuant to the Transaction was fair from a financial point of view to the company. For the purposes of its opinion dated June 2, 2003, Rabobank

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assumed, with the company's consent, that the first closing will be consummated in accordance with the terms of the securities purchase agreement, and that the second and third closings will not be consummated as the result of the company's projected inability to satisfy the conditions required for the second closing pursuant to the securities purchase agreement. The issuance and sale of the convertible preferred stock pursuant to the first closing is referred to in this section of the proxy statement as the "Transaction," and the aggregate consideration to be received by the company at the first closing is referred to in this section of the proxy statement as the "Consideration." A copy of Rabobank's written opinion dated June 2, 2003 is attached to this proxy statement as Annex E.

Rabobank's written opinion dated June 2, 2003 sets forth the assumptions made, matters considered and limits on the scope of review undertaken by Rabobank. Each holder of the company's common stock is urged to read Rabobank's opinion in its entirety. Rabobank's opinion was intended for the use and benefit of the company's board of directors, does not address the merits of the underlying decision by the company to engage in the Transaction and does not constitute a recommendation to any shareholder as to how that shareholder should vote on the Transaction or any related matter. The consideration was determined on the basis of negotiations between the company and ASP/ASA, LLC and was approved by the company's board of directors. This summary of Rabobank's opinion is qualified by reference to the full text of the opinion attached as Annex E.

In arriving at its opinion, Rabobank, among other things:

- * Examined the securities purchase agreement;
- * Examined the company's audited financial statements for the fiscal years 1996 through 2003;
- * Examined certain publicly available business and financial information relating to the company that Rabobank deemed to be relevant, including the company's annual reports on Form 10-K for the fiscal years ended 1996 through 2003;
- * Examined certain monthly financial statements provided to Rabobank by the company;
- * Examined certain internal business, operating and financial information, including revised financial forecasts for the company for the fiscal years 2004 through 2010 prepared by the senior management of the company which gives effect to the Transaction;
- * Examined a revised liquidation analysis prepared by the senior management of the company which gives effect to a liquidation of the company;
- * Examined the financial position, operating results and certain stock market information regarding the company and compared them with those of certain publicly traded companies that Rabobank deemed to be relevant;
- * Examined the potential pro forma impact of the Transaction on the company, including its capitalization, fully-diluted earnings and book value;
- * Examined other financial studies and analyses and took into account other matters as Rabobank deemed necessary, including Rabobank's assessment of general economic, market and monetary conditions;

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- * Conducted discussions with members of senior management of the company concerning the matters described in the bullet-points set forth above, and the prospects for the company if the Transaction is not consummated; and
- * Considered other matters which Rabobank deemed relevant to its inquiry and took into account accepted financial and investment banking procedures that Rabobank deemed relevant.

Management of the company advised Rabobank that, absent approval of the Transaction, the company would be forced to liquidate, and that if the company were liquidated, the discounted book value of the company would be less than the current book value on a going-concern basis. The company did not provide Rabobank with any financial forecast that did not give effect to the Transaction other than the liquidation analysis.

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In preparing its opinion, Rabobank assumed and relied, without independent verification, upon the accuracy and completeness of all the information examined by or otherwise reviewed or discussed with Rabobank for purposes of its opinion, including without limitation the revised financial forecasts and the liquidation analysis prepared by the senior management of the company. In that regard, senior management of the company has advised Rabobank that the expected net present value of the company's common stock in a liquidation of the company will be less than or equal to \$8.43 per share. Rabobank was advised by the senior management of the company that the revised financial forecasts and liquidation analysis were each reasonably prepared on good faith bases reflecting the best currently available estimates and judgments of the senior management of the company. With regard to the financial forecasts, Rabobank further assumed that (i) the revised financial forecasts would be achieved in the amounts and at the times contemplated by such financial forecasts and (ii) all material assets and liabilities (contingent or otherwise) of the company were as set forth in the company's financial statements or other information made available to Rabobank. These financial forecasts did not take into account any payments that may be made to management of the company in respect of any non-competition arrangements to be entered into with the company. With regard to the revised liquidation analysis, Rabobank further assumed that all material assets and liabilities (contingent or otherwise) of the company were as set forth in such liquidation analysis. Rabobank thus expressed no opinion with respect to the revised financial forecasts or the liquidation analysis or any of the assumptions, estimates or judgments upon which either was based. The company did not request that Rabobank evaluate the potential consideration to be received by the holders of the company's common stock in a liquidation scenario.

Rabobank did not make or obtain an independent valuation or appraisal of the assets, liabilities, solvency or other issues relating to the solvency of the company. Rabobank further assumed that in all respects material to its analysis, the representations and warranties contained in the securities purchase agreement were true and correct and that each party to the securities purchase agreement would perform all of the covenants and agreements required to be performed by it under the securities purchase agreement without any waiver of any material terms or conditions by the company. Rabobank further assumed that all material corporate, governmental, regulatory or other consents and approvals requisite to consummate the Transaction had been or would be obtained.

Rabobank's opinion was limited to the consideration the company would receive pursuant to the Transaction and did not address any other

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matters, including, but not limited to, the company's ability to satisfy its obligations or the company's ability to access capital markets for financing requirements or solvency, in each case at any time, including presently and following consummation of the Transaction. Without limiting the foregoing, Rabobank expressed no opinion (i) as to the price at which the company's common stock would trade at any future time or as to the effect of the Transaction on the trading price of the company's common stock; (ii) whether any alternative transaction might produce consideration for the company in an amount in excess of that contemplated by the Transaction; or (iii) as to the fairness or any other aspect of any portion of the Transaction (including the voting rights associated with the convertible preferred stock) other than the issuance and sale by the company of the convertible preferred stock for the Consideration.

Rabobank's opinion was based upon economic, market, financial and other conditions existing on, and other information disclosed to Rabobank, as of the date of its opinion. It should be understood that, although subsequent developments may affect Rabobank's opinion, Rabobank does not have any obligation to update, revise or reaffirm its opinion.

In preparing its opinion dated June 2, 2003, Rabobank reviewed the financial analyses it performed in connection with its opinion dated as of February 24, 2003 using the revised forecasts prepared by senior management of the company. The following is a summary of certain financial and comparative analyses performed by Rabobank in connection with the written opinion delivered to the board of directors on June 2, 2003. The financial analyses summarized below include information presented in tabular format. In order to understand fully Rabobank's financial analyses, the tables must be read together with the text of each summary set forth below and the description of each methodology set forth above under the caption "Opinion of Financial Advisor." The tables alone do not constitute a complete description of the financial analyses. Considering the data described below without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of Rabobank's financial analyses.

Public Company Trading Analysis

Using the methodology described above under the caption "Opinion of Financial Advisor - Public Company Trading Analysis," the revised forecasts prepared by senior management of the company, and publicly available information and estimates of future financial results published by Bloomberg, L.P. as of May 30, 2003, Rabobank performed a public company trading analysis.

The results of this analysis were as follows:

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Company	High for Selected Companies	Average for Selected Companies	Adjusted Average for Selected Companies*	Low for Selected Companies

Price to earnings ratios based

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upon last twelve months earnings per share as of May 30, 2003	5.4x	12.3x	8.8x	8.9x	4.7x
Price to earnings ratios based upon estimated 2003 earnings per share	NA	12.0x	9.4x	9.4x	6.7x

* Determined by excluding highest and lowest multiples

Based on these analyses, Rabobank derived an average present value per share of company common stock, prior to the company's receipt of the consideration to be paid by ASP/ASA, LLC pursuant to the Transaction, of:

* \$6.98 per share, by comparing price to earnings ratios based upon fiscal year ending February 28, 2003 earnings and using a price to earnings ratio of 6.5x, representing the approximate mid-point for its range; and

* \$10.60 per share, by comparing price to earnings ratios based upon fiscal year ending February 28, 2003 book value and using a price to book value ratio of 0.75x, representing the approximate mid-point for its range.

Terminal Equity Value Analysis

Using the methodology described above under the caption "Opinion of Financial Advisor - Terminal Equity Value Analysis" and the revised forecasts prepared by senior management of the company, Rabobank performed a terminal equity value analysis to derive an implied valuation range for the company assuming that just the first closing is consummated. Based upon this approach, Rabobank calculated the ranges of present estimated equity value per share of the company's common stock.

	Fiscal Year Multiple	Discount Rate Range	First Closing Consummated Net Income to Common Method ----- Range of Implied Present Values Per Share
Fiscal Year 2006 Estimated Earnings	10.0x	7.5% - 8.0%	\$7.26 - \$7.35
Fiscal Year 2007 Estimated Earnings	10.0x	7.5% - 8.0%	\$8.92 - \$9.06
Fiscal Year 2008 Estimated Earnings	10.0x	7.5% - 8.0%	\$10.54 - \$10.76
Fiscal Year 2009 Estimated			

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Earnings	10.0x	7.5% - 8.0%	\$12.27 - \$12.59
Fiscal Year 2010 Estimated Earnings	10.0x	7.5% - 8.0%	\$14.10 - \$14.53

First Closing Consummated
Book Value Method

	Fiscal Year Multiple	Discount Rate Range	Range of Implied Present Values Per Share
Fiscal Year 2006 Estimated Book Value	10.0x	7.5% - 8.0%	\$10.76 - \$10.89
Fiscal Year 2007 Estimated Book Value	10.0x	7.5% - 8.0%	\$10.85 - \$11.03
Fiscal Year 2008 Estimated Book Value	10.0x	7.5% - 8.0%	\$11.10 - \$11.34
Fiscal Year 2009 Estimated Book Value	10.0x	7.5% - 8.0%	\$11.51 - \$11.81
Fiscal Year 2010 Estimated Book Value	10.0x	7.5% - 8.0%	\$12.06 - \$12.44

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Discounted Equity Value Analysis

Using the methodology described above under the caption "Opinion of Financial Advisor - Discounted Equity Value Analysis" and the revised forecasts prepared by senior management of the company, Rabobank performed an analysis of the implied present value per share of the company's common stock assuming that just the first closing is consummated. Based upon this approach, Rabobank calculated the ranges of present estimated equity value per share of the company's common stock.

First Closing Consummated

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Earnings Per Share to Common Method

	Fiscal Year Multiple	Discount Rate Range	Range of Implied Present Values Per Share
Fiscal Year 2006 Estimated Earnings Per Share	10.0x	7.5% - 8.0%	\$6.73 - \$6.80
Fiscal Year 2007 Estimated Earnings Per Share	10.0x	7.5% - 8.0%	\$8.19 - \$8.31
Fiscal Year 2008 Estimated Earnings Per Share	10.0x	7.5% - 8.0%	\$9.63 - \$9.82
Fiscal Year 2009 Estimated Earnings Per Share	10.0x	7.5% - 8.0%	\$11.20 - \$11.47
Fiscal Year 2010 Estimated Earnings Per Share	10.0x	7.5% - 8.0%	\$12.88 - \$13.26

First Closing Consummated
Book Value Per Share Method

	Fiscal Year Multiple	Discount Rate Range	Range of Implied Present Values Per Share
Fiscal Year 2006 Estimated Book Value Per Share	10.0x	7.5% - 8.0%	\$11.00 - \$11.12
Fiscal Year 2007 Estimated Book Value Per Share	10.0x	7.5% - 8.0%	\$11.10 - \$11.27
Fiscal Year 2008 Estimated Book Value Per Share	10.0x	7.5% - 8.0%	\$11.35 - \$11.58
Fiscal Year 2009 Estimated Book Value Per Share	10.0x	7.5% - 8.0%	\$11.77 - \$12.06
Fiscal Year 2010 Estimated Book Value Per Share	10.0x	7.5% - 8.0%	\$12.34 - \$12.70

Revised Management Liquidation Analysis

A revised liquidation analysis showed that the expected discounted net present value per share of the company's common stock in a liquidation of the company was estimated to be between \$7.18 and \$9.68 per share. Based upon that analysis, senior management of the company has advised Rabobank that the expected amount to be realized upon liquidation would be less than or equal to \$8.43 per share. This analysis represented the company management's expected pay-out per share pursuant to a four-year, orderly wind down of the business, utilizing recovery assumptions that were not shared with Rabobank. Rabobank did not perform any independent analysis with respect to this liquidation analysis, and expressed no view as to the liquidation analysis or the assumptions underlying it.

The summary set forth above summarizes the material analyses performed by Rabobank but does not purport to be a complete description of the analyses performed by Rabobank in arriving at its opinion dated June 2, 2003. The preparation of a fairness opinion is a complex process and is not necessarily susceptible to partial or summary description. Accordingly, Rabobank believes that its analyses must be considered as a whole and that selecting portions of its analyses and the factors considered by Rabobank, without considering all analyses and factors, could create an incomplete view of the processes underlying the Rabobank opinion. Rabobank did not assign relative weights to any of its analyses in preparing its opinion. The matters considered by Rabobank in its analyses were based on numerous

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macroeconomic, operating and financial assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond the company's and Rabobank's control and involve the application of complex methodologies and educated judgments. Any estimates contained in the Rabobank analyses are not necessarily indicative of actual past or future results or values, which may be significantly more or less favorable than the estimates. Estimated values do not purport to be appraisals and do not necessarily reflect the prices at which businesses or companies may be sold in the future. The estimates are inherently subject to uncertainty.

Interests of Certain Persons in the Transaction

In considering the recommendation of our board of directors, you should be aware that some of our directors and executive officers may be deemed to have interests in the transactions contemplated by the securities purchase agreement that are different from, or in addition to, those of our shareholders. Under the securities purchase agreement, we are required to enter into non-competition agreements with Gaylen Miller, the Chairman of our board of directors, Henry Jungling, our President and a member of our board of directors, and Kevin Schipper, our Chief Executive Officer and a member of our board of directors, in each case on terms and conditions satisfactory to ASP/ASA, LLC, pursuant to which we will be required to make a \$400,000 payment to each of Messrs. Miller, Jungling and Schipper. Pursuant to the securities purchase agreement, we are also required to enter into new employment agreements with each of Messrs. Miller, Jungling and Schipper and Shawn Smeins, our Chief Operating Officer, on terms and conditions satisfactory to ASP/ASA, LLC. These new agreements will be effective as of the first closing and will replace the current employment agreements described below

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under "Executive Compensation and Other Related Information - Employment Agreements."

In addition, a portion of the proceeds of the sale of convertible preferred stock will be used to repay our notes to Messrs. Miller, Jungling and Schipper, in the aggregate amount of \$4,419,760.

Three of the nominees to become members of our board of directors, Michael Fisch, Glenn Kaufman and Marc Saiontz, are employed by American Securities Capital Partners, L.P. Messrs. Fisch and Kaufman are managing directors and Mr. Saiontz is a senior associate at American Securities Capital Partners, L.P. American Securities Capital Partners, L.P. is a limited partnership affiliated with American Securities Capital Partners, LLC, which indirectly owns ASP/ASA, LLC. ASP/ASA, LLC will hold a majority of our voting power upon the first closing.

Appraisal Rights

Our shareholders are not entitled to appraisal rights in connection with the transactions contemplated by the securities purchase agreement or any of the other proposals presented at the annual meeting.

Shareholder Voting Agreement

As a condition to entering into the securities purchase agreement, ASP/ASA, LLC required that James D. Gerson, Henry L. Jungling, Rebecca L. Jungling, Michael Lischin, Ervin Mellema, Gaylen D. Miller, Glenna R. Miller and Kevin D. Schipper (the "shareholder parties") enter into a shareholder voting agreement. This summary is qualified in its entirety by reference to the shareholder voting agreement, attached to this proxy statement as Annex C. We urge you to read carefully the full text of the shareholder voting agreement. As of the record date for the annual meeting, the operative terms of the shareholder voting agreement covered approximately 23% of the outstanding shares of our common stock.

Covenants

Under the shareholder voting agreement, the shareholder parties have agreed:

- * to vote in favor of the approval of the securities purchase agreement and each of the transactions contemplated by the securities purchase agreement;
- * to vote against any amendment of our articles of incorporation or by-laws or other proposal or transaction involving us or any of our shareholders which would impede, frustrate, prevent or delay the transactions contemplated by the securities purchase agreement or change the voting rights of our shareholders; and

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- * not to sell, transfer, pledge, assign or otherwise dispose of any of the shares of our common stock subject to the shareholder voting agreement or enter into any agreement, option or other arrangement or understanding, other than under the shareholder voting agreement, the securities purchase agreement or liens or security interests pursuant to loans disclosed in the shareholder voting agreement, with respect to the transfer or voting of the subject shares.

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Grant of Irrevocable Proxy

In the shareholder voting agreement, the shareholder parties have agreed to irrevocably grant to and appoint ASP/ASA, LLC and any individual designated by ASP/ASA, LLC as their proxy to vote all the shares of our common stock subject to the shareholder voting agreement in favor of the securities purchase agreement and against any competing transaction.

Termination of the Shareholder Voting Agreement

The shareholder voting agreement terminates upon the termination of the securities purchase agreement. Termination of the shareholder voting agreement will not relieve the parties from any liability for any breach of the shareholder voting agreement prior to termination.

PROPOSAL 1 - APPROVAL OF SECURITIES PURCHASE AGREEMENT

You are being asked to approve the securities purchase agreement that we entered into on February 24, 2003 with ASP/ASA, LLC. The securities purchase agreement provides for, among other things, the sale to ASP/ASA, LLC of up to 70,000 shares of 8.375% convertible preferred stock at \$1,000 per share, subject to the satisfaction of various conditions. The convertible preferred stock will be issued pursuant certificate of designations, preferences and rights. The securities purchase agreement also provides for the execution of additional agreements, including a registration rights agreement, a shareholder agreement and a management consulting agreement.

The following is a summary of the material terms of the securities purchase agreement, the certificate of designations, the registration rights agreement, the shareholder agreement and the management consulting agreement. This summary is qualified in its entirety by reference to the securities purchase agreement, attached to this proxy statement as Annex A, and the certificate of designations, attached to this proxy statement as Annex B. We urge you to read carefully the full text of the securities purchase agreement and the certificate of designations, which are incorporated by reference in this section of the proxy statement.

Our board of directors has unanimously approved the securities purchase agreement and unanimously recommends that our shareholders vote FOR approval of the securities purchase agreement.

Securities Purchase Agreement

Structure of Sale

The securities purchase agreement provides that the convertible preferred stock will be purchased at up to three closings, subject to various conditions. At the first closing, which is to occur no later than June 15, 2003, we will sell 35,000 shares of convertible preferred stock to ASP/ASA, LLC for \$35 million. The date by which the first closing must occur may be extended as described below under "Termination of the Securities Purchase Agreement." At the second closing, which is to occur no later than July 31, 2004, we will sell 17,500 shares of convertible preferred stock to ASP/ASA, LLC for \$17.5 million. At the third closing, which is to occur no later than July 31, 2005, we will sell 17,500 shares of convertible preferred stock to ASP/ASA, LLC for \$17.5 million. We believe, however, that it is unlikely that we will satisfy all of the conditions to ASP/ASA, LLC's obligation to purchase convertible preferred stock from us at the second closing. Completion of the second closing is a condition to ASP/ASA's obligation to purchase convertible preferred stock from us at the third closing. As a result,

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we do not believe that ASP/ASA, LLC will be obligated to purchase convertible preferred stock from us at the second closing or the third closing. In addition, even if the conditions to ASP/ASA, LLC's obligation to purchase convertible preferred stock from us at the second and third closings are satisfied, we and ASP/ASA, LLC have the option to forego the purchase and sale of convertible preferred stock at the third closing if the funds are not needed to support our growth plans.

Representations and Warranties

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The securities purchase agreement contains representations and warranties with respect to us and our subsidiaries relating to, among other things:

- * organization, corporate power, capital structure and similar corporate matters;
- * authorization, execution, delivery and enforceability of the securities purchase agreement;
- * the conduct of our business, and the absence of a material adverse effect, since February 28, 2002;
- * the recommendation of the board of directors in favor of the transactions contemplated by the securities purchase agreement;
- * real property, personal property and intellectual property owned by us and our subsidiaries;
- * the absence of any violation of, or conflicts with, organizational documents or certain contracts, judgments, orders, laws or regulations as a result of entering into the securities purchase agreement or completing the transactions contemplated by the securities purchase agreement;
- * the consents we are required to obtain and the filings we are required to make in connection with the securities purchase agreement and the transactions contemplated by the securities purchase agreement;
- * compliance with applicable laws;
- * the absence of legal proceedings that would have a material adverse effect on us;
- * the accuracy and completeness of the information contained in the reports and financial statements that we file with the SEC, and the compliance of our SEC filings with applicable requirements of Federal securities laws;
- * the absence of undisclosed liabilities;
- * contracts material to us and our subsidiaries;
- * tax, environmental, labor and employment and benefit plan matters;
- * defaults on loans extended by us;
- * insurance policies covering us and our subsidiaries;

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- * banking regulations;
- * the shareholder vote required to approve the securities purchase agreement;
- * various Federal securities law matters;
- * our solvency;
- * the absence of undisclosed broker's fees;
- * the receipt by us of an opinion from Rabobank; and
- * the amounts of certain outstanding loans payable to us.

The securities purchase agreement contains customary representations and warranties by ASP/ASA, LLC relating to, among other things:

- * authorization, execution, delivery and enforceability of the securities purchase agreement;

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- * compliance with Federal securities laws;
- * the absence of any violation of, or conflicts with, organizational documents, contracts, orders, laws or regulations as a result of entering into the securities purchase agreement or completing the transactions contemplated by the securities purchase agreement;
- * restrictive legends to be placed on the convertible preferred stock and shares of our common stock into which the convertible preferred stock is convertible; and
- * the absence of undisclosed broker's fees.

The representations and warranties in the securities purchase agreement are subject, in some cases, to specified exceptions and qualifications.

Covenants Relating to the Conduct of our Business

Except as contemplated by the securities purchase agreement or consented to in advance in writing by ASP/ASA, LLC, until the persons nominated by ASP/ASA, LLC and named in this proxy statement become members of our board of directors, we have agreed that we will (and will cause our subsidiaries to) carry on business in the ordinary course and we will (and will cause our subsidiaries to) use all reasonable best efforts to keep available the services of our officers and employees and to preserve our business and third party relationships. In addition, until the persons nominated by ASP/ASA, LLC and named in this proxy statement become members of our board of directors, except as expressly contemplated by the terms of the securities purchase agreement or consented to in advance in writing by ASP/ASA, LLC, we have agreed that we will not (and will not permit any of our subsidiaries to) take various actions, including the following:

- * amend our organizational documents or alter in any manner the corporate structure or ownership of any of our subsidiaries;
- * adopt a plan of liquidation, dissolution, merger, consolidation,

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recapitalization or other reorganization;

- * declare or pay any dividend or make any other distribution to our shareholders;
- * redeem or acquire any shares of our capital stock or any stock option or issue any capital stock or any option, warrant or right or any securities convertible into or exchangeable for any shares of capital stock, except the issuance of securities contemplated by the securities purchase agreement or our stock purchase plan or upon the exercise of stock options outstanding as of the date of the securities purchase agreement;
- * increase the compensation, benefits or severance pay to any of our or our subsidiaries' current or former directors, officers, employees, consultants or independent contractors;
- * establish, adopt or alter in any material respect any collective bargaining agreement, benefit plan or benefit agreement;
- * accelerate or increase any rights or benefits, fund or secure the payment of compensation or benefits, or make any material determinations not in the ordinary course of business under any benefit plan or benefit agreement;
- * amend or modify any stock option;
- * make any loan or cash advance to, or engage in any transaction with, any current or former director, officer, employee, consultant or independent contractor, other than advancing business expenses in the ordinary course of business;
- * incur, assume or guarantee any new liabilities, obligations or indebtedness for borrowed money, except pursuant to our currently existing credit facilities;
- * pay, settle, waive, cancel or satisfy any claims, liabilities, obligations or litigation, other than the satisfaction of certain liabilities in the ordinary course of business;

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- * make any change in any method of accounting or accounting practice or policy other than those required by GAAP, except for the change in our policy on revenue recognition, as described in our quarterly report on Form 10-Q for the period ended November 30, 2002;
- * make or incur any capital expenditure which, individually, exceeds \$50,000 or, in the aggregate, exceed \$100,000;
- * acquire or agree to acquire any business organization or division or assets other than inventory, supplies, raw materials or other immaterial assets acquired in the ordinary course of business consistent with past practice;
- * sell, lease or encumber any properties or assets, except sales of inventory in the ordinary course of business consistent with past practice;
- * make any change in any material terms of agreements with suppliers;

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- * make any material change in our credit and collection policy;
- * purchase any loans from, or sell any loans to, a third party or acquire or sell participation interests in any loans, in each case, for more than \$100,000, or sell any existing loans for less than their face value;
- * approve any loans that would result in more than \$5,000,000, in the aggregate, being loaned by us to any one customer;
- * approve any loans that would cause the percentage of the total amount of loans approved since February 24, 2003 for a particular type of crop to exceed certain thresholds specified in the securities purchase agreement;
- * make or change any material election relating to taxes; or
- * agree to take any of the actions that are prohibited by the securities purchase agreement.

Many of the actions prohibited by the securities purchase agreement are subject to exceptions, including to comply with applicable laws or to take actions in the ordinary course of business.

Additional Covenants

In addition to our agreement to conduct our business in accordance with the covenants described in "Covenants Relating to the Conduct of our Business," the securities purchase agreement contains agreements by us or by us and ASP/ASA, LLC to take several other actions, including those described below.

- * Reasonable Best Efforts. We and ASP/ASA, LLC have agreed to use our reasonable best efforts to satisfy the conditions described under "Conditions to the Company's Obligation to Sell Convertible Preferred Stock" and "Conditions to Purchaser's Obligation to Purchase Convertible Preferred Stock."
- * Reasonable Access. We have agreed to afford ASP/ASA, LLC reasonable access to properties, books, records and personnel and to furnish promptly to ASP/ASA, LLC a copy of each report, schedule, registration statement and other document we file or receive pursuant to the requirements of securities laws and other information concerning our business, properties and personnel that ASP/ASA, LLC reasonably requests.
- * Other Transactions. We have agreed that, until the date of the first closing, we will not encourage, solicit, initiate or participate in discussions or negotiations with, enter into agreements with, or provide any information or assistance to, any person concerning any merger, sale of securities, sale of substantial assets or any similar transaction involving us or our subsidiaries. If we or one of our subsidiaries receives a proposal relating to this type of transaction, we have agreed to notify ASP/ASA, LLC promptly of the proposal.
- * Preparation of Proxy Statement. We and ASP/ASA, LLC have agreed to cooperate with respect to amending or supplementing the proxy statement to reflect any material information discovered prior to the date of the first closing. Any filing of, or amendment or supplement to, the proxy statement is subject to ASP/ASA, LLC's review and comment.

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We have agreed to use our reasonable best efforts to respond as promptly as practicable to any comments of the SEC with respect to this proxy statement, and to advise ASP/ASA, LLC of any comments, or requests for further information, from the SEC.

- * Shareholder Meeting. We have agreed to make arrangements for and hold a shareholders' meeting as promptly as practicable after the date of the securities purchase agreement for the purpose of obtaining shareholder approval of the securities purchase agreement and the election of new directors.
- * Publicity. We and ASP/ASA, LLC have agreed not to issue any press release or make any public statement relating to the securities purchase agreement or the transactions contemplated by the securities purchase agreement without the other party's advance consent in writing.
- * Insurance. We have agreed to solicit bids from insurance providers for insurance to cover the indemnification of our directors and officers and to provide ASP/ASA, LLC with copies of the bids. We have agreed to accept the bid that ASP/ASA, LLC requests, as long as that bid is reasonably satisfactory to us. We have also agreed to keep ASP/ASA, LLC informed of all insurance policies covering us and our subsidiaries and to take all necessary steps to renew those policies or other steps that ASP/ASA, LLC reasonably requests.

Conditions to Our Obligation to Sell Convertible Preferred Stock

Our obligation to sell convertible preferred stock to ASP/ASA, LLC at each of the first, second and third closings is subject to the satisfaction of various conditions, including, but not limited to, the following:

- * ASP/ASA, LLC's payment of the purchase price;
- * as of the date of each closing, the representations and warranties made by ASP/ASA, LLC that are qualified by materiality must be true and correct, and ASP/ASA, LLC's representations and warranties that are not so qualified must be true and correct in all material respects;
- * ASP/ASA, LLC must have performed in all material respects its obligations under the securities purchase agreement; and
- * there must not be any law, regulation, order or other ruling entered by a court or enacted by a governmental authority which prohibits any of the transactions contemplated by the securities purchase agreement.

Our obligation to sell convertible preferred stock to ASP/ASA, LLC at the first closing is subject to the satisfaction of the following additional conditions:

- * the approval of our shareholders of the securities purchase agreement; and
- * our purchase of insurance providing for at least \$10,000,000 of coverage relating to the indemnification of our directors and officers, but this condition will be deemed satisfied if ASP/ASA, LLC requests that we accept a bid providing for this coverage (as described under "Additional Covenants - Insurance").

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Conditions to Purchaser's Obligation to Purchase Convertible Preferred Stock

ASP/ASA, LLC's obligation to purchase convertible preferred stock from us at each of the first, second and third closings is subject to the satisfaction of various conditions, including, but not limited to, the following:

- * we must have in effect debt financing on terms satisfactory to ASP/ASA, LLC;
- * we must have reimbursed ASP/ASA, LLC for its expenses incurred in connection with the securities purchase agreement and the transactions contemplated by the securities purchase agreement;
- * as of the date of each closing, the representations and warranties made by us that are qualified by materiality must be true and correct, and our representations and warranties that are not so qualified must be true and correct in all material respects;
- * we must have performed in all material respects our obligations under the securities purchase agreement;

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- * there must not be any law, regulation, order or other ruling entered by a court or enacted by a governmental authority which prohibits any of the transactions contemplated by the securities purchase agreement; and
- * since the date of the securities purchase agreement, a material adverse effect must not have occurred, as described under "Material Adverse Effect" below.

Pursuant to a letter agreement between us and ASP/ASA, LLC, dated May 29, 2003, we have unconditionally agreed to reimburse ASP/ASA, LLC for its reasonable business expenses incurred in connection with the securities purchase agreement in the amount of \$1,500,000. Effective upon receipt by ASP/ASA, LLC of the full amount of that payment, ASP/ASA, LLC waives its rights to rely on certain of the conditions described above as a result of the following events: (i) our inability to secure funding commitments in excess of \$230 million for the 2003 crop year; and (ii) our elimination of approximately 30% of our workforce. As a result, if we make the full \$1,500,000 payment, ASP/ASA, LLC's obligation to complete the first closing will remain even if these conditions are not satisfied due to either of these two events.

ASP/ASA, LLC's obligation to purchase convertible preferred stock from us at the first closing is subject to various additional conditions, including, but not limited to, the following:

- * the approval of our shareholders of the securities purchase agreement, and the election by our shareholders of the new directors designated by ASP/ASA, LLC;
- * our payment to ASP/ASA, LLC of 50% of a transaction fee equal to \$350,000 plus 0.5% of all funds loaned or committed to be loaned to us as of the first closing;
- * the receipt of resignations from certain members of our board of directors;

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- * the execution of a management consulting agreement, described in more detail below under "Management Consulting Agreement";
- * the execution of non-competition agreements with Messrs. Miller, Jungling, and Schipper, described above under "Interests of Certain Persons in the Transaction";
- * the execution of employment agreements with Messrs. Miller, Jungling, and Schipper and Shawn Smeins, described above under "Interests of Certain Persons in the Transaction";
- * the execution of a shareholder agreement with Messrs. Miller, Jungling, Schipper and Smeins, described in more detail below under "Shareholder Agreement";
- * the execution of a registration rights agreement, described in more detail below under "Registration Rights Agreement";
- * the execution of agreements, such as incentive agreements and non-competition agreements, with employees to be identified by ASP/ASA, LLC, on terms and conditions satisfactory to ASP/ASA, LLC;
- * To the extent requested by ASP/ASA, LLC, our purchase of insurance for the indemnification of our directors and officers;
- * our approval and closing of commitments for at least \$230,000,000 in loans to customers for the 2003 crop year and receipt of financing to fund these commitments that is reasonably satisfactory to ASP/ASA, LLC;
- * satisfaction of the obligations of the Federal Crop Insurance Corporation in respect of 85% of the outstanding multi-peril crop insurance claims submitted by our customers as of December 31, 2002; and
- * ASP/ASA, LLC's completion of and satisfaction with its confirmatory due diligence investigation of us and our subsidiaries.

ASP/ASA, LLC's obligation to purchase convertible preferred stock from us at the second closing is subject to various additional conditions, including the following:

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- * our payment of 50% of the transaction fee; and
- * our approval of at least \$500,000,000 in loans to customers for the 2004 crop year.

ASP/ASA, LLC's obligation to purchase convertible preferred stock from us at the third closing is subject to various additional conditions, including the following:

- * our approval of at least \$600,000,000 in loans to customers for the 2005 crop year.

ASP/ASA, LLC's obligation to purchase convertible preferred stock from us at the second closing and the third closing is subject to the completion of a review by an independent accounting firm which confirms the satisfaction of the following:

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- * our achievement of net income targets specified in the securities purchase agreement; and
- * our projected collections of outstanding loans exceeding certain levels outlined in the securities purchase agreement.

We believe that it is unlikely that we will achieve the net income targets and levels of loan commitments that are conditions to ASP/ASA, LLC's obligation to purchase convertible preferred stock from us at the second closing. Completion of the second closing is a condition to ASP/ASA, LLC's obligation to purchase convertible preferred stock from us at the third closing. As a result, we do not believe that ASP/ASA, LLC will be obligated to purchase convertible preferred stock from us at the second closing or the third closing.

Material Adverse Effect

Under the securities purchase agreement, a material adverse effect means:

- * a material adverse effect on the condition, business, prospects, properties or results of operations of us and our subsidiaries, taken as a whole;
- * a material disruption or material adverse change in financial, banking, or capital markets in the U.S. that would, in ASP/ASA, LLC's judgment, make it impracticable or inadvisable to proceed with the transactions contemplated by the securities purchase agreement;
- * an outbreak or escalation of hostilities involving the U.S. or a declaration by the U.S. of a national emergency or war that would, in ASP/ASA, LLC's judgment, make it impracticable or inadvisable to proceed with the transactions contemplated by the securities purchase agreement; or
- * a material adverse change in the agriculture services industry.

Indemnification

The securities purchase agreement provides that, until the first closing, we will indemnify and hold harmless ASP/ASA, LLC, American Securities Capital Partners LLC and their officers, directors, employees, agents and controlling persons against any losses, claims, damages, liabilities and expenses in connection with the securities purchase agreement or the transactions contemplated by the securities purchase agreement, as long as the losses, claims, damages, liabilities and expenses have not resulted from the willful misconduct or gross negligence of the indemnified party.

Fees and Expenses

We have agreed in the securities purchase agreement to pay fees to ASP/ASA, LLC and to reimburse ASP/ASA, LLC for expenses as described below.

- * We have agreed to pay a transaction fee equal to \$350,000 plus 0.5% of the amount of funds loaned to us or committed to be loaned to us as of the date of the first closing, 50% of which is payable on the date of the first closing and 50% of which is payable on the one-year anniversary of the first closing.

- * We have agreed to reimburse ASP/ASA, LLC and its affiliates for their expenses incurred in connection with the securities purchase agreement, including the fees of counsel, accountants and other advisors. We have also agreed to reimburse ASP/ASA, LLC for its reasonable business expenses incurred in connection with the securities purchase agreement in an amount not to exceed \$1,500,000 if the first closing does not occur or if the securities purchase agreement is terminated for certain specified reasons. However, pursuant to a letter agreement between us and ASP/ASA, LLC, dated May 29, 2003, we have unconditionally agreed to reimburse ASP/ASA, LLC for its reasonable business expenses incurred in connection with the securities purchase agreement in the amount of \$1,500,000. ASP/ASA, LLC has acknowledged that the expenses payable pursuant to the securities purchase agreement will be reduced by \$1,500,000 or any portion of that amount received by ASP/ASA, LLC in connection with the letter agreement. ASP/ASA, LLC has also acknowledged that, if the first closing does not occur, receipt of the \$1,500,000 payment in connection with the letter agreement will satisfy our obligations to reimburse ASP/ASA, LLC for its reasonable business expenses pursuant to the securities purchase agreement.
- * We have agreed to pay ASP/ASA, LLC a \$5,000,000 fee if:
 - * the securities purchase agreement is terminated because our board of directors withdraws or adversely modifies its recommendation in favor of the securities purchase agreement and the election of ASP/ASA, LLC's designees to our board of directors, or our board of directors recommends another transaction;
 - * the securities purchase agreement is terminated because our shareholders did not approve the securities purchase agreement or the election of ASP/ASA, LLC's designees to the board of directors and we entered into a transaction with any person relating to any merger, equity or debt sale, sale of substantial assets or similar transaction during the 18-month period following termination of the securities purchase agreement.

Termination of the Securities Purchase Agreement

We and ASP/ASA, LLC may terminate the securities purchase agreement if:

- * we do not obtain approval by our shareholders;
- * the first closing is not completed by June 15, 2003, which may be extended as described below;
- * a governmental entity has issued a permanent injunction or other order or decree preventing the transactions that is in effect and has become final and nonappealable;
- * the other party breaches any of its representations, warranties or covenants in the securities purchase agreement, which breach is incurable or is not cured within 30 calendar days of written notice of the breach;
- * the second closing is not completed by July 31, 2004, but this termination would only relate to the parties' rights and obligations relating to the second closing; or

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- * the third closing is not completed by July 31, 2005, but this termination would only relate to the parties' rights and obligations relating to the third closing.

Pursuant to a letter agreement between us and ASP/ASA, LLC, dated May 29, 2003, we have unconditionally agreed to reimburse ASP/ASA, LLC for its reasonable business expenses incurred in connection with the securities purchase agreement in the amount of \$1,500,000. Effective upon receipt of the full amount of this payment, ASP/ASA, LLC waives its right to terminate the securities purchase agreement based on breaches of representations, warranties or covenants relating to (i) our inability to secure funding commitments to support customer loan commitments in excess of \$230 million; or (ii) our elimination of approximately 30% of our workforce. In addition, upon receipt of this payment, ASP/ASA, LLC has agreed to amend the securities purchase agreement to extend the date by which the first closing must occur to July 15, 2003.

ASP/ASA, LLC may terminate the securities purchase agreement if our board of directors withdraws its recommendation in favor of the proposals contained in this proxy statement or recommends another transaction.

Each of the parties has the option to forego the purchase and sale of convertible preferred stock at the third closing if funds are not needed to support our growth plans.

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Use of Proceeds

The securities purchase agreement provides that we may use the proceeds from the sale of convertible preferred stock for:

- * the payment of fees associated with the sale;
- * the payment of fees associated with the refinancing of our company;
- * the payment of \$400,000 to each of Gaylen Miller, Kevin Schipper and Henry Jungling pursuant to non-competition agreements to be entered into with us;
- * working capital;
- * the extension of credit to our customers in the ordinary course of business;
- * repayment of notes to Gaylen Miller, Kevin Schipper and Henry Jungling;
- * the payment of operating expenses incurred in the ordinary course of business; and
- * capital expenditures in the ordinary course of business.

Certificate of Designations, Preferences and Rights

The terms of the convertible preferred stock are set forth in a certificate of designations, preferences and rights of 8.375% convertible preferred stock (the "certificate of designations"). The summary below is qualified in its entirety by the certificate of designations, attached to this proxy statement as Annex B.

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Purchase Price

The purchase price of the convertible preferred stock is \$1,000 per share.

Rank

The convertible preferred stock will rank senior to all classes of our common stock and each other class of capital stock or series of preferred stock with respect to distributions of assets upon liquidation, dissolution or winding up.

Dividends

The holders of convertible preferred stock will be entitled to receive cumulative dividends accruing at the rate per share of 8.375%, compounding annually, payable in cash and payable quarterly in arrears. As long as any shares of convertible preferred stock are outstanding, we will be prohibited from declaring or paying any dividends on any of our other classes or series of securities without the written consent of a majority of the holders of convertible preferred stock.

Redemption

We will redeem all of the convertible preferred stock on the seventh anniversary of the first closing. At that time, each holder of convertible preferred stock may elect to convert its shares of convertible preferred stock into our common stock or receive a cash payment for its shares at the rate of \$1,000 per share. Each holder will also receive any accrued dividends in cash with respect to its shares. The convertible preferred stock may not be redeemed at our option at any time.

Liquidation Preference

Upon the occurrence of various liquidation events, as described more fully in Section 5 of the certificate of designations, no distribution will be made to the holders of any other classes or series of our capital stock until the holders of convertible preferred stock have received, for each share, the greater of (1) \$1,000 or (2) the value of the shares of common stock into which the share of convertible

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preferred stock is convertible, plus accrued dividends. This per share amount will also be payable to the holders of convertible preferred stock upon a change of control, which is defined as our entering into any transaction which results in ASP/ASA, LLC and its affiliates owning less than 20% of our voting power or the sale of all or substantially all of our assets.

Conversion

The convertible preferred stock is convertible into our common stock at the rate of \$8.50 per share at any time at the option of the holder.

Anti-Dilution

The convertible preferred stock contains customary anti-dilution

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provisions, which provide for adjustments to the conversion price upon the occurrence of certain events, including, but not limited to, stock splits, stock dividends, or the issuance of other dividends or distributions to holders of our common stock.

Adjustments of Purchase Price

The certificate of designations includes provisions to adjust the purchase price paid by ASP/ASA, LLC by adjusting the conversion price of the convertible preferred stock. ASP/ASA, LLC's agreement to purchase the convertible preferred stock on the terms and conditions outlined in the securities purchase agreement was based, in part, on the quality of our loans to customers, including our ability to collect those loans and the adequacy of reserves for those loans. The adjustments, set forth in detail in Section 8 of the certificate of designations, are designed to adjust the purchase price based on information relating to the quality of our loans to customers. These adjustments are to be made upon a liquidation event or a change of control, and on the second and fourth anniversaries of the first closing if a liquidation event or change of control has not occurred. A final adjustment is to be made on the fifth anniversary of the first closing date if a liquidation event or change of control has not occurred.

Voting Rights

After the first closing, ASP/ASA, LLC will be entitled to a number of votes equal to the number of shares of our common stock into which all 70,000 shares of convertible preferred stock are convertible, which currently represents approximately 60% of our outstanding common stock. The sale of convertible preferred stock on the second and third closings will not provide ASP/ASA, LLC with any additional voting rights.

Protective Provisions

As long as shares of convertible preferred stock are outstanding, we are prohibited from taking various actions without obtaining the approval of the holders of a majority of the outstanding shares of convertible preferred stock, including, among others:

- * alter, amend or repeal the rights or privileges of the convertible preferred stock or any of our capital stock so as to affect adversely the convertible preferred stock;
- * create any new class or series of capital stock that has a preference over or ranks in parity with the convertible preferred stock as to distribution of assets upon liquidation, dissolution or winding up or that is mandatorily redeemable or must be purchased if certain events occur;
- * increase the authorized number of shares of convertible preferred stock;
- * increase the par value of our common stock; or
- * issue any additional shares of convertible preferred stock except pursuant to the securities purchase agreement.

Arbitration

We and ASP/ASA, LLC have agreed to settle any disputes relating to the determination of adjustments to the conversion price of the convertible preferred stock (as described above under "Anti-Dilution" and

"Adjustments of Purchase Price") through arbitration.

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Effect of Issuance of Convertible Preferred Stock on Our Common Stock

The issuance of convertible preferred stock involves various factors that affect our common stock, including the following:

- * The convertible preferred stock is entitled to dividends, but no dividends may be paid on our common stock or other capital stock without the consent of the holders of the convertible preferred stock.
- * The dividends payable on the 70,000 shares of convertible preferred stock to be sold to ASP/ASA, LLC pursuant to the securities purchase agreement will be deducted in determining net income available to common shareholders and, if declared and paid, the dividends would reduce our working capital.
- * The holders of convertible preferred stock have a prior claim against our assets in the event of a liquidation or bankruptcy.
- * ASP/ASA, LLC has registration rights allowing it to sell publicly shares of convertible preferred stock or common stock into which the convertible preferred stock is convertible.

Registration Rights Agreement

Registration

We have agreed to enter into a registration rights agreement with ASP/ASA, LLC under which we will be required, within 90 days of the first closing, to prepare and file a shelf registration statement covering the offer and sale of the convertible preferred stock and shares of common stock into which the convertible preferred stock is convertible. If we fail to file or obtain or maintain or effectiveness of this shelf registration statement, but we propose to file certain other registration statements covering our securities, we will be required to comply with requests by the holders of convertible preferred stock or common stock into which convertible preferred stock was converted to include their shares in the other registration statements.

Fees and Expenses

We will be responsible for all of the fees and expenses incurred in performing our obligations under the registration rights agreement.

Additional Dividends

If we have not filed the shelf registration statement with the SEC within 90 days of the first closing, the SEC has not declared the shelf registration effective within 150 days of the first closing or certain other events occur that prevent the sale of securities under the shelf registration, then additional dividends will accrue with respect to the convertible preferred stock. These additional dividends will accrue at a rate of 1% per year with respect to the first 180-day period following any of the defaults listed in the previous sentence, and will accrue at a rate of an additional 1% per year for each additional 180-day period that a default continues to occur.

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Shareholder Agreement

We have agreed that, on the first closing, we and Henry Jungling, Kevin Schipper, Gaylen Miller and Shawn Smeins (each, a "restricted shareholder") will enter into a shareholder agreement with ASP/ASA, LLC. The material terms of the shareholder agreement are described below.

Transfer Restrictions

Pursuant to the shareholder agreement, and subject to certain exceptions, each restricted shareholder will agree not to offer, transfer, sell, assign, pledge or otherwise dispose of shares of our common stock from the first closing until the earlier of:

- * the date ASP/ASA, LLC ceases to own any of our securities; or
- * the seventh anniversary of the first closing.

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The restricted shareholders will be permitted to transfer shares to the following persons or entities, if the transferee agrees in writing to be bound by the terms of the shareholder agreement:

- * a spouse or child;
- * an heir, executor, administrator, and certain trustees or beneficiaries;
- * a partnership, trust, corporation or other legal entity in which the restricted shareholder or the persons listed above hold 100% of the beneficial interest; or
- * any other person if ASP/ASA, LLC consents in writing to the transfer.

The restrictions on transfer are subject to the following exceptions:

- * the restrictions will not apply to liens, security interests, or transfers arising from a foreclosure, in each case, in connection with loans secured by our common stock;
- * shares securing loans to a restricted shareholder may be sold if the proceeds will be used solely to repay the loans secured, the sale occurs no earlier than six months before the loan matures and the restricted shareholder uses reasonable efforts to use other proceeds to repay the loans;
- * after the second anniversary of the first closing, each restricted shareholder may transfer up to 15% of its shares (but may not transfer more than 5% of its shares in any 12-month period);
- * each restricted shareholder may transfer up to 5,000 shares per calendar year to a charitable organization; and
- * after the second anniversary of the first closing, the transfer restrictions will not apply to any restricted shareholder who ceases to be our employee.

Other Employee Shareholders

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Pursuant to the shareholder agreement employees who, upon exercising options or other rights, hold more than 15,000 shares of our common stock, will become parties to the shareholder agreement and will be subject to the transfer restrictions in that agreement. We will agree to include provisions in employee option agreements and related documents to that effect and will continue use our best efforts to receive any employee consents necessary to comply with those requirements.

Termination

The shareholder agreement will terminate on the earlier of the date on which ASP/ASA, LLC and its affiliates cease to own any of our securities or the seventh anniversary of the first closing.

Management Consulting Agreement

We have agreed that, on the first closing, we will enter into the management consulting agreement with American Securities Capital Partners, LLC ("consultant"), an affiliate of ASP/ASA, LLC. The material terms of the management consulting agreement are described below.

Services

Pursuant to the management consulting agreement, consultant agrees to provide consulting services to us as an independent contractor. Consultant is not required to devote any specified amount of time to such consulting services.

Compensation

We will pay consultant an annual fee (prorated for any partial periods) of \$400,000 in equal quarterly installments, with the first installment payable on the first closing.

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If, during the term of the management consulting agreement, we consummate any merger, acquisition, disposition, recapitalization or other extraordinary transaction, consultant is entitled to charge us a transaction fee of 1% of the value of such transaction.

If, during the term of the management consulting agreement, we consummate any financing or increase the size of an existing facility, consultant is entitled to charge us a transaction fee of 0.25% of the aggregate value of such financing or increase.

Expenses

We will reimburse consultant for its reasonable out-of-pocket expenses incurred in connection with the management consulting agreement.

Term

The management consulting agreement will terminate on the date on which affiliates of consultant cease to own any of our securities.

Our board of directors unanimously recommends that you vote FOR the approval of the securities purchase agreement.

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Our Amended and Restated Articles of Incorporation provide that our board of directors shall be divided into three classes, with one class being elected for a three-year term at each annual meeting. Kevin D. Schipper and Ervin Mellema have been nominated for re-election as Class III Directors, to serve until 2006. The election of these two directors is part of our regular annual meeting, and their elections will be effective regardless of whether the first closing under the securities purchase agreement occurs.

Our board of directors unanimously recommends that you vote FOR the re-election of the Class III directors.

Class III Directors

Kevin D. Schipper

Kevin D. Schipper is a founder of our company and has served as a director since its formation in October 1985, as Chief Executive Officer since November 2002, as Chief Operating Officer from July 1994 to November 2002 and as Secretary since August 1999. Mr. Schipper served as Vice President since our formation in October 1985 until July 1994 and as Treasurer and Secretary from July 1988 until July 1994. Before joining our company, Mr. Schipper was employed by Scoular Grain Company, where he worked in product sales.

Ervin J. Mellema

Ervin J. Mellema has served as a director of our company since May 1991. Since 1976, Mr. Mellema has been an operating principal of Campbell Mellema Insurance Inc., a property and casualty insurance agency, and Campbell Mellema Realty, LLC, a real estate brokerage firm.

Current Directors

Our board of directors is divided into three classes. One class is elected at each annual meeting of our shareholders for a three-year term. The Board is currently composed of six members:

Class I Directors: Mr. Gaylen D. Miller and Mr. James Gerson

Class II Directors: Mr. Henry C. Jungling, Jr. and Mr. Michael Lischin

Class III Directors: Mr. Kevin D. Schipper and Mr. Ervin J. Mellema

Class I Directors Continuing in Office Until the 2004 Annual Meeting

Gaylen D. Miller

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Gaylen D. Miller is a founder of our company and has served as a director since its formation in October 1985, as Chairman since August 2001, from August 1997 until August 1999 and from August 1993 until August 1995, and as Chairman and Chief Operating Officer from August 1993 until July 1994. Mr. Miller served as President and Chief Executive Officer from August 1999 until August 2001, from August 1995 until August 1997 and from May 1991 until August 1993. Mr. Miller served as Co-President of the company from July 1988 until May 1991 and as Vice President, Secretary, and Treasurer from November 1985 until July 1988. Mr. Miller was raised on a farm in Iowa. Before joining our company, he held administrative and accounting positions with Land-O-Lakes, Inc., an agricultural cooperative, and DEKALB Genetics Corporation, an international

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seed company. Messrs. Miller and Jungling are first cousins and Mr. Jungling is Mr. Schipper's uncle.

James D. Gerson

James D. Gerson has served as a director of the company since August 1991. Mr. Gerson was Vice President of Fahnestock & Co. Inc., a securities firm, for more than five years until April 2003. Mr. Gerson also serves as a director of American Power Conversion Corp., Evercel, Inc. and FuelCell Energy, Inc.

Class II Directors Continuing in Office Until the 2005 Annual Meeting

Henry C. Jungling, Jr.

Henry C. Jungling, Jr. is a founder of our company and has served as a director since its formation in October 1985, and as President since November 2002 and as President and Chief Executive Officer from August 2001 to November 2002, from August 1997 until August 1999 and from August 1993 until August 1995. Mr. Jungling served as Chairman from August 1999 until August 2001 and from August 1995 until August 1997, and as Chairman and Chief Operating Officer from May 1991 until August 1993. Mr. Jungling served as Co-President of our company from July 1988 until May 1991 and as President from November 1985 until July 1988. Mr. Jungling was raised on a farm in Iowa and managed his own farming operation for 18 years.

Michael Lischin

Michael Lischin has served as a director of the company since April 1990. Mr. Lischin is an attorney admitted to the bar in New York and Kentucky. His area of concentration is livestock asset based financing. He has served as a director and officer of a variety of companies that provide financing in the agricultural industry.

PROPOSAL 3 - ELECTION OF FIVE NEW DIRECTORS

Pursuant to the securities purchase agreement, James D. Gerson, Henry C. Jungling, Michael Lischin and Ervin J. Mellema have agreed to resign from our board of directors and our board of directors will be increased in size from six members to seven members, effective only upon completion of the first closing. As a result, you are being asked to elect five new members to our board of directors effective as of the first closing. The biographies of the nominees, each of whom has been designated by ASP/ASA, LLC, are set forth below.

Director Nominees

You are being asked to consider and vote on the election of the following persons to become members of our board of directors to serve after the first closing. Each of these persons has been designated by ASP/ASA, LLC to become a member of our board of directors. If the first closing does not occur, the election of these five directors will not become effective.

Our board of directors unanimously recommends that you vote FOR the election of the five nominees named below, effective upon the first closing under the securities purchase agreement.

Jonathan E. Baum

Jonathan E. Baum has been the Chairman and Chief Executive Officer of George K. Baum & Company, an investment banking firm, since 1994. Mr.

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Baum is a director of the American Italian Pasta Company, George K. Baum Merchant Banc, L.L.C. and Prairie Capital Management Inc. Mr. Baum is 42 years old.

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Michael G. Fisch

Michael G. Fisch is a managing director of American Securities Capital Partners, L.P., a private investment firm affiliated with ASP/ASA, LLC. Mr. Fisch has served as a financial advisor to the William B. Rosenwald family, and as a managing director of American Securities Capital Partners, L.P. since 1993. Mr. Fisch is a director of Anthony International, El Pollo Loco, Inc., VUTEK Inc., Cambridge International Inc. and the Oreck Corporation. He is a member of the investment committee of Sterling American Property II, L.P. and Sterling American Property IV, L.P. He is also a founding partner and on the investment committee of ICV Partners, L.P. Mr. Fisch is 41 years old.

Glenn B. Kaufman

Glenn B. Kaufman is a managing director of American Securities Capital Partners, L.P., a private investment firm affiliated with ASP/ASA, LLC. Mr. Kaufman joined American Securities Capital Partners, L.P. in September 1997. He was previously an attorney at the law firm of Cravath, Swaine & Moore, where he had focused on private equity and related transactions. Mr. Kaufman also previously worked in a small business consulting group of Price Waterhouse. Mr. Kaufman is a director of Anthony International and El Pollo Loco, Inc., and has previously served as an advisor to a number of technology related businesses. Mr. Kaufman is 35 years old.

Douglas A. Monticciolo

Douglas A. Monticciolo is the co-founder and Managing Director of FCS Advisors, Inc., a boutique financial services investment bank, and founder of The Franchise Capital Source, Inc., a financial advisory firm for large franchise companies. Mr. Monticciolo was previously co-head of the Asset-Backed Securities department for Deutsche Bank Securities Inc, and founder of Deutsche Bank's franchise finance business and an independent franchise loan origination company. Prior to Deutsche Bank, Mr. Monticciolo specialized in asset and balance sheet advisory and transactions for financial institutions with a focus on securitization and principal finance. In this capacity, Mr. Monticciolo was a senior vice-president and head of the Bank Industry Group at Lehman Brothers for 1 1/2 years and vice-president of the Bank Industry Group at Goldman, Sachs & Co. for 9 years. Mr. Monticciolo is 39 years old.

Marc L. Saiontz

Marc L. Saiontz is a senior associate at American Securities Capital Partners, L.P. a private investment firm affiliated with ASP/ASA, LLC. Mr. Saiontz joined American Securities Capital Partners, L.P. in December 1996 from Morgan Stanley Capital Partners, where he had focused on private equity investments since 1995. Mr. Saiontz left American Securities Capital Partners, L.P. in July 1999 to attend business school and rejoined the firm upon receiving his M.B.A. in 2001. Mr. Saiontz is 30 years old.

PROPOSAL 4 - REMOVAL OF STAGGERED BOARD

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The first paragraph of Article VII of our Amended and Restated Articles of Incorporation provides that our board of directors shall be divided into three classes, with one class being elected at each annual meeting for a three-year term. As part of the transactions contemplated by the securities purchase agreement, you are being asked to consider and vote upon the removal of this provision from our Amended and Restated Articles of Incorporation. The removal of this provision will become effective only upon completion of the first closing under the securities purchase agreement. If the first closing does not occur, the provision for a staggered board will remain. If this proposal is approved and the first closing does occur, the provision for a staggered board will be removed and each of the members of our board of directors will continue in office until our next annual meeting. The text of the proposed amendment to our Amended and Restated Articles of Incorporation is set forth in Annex F to this proxy statement.

Our board of directors unanimously recommends that you vote FOR the removal of the first paragraph of Article VII of our Amended and Restated Articles of Incorporation, effective upon the first closing under the securities purchase agreement.

BOARD COMMITTEES AND MEETINGS

The board of directors met ten times during the fiscal year ended February 28, 2003. Each director attended at least 75% of the meetings of the board of directors and board committees of which he was a member.

Audit Committee

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Our board of directors has an Audit Committee consisting of Messrs. Gerson, Lischin and Mellema. The Audit Committee's primary responsibilities are set forth in the Audit Committee charter. The Audit Committee met six times during the fiscal year ended February 28, 2003 and has the responsibility for consulting with our officers regarding the appointment of independent public accountants as auditors, discussing the scope of the auditor's examination and reviewing annual financial statements. The Audit Committee also reviews our accounting policies, internal control procedures and system and compliance activities. The Audit Committee is currently composed of three independent directors, and our board of directors has made a determination that the members of the Audit Committee satisfy the independence requirements of the New York Stock Exchange.

The following is a report on the Audit Committee's activities relating the fiscal year 2003.

Review of Audited Financial Statements with Management

The Audit Committee reviewed and discussed the audited financial statements for the fiscal years ended February 28, 2002 and 2003, with our management.

Review of Financial Statements and Other Matters with Independent Accountants

The Audit Committee has discussed with McGladrey & Pullen, LLP, our independent auditors, the matters required to be discussed by Statement on Auditing Standards No. 61 (Communication with Audit Committees). The Audit Committee has received from McGladrey & Pullen, LLP the written disclosures and the letter required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), and as

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discussed matters relating to the firm's independence from us.

James D. Gerson

Michael Lischin

Ervin J. Mellema

Audit Committee Composition After First Closing

The current members of the Audit Committee, James D. Gerson, Michael Lischin and Ervin J. Mellema, will be resigning from our board of directors effective as of the first closing. As a result, if the first closing occurs, our board of directors will be appointing three new members to the Audit Committee. If you elect the nominees named above to become members of our board of directors effective as of the first closing, we anticipate that the new members of the Audit Committee will be Jonathan E. Baum, Douglas A. Monticciolo and Marc L. Saiontz. We intend to modify the composition of the Audit Committee to ensure that all of the members satisfy the independence requirements of the New York Stock Exchange by the earlier of October 31, 2004 or our first annual shareholder meeting after January 15, 2004.

Directors' Fees

We currently pay director's fees to our non-employee directors in the amount of \$1,500 per board meeting and \$250 per committee meeting plus reimbursement for expenses incurred in connection with the performance of their duties. We may increase the amount of fees paid to our directors after the first closing.

Compensation Committee Interlocks and Insider Participation

At present, the entire board of directors is responsible for approving the compensation program and salaries for our executive officers. Gaylen D. Miller, Henry C. Jungling, Jr. and Kevin D. Schipper, who are members of our board of directors, were also executive officers of the company during fiscal 2003. However, the executive officers who are members of our board are not present when any of their own compensation is under consideration. There were no director interlocks with other companies or related party transactions in fiscal 2003.

EXECUTIVE OFFICERS

The name, age and office(s) held by each of our executive officers are shown below. Each of the executive officers listed below serves at the pleasure of the Board of Directors, except Messrs. Jungling, Miller, Schipper and Smeins who have entered into employment agreements with us. Pursuant to the securities purchase agreement, Messrs. Jungling, Miller, Schipper and Smeins are to enter into new employment agreements with us on terms satisfactory to ASP/ASA, LLC. These new agreements will replace the current agreements.

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Name	Age	Position With the Company
Henry C. Jungling, Jr. (1)	55	President
Gaylen D. Miller (1)	54	Chairman of the Board
Kevin D. Schipper (1)	43	Chief Executive Officer and Secretary
Shawn R. Smeins (1)	35	Chief Operating Officer
John T. Roth (2)	31	Vice President Finance and Treasurer
Todd J. Ryan (1)	40	Vice President Sales and Marketing
Eunice M. Schipper (1)	61	Vice President Credit
Neil H. Stadlman (1)	57	Vice President Information Strategies

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Lisa M. Meester (1)	43	Vice President Information Systems
Jamey Ross (1)	31	Vice President Products and Distribution
Linda Kobliska (1)	47	General Counsel

- (1) These executive officers of the Company have been an employee of the Company in varying capacities for more than the past five years.
- (2) Mr. Roth has been employed by the Company in varying capacities since October 1998. Before joining the Company, Mr. Roth was a CPA with McGladrey and Pullen, LLP, a public accounting firm, from July 1995 through October 1998. McGladrey and Pullen, LLP is the Company's independent auditor.

BENEFICIAL OWNERSHIP OF COMMON STOCK AND CORPORATE INFORMATION

Security Ownership of Certain Beneficial Owners

The following table provides certain information regarding the ownership of our common stock as of June 3, 2003 by:

- * each director;
- * each executive officer named in the Summary Compensation Table;
- * all of our directors and the executive officers named above as a group; and
- * all those known to be beneficial owners of more than five percent of our common stock.

Name of Beneficial Owner	Number of Shares Beneficially Owned (1) (2)	Percentage of Shares Outstanding
Gaylen D. Miller	363,134	6.61%
Henry C. Jungling, Jr.	356,834	6.49%
Kevin D. Schipper	361,134	6.57%
James D. Gerson	196,216	3.58%
Shawn Smeins	11,250	*
Michael Lischin	11,750	*
Ervin J. Mellema	10,750	*
Neil Stadlman	18,200	*
All Directors and Officers as a Group (14 persons)	1,416,113	25.72%

* Less than 1%

The following tables also show the total votes owned by each of these persons as of June 3, 2003, based upon each person's ownership of outstanding common stock and outstanding shares of convertible preferred stock. The first table reflects beneficial ownership after the first closing under the securities purchase agreement, the second table reflects beneficial ownership after the second closing under the securities purchase agreement, and the third table reflects beneficial ownership after the third closing

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under the securities purchase agreement.

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Notwithstanding the number of shares listed below as beneficially owned, ASP/ASA, LLC will have the right to vote approximately 60% of our shares entitled to vote after each of the first closing, the second closing and the third closing.

After First Closing under the Securities Purchase Agreement

Name of Beneficial Owner	Number of Shares Beneficially Owned (1) (2)	Percentage of Shares Outstanding
ASP/ASA, LLC	4,117,647	42.9%
Gaylen D. Miller	363,134	3.78%
Henry C. Jungling, Jr.	356,834	3.71%
Kevin D. Schipper	361,134	3.76%
James D. Gerson	196,216	2.04%
Shawn Smeins	11,250	*
Michael Lischin	11,750	*
Ervin J. Mellema	10,750	*
Neil Stadlman	18,200	*
All Directors and Officers as a Group (14 persons)	5,530,260	57.60%

* Less than 1%

After Second Closing under the Securities Purchase Agreement

Name of Beneficial Owner	Number of Shares Beneficially Owned (1) (2)	Percentage of Shares Outstanding
ASP/ASA, LLC	6,176,471	52.99%
Gaylen D. Miller	363,134	3.11%
Henry C. Jungling, Jr.	356,834	3.06%
Kevin D. Schipper	361,134	3.09%
James D. Gerson	196,216	1.68%
Shawn Smeins	11,250	*
Michael Lischin	11,750	*
Ervin J. Mellema	10,750	*
Neil Stadlman	18,200	*
All Directors and Officers as a Group (14 persons)	7,588,984	65.09%

* Less than 1%

After Third Closing under the Securities Purchase Agreement

Name of Beneficial Owner	Number of Shares Beneficially Owned (1) (2)	Percentage of Shares Outstanding
ASP/ASA, LLC	8,235,294	60.05%
Gaylen D. Miller	363,134	2.64%
Henry C. Jungling, Jr.	356,834	2.60%
Kevin D. Schipper	361,134	2.63%

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James D. Gerson	196,216	1.43%
Shawn Smeins	11,250	*
Michael Lischin	11,750	*
Ervin J. Mellema	10,750	*
Neil Stadlman	18,200	*
All Directors and Officers as a Group (14 persons)	9,647,807	70.34%

* Less than 1%

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(1) The persons or entities identified in the above table have sole voting and investment power with respect to all shares shown as beneficially owned by them unless otherwise indicated. The number of shares beneficially owned includes shares of Common Stock issuable upon exercise of options that will become exercisable during the 60-day period commencing June 3, 2003.

(2) Includes shares held by spouses and minor children sharing the same home.

Beneficial Ownership Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our directors and executive officers, as well as persons who own more than 10% of our common stock, to file initial reports of ownership and reports of changes in ownership with the Securities and Exchange Commission. Officers, directors and greater than 10% shareholders are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file.

To our knowledge, all such Section 16(a) filing requirements were complied with during fiscal 2003. This statement is based solely on a review of reports furnished to us and written representations that no other reports were required during fiscal 2003.

EXECUTIVE COMPENSATION AND OTHER RELATED INFORMATION

The following table sets forth the cash and certain other compensation paid or accrued by us for services rendered in all capacities during the fiscal years ended February 28, 2003, 2002 and 2001 to our Chairman of the Board and our four other most highly compensated executive officers who were serving as executive officers at the end of fiscal 2003.

Summary Compensation Table

Name and Principal Position	Fiscal Year	Annual Compensation			Long-Term Compensation		
		Salary	Bonus	Other (a)	Awards (b)	Securities Underlying Options SARs	LTIP (e) Payouts
Gaylen D. Miller Chairman of the Board	2003	\$250,000	\$180,000 (f)	\$0	\$0	0	\$0
	2002	250,000	25,000 (f)	0	0	0	0
	2001	233,534	125,000 (f)	0	0	0	0
Henry C. Jungling Jr.	2003	\$250,000	\$180,000 (f)	\$0	\$0	0	\$0

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President	2002	250,000	25,000 (f)	0	0	0	0
	2001	233,534	125,000 (f)	0	0	0	0
Kevin D. Schipper	2003	\$250,000	\$180,000 (f)	\$0	\$0	0	\$0
Chief Executive	2002	250,000	25,000 (f)	0	0	0	0
Officer	2001	233,354	125,000 (f)	0	0	0	0
Shawn R. Smeins	2003	\$114,000	\$30,240 (f)	\$0	\$0	0	\$0
Chief Operating	2002	94,577	0 (g)	0	0	6,000 (d)	0
Officer	2001	77,057	7,382 (g)	0	0	8,000 (d)	0
Neil Stadlman	2003	\$107,346	\$19,250 (g)	\$0	\$0	0	\$0
VP Information	2002	105,702	0 (g)	0	0	0	0
Strategies	2001	103,322	10,139 (g)	0	0	4,000 (h)	0