

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.

Index

| | | |
|----------|--|------|
| PART I. | FINANCIAL INFORMATION | |
| Item 1. | Financial Statements | Page |
| | Condensed Balance Sheets at March 31, 2011 (Unaudited) and September 30, 2010 | 1 |
| | Condensed Statements of Operations for the three months and six months ended March 31, 2011 and March 31, 2010 (Unaudited) | 2 |
| | Condensed Statements of Changes in Net Assets for the six months ended March 31, 2011 and March 31, 2010 (Unaudited) | 3 |
| | Condensed Statements of Cash Flows for the six months ended March 31, 2011 and March 31, 2010 (Unaudited) | 4 |
| | Notes to Unaudited Condensed Financial Statements | 5 |
| | Schedule of Investments (Unaudited) at March 31, 2011 | 13 |
| Item 2. | Management's Discussion and Analysis of Financial Condition and Results of Operations | 16 |
| Item 3. | Quantitative and Qualitative Disclosure About Market Risk | 23 |
| Item 4. | Controls and Procedures | 24 |
| Part II. | OTHER INFORMATION | 26 |
| Item 1. | Legal Proceedings | 26 |
| Item 1A. | Risk Factors | 26 |
| Item 2. | Unregistered Sales of Equity Securities and Use of Proceeds | 26 |
| Item 3. | Defaults Upon Senior Securities | 26 |
| Item 4. | (Removed and Reserved) | 26 |
| Item 5. | Other Information | 26 |

| | | |
|---------|----------------|------------------------|
| Item 6. | Exhibits | 26 |
| | Signatures | 27 |
| | Certifications | See Exhibits 31 and 32 |

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

1

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

2

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

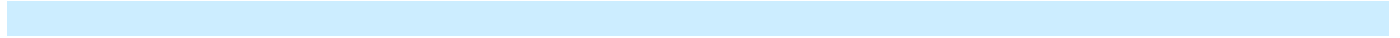
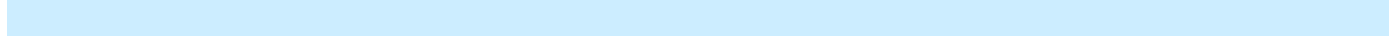
3

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

4



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 hierarchical 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.

7

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) |

12

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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 1,619,500 | 33,342 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) | 304,512 963,087 1,746,259 | 304,512 565 783,737 |

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 |
|---------------|-----|-----------|-----------|

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 --- |
| Designs and markets pivot enabling software for LCD computer monitors | | 318,647 | 637,292 |
| Total Technology and Communications | 6% | 393,092 | 786,183 |
| | | \$ 8,209,836 | \$ 8,398,710 |

(a) Affiliated company. Represents ownership of greater than 5% to 25% of the outstanding voting securities of the issuer, and is or was an affiliate of MACC as defined in the Investment Company Act of 1940 at or during the period ended March 31, 2011.

(b) Controlled company. Represents ownership of greater than 25% of the outstanding voting securities of the issuer, and is or was a controlled affiliate of MACC as defined in the Investment Company Act of 1940 at or during the period ended March 31, 2011.

(c) Presently non-income producing.

(d) For all debt securities presented, the cost is equal to the principal balance.

SEE ACCOMPANYING NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

This section of the Quarterly Report on Form 10-Q for MACC Private Equities Inc. (“MACC” or “we” or “us”) contains forward-looking statements. All statements in this Quarterly Report on Form 10-Q, including those made by MACC’s management, other than statements of historical fact, are forward-looking statements. These forward-looking statements are based on current management expectations that involve substantial risks and uncertainties that could cause actual results to differ materially from the results expressed in, or implied by, these forward-looking statements. Forward-looking statements relate to future events or our future financial performance. We generally identify forward-looking statements by terminology such as “may,” “will,” “should,” “could,” “would,” “expects,” “anticipates,” “believes,” “estimates,” “predicts,” “intends,” “targets,” “potential,” and “continue,” or the negative of these other similar words. Examples of forward-looking statements contained in this Quarterly Report on Form 10-Q include statements regarding MACC’s:

- ability to continue as a going concern;
- ability to pay down debt;
- ability to meet cash flow requirements;
- future financial and operating results;
- business strategies, prospects and prospects of its portfolio companies;
- ability to operate as a business development company;
- regulatory structure;
- adequacy of cash resources and working capital;
- projected costs;
- competitive positions;
- management’s plans and objectives for future operations;
- industry trends; and
- ability to exit the currently held investments

These forward-looking statements are based on management’s estimates, projections and assumptions as of the date hereof and include the assumptions that underlie such statements. Any expectations based on these forward-looking statements are subject to risks and uncertainties and other important factors, as disclosed in MACC’s prior Securities and Exchange Commission (“SEC”) filings. These and many other factors could affect MACC’s future financial condition and operating results and could cause actual results to differ materially from expectations based on forward-looking statements made in this document or elsewhere by MACC or on its behalf. MACC undertakes no obligation to revise or update any forward-looking statements. The forward-looking statements contained in this Form 10-Q are excluded from the safe harbor protection provided by Section 27A of the Securities Act of 1933, as amended (the “1933 Act”) and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). All references to fiscal year apply to MACC’s respective fiscal years which end on September 30.

Results of Operations

MACC’s investment income includes income from interest and dividends. Net investment loss represents total investment income minus net operating expenses. The main objective of portfolio company investments is to achieve capital appreciation and realized gains in the portfolio. These gains and losses are not included in net investment loss and are reported as separate line items.

Second Quarter Ended March 31, 2011 Compared to Second Quarter Ended March 31, 2010

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For the three months ended
March 31,
2011 2010

Change

| | | | |
|----------------------------------|------------|-------------|-----------|
| Total investment income | \$ 114,622 | 78,775 | 35,847 |
| Total operating expenses | (237,389) | (246,609) | 9,220 |
| Net investment loss | (122,767) | (167,834) | 45,067 |
| Net realized loss on investments | \$(13,116) | (3,063,596) | 3,050,480 |

| | | | |
|---|-----------|-----------|-------------|
| Net change in unrealized appreciation/ depreciation on investments | 306,372 | 2,618,444 | (2,312,072) |
| Net gain (loss) on investments | \$293,256 | (445,152) | 738,408 |
| Net increase (decrease) in net assets resulting from operations | \$170,489 | (612,986) | 783,475 |
| Net asset value per share: | | | |
| Beginning of period | \$ | 2.54 | 2.97 |
| End of period | \$ | 2.61 | 2.72 |

Total Investment Income

During the second quarter of the current fiscal year (“Fiscal 2011”), total investment income was \$114,622, an increase of \$35,847, or 46%, from total investment income of \$78,775 for the prior fiscal year (“Fiscal 2010”) second quarter. In the second quarter of Fiscal 2011 as compared to second quarter of Fiscal 2010, interest income decreased \$9,881 or 13%, and dividend income increased \$45,728, or 1980%. The decrease in interest income is primarily due to repayments of principal on debt portfolio securities issued to us by two portfolio companies. In both the second quarter of Fiscal 2011 and the second quarter of Fiscal 2010, MACC received a dividend on one existing portfolio investment. The timing and amount of dividend income is difficult to predict.

Net Operating Expenses

Net operating expenses for the second quarter of the Fiscal 2011 were \$237,389, a decrease of \$9,220 or 4%, as compared to net operating expenses for the second quarter of Fiscal 2010 of \$246,609. Interest expense decreased \$34,776 or 51%, in the second quarter of Fiscal 2011 due to the decrease in the principal balance of the Note Payable to Cedar Rapids Bank and Trust (“CRB&T”) as discussed below under Going Concern Uncertainty, Financial Condition, Liquidity and Capital Resources.

Management fees decreased \$16,144, or 28%, in the second quarter of Fiscal 2011 due to the decrease in assets under management. Professional fees increased \$5,605, or 7%, in the second quarter of Fiscal 2011 as compared to the second quarter of Fiscal 2010. The increase is primarily related to evaluation by the Board of Directors of all remaining strategies for the Company to continue to operate as a going concern. Other expenses increased \$28,023, or 43%, in the second quarter of Fiscal 2011 as compared to the second quarter of Fiscal 2010 as a result of an increase in shareholder expenses due to expenses related to complying with IRS mandated regulatory reporting changes and expenses associated with the shareholder annual meeting.

Net Investment Loss

For the second quarter of Fiscal 2011, MACC recorded net investment loss of \$122,767, as compared to a net investment loss of \$167,834 during the second quarter of Fiscal 2010, a decrease of \$45,067, or 27%. The decrease in net investment loss is primarily the result of the increase in dividend income in the current period.

Net Realized Gain/(Loss) on Investments

During the second quarter of Fiscal 2011, MACC realized a net loss of \$13,116 on two portfolio investments, as compared with a net realized loss of \$3,063,596 on investments in the second quarter of Fiscal 2010. The current period net realized loss is the result of the reduction of the anticipated escrow receipts on two portfolio investments that were previously sold. Management does not attempt to maintain a comparable level of realized gains quarter to quarter but instead attempts to maximize total investment portfolio appreciation through realizing gains in the disposition of securities. Under the EAM Advisory Agreement (as defined below), the investment adviser is entitled to be paid an incentive fee, which is calculated as a percentage of the excess of our realized gains in a particular period, over the sum of net realized losses, unrealized depreciation, and operating losses during the same period. As a result, the timing of realized gains, realized losses and unrealized depreciation can have an effect on the amount of the incentive fee payable to the investment adviser under the EAM Advisory Agreement.

Effective April 29, 2008, MACC entered into an investment advisory agreement (the “EAM Advisory Agreement”) with EAM. Under the EAM Advisory Agreement, EAM earns an incentive fee which is calculated as a percentage of the excess of our realized gains in a particular period, over the sum of net realized losses and unrealized depreciation during the same period. As a result, the timing of realized gains, realized losses and unrealized depreciation can have an effect on the amount of the incentive fee payable to EAM under the EAM Advisory Agreement.

Also effective April, 29, 2008, MACC and EAM entered into an Investment Subadvisory Agreement (the “Subadvisory Agreement”) with InvestAmerica, pursuant to which InvestAmerica continues to manage our portfolio of investments which existed on the effective date of the Subadvisory Agreement (the “Existing Portfolio”). Under the terms of the Subadvisory Agreement, EAM pays InvestAmerica an incentive fee based on a portion of the incentive fees paid to EAM by us under the EAM Advisory Agreement attributable to the Existing Portfolio.

Change in Unrealized Appreciation/Depreciation of Investments

Net change in unrealized appreciation/depreciation on investments represents the change for the period in the unrealized appreciation, net of unrealized depreciation, on our total investment portfolio based on the valuation method described under “Critical Accounting Policies.”

We recorded a net change in unrealized appreciation/depreciation on investments of \$306,372 during the current year second quarter, as compared to \$2,618,444 during the prior year second quarter. This net change resulted from:

Unrealized appreciation in the fair value of two portfolio companies totaling \$413,434 during the current year second quarter, as compared to unrealized appreciation in the fair value of one portfolio company totaling \$200,000 during the prior year second quarter.

No reversals of unrealized appreciation during the current year second quarter, as compared to reversal of unrealized appreciation in the fair value of one portfolio company totaling \$21,754 during the prior year second quarter.

Unrealized depreciation in the fair value of one portfolio company totaling \$127,458 during the current year second quarter, as compared to unrealized depreciation in the fair value of two portfolio companies of \$632,355 during the prior year second quarter.

Reversal of unrealized depreciation of \$20,396 in three portfolio companies during the current year second quarter, as compared to reversal of unrealized depreciation of \$3,072,553 in three portfolio companies written-off during the prior year second quarter.

Net Change in Net Assets from Operations

MACC experienced an increase of \$170,489 in net assets for the second quarter of fiscal year 2011, and the resulting net asset value per share was \$2.61 as of March 31, 2011, as compared to \$2.41 as of September 30, 2010. The increase in net asset value during the second quarter ended March 31, 2011 was primarily the result of the net increase in unrealized appreciation on investments and the increase in dividend income, as described above.

As of March 31, 2011, MACC had recorded unrealized appreciation on two portfolio investments and had recorded unrealized depreciation on eight portfolio investments. Quarterly valuations can be affected by a portfolio company’s short term performance that results in increases or decreases in unrealized depreciation and unrealized appreciation for the quarter. Changes in the fair value of a portfolio security may or may not be indicative of the long term performance of the portfolio company.

MACC is not currently making investments in new portfolio companies. MACC will continue to prudently sell the Existing Portfolio investments and use the resulting proceeds to pay down the Note Payable, as further described below. The ability to exit the Existing Portfolio investments is affected by company performance and external factors unrelated to the portfolio companies. These factors include available credit, health of the markets in which our portfolio companies operate, inflationary expectations and pressures, commodity prices, and the general state of the economy.

Six Months Ended March 31, 2011 Compared to Six Months Ended March 31, 2010

| | For the six months ended | | |
|---|--------------------------|-------------|-------------|
| | March 31, 2011 | 2010 | Change |
| Total investment income | \$ 303,863 | 171,966 | 131,897 |
| Total operating expenses | (543,777) | (509,661) | (34,116) |
| Net investment loss | (239,914) | (337,695) | 97,781 |
| Net realized gain (loss) on investments | 460,436 | (3,063,596) | 3,524,032 |
| Net change in unrealized appreciation/ depreciation on investments | 256,071 | 2,294,773 | (2,038,702) |
| Net gain (loss) on investments | 716,507 | (768,823) | 1,485,330 |
| Net increase (decrease) in net assets resulting from operations | \$ 476,593 | (1,106,518) | 1,583,111 |
| Net asset value per share: | | | |
| Beginning of period | \$ 2.41 | 3.17 | |
| End of period | \$ 2.61 | 2.72 | |

Total Investment Income

During the six-month period ended on March 31, 2011 of the current fiscal year ("Fiscal 2011"), total investment income was \$303,863, an increase of \$131,897, or 77%, from total investment income of \$171,966 for the same six-month period of the prior fiscal year ("Fiscal 2010") six-month period. In the six-month period of Fiscal 2011 as compared to the six-month period of Fiscal 2010, interest income increased \$5,207 or 4%, and dividend income increased \$126,690, or 282%. The increase in interest income is primarily due to the fact that no portfolio securities had accrued interest reserved in the current year six-month period as compared to one debt portfolio security of which the interest accrued was reserved in the prior year six-month period. In both the six-month period of Fiscal 2011 and the six-month period of Fiscal 2010, MACC received dividends on two existing portfolio investments. The timing and amount of dividend income is difficult to predict.

Net Operating Expenses

Net operating expenses for the six-month period of Fiscal 2011 were \$543,777, an increase of \$34,116 or 7%, as compared to net operating expenses for the six-month period of Fiscal 2010 of \$509,661. Interest expense decreased

\$56,398 or 41%, in the six-month period of Fiscal 2011 due to the decrease in the principal balance of the Note Payable to Cedar Rapids Bank and Trust (“CRB&T”) as discussed below under Going Concern Uncertainty, Financial Condition, Liquidity and Capital Resources.

Management fees decreased \$31,804, or 27%, in the six-month period of Fiscal 2011 due to the decrease in assets under management. Professional fees increased \$73,491, or 42%, in the six-month period of Fiscal 2011 as compared to the six-month period of Fiscal 2010. The increase is primarily related to legal costs in relation to the annual meeting of stockholders and the accrual of additional audit fees charged in connection with portfolio valuation activities. Other expenses increased \$32,925, or 24%, in the six-month period of Fiscal 2011 as compared to the six-month period of Fiscal 2010 as a result of an increase in Directors and Officers insurance expense and shareholder expenses.

Net Investment Loss

For the six-month period of Fiscal 2011, MACC recorded net investment loss of \$239,914, as compared to a net investment loss of \$337,695 during the six-month period of Fiscal 2010, a decrease of \$97,781, or 29%. The decrease in net investment loss is primarily the result of the increase in dividend income in the current six-month period.

Net Realized Gain/(Loss) on Investments

During the six-month period of Fiscal 2011, MACC realized a net gain of \$460,436 on three portfolio investments, as compared with a net realized loss of \$3,063,596 on three portfolio investments in the six-month period of Fiscal 2010. The current six-month period net realized gain was the result of the sale of one portfolio investment for a realized gain of \$844,083, the sale of two other portfolio investments for realized losses of \$381,531 and the reduction of the anticipated escrow receipt on a previously sold portfolio company of \$2,116. Management does not attempt to maintain a comparable level of realized gains quarter to quarter but instead attempts to maximize total investment portfolio appreciation through realizing gains in the disposition of securities. Under the EAM Advisory Agreement (as defined below), the investment adviser is entitled to be paid an incentive fee, which is calculated as a percentage of the excess of our realized gains in a particular period, over the sum of net realized losses, unrealized depreciation, and operating losses during the same period. As a result, the timing of realized gains, realized losses and unrealized depreciation can have an effect on the amount of the incentive fee payable to the investment adviser under the EAM Advisory Agreement.

Effective April 29, 2008, MACC entered into an investment advisory agreement (the "EAM Advisory Agreement") with EAM. Under the EAM Advisory Agreement, EAM earns an incentive fee which is calculated as a percentage of the excess of our realized gains in a particular period, over the sum of net realized losses and unrealized depreciation during the same period. As a result, the timing of realized gains, realized losses and unrealized depreciation can have an effect on the amount of the incentive fee payable to EAM under the EAM Advisory Agreement.

Also Effective April, 29, 2008, MACC and EAM entered into an Investment Subadvisory Agreement (the "Subadvisory Agreement") with InvestAmerica, pursuant to which InvestAmerica managed our portfolio of investments which existed on the effective date of the Subadvisory Agreement (the "Existing Portfolio"). Under the terms of the Subadvisory Agreement, EAM pays InvestAmerica an incentive fee based on a portion of the incentive fees paid to EAM by us under the EAM Advisory Agreement attributable to the Existing Portfolio.

Change in Unrealized Appreciation/Depreciation of Investments

Net change in unrealized appreciation/depreciation on investments represents the change for the period in the unrealized appreciation, net of unrealized depreciation, on our total investment portfolio based on the valuation method described under "Critical Accounting Policies."

We recorded a net change in unrealized appreciation/depreciation on investments of \$256,071 during the current year six-month period, as compared to \$2,294,773 during the prior year six-month period. This net change resulted from:

Unrealized appreciation in the fair value of three portfolio companies totaling \$835,617 during the current year six-month period, as compared to unrealized appreciation in the fair value of two portfolio companies totaling \$370,746 during the prior year six-month period.

Reversal of unrealized appreciation in the fair value of one portfolio company totaling \$627,651 during the current year six-month period, as compared to reversal of unrealized appreciation in the fair value of two portfolio companies totaling \$74,641 during the prior year six-month period.

Unrealized depreciation in the fair value of five portfolio companies totaling \$415,408 during the current year six-month period, as compared to unrealized depreciation in the fair value of four portfolio companies of \$1,073,885 during the prior year six-month period.

Reversal of unrealized depreciation of \$463,513 in two portfolio companies during the current year six-month period, as compared to reversal of unrealized depreciation of \$3,072,553 in three portfolio companies in the prior year six-month period.

Going Concern Uncertainty, Financial Condition, Liquidity and Capital Resources

Global capital markets experienced significant disruption beginning in 2008 as evidenced by a lack of liquidity in debt capital markets, significant write-offs in the financial services sector, the re-pricing of credit risk and the failure of major financial institutions. These events have contributed to difficult economic conditions that materially and adversely impacted the broader financial and credit markets and significantly reduced the availability of debt and equity capital for the market as a whole and financial services firms in particular. Although there are signs of these conditions lightening, they may continue for a prolonged period of time or worsen in the future. Our portfolio companies may not be able to service or refinance their debt which could materially and adversely affect our financial condition as we would experience reduced income or even losses. The inability of our portfolio companies to obtain adequate financing or to raise capital and the risk of portfolio company defaults may have a negative effect on our business, financial condition and results of operations.

As of March 31, 2011, MACC's cash and money market accounts totaled \$279,570. MACC has a note payable ("Note Payable") with Cedar Rapids Bank & Trust Company ("CRB&T") with a balance of \$1,981,272 at March 31, 2011 that is due and payable July 11, 2011. Effective January 10, 2011, MACC executed a fifth amendment to the business loan agreement ("Fifth Amendment") whereby CRB&T deleted 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 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 reviewed a number of alternatives including seeking shareholder approval to liquidate. We continue to seek additional cash through future sales of portfolio equity and debt securities. In order to fund operating cash needs, MACC may need to liquidate its current investment portfolio on an accelerated basis, to the extent possible, which could result in significant realized losses due to the current economic conditions.

Current working capital and cash may not be adequate for operations at their current levels. MACC continues to seek additional cash through future sales of portfolio equity and debt securities. The efforts to sell investments have taken longer than anticipated while performance of the underlying portfolio companies in certain cases has deteriorated. MACC continues to review its current investment portfolio and evaluate potential exit opportunities meant to maximize return on initial investment.

The following table shows our significant contractual obligations for the repayment of the Note Payable and other contractual obligations as of March 31, 2011:

Payments due by period

| Contractual Obligations | Payments due by period | | | | |
|----------------------------|------------------------|---------------------|--------------|--------------|----------------------|
| | Total | Less than 1 Year | 1-3 Years | 3-5 Years | More than 5 Years |
| Note Payable | \$ 1,981,272 | 1,981,272 | --- | --- | --- |
| Incentive Fees Payable (1) | \$ 16,361 | 16,361 | --- | --- | --- |

Failure to pay-off, refinance or find alternative financing for the term loan could pose significant financial risks to MACC given the relative illiquid nature of the Existing Portfolio. In addition, MACC anticipates that our current cash and money market accounts will not be adequate enough to fund our cash flow short-fall from operations during Fiscal 2011. MACC will need to liquidate portfolio assets to fund the operating cash short-fall. Although management believes MACC will be able liquidate portfolio assets sufficient to provide funds for MACC to meet its fiscal year 2011 anticipated cash requirements, there can be no assurance that MACC's cash flows from portfolio sales, operations or cash requirements will be as projected.

(1) Pursuant to the Interim Advisory Agreement as discussed under Note (7) of the Notes to Unaudited Financial Statements, MACC is no longer obligated to pay an incentive fee to InvestAmerica or EAM. As a result, in subsequent quarters MACC will no longer have such a contractual obligation.

Portfolio Activity

MACC has invested in and lended to businesses through investments in subordinated debt (generally with detachable equity warrants), preferred stock and common stock. MACC, however, is not currently making new investments in portfolio companies and is actively seeking to liquidate the portfolio. The total portfolio value of MACC's investments in illiquid securities was \$8,209,836 at March 31, 2011 and \$9,226,650 at September 30, 2010. During the three months ended March 31, 2011, MACC made no new investments and no follow-on investments were made in existing portfolio companies.

MACC has frequently co-invested with other funds managed by InvestAmerica. When MACC makes any co-investment with these related funds, MACC follows certain procedures consistent with orders of the SEC for related party co-investments to mitigate conflict of interest issues.

Critical Accounting Policies

In September 2006, the FASB issued authoritative guidance for fair value measurements and disclosures which defines fair value, establishes a framework for measuring fair value and expands disclosures related to assets and liabilities measured at fair value. In February 2008, the FASB issued additional authoritative guidance for fair value measurements which delayed the effective date of the authoritative guidance for fair value measurements to fiscal years beginning after November 15, 2008 for all nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis. We adopted the provisions of the authoritative guidance for fair value measurements on January 1, 2008 with the exception of the application of the guidance to non-recurring non financial assets and non-financial liabilities which we adopted on October 1, 2009.

Investments in securities that are traded in the over-the-counter market or on a stock exchange are valued by taking the average of the close (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 determine 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.

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 those estimates.

Determination of Net Asset Value

The net asset value per share of MACC's outstanding common stock is determined quarterly, as soon as practicable after and as of the end of each calendar quarter, by dividing the value of total assets minus total liabilities by the total number of shares outstanding at the date as of which the determination is made.

Item 3. Quantitative and Qualitative Disclosure About Market Risk

MACC currently has a portfolio of debt and equity securities for which no regular trading market exists. The fair value of these investments may not be readily determinable. We value these investments quarterly at fair value as determined in good faith under the direction of our Board of Directors pursuant to a valuation policy and consistently applied valuation process utilizing the input of our investment advisers and Audit Committee. The types of factors that may be considered in fair value pricing of these investments include the nature and realizable value of any collateral, the portfolio company's ability to make payments and its earnings, the markets in which the portfolio company does business, comparison to more liquid securities, indices and other market related inputs, discounted cash flow and other relevant factors. Because such valuations and particularly valuations of private securities and private companies are inherently uncertain, may fluctuate over short periods of time and may be based on estimates, our determinations of fair value may differ materially from the values that would have been used if a readily available market for these investments existed and may differ materially from the amounts we realize on any disposition of such investments. Our net asset value could be adversely affected if our determinations regarding the fair value of these investments were materially higher than the values that we ultimately realize upon the disposal of such investments. In addition, decreases in the market values or fair values of our investments are recorded as unrealized depreciation. Continued declines in prices and liquidity in the debt markets could result in substantial unrealized/realized losses, which could have a material adverse impact on our business, financial condition and results of operations.

The recent economic conditions generally and the disruptions in the capital markets over the past two years in particular have decreased liquidity, where available. The longer these conditions persist, the greater the probability that these factors could reduce our ability to effectively liquidate portfolio positions, increase our cost and significantly limit our access to debt and equity capital, and thus continue to have an adverse effect on our operations and financial results. Many of our portfolio companies were susceptible to the economic downturn, which affected their ability to repay our loans or engage in a liquidity event, such as a sale or recapitalization.

A continued economic downturn could continue to impact some of the industries in which we invest, causing us to be vulnerable to further losses in our portfolio. Therefore, the number of our non-performing assets could increase and the fair market value of our portfolio decrease during these periods. The economic downturn has affected the

availability of credit generally and may prevent us from replacing or renewing our credit facility on reasonable terms, if at all. If market instability intensifies, we may experience difficulty in raising capital.

MACC is also subject to financial market risks from changes in market interest rates. MACC currently has an outstanding Note Payable with a variable interest rate that is based on an independent index. Therefore, general interest rate fluctuations may have a materially adverse effect on our investment expense.

Item Controls and Procedures

4.

(a) Evaluation of Disclosure Controls and Procedures

As of March 31, 2011, the Chief Executive Officer and Chief Financial Officer of MACC (the “Certifying Officers”) conducted evaluations of MACC’s disclosure controls and procedures. Disclosure controls and procedures means controls and other procedures of an issuer that are designed to ensure that information required to be disclosed by the issuer in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer’s management, including its principal executive officer or officers and principal financial officer or officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. The Certifying Officers have evaluated MACC’s disclosure controls and procedures and have concluded, as a result of the previous identification of material weaknesses in internal control over financial reporting, that those specific disclosure controls and procedures were not effective as of March 31, 2011. As noted below, during the quarter remedial steps were commenced to address the identified weaknesses.

(b) Management’s Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting. MACC’s internal control system is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes policies and procedures that: 1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets; 2) provide reasonable assurances that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America and that receipts and expenditures are being made only in accordance with authorizations of management and the directors of MACC; and 3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of MACC’s assets that could have a material effect on our financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Because of these limitations, internal control over financial reporting may not prevent or detect misstatements on a timely basis. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of MACC’s annual or interim financial statements will not be prevented or detected on a timely basis.

Management assessed the effectiveness of MACC’s internal control over financial reporting as of March 31, 2011 using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control-Integrated Framework. In performing the assessment, management identified the following material weaknesses in internal control over financial reporting:

- 1) MACC’s policies and procedures over the preparation and accumulation of information used in the investments valuation process and management’s review thereof are not appropriately designed to identify matters that may affect the appropriateness and reliability of information provided to the valuation committee. Specifically, our

policies and procedures and management's review controls were not designed to ensure the appropriateness and consistency in (a) the preparation of the portfolio company financial information provided to the valuation committee, (b) the procedures used to ensure the relevancy and reliability of the underlying financial information provided by the portfolio companies, and (c) the methods used to value MACC's individual investments.

- 2) MACC's entity-level policies and procedures for monitoring internal control over financial reporting were not sufficient. Specifically, we did not have sufficient personnel with an appropriate level of technical accounting knowledge, experience, and training who could execute appropriate monitoring controls and perform adequate supervisory reviews over the investments valuation process. This material weakness contributed to the additional material weakness discussed above.

For the quarter ended March 31, the material weakness discussed above did not result in any fair value adjustments to the valuations of the individual holdings reported in the previous quarter.

As a result of these material weaknesses, we have concluded that internal control over financial reporting was not effective as of March 31, 2011.

(c) Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended March 31, 2011 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

(d) Remediation Plan

In response to the previously identified control weaknesses, in the period from the issuance of our prior quarterly report, to the filing of this report, the following actions have been taken:

- A team consisting of the Company's officers, members of the Audit Committee and outside legal counsel evaluated the issues discussed above and drafted amendments to our valuation policies which were proposed to, and approved by, the Board of Directors.
 - The proposed changes were reviewed by our independent registered public accounting firm.
- Changes to the Company valuation policy (the "Valuation Policy"), which are being implemented for the quarter commencing April 1, 2011, include the following:
 - o Increased documentation of the requirements for portfolio companies to prepare and report their financial information to us.
 - o Verification that all current portfolio companies are required, as a matter of contract, to provide adequate financial reporting to us, and that all are doing so on a timely basis for each valuation.
 - o As part of the annual valuation in connection with preparation of audited financial statements, the Board will engage an independent valuation expert to provide (1) an overall review of the valuation process in general, and (2) a more detailed review of selected investment valuations on a rotating basis.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

There are no items to report.

Item 1A. Risk Factors.

There are no material changes to report from the risk factors disclosed in MACC's Annual Report on Form 10-K for the year ended September 30, 2010.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

There are no items to report.

Item 3. Defaults Upon Senior Securities.

There are no items to report.

Item 4. (Removed and Reserved).

Item 5. Other Information.

There are no items to report.

Item 6. Exhibits.

The following exhibits are filed with this Quarterly Report on Form 10-Q:

31.1 Section 302 Certification of David R. Schroder (President and Principal Executive Officer).

31.2 Section 302 Certification of Robert A. Comey (CFO).

32.1 Section 1350 Certification of David R. Schroder (President and Principal Executive Officer).

32.2 Section 1350 Certification of Robert A. Comey (CFO).

SIGNATURES

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

MACC PRIVATE EQUITIES
INC.

Date: May 16, 2011

By: /s/ David R. Schroder
David R. Schroder, President and Principal Executive Officer

Date: May 16, 2011

By: /s/ Robert A. Comey
Robert A. Comey, Chief Financial
Officer

EXHIBIT INDEX

| Exhibit | Description |
|---------|---|
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