MACC PRIVATE EQUITIES INC
Form 10-Q
February 17, 2009

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

Form 10-Q

(Mark one)

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

For the quarterly period ended December 31, 2008

[ ] 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	42-1421406
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

580 Second Street; Suite 102, Encinitas, California 92024
(Address of principal executive offices)

(760) 479-5080
(Registrant's telephone number, including area code)

(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 |X| 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.

Large accelerated filer [ ]	Accelerated filer [ ]
Non-accelerated filer |X|	Smaller reporting company [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes [ ] No |X| At December 31, 2008, 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

	December 31, 2008 (Unaudited)
Assets	

Cash and cash equivalents	$	143,836
Loans and investments in portfolio securities, at market or fair value:		
Unaffiliated companies (cost of $2,267,557 and $2,274,595)		1,807,139
Affiliated companies (cost of $12,249,659 and $12,234,007)		10,529,151
Controlled companies (cost of $2,885,356 and $2,932,231)		2,396,400
Interest receivable		307,675
Other assets		318,055
Total assets	$	15,502,256
Liabilities and net assets		
Liabilities:		
Note payable	$	4,702,084
Incentive fees payable		16,361
Accounts payable and other liabilities		161,750
Total liabilities		4,880,195
Net assets:		
Common stock, $.01 par value per share; authorized 10,000,000 shares; issued and outstanding 2,464,621 shares		24,646
Additional paid-in-capital		13,267,297
Unrealized depreciation on investments		(2,669,882)
Total net assets		10,622,061
Total liabilities and net assets	$	15,502,256
Net assets per share	$	4.31

SEE ACCOMPANYING NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS

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

		For the three months ended December 31, 2008
Investment income:		
Interest		
Unaffiliated companies	$	7,986
Affiliated companies		86,823
Controlled companies		6,788
Other		158
Dividends		
Affiliated companies		109,624
Total investment income		211,379
Operating expenses:		

Interest expenses		72,507
Management fees		74,943
Professional fees		57,228
Other		88,721
Total operating expenses and income tax expense		293,399
Investment expense, net		(82,020)
Realized and unrealized (loss) gain on investments: Net realized gain on investments:		
Unaffiliated companies		---
Net change in unrealized appreciation/depreciation investments		269,100
Net (loss) gain on investments		269,100
Net change in net assets from operations	$	187,080

SEE ACCOMPANYING NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS

MACC PRIVATE EQUITIES INC.
Condensed Statements of Cash Flows
(Unaudited)

		For the three months ended December 31, 2008
Cash flows from (used in) operating activities:		
Net change in net assets from operations	$	187,080
Adjustments to reconcile net change in net assets from operations to net cash provided by (used in) operating activities:		
Net realized and unrealized loss (gain) on investments		(269,100)
Proceeds from disposition of and payments on loans and investments in portfolio securities		78,388
Purchases of loans and investments in portfolio securities		(40,127)
Change in interest receivable		5,886
Change in other assets		34,620
Change in accrued interest, deferred incentive fees payable, accounts payable and other liabilities		49,620
Net cash provided by (used in) operating activities		46,367
Cash flows from financing activities:		
Note repayment		(48,321)
Net cash used in financing activities		(48,321)
Net decrease in cash and cash equivalents		(1,954)
Cash and cash equivalents at beginning of period		145,790

Cash and cash equivalents at end of period	$	143,836
Supplemental disclosure of cash flow information - Cash paid during the period for interest	$	72,507

SEE ACCOMPANYING NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS

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 U.S. generally accepted accounting principles ("GAAP") for investment companies. MACC has elected to be treated as a business development company under the Investment Company Act of 1940. On February 15, 1995, MACC consummated a plan of reorganization as confirmed by the United States Bankruptcy Court for the Northern District of Iowa on December 28, 1993. As of February 15, 1995, MACC adopted fresh-start reporting in accordance with American Institute of Certified Public Accountants (AICPA) Statement of Position (SOP) 90-7, *Financial Reporting by Entities in Reorganization Under the Bankruptcy Code*, resulting in MACC's assets and liabilities being adjusted to fair values. Effective April 30, 2008, MACC's wholly owned subsidary, 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 Article 6 of Regulation S-X. Certain information and note disclosures normally included in 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 consolidated financial statements and notes thereto of MACC as of and for the year ended September 30, 2008. 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 period reported are not necessarily indicative of results to be expected for the year. The balance sheet information as of September 30, 2008 has been derived from the audited balance sheet as of that date.

(2) Critical Accounting Policies

Investments

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements." This statement defines fair value, establishes a framework for measuring fair value in GAAP, and expands disclosures about fair value measurements. The provisions of SFAS No. 157 are effective as of the beginning of the first fiscal year that begins after November 15, 2007. MACC adopted SFAS No. 157 effective October 1, 2008. The adoption of SFAS No. 157 did not have a material impact on the financial statements as of and for the three months ended December 31, 2008.

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. The Board of Directors has considered the current illiquid credit market conditions, and the risks and uncertainties associated with those conditions. The conditions have not significantly impacted the investment values. 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. Under the provisions of SOP 90-7, the fair value of loans and investments in portfolio securities on February 15, 1995, the 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 those estimates.

(3) Recent Accounting Pronouncements

On December 14, 2007, the FASB issued proposed FASB staff position (FSP) FAS 157-b which would delay the effective date of SFAS 157 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). This FSP partially defers the effective date of Statement 157 to fiscal years beginning after November 15, 2008. MACC is currently reviewing the impact of this pronouncement on the financial statements.

In February 2007 the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities--Including an amendment of FASB Statement No. 115." This statement permits entities to choose to measure many financial instruments and certain other items to be measured at fair value. The provisions of SFAS No. 159 are effective as of the beginning of the first fiscal year that begins after November 15, 2007. This pronouncement had no impact on the condensed unaudited financial statements as of December 31, 2008.

In October 2008, the Financial Accounting Standards Board issued FSP No. 157-3, *"Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active."* FSP No. 157-3 clarifies the application of SFAS No. 157 in a market that is not active. More specifically, FSP No. 157-3 states that significant judgment should be applied to determine if observable data in a dislocated market represents forced liquidations or distressed sales and are not representative of fair value in an orderly transaction. FSP No. 157-3 also provides further guidance that the use of a reporting entity's own assumptions about future cash flows and appropriately risk-adjusted discount rates is acceptable when relevant observable inputs are not available. In addition, FSP No. 157-3 provides guidance on the level of reliance of broker quotes or pricing services when measuring fair value in a non active market stating that less reliance should be placed on a quote that does not reflect actual market transactions and a quote that is not a binding offer. The guidance in FSP No. 157-3 is effective upon issuance for all financial statements that have not been issued and any changes in valuation techniques as a result of applying FSP No. 157-3 are accounted for as a change in accounting estimate. MACC adopted this pronouncement during the quarter ended December 31, 2008. The adoption of this pronouncement had no impact on the condensed financial statements as of December 31, 2008.

In March 2008, the FASB issued SFAS No. 161, *"Disclosures about Derivative Instruments and Hedging Activities"* ("SFAS No. 161"), which is intended to help investors better understand how derivative instruments and hedging activities affect an entity's financial position, financial performance and cash flows through enhanced disclosure requirements. The enhanced disclosures primarily surround disclosing the objectives and strategies for using derivative instruments by their underlying risk as well as a tabular format of the fair values of the derivative instruments and their gains and losses. SFAS No. 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. MACC does not believe the adoption of this pronouncement will have a material impact on its consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141(R), *"Business Combinations"* ("SFAS No. 141(R)"). SFAS No. 141(R) establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any noncontrolling interest in the acquiree and the goodwill acquired. SFAS No. 141(R) also establishes disclosure requirements to enable the evaluation of the nature and financial effects of the business combination. SFAS No. 141(R) is effective as of the beginning of an entity's fiscal year that begins after December 15, 2008. MACC is required to adopt SFAS No. 141 (R) on October 1, 2009 and is currently evaluating the impact of this pronouncement on its consolidated financial statements.

(4) Investments - Fair Value Measurements

SFAS No. 157 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.

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

> Level I - 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 II - 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 III - 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 Directors' 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 December 31, 2008 were classified and disclosed under the Level III 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 and in the aggregate as of the end of each quarter of each fiscal year and as of the end of each fiscal year. Interest-bearing securities are valued in an amount not greater than cost, with adjustments to their carrying value made to reflect changes in interest rates. 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. 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 table presents the investments at fair value as of December 31, 2008 by type of investment:

Fair Value Based on	**Corporate Private Debt**	**Corporate Private Equit**
Investment Level III	**$ 8,677,051**	**$ 6,055,639**

The following table provides a rollforward in the changes in fair value during the three-months ending December 31, 2008 for all investments which MACC has determined using unobservable (Level III) factors.

Balance, September 30, 2008	**$14,501,851**
Purchases (Debt Repayment)	
Handy Industries	40,127
Portrait Displays, Inc.	(7,038)
Morgan Ohare, Inc.	(46,875)
SMWC Acquisition Co. Inc.	(24,475)
Unrealized Gain (Loss)	
Portrait Displays, Inc.	324,050
M.A. Gedney Company	10,000
Linton Trust Company	(40,000)
Mainstream Data, Inc.	(24,950)
Balance, December 31, 2008	**$14,732,690**

Total unrealized gains and losses recorded for Level III investments are reported in Net Change in Unrealized Loss in the Statement of Operations.

(5) Note Payable

MACC has a term loan in the amount of $4,702,084 with Cedar Rapids Bank & Trust Company as of December 31, 2008. This note is a variable interest rate note secured by a Security Agreement, Commercial Pledge Agreement and a Master Business Loan Agreement. The interest rate on the note at December 31, 2008 was 6.0%. The note has a stated maturity of August 28, 2009.

MACC has also obtained a revolving line of credit of $500,000 from Cedar Rapids Bank & Trust Company for the purpose of providing working capital. As of December 31, 2008, $0 were drawn on this line of credit. Availability of these funds will terminate on August 29, 2009. Principal will be payable in one payment on August 28, 2009.

(6) Financial Highlights (Unaudited)

		For the three months ended December 31, 2008	For the three months ended December 31, 2007
Per Share Operating Performance (For a share of capital stock outstanding throughout the period):			
Net asset value, beginning of period	$	4.23	4.6
Income from investment operations:			

Investment expense, net		(0.03)		(0.02	
Net realized and unrealized gain (loss) on investment transactions		0.11		(0.29	
Total from investment operations		0.08		(0.31	
Net asset value, end of period	$	4.31		4.3	
Closing bid price	$	0.52		2.7	

		For the three months ended December 31, 2008		For the three months ended December 31, 2007
Total return				
Net asset value basis		1.79	%	(6.67
Market price basis		(62.86)	%	12.2
Net asset value, end of period (in thousands)	$	10,622		10,75
Ratio to weighted average net assets:				
Investment expense, net		(2.82)	%	(0.41
Operating and income tax expense		(0.79)	%	(2.68

The ratios of investment expense, net to average net assets, of operating and income tax expenses to average net assets and total return are calculated for common stockholders as a class. Total return, which reflects the annual change in net assets, was calculated using the change in net assets between the beginning of the current fiscal year and end of the current year period. An individual common stockholders' return may vary from these returns.

MACC PRIVATE EQUITIES INC.
SCHEDULE OF INVESTMENTS (UNAUDITED)
DECEMBER 31, 2008

Manufacturing:

Company	**Security**	**Perc of Ne asse**
Aviation Manufacturing Group, LLC (a)	14% debt security, due October 1, 2010	
Yankton, South Dakota	154,000 units preferred	
Manufacturer of flight critical parts	Membership interest	
for aircraft	14% note, due October 1, 2010	
Central Fiber Corporation	12% debt security, due March 31, 2009	
Wellsville, Kansas	12% debt security, due March 31, 2009	
Recycles and manufactures	Warrant to purchase 273.28 common shares	
cellulose fiber products		

Detroit Tool Metal Products Co. (a) Lebanon, Missouri Metal stamping	12% debt security, due November 18, 2009 19,853.94 share Series A preferred (c) 7,887.17 common shares (c)
Handy Industries, LLC (a) Marshalltown, Iowa Manufacturer of lifts for motorcycles, trucks and industrial metal products	12.5% debt security, due January 8, 2008 (c)(f) 167,171 units Class B preferred (c) Membership interest 12.0% debt security, due December 31, 2011 (c)
Kwik-Way Products, Inc. (a) Marion, Iowa Manufacturer of automobile aftermarket engine and brake repair machinery	2% debt security, due January 31, 2008 (c) 67,348 common shares
Linton Truss Corporation Delray Beach, Florida Manufacturer of residential roof and floor truss systems	542.8 common shares (c) 400 shares Series 1 preferred (c) Warrants to purchase common shares (c)
M.A. Gedney Company (a) Chaska, Minnesota Pickle processor	648,783 shares preferred (c) 12% debt security, due June 30, 2009 Warrant to purchase 83,573 preferred shares (c)
Magnum Systems, Inc. (a) Parsons, Kansas Manufacturer of industrial bagging equipment	12% debt security, due November 1, 2011 48,038 common shares (c) 292,800 shares preferred (c) Warrant to purchase 56,529 common shares (c)

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MACC PRIVATE EQUITIES INC.
CONSOLIDATED SCHEDULE OF INVESTMENTS CONTINUED (UNAUDITED)...
DECEMBER 31, 2008

Manufacturing Continued:

Company	**Security**	**Perce of Ne asset**
Pratt-Read Corporation (a) Bridgeport, Connecticut Manufacturer of screwdriver shafts and handles and other hand tools	13,889 shares Series A Preferred (c) 7,718 shares Services A preferred (c) 13% debt security, due July 30, 2007 (c)(e) Warrants to purchase common shares (c)	

Spectrum Products, LLC (b) Missoula, Montana Manufacturer of equipment for the swimming pool industry	13% debt security, due January 1, 2011 (c)(e) 385,000 units Series A preferred (c) Membership interest (c) 17,536.75 units Class B preferred (c)	
Superior Holding, Inc. (a) Wichita, Kansas Manufacturer of industrial and commercial boilers and shower doors, frames and enclosures	6% debt security, due April 1, 2010 (c) Warrant to purchase 11,143 common shares (c) 6% debt security, due April 1, 2010 (c) 121,457 common shares (c) 6% debt security, due April 1, 2010 (c) 312,000 common shares (c)	
Total manufacturing		63.
		=====
Service:		
Monitronics International, Inc. Dallas, Texas Provides home security systems monitoring services	73,214 common shares (c)	
Morgan Ohare, Inc. (b) Addison, Illinois Fastener plating and heat treating	0% debt security, due January 1, 2010 (c) 10% debt security, due January 1, 2010 57 common shares (c)	
SMWC Acquisition Co., Inc. (a) Kansas City, Missouri Steel warehouse distribution and processing	13% debt security due September 30, 2011 12% debt security due September 30, 2011	
Warren Family Funeral Homes, Inc. Topeka, Kansas Provider of value priced funeral services	Warrant to purchase 346.5 common shares (c)	
Total Service		16.
		=====

MACC PRIVATE EQUITIES INC.
CONSOLIDATED SCHEDULE OF INVESTMENTS CONTINUED (UNAUDITED)...
DECEMBER 31, 2008

Service Continued: **Company**	**Security**	**Perc of asse**
Technology and Communications:		

Feed Management Systems, Inc. (a) Brooklyn Center, Minnesota Batch feed software and systems and B2B internet services	540,551 common shares (c) 674,309 shares Series A preferred (c) Warrants to purchase 166,500 Series A preferred (c)	
MainStream Data, Inc. (a) Salt Lake City, Utah Content delivery solutions provider	322,763 shares Series A preferred (c)	
Phonex Broadband Corporation Midvale, Utah Power line communications	1,855,302 shares Series A preferred (c)	
Portrait Displays, Inc. Pleasanton, California Designs and markets pivot enabling software for LCD computer monitors	8% debt security, due April 1, 2009 8% debt security, due April 1, 2012 (c) Warrant to purchase 39,400 common shares (c)	
Total technology and communications		20. =====

(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 December 31, 2008.

(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 December 31, 2008.

(c) Non-income producing. Presently nonincome producing.

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

(e) Subsequent to December 31, 2008, debt security has been restructured to extend the due date.

(f) MACC is currently working with the company to restructure the terms of the debt security.

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" or the "Company") 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," "plans," "anticipates," "believes," "estimates," "predicts," "intends," "targets," "potential," and "continue," or the negative of these terms, or other similar words. Examples of forward-looking statements contained in this Quarterly Report on Form 10-Q include statements regarding MACC's:

- 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; and
- industry trends.

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 of each year.

Results of Operations

Our investment income includes income from interest, dividends and fees. Investment expense, net 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 investment expense, net.

First Quarter Ended December 31, 2008 Compared to First Quarter Ended December 31, 2007

	For the three months ended December 31, 2008	2007	Chang
Total investment income	$ 211,379	260,004	(48
Net operating and income tax expense	(293,399)	(307,563)	1
Investment expense, net	(82,020)	(47,559)	(34

Net change in unrealized appreciation/

depreciation on investments and other assets	269,100	(721,354)	
Net (loss) gain on investments	269,100	(721,354)	
Net change in net assets from operations	$ 187,080	(768,913)	
Net asset value per share:			
Beginning of period	$ 4.23	4.67	
End of period	$ 4.31	4.36	

Total Investment Income

During the current fiscal year first quarter, total investment income was $211,379, a decrease of $48,625, or 19%, from total investment income of $260,004 for the prior year first quarter. In the current year first quarter as compared to the prior year first quarter, interest income decreased $72,986, or 42%, and dividend income increased $24,361, or 29%. The decrease in interest income is the net result of (i) repayments of principal on debt portfolio securities issued to us by three portfolio companies, (ii) an increase in interest income due to one debt portfolio security which had been on non-accrual of interest status during the prior year first quarter but which is currently making interest payments and accordingly interest is being accrued as earned, and (iii) a decrease in interest income on four debt portfolio securities which have been placed on non-accrual of interest status. In both the current year first quarter and the prior year first quarter, MACC received a dividend on one existing portfolio investment, however the current year dividend was larger. MACC does not anticipate that its dividend income will continue to increase in future periods.

Net Operating Expenses

Net operating expenses for the first quarter of the current year were $293,399, a decrease of $14,164 or 5%, as compared to net operating expenses for the prior year first quarter of $307,563. Interest expense decreased $55,608, or 43%, in the current year first quarter due a combination of the decrease in the interest rate and principal balance of the Note Payable to Cedar Rapids Bank and Trust Company as discussed below under *Financial Condition, Liquidity and Capital Resources.*

Management fees increased $7,979, or 12%, in the current year first quarter due to the change of investment advisers and concurrent increase in the management fee from 1.5% to 2.0%. Professional fees increased $1,508, or 3%, in the current year first quarter as compared to the prior year first quarter. Other expenses increased $31,957, or 56%, in the current year first quarter as compared to the prior year first quarter. The increase in other expenses a result of (i) fees accrued for regulatory compliance consulting, and (ii) fees paid for investor related services associated with our proposed rights offering and the preparation of a registration statement.

Investment Expense, Net

For the current year first quarter, MACC recorded investment expense, net of $82,020, as compared to investment expense, net of $47,559 during the prior year first quarter, an increase of $34,461, or 72%. The increase in investment expense, net is primarily the result of the decrease in interest income described above.

Net Realized Gain on Investments

During the current year first quarter and the prior year first quarter, we had no net realized gain or loss on investments. 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 Investment Advisory Agreements between us and our prior sole investment adviser, InvestAmerica Investment Advisors, Inc. ("InvestAmerica"), and between MorAm and InvestAmerica (together, the "InvestAmerica Advisory Agreements"), both of which were in effect prior to their termination during the third quarter of fiscal 2008, InvestAmerica earned an incentive fee 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 InvestAmerica under the InvestAmerica Advisory Agreements.

Effective April 29, 2008, the InvestAmerica Advisory Agreements were terminated and we entered into an Investment Advisory Agreement (the "EAM Advisory Agreement") with Eudaimonia Asset Management, LLC ("EAM"). Under the EAM Advisory Agreement, EAM earns an incentive fee which is calculated as 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, we entered into an Investment Subadvisory Agreement (the "Subadvisory Agreement") with EAM and InvestAmerica, pursuant to which InvestAmerica will continue to manage our portfolio of investment 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.

Net Change in Unrealized Appreciation/Depreciation of Investments and Other Assets

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 Policy".

We recorded a net change in unrealized appreciation/depreciation on investments of $269,100 during the current year first quarter, as compared to ($721,354) during the prior year first quarter. This net change resulted from:

Unrealized appreciation in the fair value of two portfolio companies totaling $334,050 during the current year first quarter, as compared to unrealized appreciation in the fair value of one portfolio company totaling $175,869 during the prior year first quarter. The balance of unrealized appreciation during the quarter was primarily the result of the write-up to cost of a note receivable due from a portfolio company whose prospects for repayment of the note in full have become favorable.

Unrealized depreciation in the fair value of two portfolio companies totaling $64,950 during the current year first quarter, as compared to unrealized depreciation in the fair value of five portfolio companies of $897,223 during the prior year first quarter.

Net Change in Net Assets from Operations

We experienced an increase of $187,080 in net assets for the first quarter of fiscal year 2009, and the resulting net asset value per share was $4.31 as of December 31, 2008, as compared to $4.23 as of September 30, 2008. The increase in net asset value during the current year first quarter was primarily the result of the net change in unrealized appreciation/depreciation on investments, as described above.

As of December 31, 2008, we had seven portfolio investments valued at cost, had recorded unrealized appreciation on five portfolio investments, and have recorded unrealized depreciation on seven 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.

Although we are not currently making investments in new portfolio companies (but may periodically make follow-on investments in Existing Portfolio companies), as previously announced, our investment strategy under the EAM Advisory Agreement going forward is to make new equity investments in small-cap and micro-cap companies which qualify for investment by business development companies ("BDCs") under the Investment Company Act of 1940, as amended (the "1940 Act"). Under the Subadvisory Agreement, InvestAmerica will continue to oversee the Existing Portfolio. We will continue to prudently sell 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 sub prime lending, credit contraction, inflationary pressures, high commodity prices, recessional pressures, and a slowing economy.

We have initiated the process of raising additional capital by filing a registration statement to effect a rights offering, which was approved by shareholder vote on April 28, 2008, but which we would not anticipate effecting until our stock price increases sufficiently enough to yield at least $1 million in new capital. We further believe that future capital raises will be necessary and that they should be done at prices that are not dilutive to current shareholders.

Financial Condition, Liquidity and Capital Resources

We believe global capital markets entered into a period of significant disruption 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 certain major financial institutions. Despite actions of the United States federal government and foreign governments, these events have contributed to worsening general economic conditions that are materially and adversely impacting the broader financial and credit markets and reducing the availability of debt and equity capital for the market as a whole and financial services firms in particular. These conditions could continue for a prolonged period of time or worsen in the future. While these conditions persist, we and other companies in the financial services sector may need to, or may choose to access alternative markets for debt and equity capital which may only be available at a higher cost, and or on less favorable terms and conditions. In addition, equity capital may be difficult to raise because, subject to some limited exceptions, we are not generally able to issue and sell our common stock at a price below net asset value per share. Conversely, 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 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 December 31, 2008, our cash and money market accounts totaled $143,836. As reported elsewhere, MorAm had entered into (i) a term loan to refinance the outstanding debt under the Small Business Administration debenture program ("SBA Debentures"), which was assumed by us on April 30, 2008 as a result of the Merger, and which now has a balance of $4,702,084 (the "Note Payable"), and (ii) a revolving loan permitting MorAm (now us) to borrow up to $500,000, with Cedar Rapids Bank & Trust Company ("CRB&T"). The Note Payable has a stated maturity of August 28, 2009. The revolving loan will terminate on August 29, 2009. We have not begun negotiations to refinance the Note Payable or line of credit with CRB&T.

Although, we currently believe we will be able refinance the Note Payable and line of credit with CRB&T during the year, failure to do so or find alternative financing could pose significant financial risks to the company given the relatively illiquid nature of the Existing Portfolio. Assuming the successful refinancing of the Note Payable, and the line of credit with CRB&T, we believe, as of December 31, 2008, that our existing cash, money market accounts, and other anticipated cash flows will provide adequate funds for our anticipated cash requirements during fiscal year 2009.

The following table shows our significant contractual obligations for the repayment of the Note Payable and other contractual obligations as of December 31, 2008:

Contractual Obligations		Payments due by period				
		Total	Less than 1 Year	1-3 Years	3-5 Years	More 5 Ye
Note Payable	$	4,702,084	4,702,084	---	---	
Incentive Fees Payable	$	16,361	16,361	---	---	

With respect to the Existing Portfolio, we are not making new investments, are prudently disposing of Existing Portfolio assets and are using the resulting proceeds to pay down the Note Payable.

With respect to our investment strategy under the EAM Advisory Agreement, our Board of Directors sought and received approval by the shareholders for a proposal to issue rights to acquire shares of our Common Stock as a means by which we may raise additional equity capital. We anticipate commencing our new investment strategy under the EAM Advisory Agreement when we raise additional capital. In light of challenging market conditions as previously discussed however, the Board of Directors is continuing to review alternatives, including seeking shareholder approval to liquidate should additional capital raising prospects prove unlikely or inadequate to effectively execute on the new strategy.

Portfolio Activity

With respect to the Existing Portfolio, we have invested in and lended to businesses through investments in subordinated debt (generally with detachable equity warrants), preferred stock and common stock. We, however, are not currently making investments in new portfolio companies. As of December 31, 2008, certain debt investments have or were near expiration. Since the quarter end, we have either restructured or continue to work toward restructuring these investments. The total portfolio value of our investments in non-publicly traded securities was $14,732,690 at December 31, 2008 and $14,501,851 at September 30, 2008. During the three months ended December 31, 2008, we made one follow-on investment in the amount of $40,127 in one Existing Portfolio company. This follow-on investment also represented a co-investment with other funds managed by our Sub-adviser InvestAmerica. As noted above, we intend to pursue an investment strategy consisting of new equity investments in very small public companies that qualify for investment by BDCs under the 1940 Act, and may continue to make follow-on investments in our Existing Portfolio.

With respect to the Existing Portfolio, we have frequently co-invested with other funds managed by InvestAmerica. When we make any co-investment with these related funds, we follow certain procedures consistent with orders of the SEC for related party co-investments to reduce or eliminate conflict of interest issues. During the current year first quarter, we made no such co-investments with another fund managed by InvestAmerica.

Critical Accounting Policy

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements". This statement defines fair value, establishes a framework for measuring fair value in GAAP, and expands disclosures about fair value measurements. The provisions of SFAS No. 157 are effective as of the beginning of the first fiscal year that begins after November 15, 2007. MACC adopted SFAS No. 157 effective October 1, 2008.

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. Under the provisions of SOP 90-7, the fair value of loans and investments in portfolio securities on February 15, 1995, the fresh-start date, is considered the cost basis for financial statement purposes.

The preparation of financial statements in conformity with GAAP requires management to 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

We are subject to market risk from changes in market prices of publicly traded equity securities held from time to time in our consolidated investment portfolio. At December 31, 2008, we had no publicly traded equity securities in the Existing Portfolio, but, as noted elsewhere, we intend to pursue an investment strategy consisting of new equity investments in very small public companies that qualify for investment by BDCs under the 1940 Act.

We currently have 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.

In order to realize the full value of a security, the market must trade in an orderly fashion or a willing purchaser must be available when a sale is to be made. In addition our debt securities are reliant on the ability of the underlying portfolio company to make payment on the debt. We are therefore subject to financial market risk from the general economy and the macro and micro markets in which our portfolio companies operate. Should an economic or other event occur that would not allow the markets to operate in an orderly fashion, we may not be able to realize the fair value of our investments in debt and equity securities.

We are also subject to financial market risks from changes in market interest rates. The Note Payable and our revolving line of credit is subject to a variable interest rate that is based on an independent index. Therefore general interest rate fluctuations may have a materially adverse effect on our net investment income.

We are also subject to financial market risk from the short term nature of our credit facilities in combination with current market conditions and the relatively illiquid nature of our Existing Portfolio. Our Note Payable and revolving line of credit are due or terminate in August 2009. Given the currently challenging market environment as discussed elsewhere, we may have difficultly refinancing our Note Payable and revolving line of credit, or finding alternative sources of financing. Failure to refinance the Note Payable could result in significant financial difficulties for the company including the seizure and sale of Existing Portfolio assets at prices which would likely be as prices significantly less than fair value. In addition the failure to refinance our revolving line of credit could result in the company having insufficient funds to fund operating activities. Further the cost of financing could be significantly more costly which could have a material impact to the company's financial condition.

Item 4. Controls and Procedures

As of the end of the period covered by this report, in accordance with Item 307 of Regulation S-K promulgated under the Securities Act of 1933, as amended, our Chief Executive Officer and Chief Financial Officer (the "Certifying Officers") have conducted evaluations of our disclosure controls and procedures. As defined under Sections 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the term "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 SEC'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 reviewed our disclosure controls and procedures and have concluded that those disclosure controls and procedures were effective as of December 31, 2008. In compliance with Section 302 of the Sarbanes-Oxley Act of 2002, each of the Certifying Officers has executed an Officer's Certification included in this

Quarterly Report on Form 10-Q.

As of December 31, 2008, there have not been any significant changes in our internal controls or other factors that could significantly affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

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, 2008.

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. Submission of Matters to a Vote of Security Holders.

There are no items to report.

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 Travis T. Prentice (CEO)
31.2 Section 302 Certification of Derek J. Gaertner (CFO)
32.1 Section 1350 Certification of Travis T. Prentice (CEO)
32.2 Section 1350 Certification of Derek J. Gaertner (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: ----------------------------- By: ---

Travis T. Prentice,
President and CEO

Date: ______________________________ By: ____

Derek J. Gaertner,
Chief Financial Officer

EXHIBIT INDEX