

MACC PRIVATE EQUITIES INC
Form 10-Q
May 16, 2011

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

Form 10-Q

(Mark one)

R QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2011

£ TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 0-24412

MACC PRIVATE EQUITIES INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or
organization)

42-1421406
(I.R.S. Employer Identification No.)

101 Second Street SE, Suite 800, Cedar Rapids, Iowa 52401
(Address of principal executive offices)

(319) 363-8249
(Registrant's telephone number, including area code)

2533 South Coast Highway 101, Suite 240,
Cardiff-By-The-Sea, California 92007
(Former name, former address and former fiscal year, if
changed since last report)

Indicate by check mark whether the registrant has (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes R No £

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 or Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files.) Yes £ No £

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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Large accelerated filer

Accelerated filer
Smaller reporting company

Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

At May 1, 2011, the registrant had issued and outstanding 2,464,621 shares of common stock.

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PART I -- FINANCIAL INFORMATION

Item 1.

Financial Statements

MACC PRIVATE EQUITIES INC.
Condensed Balance Sheets

	March 31, 2011 (Unaudited)	September 30, 2010
Assets		
Cash and cash equivalents	\$ 279,570	135,094
Loans and investments in portfolio securities, at fair value:		
Unaffiliated companies (cost of \$699,507 and \$732,032)	358,905	1,201,524
Affiliated companies (cost of \$6,070,320 and \$6,072,436)	6,695,936	5,867,593
Controlled companies (cost of \$1,628,883 and \$2,867,127)	1,154,995	2,157,533
Interest receivable	41,443	24,255
Other assets	122,944	188,786
Total assets	\$ 8,653,793	9,574,785
Liabilities and net assets		
Liabilities:		
Notes payable	\$ 1,981,272	3,367,928
Incentive fees payable	16,361	16,361
Accounts payable and other liabilities	231,488	242,417
Total liabilities	2,229,121	3,626,706
Net assets:		
Common stock, \$.01 par value per share; authorized 10,000,000 shares; issued and outstanding 2,464,621 shares	24,646	24,646
Additional paid-in-capital, net of accumulated net investment		
income (loss) and net realized gain (loss)	6,588,900	6,368,378
Unrealized depreciation on investments	(188,874)	(444,945)
Total net assets	6,424,672	5,948,079
Total liabilities and net assets	\$ 8,653,793	9,574,785
Net assets per share	\$ 2.61	2.41

SEE ACCOMPANYING NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS

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MACC PRIVATE EQUITIES INC.
Condensed Statements of Operations
(Unaudited)

	For the three months ended March 31, 2011	For the three months ended March 31, 2010	For the six months ended March 31, 2011	For the six months ended March 31, 2010
Investment income:				
Interest				
Unaffiliated companies	\$ 17,525	16,643	35,582	33,579
Affiliated companies	46,260	53,719	92,374	111,077
Controlled companies	2,741	5,990	4,189	223,980
Loss on interest receivable	---	---	---	(241,843)
Other	58	113	86	231
Dividends				
Affiliated companies	48,038	2,310	171,632	44,942
Total investment income	114,622	78,775	303,863	171,966
Operating expenses:				
Interest expenses	33,035	67,811	82,476	138,874
Management fees	41,348	57,492	87,819	119,624
Professional fees	90,601	84,996	249,452	175,961
Other	93,079	65,056	167,939	135,014
Total operating expenses before waivers	258,063	275,355	587,686	569,473
Expenses reduced by Advisor	(20,674)	(28,746)	(43,909)	(59,812)
Total operating expenses	237,389	246,609	543,777	509,661
Net investment loss	(122,767)	(167,834)	(239,914)	(337,695)
Realized and unrealized gain (loss) on investments:				
Net realized gain (loss) on investments:				
Unaffiliated companies	(11,000)	---	813,383	---
Affiliated companies	(2,116)	(3,063,596)	(352,947)	(3,063,596)
Net change in unrealized appreciation/depreciation on investments	306,372	2,618,444	256,071	2,294,773
Net gain (loss) on investments	293,256	(445,152)	716,507	(768,823)
	170,489	(612,986)	476,593	(1,106,518)

Net increase (decrease) in net \$
assets resulting from operations

SEE ACCOMPANYING NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS

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MACC PRIVATE EQUITIES INC.
Condensed Statements of Changes in Net Assets

(Unaudited)

	For the six months ended March 31, 2011	For the six months ended March 31, 2010
Operations:		
Net investment loss	\$ (239,914)	(337,695)
Net realized gain (loss) on investments	460,436	(3,063,596)
Net change in unrealized depreciation/appreciation on investments	256,071	2,294,773
Net increase (decrease) in net assets resulting from operations	476,593	(1,106,518)
Net assets:		
Beginning of period	\$ 5,948,079	7,809,388
End of period	\$ 6,424,672	6,702,870

SEE ACCOMPANYING NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS

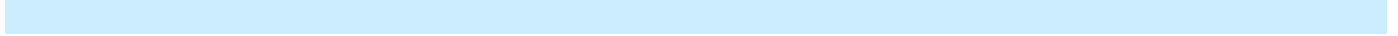
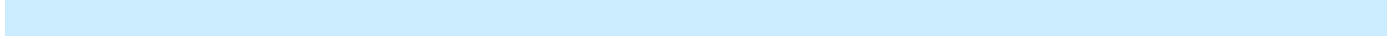
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MACC PRIVATE EQUITIES INC.

Condensed Statements of Cash Flows
(Unaudited)

	For the six months ended March 31, 2011	For the six months ended March 31, 2010
Cash flows provided by (used in) operating activities:		
Net increase (decrease) in net assets resulting from operations	\$ 476,593	(1,106,518)
Adjustments to reconcile net increase (decrease) in net assets from operations to net cash provided by operating activities:		
Net realized and unrealized (gain) loss on investments	(716,507)	739,279
Proceeds from disposition of and payments on loans and investments in portfolio securities	1,733,321	242,834
Purchases of loans and investments in portfolio securities	---	(72,342)
(Increase)/decrease in interest receivable	(17,188)	244,975
Decrease in other assets	65,842	8,136
(Decrease) increase in accrued interest, deferred incentive fees payable, accounts payable and other liabilities	(10,929)	76,436
Net cash provided by operating activities	1,531,132	132,800
Cash flows used in financing activities:		
Note repayment	(1,386,656)	(194,267)
Net cash used in financing activities	(1,386,656)	(194,267)
Net increase (decrease) in cash and cash equivalents	144,476	(61,467)
Cash and cash equivalents at beginning of period	135,094	173,521
Cash and cash equivalents at end of period	\$ 279,570	112,054
Supplemental disclosure of cash flow information -		
Cash paid during the period for interest	\$ 80,393	137,624
Supplemental disclosure of non-cash investing and financing information -		
	\$ 357,763	241,843

In-kind interest income received in the form of securities



SEE ACCOMPANYING NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS

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MACC PRIVATE EQUITIES INC.
Notes to Unaudited Condensed Financial Statements

(1) Basis of Presentation

The accompanying unaudited condensed financial statements include the accounts of MACC Private Equities Inc. (“MACC,” “we” or “us”) and have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for investment companies. MACC has elected to be treated as a business development company under the Investment Company Act of 1940, as amended. Effective April 30, 2008, MACC’s wholly-owned subsidiary, MorAmerica Capital Corporation, (“MorAm”), was merged with and into MACC.

The unaudited condensed financial statements included herein have been prepared in accordance with GAAP for interim financial information and instructions to Form 10-Q and Articles 6 and 10 of Regulation S-X. Accordingly, certain information and note disclosures normally included in annually audited financial statements prepared in accordance with GAAP have been omitted, however MACC believes that the disclosures made are adequate to make the information presented not misleading. The unaudited condensed financial statements should be read in conjunction with the audited financial statements and notes thereto of MACC as of and for the year ended September 30, 2010 (“Fiscal 2010”) included in the MACC’s Form 10-K, as filed with the Securities and Exchange Commission (the “SEC”). The information reflects all adjustments consisting of normal recurring adjustments which are, in the opinion of management, necessary for a fair presentation of the results of operations for the interim periods. The results of the interim periods reported are not necessarily indicative of results to be expected for the year.

Significant Risk and Uncertainties

When global economic conditions are adverse or the global economy is in a recession as it was during Fiscal 2010 and continued through the second quarter ended March 31, 2011 for the year which began October 1, 2010 and ends September 30, 2011 (“Fiscal 2011”), it is difficult for us to estimate future expected realizable value from investments, the likelihood of our portfolio companies’ ability to meet their financial obligations, including the debentures and related interest payments due to us, and therefore our future expected cash flows. All of these factors increase uncertainty inherent in management’s estimates and assumptions. As future events and their effects cannot be determined with precision, particularly those related to the condition of the economy and the performance of our investments, we believe actual results related to our realization on the sale of investments, collection of loans receivable and interest receivable presently pose our greatest risk and could differ significantly from our current estimates.

(2) Going Concern Uncertainty and Liquidity

MACC has a positive net change in net assets from operations of \$476,593 for the six months ended March 31, 2011 and generated net cash flow from operations of \$1,531,132 to fund our operating activities and financing requirements for the six months ended March 31, 2011. Operating expenses have been funded primarily from the sale of portfolio companies, dividends, and interest received.

MACC continues to have an ongoing need to raise cash from portfolio sales to fund our operations and pay down outstanding debt. MACC’s efforts to sell certain investments has taken longer than we initially anticipated while performance of the underlying portfolio companies in certain cases has deteriorated. MACC believes its ability to liquidate positions had been adversely affected by credit conditions and the downturn in the financial markets and the global economy. MACC had a note payable with Cedar Rapids Bank & Trust Company (“CRB&T”) with a balance of

\$1,981,272 as of March 31, 2011 and due and payable July 11, 2011 (“Note Payable”). Effective January 10, 2011, MACC executed a fifth amendment to the business loan agreement (“Fifth Amendment”) whereby CRB&T removed the covenant requiring MACC to complete a capital transaction to raise additional operating capital for the Company.

At MACC's annual shareholder meeting held on November 30, 2010, shareholders voted against giving MACC the ability to raise additional capital through the issuance of shares of common stock at a price below MACC's then-current net asset value per share. In addition, shareholders voted against allowing MACC the ability to issue warrants, options or rights to subscribe for or convert into common stock. Without these authorizations to sell shares at below net asset value or issue options or warrants, MACC's ability to raise funding through the capital markets is highly unlikely.

As a result of the shareholder actions, the Board of Directors of MACC (the "Board of Directors") evaluated a number of alternatives and potential exit opportunities to maximize return on investment, including seeking shareholder approval to liquidate. In light of such evaluation and lack of shareholder approval, the Board of Directors will seek to obtain shareholder approval during the third quarter of Fiscal 2011 to create a liquidating trust. We will continue to seek additional cash through future sales of portfolio equity and debt securities, initially to completely repay our bank debt and then to accumulate cash for distribution to shareholders.

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the discharge of liabilities in the normal course of business for the foreseeable future, and do not include any adjustments to reflect the possible future effects of the inability to continue to operate as a going concern.

(3) Critical Accounting Policies

Investments

Investments in securities that are traded in the over-the-counter market or on a stock exchange are valued by taking the end of day close price (or bid price in the case of over-the-counter equity securities) for the valuation date. Restricted and other securities for which quotations are not readily available are valued at fair value as determined by the Board of Directors. Among the factors considered in determining the fair value of investments are the cost of the investment; developments, including recent financing transactions since the acquisition of the investment; financial condition and operating results of the investee; the long-term potential of the business of the investee; market interest rates for similar debt securities; overall market conditions and other factors generally pertinent to the valuation of investments. Because of the inherent uncertainty of valuation, those estimated values may differ significantly from the values that would have been used had a ready market for the securities existed, and the differences could be material.

In the valuation process, we use financial information received monthly, quarterly, and annually from our portfolio companies which includes both audited and unaudited financial statements. This information is used to assist in assessing financial condition, performance, and valuation of the portfolio investments.

Realization of the carrying value of investments is subject to future developments. Investment transactions are recorded on the trade date and identified cost is used to determine realized gains and losses. Under the provisions of authoritative guidance, the fair value of loans and investments in portfolio securities on February 15, 1995, MACC's fresh-start date, is considered the cost basis for financial statement purposes.

Accounting Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities

at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Actual results could differ from these estimates. Current economic conditions, including illiquid credit markets, volatile equity markets, and deteriorating economic conditions contribute to the inherent uncertainty of such estimates. Management's estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the unaudited condensed financial statements in the periods they are determined to be necessary.

(4) Recent Accounting Pronouncements

In January 2010, the FASB issued authoritative guidance that requires reporting entities to make new disclosures about recurring and non recurring fair-value measurements including significant transfers into and out of Level 1 and Level 2 fair-value measurements and information on purchases, sales, issuances, and settlements on a gross basis in the reconciliation of Level 3 fair-value measurements. The FASB also clarified existing fair-value measurement disclosure guidance about the level of disaggregation, inputs, and valuation techniques. The new and revised disclosures are required to be implemented in annual and interim reporting periods beginning after December 15, 2010 and have been included in these financial statements.

(5) Fair Value Measurements

Investments

MACC follows the accounting guidance on fair value measurements. In part, this guidance defines fair value, establishes a framework for measuring fair value and expands disclosures about assets and liabilities measured at fair value. The guidance establishes a hierarchal disclosure framework which prioritizes and ranks the level of market price observability used in measuring investments at fair value. Market price observability is affected by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. MACC's practices reflect recent authoritative guidance that requires reporting entities to make new disclosures about recurring and non recurring fair-value measurements including significant transfers into and out of Level I and Level 2 fair-value measurements and information on purchases, sales, issuances, and settlements on a gross basis in the reconciliation of Level 3 fair-value measurements. MACC also follows FASB's recent clarification of existing fair-value measurement disclosure guidance about the level of disaggregation, inputs and valuation techniques.

MACC frequently makes investments in separate debt, equity and mezzanine instruments in the same portfolio company. Most of these companies also have senior secured debt from unaffiliated commercial lenders. The investment securities vary in security and seniority of payment, whether the company makes scheduled payments or the instruments are paid on a sale of the company. Valuation takes into account the value of the portfolio company as a whole, and the relative value of individual securities within that portfolio company's capital structure. Generally, MACC exits a portfolio company when the entire company is sold. When a portfolio company is sold, following payment of senior debt, the most recently issued debt of that company generally has the most security or seniority, followed by previously issued debt, then preferred equity, with common stock having the least seniority. Unrealized depreciation is therefore applied to equity securities first, then to the individual preferred and debt securities based on their seniority/security in the capital structure. In addition, while valuations take into account the interest rate on debt securities, the factors discussed above significantly impact value in addition to the contracted rate.

MACC updates its schedule of investments with the most current information available at the date of the report. In certain instances a debt instrument may be due, but cannot be paid due to senior debt covenants. While extension terms of the notes may be in negotiation, these negotiations may not be complete as of the date of the report. These same instruments may retain value as the principal amount, and all accrued interest, may be paid with priority over other interests in the company. Similarly, because of the senior commercial loan covenants or company performance, the investor group and a portfolio company may have agreed to defer interest payments, but the value of the instrument remains based on the company value and priority of the instrument in the capital structure.

Taking these factors into account, MACC's investment valuations are based on industry specific information and earnings before interest, taxes, depreciation and amortization ("EBITDA") multiples obtained from third party sources, like-transactions, as well as contractual provisions such as investor put rights.

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Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments included in Level 1 include listed equities and listed derivatives.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category include corporate debt and less liquid and restricted equity securities.

Level 3 – Pricing inputs are unobservable for the investments and includes situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation and are based on the Board of Director’s own assumptions about the assumptions that a market participant would use, including inputs derived from extrapolation and interpolation that are not corroborated by observable market data. Investments that are included in this category generally include corporate private equity.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the determination of which category within the fair value hierarchy is appropriate for any given investment is based on the lowest level of input that is significant to the fair value measurement. MACC’s assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

All of MACC’s investments at March 31, 2011 were classified and disclosed under the Level 3 category. Investments are stated at fair value as determined by the Board of Directors according to the procedures of MACC’s Valuation Policy. Securities are valued individually as of the end of each quarter of each fiscal year and as of the end of each fiscal year. Interest-bearing securities are carried at the approximate amount of fair value. Loan valuation determinations take into account portfolio companies’ financial condition, outlook, payment histories and other factors. Equity security valuations take into account the following factors, among others: the portfolio company’s performance, the prospects of a portfolio company’s future equity financing and the character of participants in such financing, and the utilization of various financial measures, including cash flow multiples, as appropriate. If a portfolio company appears likely to discontinue operations, a liquidation valuation technique may be employed. The Board of Directors also considers credit market conditions, and the risks and uncertainties associated with those conditions in determining the values of its portfolio securities. Valuations established by the Board of Directors are not necessarily indicative of amounts which may ultimately be realized as a result of future sales or other dispositions of portfolio assets, and these favorable or unfavorable differences could be material.

The following tables present the investments at fair value as of March 31, 2011 and September 30, 2010 by type of investment:

Fair Value Measurement as of March 31, 2011

Fair Value Based on	Corporate Private Debt	Corporate Private Equity (1)	Total
Investment Level 3	\$ 4,891,710	\$3,318,126	100%

(1) represents \$548,512 in preferred shares; \$1,011,125 in common shares; \$1,422,124 in membership interests, and \$336,365 in escrow.

Fair Value Measurement as of September 30, 2010

Fair Value Based on	Corporate Private Debt	Corporate Private Equity (1)	Total
Investment Level 3	\$ 6,092,445	\$3,134,205	100%

(1) represents \$557,848 in preferred shares; \$1,698,638 in common shares; \$802,215 in membership interests, and \$75,504 in escrow.

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The following tables provide a rollforward in the changes in fair value for the three month and six month periods ending March 31, 2011 and 2010 for all investments which MACC has determined using unobservable (Level 3) factors.

For the three months ended March 31, 2011		Total
Balance, December 31, 2010		\$7,932,205
Purchases (Debt Repayment)		
Morgan Ohare, Inc.	\$ (15,625)	
Total Purchases (Debt Repayment)		(15,625)
Realized Loss		
Feed Management Systems, Inc.	(2,116)	
Monitronics International, Inc.	(11,000)	
Total Realized Loss		(13,116)
Unrealized Gain (Loss)		
Aviation Manufacturing Group, LLC	307,135	
Feed Management Systems, Inc.	1,058	
Magnum Systems, Inc.	106,299	
Monitronics International, Inc.	14,651	
Morgan Ohare, Inc.	4,687	
Portrait Displays, Inc.	(127,458)	
Total Unrealized Gain (Loss)		306,372
Balance, March 31, 2011		\$8,209,836
The amount of total gains (losses) for the period included on the statement of operations attributable to changes in unrealized gains/losses relating to investments still held at the reporting date		306,372

For the three months ended March 31, 2010		Total
Balance, December 31, 2009		\$11,329,901
Purchases (Debt Repayment)		
M.A. Gedney Company	\$(76,000)	
Portrait Displays, Inc.	(11,791)	
SMWC Acquisition Co., Inc.	29,544	
Superior Holding, Inc.	39,000	
Total Purchases (Debt Repayment)		(19,247)
Realized Loss		
Handy Industries, LLC	(168,528)	
M.A. Gedney Company	(1,450,601)	
Pratt-Read Corporation	(1,444,467)	
Total Realized Loss		(3,063,596)
Unrealized Gain (Loss)		
Aviation Manufacturing Group, LLC.	(21,754)	
Handy Industries, LLC	101,487	
M.A. Gedney Company	1,526,600	
Magnum Systems, Inc.	200,000	
Portrait Display, Inc.	(132,355)	

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Pratt-Read Corporation	1,444,466	
Superior Holding, Inc.	(500,000)	
Total Unrealized Gain (Loss)		2,618,444
Balance, March 31, 2010		\$10,865,502
The amount of total gains (losses) for the period included on the statement of operations attributable to changes in unrealized gains/losses relating to investments still held at the reporting date.		2,618,444

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For the six months ended March 31, 2011		Total
Balance, September 30, 2010		\$9,226,650
Purchases (Debt Repayment)		
Linton Truss Corporation	\$ (9,336)	
Morgan Ohare, Inc.	(23,438)	
Monitronics International, Inc.	(836,572)	
Spectrum Products, LLC	(863,975)	
Total Purchases (Debt Repayment)		(1,733,321)
Realized Gain (Loss)		
Feed Management Systems, Inc.	(2,116)	
Linton Truss Corporation	(30,700)	
Monitronics International, Inc.	844,083	
Spectrum Products, LLC	(350,831)	
Total Realized Gain (Loss)		460,436
Unrealized Gain (Loss)		
Aviation Manufacturing Group, LLC	619,909	
Detroit Tool Metal Products Co.	214,650	
Feed Management Systems, Inc.	1,058	
Linton Truss Corporation	30,700	
Magnum Systems, Inc.	(5,158)	
Monitronics International, Inc.	(649,607)	
Morgan Ohare, Inc.	(123,220)	
Portrait Displays, Inc.	(191,187)	
Spectrum Products, LLC	358,926	
Total Unrealized Gain (Loss)		256,071
Balance, March 31, 2011		\$8,209,836
The amount of total gains (losses) for the period included on the statement of operations attributable to changes in unrealized gains/losses relating to investments still held at the reporting date		256,071

For the six months ended March 31, 2010		Total
Balance, September 30, 2009		\$11,775,272
Purchases (Debt Repayment)		
Detroit Tool Metal Products Co.	\$ 33,342	
M.A. Gedney Company	(76,000)	
Magnum Systems, Inc.	(143,541)	
Portrait Displays, Inc.	(23,292)	
SMWC Acquisition Co., Inc.	29,544	
Superior Holding, Inc.	39,000	
Total Purchases (Debt Repayment)		(140,947)
Realized Loss		
Handy Industries, LLC	(168,528)	
M.A. Gedney Company	(1,450,601)	

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Pratt-Read Corporation	(1,444,467)	
Total Realized Loss		(3,063,596)
Unrealized Gain (Loss)		
Aviation Manufacturing Group, LLC	170,746	
Feed Management Systems, Inc.	(441,136)	
Handy Industries, LLC	101,487	
Linton Truss Corporation	(75,035)	
M.A. Gedney Company	1,526,600	
Magnum Systems, Inc.	200,000	
Portrait Displays, Inc.	(132,355)	

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Pratt-Read Corporation	1,444,466	
Superior Holding, Inc.	(500,000)	
Total Unrealized Gain (Loss)		2,294,773
Balance, March 31, 2010		\$10,865,502
The amount of total gains (losses) for the period included on the statement of operations attributable to changes in unrealized gains/losses relating to investments still held at the reporting date		2,294,773

Total unrealized gains and losses recorded for Level 3 investments are reported in Net Change in unrealized appreciation / depreciation on investments.

(6) Note Payable

MACC has a term loan with a balance in the amount of \$1,981,272 with CRB&T as of March 31, 2011. This Note Payable is a variable interest rate note secured by a Security Agreement, Commercial Pledge Agreement and a Master Business Loan Agreement. The interest rate is equal to the greater of the Wall Street Journal prime rate plus 0.5%, or 6%. The interest rate on the Note Payable at March 31, 2011 was 6.0%. The Note Payable has a stated maturity of July 11, 2011. The Note Payable is secured by all of MACC's assets and MACC is required to apply 80% of all cash proceeds received on the sale or liquidation of investments to pay down any amounts outstanding. MACC may need to consider additional sales of investments in order to meet the current payment and operating requirements.

(7) Subsequent Events

As referenced in Form 8-K filed on May 5, 2011, effective as of April 29, 2011, MACC entered into an interim Investment Advisory Agreement (the "Interim Advisory Agreement") with InvestAmerica Investment Advisors, Inc. ("InvestAmerica") pursuant to Rule 15a-4 adopted under the Investment Company Act of 1940, as amended (the "Rule"). The previous investment advisory agreement by and between the Company and Eudaimonia Asset Management, LLC ("EAM") expired on April 29, 2011 (the "EAM Advisory Agreement"). Simultaneously, the Subadvisory Agreement by and among the Company, InvestAmerica and EAM (the "Subadvisory Agreement") also expired on April 29, 2011. In light of the shareholders' unwillingness to authorize the Company to raise additional capital, the Board of Directors determined to pursue a liquidation strategy. As a result, EAM requested, and the Board agreed, not to renew the term of the EAM Advisory Agreement. Similarly, the Board and InvestAmerica agreed not to renew the Subadvisory Agreement based on the implementation of the Interim Advisory Agreement.

The Interim Advisory Agreement will continue for a period of 150 days unless terminated earlier by the Company or InvestAmerica. Consistent with the Rule, the Interim Advisory Agreement provides that InvestAmerica will be compensated for serving as the Company's investment adviser at the annual rate of 1% of assets under management with no incentive fee. It is anticipated that the Company will effect a shareholder approved liquidating trust within the next 150 days or prior to the termination of the Interim Advisory Agreement.

As discussed in Note 5, the financial statements included in this report present the fair value of MACC's investments at March 31, 2011. Subsequent to that date, negotiations for the sale of one portfolio company have resulted in a number of competing bids for the purchase of the portfolio company. At the date of this report there is no agreement by the portfolio company and the investment group of which MACC is a part with any potential purchaser and negotiations are likely to continue for some time, followed by negotiation of a definitive agreement

and subsequently a closing. While the results of this negotiation are uncertain, based on bids received at this date, the value of MACC's investment in this portfolio company could increase from the March 31 valuation if a sale is ultimately completed in the range of values currently being discussed. The realization of a higher value is uncertain and dependent upon numerous factors, including business developments at the portfolio company and in its industry, further due diligence by prospective purchasers and numerous other factors. It is likely that a closing of a transaction for this portfolio company would be subsequent to the end of our June 30 fiscal quarter.

On May 9, 2011, MACC filed preliminary proxy materials with the SEC with respect to a special meeting of shareholders to be held on June 28, 2011. The following are the purposes of the meeting:

1. To authorize the complete liquidation and dissolution of MACC and the transfer of all of the assets and liabilities of MACC to a liquidating trust established for the sole purpose of distributing the assets of MACC to its shareholders;
2. To authorize the withdrawal of MACC's election to be regulated as a business development company under the Investment Company Act of 1940, as amended;
3. To ratify the appointment of BBD, LLP ("BBD") as MACC's independent auditors for its fiscal year ending September 30, 2011; and
4. To transact such other business as may properly come before the meeting and any adjournment thereof.

It is anticipated that a definitive proxy statement will be mailed on or about May 27 to shareholders of record as of May 12.

In addition, on May 10, 2011, MACC filed a request with the staff of the SEC to solicit the staff's indication that it would take no action against MACC or the liquidating trust if the trust reports in the manner described in the letter. In summary, following creation of the liquidating trust, the trust would file reports of material developments, such as the sale of portfolio assets, with the SEC on form 8-K and also file with the SEC a summary annual report.

The Company evaluated all events that have occurred subsequent to March 31, 2011 through the date of the filing of this Form 10-Q, and besides the above, no additional subsequent events have occurred requiring disclosure in the Form 10-Q.

(8) Financial Highlights (Unaudited)

	For the three months ended March 31, 2011	For the three months ended March 31, 2010	For the six months ended March 31, 2011	For the six months ended March 31, 2010
Per Share Operating Performance (For a share of capital stock outstanding throughout the period):				
Net asset value, beginning of period	\$ 2.54	2.97	2.41	3.17
Expense from investment operations:				
Investment expense, net	(0.05)	(0.07)	(0.09)	(0.14)
Net realized and unrealized	0.12	(0.18)	0.29	(0.31)

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loss on investment transactions					
Total from investment operations		0.07	(0.25)	0.20	(0.45)
Net asset value, end of period	\$	2.61	2.72	2.61	2.72
Closing bid price	\$	0.60	0.69	0.60	0.69
Total return					
Net asset value basis	%	2.73	(8.38)	8.01	(14.17)

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Market price basis	%	(25.00)	25.46	(29.41)	(13.75)
Net asset value, end of period (in thousands)	\$	6,425	6,703	6,425	6,703
Ratio to weighted average net assets:					
Net investment loss (1)	%	(8.04)	(9.53)	(7.99)	(9.08)
Operating and income tax expense	%	15.55	14.00	18.11	13.70

(1) MACC's investment advisor, EAM elected to voluntarily waive its management fees during the second quarter and six-month period of fiscal year 2011 and fiscal year 2010. Due to the election, the investment advisor voluntarily waived \$20,674 and \$43,909 as of March 31, 2011 and \$28,746 and \$59,812 as of March 31, 2010, respectively. The effects of the waiver for the three and six months ended March 31, 2011 are the following: (i) total return on net assets value basis would be 2.40% and 7.27%; (ii) the net investment loss ratio would be (9.41%) and (9.45%); and (iii) the operating and income expense ratio would be 16.92% and 19.57%. The effects of the waiver for the three and six months ended March 31, 2010 are the following: (i) total return on net assets value basis would be (8.77%) and (14.93%); (ii) the net investment loss ratio would be (11.18%) and (10.73%); and (iii) the operating and income expense ratio would be 15.67% and 15.37%.

The ratios of net investment loss to average net assets and of operating and income tax expenses to average net assets are calculated for common stockholders as a class and have been annualized. Total return, which reflects the change in net assets, was calculated for common stockholders as a class using the change in net assets for each relevant period. An individual common stockholders' return may vary from these returns.

MACC PRIVATE EQUITIES INC.
SCHEDULE OF INVESTMENTS (UNAUDITED)
MARCH 31, 2011

Company	Security	Percent of Net assets	Value	Cost (d)
Manufacturing:				
Aviation Manufacturing Group, LLC (a)	14% debt security, due December 31, 2011		\$ 616,000	616,000
Yankton, South Dakota	154,000 units preferred		154,000	154,000
Manufacturer of flight critical parts for airplanes	Membership interest		1,422,124	39
	14% note, due December 31, 2011		77,000	77,000
			2,269,124	847,039
Detroit Tool Metal Products Co. (a)	12% debt security, due December 31, 2011 (c)		1,586,158	1,912,087
Lebanon, Missouri	19,853.94 shares Series A preferred (c)		---	195,231
Metal stamping	7,887.17 shares common (c)		---	126,742

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	8% debt security, due December 31, 2011 (c)	33,342	33,342
		1,619,500	2,267,402
Magnum Systems, Inc. (a)	12% debt security, due November 1, 2011	430,622	430,622
Parsons, Kansas	48,038 common shares (c)	48,038	48,038
Manufacturer of industrial bagging equipment	292,800 shares preferred (c)		
	Warrant to purchase 56,529 common shares (c)	304,512	304,512
		963,087	565
		1,746,259	783,737

MACC PRIVATE EQUITIES INC.
 SCHEDULE OF INVESTMENTS CONTINUED (UNAUDITED)
 MARCH 31, 2011

Company	Security	Percent of Net assets	Value	Cost (d)
Spectrum Products, LLC (b) Missoula, Montana Manufacturer of equipment for the swimming pool industry	Escrow (c)		221,662	295,549
Superior Holding, Inc. (a) Wichita, Kansas Manufacturer of industrial and commercial boilers and shower doors, frames and enclosures	6% debt security, due April 1, 2013(c) Warrant to purchase 11,143 common shares (c) 6% debt security, due April 1, 2013(c) 121,457 common shares (c) 6% debt security, due April 1, 2013(c) 312,000 common shares (c) 12% debt security, due April 1, 2013 12% debt security, due April 1, 2013		370,608 -- 110,000 --- 150,000 --- 23,000 23,000 676,608	780,000 1 221,000 121,457 308,880 3,120 39,000 39,000 1,512,458
Total Manufacturing		102%	6,533,153	5,706,185
Service				
Monitronics International, Inc. Dallas, Texas Provides home security systems monitoring services	Escrow (c)		\$ 40,258	\$ 62,214
Morgan Ohare, Inc. (b) Addison, Illinois Fastener plating and heat treating	0% debt security, due January 1, 2012 (c) 10% debt security, due December 1, 2012 57 common shares (c)		725,000 208,333 ---	1,125,000 208,333 1
			933,333	1,333,334

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SMWC Acquisition Co., Inc. (a)	12% debt security due September 30, 2011		220,000	220,000
Kansas City, Missouri	145,397 shares Series A preferred		90,000	290,794
Steel warehouse distribution and processing			310,000	510,794

Total Service	20%	1,283,591	1,906,342
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Technology and
Communications:

Feed Management Systems, Inc. (a)	Escrow (c)		74,445	148,891
Brooklyn Center, Minnesota				
Batch feed software and systems and B2B internet services				

Portrait Displays, Inc. Pleasanton, California	11% debt security, due April 1, 2012 Warrant to purchase 39,400 common shares (c)	318,647 ---	637,292 ---
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