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AG SERVICES OF AMERICA INC
Form PREM14A
November 14, 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

Filed by the Registrant
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:
Common Stock, no par value per share

(2) Aggregate number of securities to which transaction applies:
5,479,514 shares of common stock and options to purchase 22,480
shares of common stock.

(3) Per unit price or other underlying value of transaction computed
pursuant to Exchange Act Rule 0-11 (Set forth the amount on which
the filing fee is calculated and state how it was determined):
the sum of (i) 5,479,514 shares of common stock at \$8.50 per
share and (ii) cash-out of 22,480 shares of common stock subject
to options at an aggregate cost of \$29,060.

(4) Proposed maximum aggregate value of transaction: \$46,604,929

(5) Total fee paid: \$3,770.34

Fee paid previously with preliminary materials. Check box if any
part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and
identify the filing for which the offsetting fee was paid previously.
Identify the previous filing by registration statement number, or the Form
or Schedule and the date of its filing.

(1) Amount Previously Paid:

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

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(3) Filing Party:

(4) Date Filed:

November __, 2003

Dear Shareholder:

As you may know, on October 31, 2003, Ag Services of America, Inc. entered into an agreement and plan of reorganization and a related agreement and plan of merger, which we refer to collectively as the merger agreement, with Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A., Rabobank Nederland, which we refer to as Rabobank, and a subsidiary of Rabobank pursuant to which we will become a wholly-owned subsidiary of Rabobank. A special meeting of our shareholders will be held on Tuesday, December 30, 2003, at 9:00 A.M., Central Standard Time, to vote on a proposal to approve the merger agreement so that the merger can occur, subject to the satisfaction of certain other closing conditions. The meeting will be held at our corporate headquarters at 1309 Technology Parkway, Cedar Falls, Iowa. Notice of this special meeting is enclosed.

Upon completion of the merger, you will be entitled to receive \$8.50 in cash for each share of Ag Services common stock that you own. This price represents a 41% premium over the average closing price per share for the thirty trading days prior to the public announcement that Ag Services and Rabobank had entered into the merger agreement.

This proxy statement gives you detailed information about the special meeting and the merger and includes the merger agreement as Annex A. The receipt of cash in exchange for shares of common stock in the merger will constitute a taxable transaction to U.S. taxpayers for U.S. federal income tax purposes. We encourage you to read the proxy statement and the merger agreement carefully.

In connection with its evaluation of the merger, the board of directors considered a number of factors, including the written opinion of Burnham Securities Inc., delivered on October 31, 2003, to a special committee of our board of directors to the effect that, based upon and subject to the factors and assumptions set forth in that opinion, the \$8.50 in cash per share to be received by holders of shares of Ag Services common stock pursuant to the merger agreement is fair from a financial point of view to those holders. The Burnham Securities opinion is not a recommendation as to how any holder of shares of Ag Services common stock should vote with respect to the merger. The written opinion of Burnham Securities is attached as Annex B to the proxy statement, and you should read it carefully.

Our board of directors has fixed the close of business on November 25, 2003, as the record date for the special meeting and only holders of common stock on the record date are entitled to vote at the special meeting. On the record date, there were 5,479,514 shares of common stock outstanding and entitled to vote.

Our directors, who own or control a total of 1,142,067 shares of our common stock, representing approximately 21% of all outstanding shares, have entered into an agreement in which they agreed to vote in favor of approving the merger agreement.

As described in the enclosed materials, our board of directors has

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unanimously approved the merger agreement and determined that the merger agreement and the merger are fair to, and in the best interests of, Ag Services and our shareholders. The board of directors recommends a vote "for" the merger agreement.

WHETHER OR NOT YOU PLAN TO ATTEND THE SPECIAL MEETING, PLEASE COMPLETE, SIGN AND DATE THE ACCOMPANYING PROXY CARD AND RETURN IT IN THE ENCLOSED PRE-PAID ENVELOPE. SUBMITTING YOUR PROXY WILL NOT PREVENT YOU FROM VOTING IN PERSON.

Our board of directors and management appreciate your continuing support of our company, and we hope you will support this important transaction.

Sincerely,

Henry C. Jungling, Jr.
President

Gaylen D. Miller
Chairman of the Board

Kevin D. Schipper
Chief Executive Officer
and Secretary

This proxy statement is dated November __, 2003 and is first being mailed to shareholders on or about November __, 2003.

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS
TO BE HELD ON DECEMBER 30, 2003

Dear Ag Services of America, Inc. Shareholder,

It is my pleasure to invite you to the special meeting of the shareholders of Ag Services of America, Inc., an Iowa corporation, to be held on Tuesday, December 30, 2003, at our corporate headquarters, 1309 Technology Parkway, Cedar Falls, Iowa, at 9:00 a.m., Central Standard Time.

At the special meeting, we will ask you to consider and vote on a proposal to approve an agreement and plan of reorganization and a related agreement and plan of merger that we entered into on October 31, 2003 with Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A., Rabobank Nederland ("Rabobank") and Utrecht-America Acquisition Corp. II, a wholly-owned subsidiary of Rabobank, pursuant to which, among other things, we will merge with the subsidiary of Rabobank and holders of our common stock will be entitled to a cash payment of \$8.50 per share.

The accompanying proxy statement describes the proposal in greater detail. If you were a shareholder at the close of business on

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November 25, 2003, you are entitled to notice of, and you may vote at, the special meeting.

Whether or not you plan to attend the special 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,

Kevin D. Schipper
Corporate Secretary

Cedar Falls, IA
November ____, 2003

YOUR VOTE IS IMPORTANT

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

TABLE OF CONTENTS

	Page
QUESTIONS AND ANSWERS ABOUT THE PROPOSAL AND THE SPECIAL MEETING	1
SUMMARY	4
The Proposed Merger	4
The Parties to the Merger Agreement	4
What You Will be Entitled to Receive Upon Completion of the Merger	4
The Special Meeting	4
Shareholder Voting Agreement	5
Recommendation of Our Board of Directors	5
Opinion of Our Financial Advisor	5
Interests of Certain Persons in the Transaction	6
Appraisal Rights	6
Conditions to the Transactions	6
Termination of the Merger Agreement	6
Additional Information	7
THE PARTIES TO THE AGREEMENT AND PLAN OF REORGANIZATION	8
Ag Services of America, Inc.	8
Cooperatieve Centrale Raiffensen-Boerenleenbank B.A., Rabobank Nederland	8
Utrecht-America Acquisition Corp. II	8
THE SPECIAL MEETING	9
Date, Time and Place	9
Matter to Be Considered	9
Record Date and Shares Entitled to Vote; Procedures for Voting; Quorum	9
Vote Required	9
Voting of Proxies	10

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Revocability of Proxies	10
Proxy Solicitation	10
THE MERGER	12
Background of the Merger	12
Reasons for the Merger	16
Factors Considered by the Board	17
Opinion of Our Financial Advisor	18
Financing of the Merger	26
Material U.S. Federal Income Tax Consequences of the Merger to our Shareholders	26
Regulatory Considerations	27
Appraisal Rights	27
Shareholder Voting Agreements	28
Interests of Certain Persons in the Merger	28
Employment Agreements	29
Consultancy and Non-Competition Agreements	30
PROPOSAL - APPROVAL OF AGREEMENT AND PLAN OF REORGANIZATION	31
Agreement and Plan of Reorganization	31
The Merger	31
Merger Consideration	31
Treatment of Stock Options	31
Directors and Officers	31
Charter and Bylaws	32
Payment for the Shares	32
Representations and Warranties	32
Conduct of Business Pending the Merger	34
Efforts to Complete the Merger	35
Conditions to the Merger	35
Termination of the Merger Agreement	37
Termination Fees	38
Amendment, Extension and Waiver	39
BENEFICIAL OWNERSHIP OF COMMON STOCK AND CORPORATE INFORMATION	39
CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS	40
WHERE YOU CAN FIND MORE INFORMATION	42
ANNEX A - AGREEMENT AND PLAN OF REORGANIZATION	A-1
ANNEX B - OPINION OF BURNHAM SECURITIES INC.	B-1

QUESTIONS AND ANSWERS ABOUT THE PROPOSAL AND THE SPECIAL MEETING

Below are brief answers to frequently asked questions concerning the proposals and the special 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

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our board of directors is soliciting your proxy to vote at a special meeting of shareholders. This proxy statement summarizes the information you need to know to vote at the special meeting. However, you do not need to actually attend the special 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 Special Meeting and the enclosed proxy card on or about _____, 2003 to all shareholders of record at the close of business on November 25, 2003, the record date for the special meeting. At the close of business on the record date for the special meeting, there were 5,479,514 shares of our common stock entitled to vote on the matters to be voted upon at the special meeting. Our common stock is currently our only class of voting stock.

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

A: At our special meeting, we will ask you to consider and vote on a proposal to approve an agreement and plan of reorganization and a related agreement and plan of merger with Cooperatieve Centrale Raiffeisen-Boerenleen-bank B.A., Rabobank Nederland, which we refer to as Rabobank, and Utrecht-America Acquisition Corp. II, a wholly-owned subsidiary of Rabobank, which we refer to as Merger Sub. Pursuant to the agreement and plan of reorganization and the related agreement and plan of merger, we will merge with Merger Sub, and become a wholly-owned subsidiary of Rabobank. You will be entitled to receive a cash payment of \$8.50 per share for each share of our common stock you own, upon surrender of your stock certificates after completion of the merger.

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

A: Yes. After considering a number of factors, our board of directors unanimously determined that the terms of the agreement and plan of reorganization and the related agreement and plan of merger, which we refer to collectively as the merger agreement, are in the best interests of Ag Services and our shareholders. Our board of directors recommends that you vote FOR approval of the merger agreement.

4. Q: How Many Votes Do I Have?

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

5. Q: What Vote Is Required to Approve the Proposal?

A: A quorum is necessary to hold a valid special meeting. A quorum is reached when the holders of at least a majority of the outstanding shares of stock entitled to be cast are present in person or represented by proxy. As long as a quorum is present, the merger will be approved if the number of shares cast in favor of the merger agreement exceeds the number of shares cast against the merger agreement.

-1-

6. Q: How Will the Votes be Counted?

A: All votes will be tabulated by the inspector of election appointed

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for the meeting, who will separately tabulate affirmative and negative votes, abstentions and broker non-votes. If you indicate "ABSTAIN" on the proposal 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 proposal. Therefore, broker non-votes will not be counted in determining the number of votes on the proposal. 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 special meeting, we urge you to grant your proxy by signing, dating and returning the enclosed proxy card in the enclosed postage-prepaid (for the United States only) 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?

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 merger agreement 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 special meeting by any one of the following three ways:

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

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

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* attending the special meeting and voting in person. Please note that simply attending the special 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 special 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 November 25, 2003, the record date for voting. Granting your proxy will not affect your right to attend the special meeting and vote in person.

-2-

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 their expenses.

13. Q: Do I Have Appraisal Rights for the Proposal to be Considered at the Special Meeting?

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

14. Q: Should I Send In My Stock Certificates Now?

A: No. After the merger is completed, you will be sent detailed written instructions for exchanging your Ag Services stock certificates for the merger consideration.

15. Q: Will I Owe Taxes As A Result Of The Merger?

A: The merger will be a taxable transaction for all U.S. holders of Ag Services common stock. As a result, assuming you are a U.S. taxpayer, the cash you receive in the merger for your shares of Ag Services common stock will be subject to the United States federal income tax and also may be taxed under applicable state, local, and other tax laws. In general, you will recognize gain or loss equal to the difference between (1) the amount of cash you receive and (2) the adjusted tax basis of your shares of Ag Services common stock surrendered. Refer to the section entitled "The Merger -- Material U.S. Federal Income Tax Consequences of the Merger to Our Shareholders" on page _____ of this proxy statement for a more detailed explanation of the tax consequences of the merger. You should consult your tax advisor on how specific tax consequences of the merger apply to you.

-3-

SUMMARY

This summary, together with the preceding question and answer section, highlights important information relating to the agreement and plan of reorganization and the related agreement and plan of merger, which we collectively refer to as the merger agreement, and other matters discussed

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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 proposal. To more fully understand the matter to be considered at the special meeting, you should read carefully this entire proxy statement and all of its annexes, including the merger agreement which is attached as Annex A, before voting on whether to approve the proposal. 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."

The Proposed Merger

* In the merger, a wholly-owned subsidiary of Rabobank will merge with and into Ag Services with Ag Services continuing as the surviving corporation.

* Upon completion of the merger, each issued and outstanding share of our common stock will automatically be cancelled and cease to exist and will be converted into the right to receive \$8.50 in cash, without interest, per share.

* As a result of the merger, Ag Services will cease to be an independent, publicly traded company and will become a wholly-owned subsidiary of Rabobank.

The Parties to the Merger Agreement (page)

* Ag Services of America, Inc.

* Cooperatieve Centrale Raiffensen-Boerenlenbank B.A., Rabobank Nederland, which we refer to as Rabobank.

* Utrecht-America Acquisition Corp II, which we refer to as Merger Sub, is an Iowa corporation and a subsidiary of Rabobank.

What You Will be Entitled to Receive Upon Completion of the Merger (page)

If we complete the merger, holders of our common stock will be entitled to receive merger consideration of \$8.50 in cash, without interest, for each share of common stock that they own. After we complete the merger, holders of our common stock will no longer own Ag Services common stock and Rabobank will be the sole shareholder of Ag Services.

The Special Meeting (page)

* Date, Time and Place (page). The special meeting will take place on Tuesday, December 30, 2003, at 9:00 a.m., local time, at 1309 Technology Parkway, Cedar Falls, Iowa.

* Proposal to be Considered (page). Shareholders will consider and vote on a proposal to approve the merger agreement. A copy of the merger agreement is attached as Annex A to this proxy statement.

* Record Date and Shares Entitled to Vote; Quorum (page). The record date for determining the holders of shares of our common stock entitled to notice of, and to vote at, the special meeting is November 25, 2003. On the record date, 5,479,514 shares of our common stock were outstanding

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and entitled to vote on the proposal to approve the transaction. 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.

-4-

* Vote Required (page). The merger agreement will be approved if the number of shares cast in favor of the merger agreement exceeds the number of shares cast against the merger agreement. Each share of our common stock is entitled to one vote. Our directors, who currently hold approximately 21% of our outstanding shares, have agreed to vote to approve the merger agreement.

* Procedures for Voting (page). 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 special 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 (page). Shares of common stock represented by properly executed proxies received at or prior to the special 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 approval of the proposal.

* Revocability of Proxies (page). 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 special meeting, or (3) attend the special 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 the proposal 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. 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 proposal.

Shareholder Voting Agreement (page)

Our directors, James D. Gerson, Henry C. Jungling, Michael Lischin, Ervin Mellema, Gaylen D. Miller and Kevin D. Schipper, who currently own a total of approximately 21% of the outstanding shares of our common stock, each entered into separate shareholder voting agreements with Rabobank, under which each agreed to vote his shares in favor of approval of the merger agreement.

Recommendation of Our Board of Directors

Our board of directors has unanimously adopted the merger agreement and

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has determined that it is in the best interests of Ag Services that we enter into the merger agreement and complete the merger. Our board of directors unanimously recommends that shareholders vote FOR approval of the merger agreement.

Opinion of Our Financial Advisor (page)

In connection with the proposed transaction, our financial advisor, Burnham Securities Inc., delivered to a special committee of our board of directors an opinion as to the fairness to our shareholders, as of October 31, 2003, from a financial point of view, of the consideration to be received by our shareholders in the merger pursuant to the merger agreement. The full text of the written opinion of Burnham Securities, dated October 31, 2003, is attached to this proxy statement as Annex B.

We encourage you to read the opinion carefully in its entirety for a description of the procedures followed, assumptions made, matters considered and limitations on Burnham Securities' review. The opinion of Burnham Securities is addressed to a special committee of our board of directors and does not constitute a recommendation to any shareholder as to any matters relating to the merger agreement.

-5-

Interests of Certain Persons in the Transaction (page)

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:

- * interests of some of our directors and executive officers under their current employment agreements and under consulting agreements or new employment agreements we entered into with them as a condition to Rabobank's execution of the merger agreement; and

- * our agreement to repay some of our directors and executive officers following the completion of the merger the amounts we owe them under loans they have made to us.

Material U.S. Federal Income Tax Consequences (page)

The receipt of \$8.50 in cash for each share of our common stock pursuant to the merger will be a taxable transaction to U.S. taxpayers for U.S. federal income tax purposes. For U.S. federal income tax purposes, each of our shareholders generally will realize taxable gain or loss as a result of the merger measured by the difference, if any, between \$8.50 per share and the adjusted tax basis in that share owned by the shareholder. That gain or loss will be a capital gain or loss if the share is held as a capital asset in the hands of the shareholder, and will be long-term capital gain or loss if the share has been held for more than one year at the time of the consummation of the merger. Shareholders are urged to consult their own tax advisors as to the particular tax consequences to them of the merger.

Appraisal Rights (page)

Our shareholders are not entitled to appraisal rights in connection with the transactions contemplated by the merger agreement.

Conditions to the Transactions (page)

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

- * the approval of the merger agreement by our shareholders;
- * the receipt of all approvals, consents, agreements and waivers of third parties and governmental and regulatory authorities necessary to consummate the merger;
- * the execution of various additional agreements and certificates;
- * the absence of any legal restraint preventing the consummation of the transactions;
- * the accuracy of the parties' representations and warranties in the merger agreement, subject to materiality qualifiers;
- * the delivery by us of environmental assessments relating to each property we own or operate;
- * the adjustment of our business structure, including not taking title to agricultural inputs, so that we are substantially engaged in financial activities;
- * the performance by each party of its obligations under the merger agreement in all material respects; and
- * the absence of a material adverse effect.

Termination of the Merger Agreement (page ___)

We and Rabobank may mutually agree in writing to terminate the merger agreement.

Either we or Rabobank may terminate the merger agreement if:

- * our shareholders do not approve the merger agreement;
- * the closing does not occur by February 29, 2004;

-6-

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

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

In addition, Rabobank may terminate the merger agreement if our board of directors withdraws its recommendation in favor of the proposal contained in this proxy statement or recommends another transaction.

The merger agreement also provides that, in certain specified circumstances, we must pay Rabobank a termination fee of \$1,400,000.

Additional Information

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

-7-

THE PARTIES TO THE AGREEMENT AND PLAN OF REORGANIZATION

Ag Services of America, Inc.

We are an Iowa corporation and one of the leading providers of crop input financing and agricultural services primarily to growers of corn, soybeans and other crops in the central 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 currently traded on the New York Stock Exchange under the symbol "ASV."

Cooperatieve Centrale Raiffensen-Boerenleenbank B.A., Rabobank Nederland

Rabobank, headquartered in Utrecht, The Netherlands, is a provider of a broad range of financial services with approximately 341 independent local cooperative member community banks in The Netherlands, which together have more than 1,200,000 members. Rabobank is represented internationally with over 140 locations in 34 countries. Rabobank had approximately \$461.6 billion of assets as of June 30, 2003 (based on an exchange rate of \$1.1473 per Euro). Rabobank is a registered bank holding company and a financial holding company under applicable US federal laws and regulations. In the United States, Rabobank offers a broad range of financial services, primarily in the food and agriculture industry, directly and through bank and nonbank subsidiaries. Rabobank's principal office in the United States is located at 245 Park Avenue, New York, New York 10167 and its telephone number is 212-916-7800.

Utrecht-America Acquisition Corp. II

Merger Sub is an Iowa corporation formed solely for the purpose of facilitating the transactions contemplated by the merger agreement. Merger Sub is an indirect wholly-owned subsidiary of Rabobank.

-8-

THE SPECIAL 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 special meeting to be held on Tuesday, December 30, 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 special meeting. This proxy statement, the attached notice of special meeting and the accompanying proxy card are first being sent or given to our shareholders on or about November , 2003.

Matter to Be Considered

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At the special meeting, holders of record of our common stock as of the close of business on November 25, 2003 will consider and vote upon a proposal to approve the merger agreement. A copy of the merger agreement is attached as Annex A to this proxy statement.

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

Our board of directors has fixed the close of business on November 25, 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 special meeting. A shareholders' list will be available for inspection by any shareholder entitled to vote at the special meeting beginning two business days after the date of the Notice of Special Meeting and continuing through the special 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 special 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 proposal is necessary to constitute a quorum for the transaction of business at the special meeting.

Vote Required

Under the laws of the state of Iowa, we are required to submit the merger agreement to our shareholders for approval. The merger agreement will be approved if the number of shares cast in favor of the merger agreement exceeds the number of shares cast against the merger agreement.

Our directors, James D. Gerson, Henry C. Jungling, Michael Lischin, Ervin Mellema, Gaylen D. Miller and Kevin D. Schipper, have each agreed, under the terms of a separate shareholder voting agreement, to vote shares currently representing a total of approximately 21% of the outstanding shares of our common stock in favor of approval of the merger agreement. See "The Merger -- Shareholder Voting Agreement."

-9-

Voting of Proxies

Whether or not you plan to attend the special meeting in person, you are requested to complete, sign, date and promptly return the enclosed proxy card in the postage-prepaid 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 special meeting that have not been revoked will be voted at the special 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 special meeting. Shares of common stock represented by properly executed proxies for which no instruction is given on the proxy card will be

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voted FOR approval of the merger agreement.

If you indicate "ABSTAIN" on the proposal 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 proposal. Therefore, broker non-votes will not be counted in determining the number of votes on the proposal. 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 special meeting is postponed or adjourned, at any subsequent reconvening of the special meeting, all proxies will be voted in the same manner as they would have been voted at the original convening of the special meeting (except for any proxies that previously have been revoked or withdrawn effectively).

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

Revocability of Proxies

You may revoke your proxy at any time prior to the time it is voted at the special 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 special meeting;
- * filing with our Corporate Secretary, before the taking of the vote at the special meeting, a written notice of revocation bearing a later date than the proxy card; or
- * attending the special meeting and voting in person (although attendance at the special meeting will not, in and of itself, revoke a proxy).

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 special 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.

-10-

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.

-11-

THE MERGER

Background of the Merger

Our Historical Relationship with Rabobank

In addition to the currently proposed merger, we have had a lengthy relationship with Rabobank, which has included the following:

- * With the exception of a brief period when another bank was the agent, Rabobank has been, since 1990, agent bank and lead credit provider under our primary or secondary credit facility, a revolving line of credit. Today, Rabobank is the only lender under our principal credit facility.
- * Rabobank served as the agent bank and lead back-up liquidity provider under an asset backed securitized financing program that we established in March 1997 with Rabobank's support. This program served as our principal credit facility from 1997 until 2003. As explained in "Our Relationship with Rabobank Prior to the Proposed Merger," below, this program began a wind-down in November 2002 and was terminated as of July 2003.
- * During 2002 and early 2003, Rabobank provided investment banking services to us through the Mergers and Acquisitions Group of its New York branch and recommended that we pursue strategic alternatives, including a significant investment in, or sale of, our company. This engagement culminated in our executing an agreement with American Securities Capital Partners, LP, which we call ASCP, providing for a substantial equity investment by ASCP in our company. This transaction, which was terminated in September 2003, is described in more detail later in this section under the heading "Our Relationship with Rabobank Prior to the Proposed Merger."
- * Robeco, LLC (formerly known as Weiss Peck & Greer, L.L.C.), an indirect subsidiary of Rabobank that provides investment and advisory services in the United States, reported that as of October 31, 2003, it held approximately 3.1% of our Common Stock.

Our Relationship with Rabobank Prior to the Proposed Merger

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 February of 2002, we defaulted on our principal credit facility, a \$345 million asset backed securitization program, in which Rabobank participated as a back-up liquidity provider that was supported by a surety bond issued by MBIA. This default triggered a default under our secondary facility, a \$45 million revolving line of credit agented by Rabobank. Upon default, MBIA took control of our collection accounts and began an orderly wind-down of the facility and the securitization program. At the time of the default, we had made significant commitments to farmers to fund their 2002 crop year financing needs. Also at that time, Rabobank, as the lead lender under our secondary facility, began to actively participate in our efforts to get the MBIA defaults waived and to increase our financing

-12-

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commitments to a level allowing us to meet our commitments for the 2002 crop year. MBIA agreed to increase the asset securitization program from \$345 million to \$375 million in exchange for Rabobank increasing our secondary facility from \$45 million to \$80 million, payment of certain fees to MBIA and certain other terms and conditions, which ultimately limited our ability to commit to or fund 2003 crop year advances. Rabobank provided 100% of the increase to the secondary facility.

In May 2002, we retained the investment banking services of Rabobank, through the Mergers and Acquisitions Group of its New York branch. 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 capital to support increased credit facilities in a very challenging credit environment.

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, but only if we could obtain a substantial investment in our company by a financial sponsor. 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 ASCP. On November 2, 2002, we received a preliminary proposal from ASCP to make a significant equity investment in us. 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. No other prospective investor elected to proceed further with a transaction with us.

On November 14, 2002, we publicly announced that we had signed a letter of intent with ASCP that contemplated a substantial equity investment by ASCP in us. Following public announcement of this letter of intent, Rabobank and U.S. Bank National Association made available an additional \$100 million credit facility to finance 2003 crop year commitments pursuant to an amended and restated credit agreement dated as of December 11, 2002. In connection with this amended and restated facility, we agreed that we would not make commitments for 2003 crop year secured customer loans in excess of \$125 million, for 2003 crop year unsecured customer loans in excess of \$20 million, or for any 2004 crop year loans or longer-term loans. We financed a portion of our 2003 crop year loan commitments not financed by the credit agreement through sales of loan participations to other financial institutions.

Prior to executing the letter of intent with ASCP, our board of directors had appointed a Special Committee consisting of Messrs. Gerson, Mellema and Lischin to consider matters related to the ASCP transaction and make recommendations to the entire board of directors. Once the letter of intent was signed, the Special Committee continued to review

the transaction and oversee management's negotiations with ASCP. The Special Committee reviewed the available alternatives, which consisted of the ASCP transaction and liquidation. The Special Committee ultimately recommended, and our board of directors approved, the transaction and, on February 24, 2003, we entered into a securities purchase agreement with ASCP. Reasons for the Special Committee's recommendation and the board of directors approval of the transaction included our immediate need for capital that would be satisfied in the near term by the first tranche of the ASCP investment, our inability to obtain credit without receiving an investment from a significant financial partner, the limited financing alternatives available to us and the uncertainties associated with our liquidation.

In connection with the approval by our board of directors of the ASCP transaction, Rabobank, in its capacity as our financial adviser, rendered a fairness opinion on February 24, 2003 to the effect that the consideration to be received by us pursuant to the transaction was fair, from a financial point of view, to us. Due to delays in our securing the financing required to complete the ASCP transaction, and upon our request, Rabobank confirmed its fairness opinion on June 2, 2003.

The securities purchase agreement provided that we would issue and sell up to 70,000 shares of 8.375% convertible preferred stock to ASCP for an aggregate of up to \$70,000,000 in three separate tranches and that ASCP would hold the majority of our voting power upon the first closing of the sale of convertible preferred stock. The agreement also required us to obtain acceptable levels of financing as a condition to ASCP's obligations to make the various investments.

Once we signed the agreement with ASCP, our bank lenders, Rabobank and U.S. Bank, increased the 2003 crop year facility to \$200 million. In June 2003, the 2003 crop year facility was combined with the Rabobank secondary facility into a \$265 million revolving line of credit. The maturity of this facility was extended several times to allow us and ASCP to arrange long term facilities needed to capitalize us. However, those amendments also provided that an event of default would occur if ASCP did not make an investment of at least \$35 million in us on or before June 15, 2003. Rabobank and U.S. Bank subsequently extended this deadline to June 30, 2003. MBIA was fully repaid in July 2003.

Once it became clear that the ASCP investment was not going to occur before June 30, 2003, we commenced negotiations with our bank lenders, Rabobank and U.S. Bank, to amend the credit agreement to take into account the possibility either of an ASCP investment or, if that did not occur by September 15, 2003, a controlled liquidation of our loan portfolio. That amendment, which became effective as of June 26, 2003, provided for a final maturity of October 31, 2004, with several intermediate reductions in the amount of credit that could be outstanding in respect of particular types of our loans to customers. Our previous agreement not to make 2004 crop year or longer-term loan commitments remained in effect notwithstanding that amendment. The amendment also required us to begin marketing our longer-term loans through a third-party sales agent acceptable to the banks no later than October 1, 2003.

Also during that time, in order to fulfill the conditions to ASCP's obligations, we attempted to replace MBIA's surety bond with another bond or alternative securitization structure. To this end, we worked on a securitization structure with a new surety bond issuer and a syndicate

of banks, including the negotiation of documentation and a rating agency presentation. Rabobank was prepared to participate in the credit facility in the amount of \$120 million. However, we were unable to complete the necessary agreements on a timely basis on terms consistent with ASCP's requirements.

Though the ASCP transaction was approved by our shareholders on July 14, 2003, the proposed transactions with ASCP were never consummated because we were unable to secure adequate financing commitments that were conditions of ASCP's investment in us. We gave notice terminating the agreement to ASCP on September 3, 2003. ASCP and we entered into a letter agreement dated September 15, 2003, pursuant to which we paid ASCP an additional \$375,000 to terminate all further obligations under that agreement, except certain indemnification and confidentiality obligations.

Events Leading to the Proposed Transaction

Shortly after we gave notice of our intent to terminate the agreement with ASCP, we contacted Rabobank to ask whether it would meet with us to discuss a possible transaction. On September 11, 2003, our management met with representatives of Rabobank to discuss the possibility of Rabobank acquiring us.

On September 12, 2003, we signed an exclusivity agreement with Rabobank under which Rabobank would perform due diligence and evaluate its interest in us with respect to a potential acquisition. The exclusivity agreement, however, contained an exception permitting us to seek and negotiate an equity investment of up to 25% with a third party. Throughout this period, we continued to seek additional sources of financing as well as an equity investor, but were ultimately unable to initiate a transaction.

Our board concluded that any proposal by Rabobank should also be reviewed by our independent directors because of the potential interests of Messrs. Miller, Jungling and Schipper in the proposed merger. The board again formed a Special Committee consisting of Messrs. Gerson, Mellema and Lischin. For more information regarding the interests of Messrs. Miller, Jungling and Schipper in this transaction, see the section entitled "The Merger - Interests of Certain Persons in the Merger" in this proxy statement.

The Special Committee requested that management update the liquidation analysis completed in May, 2003 in connection with the board's consideration of the ASCP equity purchase transaction. The revised liquidation analysis indicated an estimated value of \$7.57 per share. The analysis valued us as if we commenced winding down our business and disposing of our assets in an orderly fashion, based upon the consideration projected to be received by us from the sale of our assets and operations over a four-year period, after deducting estimated selling costs and the application of proceeds to our obligations. That valuation assumed that remaining cash would be distributed to shareholders in the form of semi-annual liquidation dividends, with the final dividend occurring in October, 2007. The updated analysis reflected our then current financial expectations including, but not limited to, all charges in connection with the terminated ASCP transaction, all fees associated with financing necessary to complete the liquidation and all bank fees due pursuant to our current credit

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agreements.

-15-

As Rabobank completed its due diligence process and finalized its offer, on October 21, 2003, the Special Committee engaged Burnham Securities Inc. to review the proposed merger and to evaluate its fairness from a financial point of view to all shareholders.

On October 27, 2003, the Special Committee reviewed the liquidation analysis and the terms of the proposal by Rabobank to acquire our common stock for \$8.50 per share. At that meeting, Burnham Securities presented its analysis and delivered its oral opinion to our Board of Directors, subsequently confirmed in its written opinion dated as of October 31, 2003, to the effect that, as of October 31, 2003 and based upon the assumptions made, matters considered and limits of review set forth in its written opinion, the consideration to be received by our shareholders pursuant to the merger was fair, from a financial point of view. The Special Committee discussed liquidation as our only viable alternative to the Rabobank proposal, and reviewed the impact liquidation would have on our shareholders, employees and customers. On October 31, 2003, the Special Committee recommended that we enter into the transaction with Rabobank, our board of directors unanimously approved the proposed transaction and we executed the merger agreement with Rabobank and Merger Sub on the same date.

After our agreement with ASCP was terminated, and concurrently with our discussions with Rabobank leading to the merger agreement, we negotiated another amendment and restatement to the credit agreement with our bank lenders, Rabobank and U.S. Bank, which was executed on October 31, 2003. This amendment permits us to finance a limited volume of 2004 crop year loans, reduces and further defers significant amendment and arrangement fees otherwise payable to Rabobank and U.S. Bank, extends the deadlines by which the outstanding financing for pre-2004 year crop year loans must be reduced, and extends the final maturity of the financing by one year, to October 31, 2005. The maximum amount of financing available at any one time under the new amended and restated credit agreement is \$215 million. Because U.S. Bank was not interested in continuing to participate in our financing, Rabobank bought their position in the financing immediately before the October 31, 2003 amendment and restatement of the credit agreement. The amended credit agreement also permits us, subject to subordination arrangements and security documents that are satisfactory to Rabobank, to grant liens on our assets to secure the aggregate \$4.4 million of loans that we owe to Messrs. Jungling, Miller and Schipper.

Reasons for the Merger

In reaching its decision to approve the merger agreement and to recommend that our shareholders approve the merger agreement, our board of directors consulted with management and Burnham Securities. Our board of directors considered a number of factors, including, without limitation, the following:

- * 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. We believe that Rabobank will be able to arrange for, or provide, that financing.
- * Lack of Alternatives. Given the imminent time demands of the growing cycle, our most likely alternative to entering into a

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strategic relationship with, or acquisition by, a source of financing would be that of liquidation.

-16-

- * Liquidation Analysis. Prior to the execution of the merger agreement, a liquidation analysis was updated by management, which showed that the discounted net present value of the amount to be realized upon liquidation of the company was estimated to be \$7.57 per share.
- * Uncertainties of Liquidation. The Special Committee believes that the process of liquidation could be very costly and uncertain. In addition, our credit agreement lenders required that our credit facilities be reduced in accordance with a very strict timetable, with payment in full to occur within a shorter time period than the four years that management would consider to be the optimum period for the normal course of business-type liquidation. Accordingly, the likelihood of our being able to undergo an orderly liquidation would be low. Therefore, our board of directors and the Special Committee concluded that the completion of the merger transactions would be a preferable alternative for us.
- * Recent Market Prices. The \$8.50 per share merger consideration represents a 41% premium over the average closing price of our common stock over the 30 trading days prior to November 3, 2003, the date upon which the proposed merger was publicly announced.
- * Cash Transaction. The merger consideration is all cash, which provides certainty of value to our holders of common stock compared to a transaction in which shareholders would receive stock or other securities. Rabobank has represented to us in the merger agreement that it has the financial capability to consummate the merger.
- * Ability to Access Competitively Priced Credit. We have experienced difficulty in obtaining credit at competitive rates. Due to the seasonal nature of our business and the variable marketing cycles for the crops we finance, many types of credit facilities, such as asset based securitization, could be inefficient and, as a result, costly. Our ability to grow is dependent on the availability of large amounts of credit at competitive rates.

Factors Considered by the Board

Our board of directors has approved the merger agreement and has determined that the merger 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 Transaction" above;
- * Our financial condition, as well as our historical results of operations and prospects for the future;
- * Our limited ability to obtain other sources of capital and credit;
- * The terms of the merger agreement, including the provisions for a break-up fee if we terminate the merger agreement under certain

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circumstances;

- * Advice rendered by the financial advisor and legal counsel to our board of directors;
- * The oral opinion of Burnham Securities presented to the Special Committee on October 27, 2003, subsequently confirmed in its written opinion dated October 31, 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 shareholders pursuant to the merger was fair, from a financial point of view;

-17-

- * The fact that gains from an all-cash transaction would be taxable to our U.S. shareholders for income tax purposes;
- * Discussions with management;
- * Interests in the transaction of some of our directors and executive officers;
- * Stock price and volume performance for the prior year; and
- * The liquidation analysis.

The board did not quantify or otherwise assign relative weights to the individual items described above. 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 transaction contemplated by the merger agreement.

Opinion of Our Financial Advisor

Pursuant to an engagement letter dated October 21, 2003, the Special Committee retained Burnham Securities as its financial advisor in connection with its consideration of a possible transaction in which Rabobank will acquire for cash all of the outstanding shares of Ag Services for \$8.50 per share (and convert each option to purchase Ag Services common stock into a right to receive cash equal to the excess of \$8.50 over the exercise price of the option multiplied by the number of shares of common stock subject to the option) by means of the merger of a newly-created subsidiary of Rabobank with and into Ag Services, so that Ag Services survives the merger as a wholly-owned indirect subsidiary of Rabobank. Burnham Securities is a nationally recognized firm and, as part of its investment banking activities, is regularly engaged in the valuation of businesses and their securities in connection with such merger transactions and other types of acquisitions, negotiated underwritings, secondary distributions of listed and unlisted securities, private placements and valuations for corporate and other purposes. The Special Committee selected Burnham Securities as its financial advisor on the basis of its experience and expertise in transactions similar to the merger. Burnham Securities was not retained to, nor did it, advise Ag Services or the Special Committee with respect to alternatives to the merger, assessment of or negotiation of the financial terms of the merger, or the underlying decisions of the Special Committee or board of directors to proceed with or effect the merger. Furthermore, Burnham Securities was not requested to, nor did it, solicit or assist Ag Services in soliciting indications of interest for all or part of Ag Services.

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On October 27, 2003, Burnham Securities rendered its oral opinion to the Special Committee of our board of directors and subsequently confirmed in its written opinion dated October 31, 2003, that as of that date and based upon its review and analyses and such other factors as it deemed relevant, the consideration to be received by the shareholders of Ag Services in the merger was fair, from a financial point of view, to the shareholders of Ag Services. No limitations were imposed by the Special Committee on the scope of Burnham Securities' investigation or the procedures to be followed by Burnham Securities in rendering its opinion. Burnham Securities did not determine the form or amount of consideration to be offered to shareholders in the merger, which was agreed to as a result of negotiations between the Special Committee and Rabobank.

The full text of Burnham Securities' written opinion to the Special Committee and for the information of the board of directors which sets forth assumptions made, matters considered and limitations on the review undertaken in connection with the opinion is attached hereto as Annex B and is incorporated herein by reference. The following summary of Burnham Securities' opinion is qualified in its entirety by reference to the full text of such opinion. Burnham Securities' opinion is directed only to the

-18-

fairness of the consideration to be received by the shareholders of Ag Services in the merger from a financial point of view, has been provided for the use by the Special Committee in its evaluation of the merger, and does not address any other aspect of the merger. Burnham Securities' opinion is addressed to the Special Committee and for the information of the board of directors only and does not constitute a recommendation to any shareholder as to whether to accept the consideration being offered to such shareholder in the merger or as to how such shareholder should vote with respect to the merger.

Analysis of Burnham Securities

Burnham Securities, in undertaking the analysis of the proposed merger, relied on traditional valuation techniques, conducted other financial studies and analyses, performed such other investigations and took into account such other factors as it deemed necessary. In the course of such analysis, Burnham Securities:

- * reviewed publicly available information concerning Ag Services, including its SEC filings dating back to February 28, 1999;

- * reviewed certain internal financial statements and other financial and operating data prepared by Ag Services' senior management;

- * analyzed Ag Services' senior management's recently revised liquidation analysis which gives effect to a liquidation of Ag Services, conducted discussions with senior management on its liquidation assumptions and compared the liquidation analysis with outcomes cited in the Ag Services Proxy Statement, dated June 12, 2003, which was submitted to Ag Services' shareholders in connection with the prior proposed securities purchase agreement with ASCP;

- * considered the financial and operating changes of Ag Services that have occurred since February 28, 2002;

- * reviewed and discussed with senior management of Ag Services certain

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foregoing and prospective strategic and financial issues, including the impact of the merger;

* compared the financial performance of Ag Services and the prices and trading activities of its common stock with those of certain other comparable publicly-traded companies and their respective securities;

* analyzed the trading history of the common stock of Ag Services;

* reviewed premiums of announced or concluded transactions in the past twelve months for companies classified as Agricultural Services and Non-Depository Credit Institutions and compared them with the premium over 1-day and 30-day average closing prices of Ag Services' common stock on the NYSE;

* compared the merger with other business combination transactions and proposed transactions involving publicly-traded companies as reported by reliable information services; and concluded that the only viable transaction with which to compare the merger was the recently terminated securities purchase agreement with ASCP;

* reviewed drafts of the merger agreement, as well as drafts of other related documents between and among the parties to the merger as they became available;

-19-

* considered the prospects for Ag Services and its shareholders if the merger were not to be effected and if Ag Services were to implement a liquidation plan due to the unavailability of credit beyond one year;

* considered Ag Services' inability to secure an appropriate credit facility or a financially sound equity partner after expending significant human and financial resources in such endeavors for more than a year and a half; and

* performed such other analyses and considered such other factors as Burnham Securities deemed appropriate.

Burnham Securities assumed and relied upon the accuracy and completeness of all of the financial and other information provided to, reviewed or analyzed by it in connection with its opinion without making, or assuming any responsibility for making, any independent verification of such information. Burnham Securities assumed that the merger agreement and related documents in the form finally entered into did not differ in any material respect from the drafts furnished to it and that the merger will be consummated on the terms set forth in these agreements without waiver or amendment of any of their material terms.

With respect to the liquidation analysis and business prospects, Burnham Securities assumed that this information was reasonably prepared on a basis consistent with prior practice and that this information reflects the best currently available estimates and judgments of Ag Services' senior management, who informed Burnham Securities that, absent the merger, Ag Services would be forced to liquidate and that, if Ag Services were liquidated, the discounted book value of Ag Services would likely be less than the consideration to be received by the shareholders in the merger. With regard to the liquidation analysis, Burnham Securities further assumed, with the Special Committee's consent, that all material assets and liabilities (contingent or otherwise) of Ag Services are as set forth in the liquidation analysis. Other than the

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liquidation analysis, Ag Services has not provided Burnham Securities with any financial forecasts relating to the merger, so Burnham Securities expressed no opinion with respect to the liquidation analysis or any of the assumptions, estimates or judgments upon which it was based. Further, Burnham Securities expressed no opinion as to the viability of Ag Services as a going concern if the merger is not effected. In addition, Burnham Securities has not made, or assumed any responsibility for making, any independent evaluation or appraisal of the assets or liabilities of Ag Services, nor has it been furnished with any such evaluation or appraisal. Burnham Securities' opinion is necessarily based on economic, market and other conditions as they existed and as they could be evaluated as of the date of its opinion. Although subsequent developments may affect its opinion, Burnham Securities does not have any obligation to update, revise or reaffirm its opinion. Burnham Securities was not requested to opine upon, and in its opinion did not in any manner address, Ag Services' underlying business decision to proceed with the merger. Burnham Securities was not requested to solicit or entertain any other offers for the purchase of the stock or assets of Ag Services or any other transaction involving Ag Services. The opinion of Burnham Securities was provided for the information and assistance of the Special Committee and the board of directors in connection with their consideration of the proposed merger and is not a recommendation of how any Ag Services' shareholder should vote.

Set forth below is a summary of the material financial analyses considered by Burnham Securities in connection with providing its written opinion to the Special Committee and for the information of the board of directors. This summary does not purport to be a complete description of the analyses performed by Burnham Securities or of the presentation by Burnham Securities to the Special Committee on October 27, 2003. Burnham Securities believes that its analyses must be considered as a whole and that selecting portions of its analyses and the factors considered by it, without considering all factors and analyses, could create an incomplete or misleading view of the process underlying its opinion.

-20-

Market Multiple Analysis of Publicly Traded Companies.

Burnham Securities compared the historical financial, operating and stock market performances of the following seven publicly traded companies that it considered relevant to the historical financial and operating performance of Ag Services based upon publicly available financial information:

* American Business Financial Services, Inc., which is a financial services company that originates business purpose loans and first and second mortgage loans;

* Consumer Portfolio Services, Inc., which is a consumer finance company specializing in the business of purchasing, selling, and servicing retail automobile installment contracts originated by dealers in the sale of new and used automobiles, light trucks and passenger vans;

* HPSC, Inc., which is a financial services company engaged in financing healthcare providers and provides asset-based lending to commercial and industrial businesses;

* Medallion Financial Corp., which is a regulated investment company whose principal activities are the origination and servicing of commercial secured loans for taxi medallions and taxicab rooftop advertising;

* LESCO, Inc., which manufactures and sells fertilizer, turf

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protection products, equipment, grass seed and replacement parts and golf course accessories to the professional sector of the green industry;

* The Andersons, Inc., which merchandises grain, operates grain elevator facilities, manufactures agricultural fertilizer and corn-cob-based products and purchases and repairs railcars; and

* Terra Industries, Inc., which is involved in the production and marketing of both nitrogen products and methanol.

None of these companies is identical to Ag Services. Burnham Securities selected these companies whose characteristics resembled or are similar to Ag Services' competitors. Burnham Securities elected to combine specialty finance, agriculture-related and seed companies because, after reviewing these categories separately, it found the comparisons were similar. Burnham Securities also attempted to select companies that most closely resemble Ag Services with regard to its business, its seasonal and niche nature, and its micro cap status. Burnham Securities analyzed, among other things, the market values and certain other financial data for these companies, including their revenues, earnings before interest, taxes, depreciation and amortization, or EBITDA, earnings per share, enterprise value (market value of equity plus its total debt less cash) and all other relevant financial information, in each case for the most recent 12-month period for which information was available.

Burnham Securities calculated and compared various financial multiples and ratios. Each market multiple used by Burnham Securities in its analysis was compiled and represents an average of comparable companies.

Multiple	Composite Median
Price to Sales	0.2
Enterprise Value to EBITDA	14.2
Price to Earnings	17.1
Price to Cash Flow	4.7
Price to Book	0.9

-21-

These multiples were applied against Ag Services' financial performance for the twelve months ended August 31, 2003 to calculate an estimated valuation. The application of two ratios, specifically, Enterprise Value to EBITDA and Price to Operating Cash Flow, were not meaningful because the resulting valuation estimates produced negative values.

Using the market multiple method, Burnham Securities derived a valuation range from \$23.6 to \$70.1 million. This valuation range, on a price per share basis, is \$4.29 to \$12.75, respectively. Burnham Securities did not apply a discount to this analysis even though the selected comparable companies all possessed unqualified opinions from their respective auditors, unlike Ag Services, whose auditors' most recent audit report on the Ag Services financial statements contained an explanatory paragraph reflecting substantial doubt about the ability of Ag Services to continue as a going concern. Had Burnham Securities applied a discount to account for this going concern matter, it would have had the effect of reducing both the low and high ends of the range derived using the market multiple method.

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Comparable Transactions Analysis. Burnham Securities analyzed other acquisitions deemed comparable to the proposed merger for reasons, including:

- * the size of the transactions were less than \$100 million not including assumption of liabilities and debt;

- * the transactions involved non-depository credit institutions, agriculture-related or seed sectors; and

- * the transactions were announced since January 1, 2002.

Burnham Securities identified five transactions that met the preceding criteria, selecting only transactions for which relevant financial details were publicly available, but concluded that none possessed enough similarity to the merger to warrant inclusion in its analysis. Burnham Securities did include the ASCP transaction, which is described in "The Merger - Background of the Merger" in this proxy statement, in its analysis because the dollar amount per share of the amount Ag Services would have received in this transaction was similar to the consideration its shareholders would receive in the merger. Ag Services was facing at the time it entered into the agreement with ASCP, and continues to confront, a dearth of available credit to employ in its business, and the ASCP transaction, when submitted to the Ag Services shareholders, was overwhelmingly approved. The five transactions identified by, but not included in the analysis of, Burnham Securities are:

- * Consumer Portfolio Services, Inc.'s acquisition of TFC Enterprises, Inc., which purchases motor vehicle installment sales finance contracts from automobile dealers and securitizes and services such contracts;

- * C&F Financial Corporation's acquisition of Moore Loans Inc., which provided automobile loans in Richmond, Roanoke, Hampton Roads and portions of Eastern Tennessee;

- * Newtek Capital's acquisition of Comcap Holding Corp., which was the 15th largest originator of SBA guaranteed loans with a license to operate nationally as a participant in the SBA's "preferred lender program";

- * Sterling Financial Corp.'s acquisition of Equipment Finance, which was a commercial finance company that specialized in financing forestry and land clearing equipment through more than 150 equipment dealer locations; and,

- * Cendant Corp.'s acquisition of Equivest Finance Inc., which was involved in the financing and development of resorts.

-22-

Burnham Securities compared multiples for the merger implied by the merger consideration and certain financial data of Ag Services to the corresponding multiples in the ASCP transaction. In this portion of its analysis, Burnham Securities focused on:

- * total invested capital, or the total amount of capital including debt and equity offered in the ASCP transaction, to Ag Services' sales as a multiple of revenues for the twelve months ended August 31, 2003;

- * total invested capital as a multiple of Ag Services' EBITDA for the twelve months ended August 31, 2003;

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* total invested capital to Ag Services' earnings for the twelve months ended August 31, 2003; and,

* total invested capital to Ag Services' book value as of August 31, 2003.

Burnham Securities applied these multipliers against Ag Services' financial information as of and for the twelve months ended August 31, 2003 to derive a range of estimated equity valuations.

Ratio	ASCP Transaction
Total Invested Capital to Sales	0.4
Total Invested Capital to EBITDA	2.2
Total Invested Capital to Earnings	9.9
Total Invested Capital to Book	0.8

Using this method, Burnham Securities derived a valuation range from \$31.1 million to \$57.4 million. This valuation range, on a per share basis, is \$6.20 to \$10.44, respectively.

Management Liquidation Analysis. Burnham Securities received a liquidation analysis from Ag Services' senior management that indicated a discounted net present value per share valuation of Ag Services of \$7.57, or a total non-discounted valuation of Ag Services of \$9.52. This analysis valued Ag Services as if it commenced winding down its business and disposing of its assets in an orderly fashion as of October 22, 2003, based on the consideration projected to be received by Ag Services from the sale of its assets and operations over a four-year period, after deducting estimated selling costs and the application of proceeds to obligations in accordance with an established order of priority. The valuation assumed that remaining cash would be distributed to shareholders in the form of semiannual liquidation dividends, with the final dividend occurring in October, 2007. However, Burnham Securities performed no independent analysis with respect to this liquidation analysis and expressed no opinion with respect to the liquidation analysis or any of the assumptions, estimates or judgments upon which it was based.

Market Price Analysis. Burnham Securities reviewed the historical closing prices of Ag Services common stock on the NYSE over the thirty-day, six-month and twelve month periods ended October 31, 2003. The averages of these closing stock prices were \$6.09, \$5.99 and \$6.54, respectively. The \$8.50 per share to be received by Ag Services shareholders in the merger would represent premiums of 39.6%, 41.9% and 30.0%, respectively, over the average daily closing price of Ag Services' common stock during these periods. The chart below shows the low, high, and average closing price of Ag Services common stock on the NYSE during the thirty-day, six-month and twelve month periods ended October 31, 2003:

-23-

Closing Price of Ag Services Common Stock on the NYSE			
	30 Days Ended 10/31/03	6 Mon. Ended 10/31/03	1 Year Ended 10/31/03
Low	\$5.82	\$5.10	\$4.97
Average	\$6.09	\$5.99	\$6.54
High	\$6.45	\$7.35	\$11.23

Transaction Premium Analysis. Burnham Securities analyzed the price premiums of certain recent acquisition offers over public market prices of target companies in order to compare them with the premium over the historical public market prices of Ag Services' common stock being offered

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to the shareholders of Ag Services in the merger. Burnham Securities examined transactions deemed to be similar to the merger that have occurred in the twelve months ended October 31, 2003 among companies in the Agricultural Services and Non-Depository Credit Institutions sectors according to their Standard Industrial Classification, or SIC, codes. Among these transactions, Burnham Securities selected eight that reported premiums of the target's publicly traded share price over one-day and thirty-day periods prior to the completion of the applicable transaction. The following tables set forth the number of transactions in a particular premium range, the total consideration for the target companies (in millions of dollars) in transactions listed under a premium range, and the average and median premium for all the transactions in these periods.

1-Day Premium Analysis

Premium