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MACC PRIVATE EQUITIES INC
Form 10-K
January 13, 2005

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

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2004

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File No. 0-24412

MACC PRIVATE EQUITIES INC.

(Exact Name of Registrant as specified in Charter)

Delaware
(State or Other Jurisdiction
of Incorporation)

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

15 West South Temple Street, Ste. 520
Salt Lake City, Utah

84101
(Zip Code)

Registrant's Telephone Number
Including Area Code: (801) 524-8939

Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange On Which Registered
None	None

Securities Registered Pursuant to Section 12(g) of the Act:
Common Stock, \$.01 par value

Indicate by check mark whether the registrant (1) has 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K []

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-25 of the Act). YES NO X.

The aggregate market value of the registrant's common stock held by non-affiliates of the registrant as of November 30, 2004, was approximately \$4,230,757.50 based upon the average bid and asked price for shares of the registrant's common stock on that date. As of November 30, 2004, there were 2,329,255 shares of the registrant's common stock outstanding, of which

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approximately 1,178,484 shares were held by non-affiliates.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Annual Report to Stockholders for the year ended September 30, 2004, are incorporated by reference into Parts II and IV of this Report.

Part I

Item 1. Business.

General

MACC Private Equities Inc. (the "Corporation") was formed as a Delaware corporation on March 3, 1994. It is qualified as a business development company ("BDC") under the Investment Company Act of 1940, as amended (the "1940 Act").

The Corporation has one direct wholly-owned subsidiary, MorAmerica Capital Corporation ("MorAmerica Capital"). As of September 30, 2004, MorAmerica Capital comprised approximately 99% of the Corporation's assets. MorAmerica Capital is an Iowa corporation incorporated in 1959 and which has been licensed as a small business investment company since that year. It has also elected treatment as a BDC under the 1940 Act.

The Corporation's Operation as a BDC

As noted above, both the Corporation and its wholly-owned subsidiary, MorAmerica Capital, have elected treatment as BDCs under the 1940 Act. Under the 1940 Act, a BDC may not acquire any asset other than Qualifying Assets as defined under the 1940 Act, unless, at the time the acquisition is made, Qualifying Assets represent at least 70 percent of the value of the BDC's total assets. The principal categories of Qualifying Assets relevant to the business of the Corporation are the following:

- (1) Securities purchased in transactions not involving any public offering from the issuer of such securities, which issuer is an eligible portfolio company. An eligible portfolio company is defined in the 1940 Act as any issuer that:
 - (a) is organized under the laws of, and has its principal place of business in, the United States;
 - (b) is not an investment company; and
 - (c) does not have any class of securities with respect to which a broker may extend margin credit.

The Corporation's investment in all of the issued and outstanding common stock of MorAmerica Capital is also a Qualifying Asset under the 1940 Act.

- (2) Cash, cash items, government securities, or high quality debt securities maturing in one year or less from the time of investment.

In addition, a BDC must have been organized (and have its principal place of business) in the United States for the purpose of making investments in

the types of securities described in (1)

above and, in order to count the securities as Qualifying Assets for the purpose of the 70 percent test, the BDC must make available to the issuers of the securities significant managerial assistance. Making available significant managerial assistance means, among other things, any arrangement whereby the BDC, through its directors, officers or employees offers to provide, and, if accepted, does so provide, significant guidance and counsel concerning the management, operations or business objectives and policies of a portfolio company.

Under the 1940 Act, once a company has elected to be regulated as a BDC, it may not change the nature of its business so as to cease to be, or withdraw its election as, a BDC unless authorized by vote of a majority, as defined in the 1940 Act, of the company's shares. In order to maintain their status as BDCs, the Corporation and MorAmerica Capital each must have at least 50% of their total assets invested in the types of portfolio companies described by Sections 55(a)(1) through 55(a)(3) of the 1940 Act. Accordingly, the Corporation and MorAmerica Capital may not withdraw their BDC elections or otherwise change their business so as to cease to qualify as BDCs without shareholder approval.

Investments and Divestitures

The Corporation made one new portfolio company investment during the fiscal year ended September 30, 2004, of \$200,049 and invested \$481,934 in follow-on investments in three existing portfolio companies. The Corporation's investment-level objectives on a consolidated basis call for follow-on investments of approximately \$885,000 during fiscal year 2005, unless the Corporation raises additional capital, subject to adjustment based upon current economic and operating conditions.

During fiscal year 2004, the Corporation recorded a net realized gain on investments of \$3,021,176.

Item 2. Properties.

The Corporation does not own or lease any properties or other tangible assets. Its business premises and equipment are furnished by Atlas Management Partners, LLC (the "Investment Advisor," or "Atlas"), the investment advisor to the Corporation.

Item 3. Legal Proceedings.

Since May, 2002, MorAmerica Capital has been party to arbitration proceedings instituted by TransCore Holdings, Inc., a company (the "Buyer") seeking indemnification under the Stock Purchase Agreement (the "Stock Purchase Agreement") by which MorAmerica Capital and three other small business investment companies (the "SBICs") and certain other individuals (collectively, the "Sellers") sold their interests in a former portfolio company investment (the "Portfolio Company"). Under the Stock Purchase Agreement, the Sellers agreed to indemnify Buyer for breaches of representations and warranties as to Portfolio Company made by the Sellers. Buyer claims that accounting irregularities by management at Portfolio Company resulted in a breach of the Sellers' representations and warranties.

On November 30, 2004, the arbitrator issued an interim award against the Sellers. Since that time, Buyer and the Sellers have been engaged in intensive settlement negotiations. Further proceedings were also held to

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finalize the interest component of the judgment and to determine whether legal fees would be awarded to the Buyer.

On December 31, 2004, the arbitrator delivered a final award against the Sellers. On January 4, 2005, the SBICs reached an Agreement of Settlement and Mutual Release (the "Settlement Agreement") with TransCore, pursuant to which the SBICs agreed to pay TransCore a total of \$20 million. Of this amount, approximately \$9 million was already held in escrow subject to the arbitration proceedings. The full amount of the agreed settlement was funded by the SBICs on January 5, 2005.

Under the Stock Purchase Agreement, the Sellers are jointly and severally liable to Buyer for breaches of representations and warranties. However, the Sellers are party to a Contribution Agreement executed at the time of sale among the institutional investors and two individuals. Under the Contribution Agreement, after giving effect to MorAmerica Capital's portion of the escrow, MorAmerica Capital's cash payment on January 5, 2005 was \$1.713 million.

As an SBIC, MorAmerica Capital is required to comply with SBA regulations (the "SBA Regulations"). These regulations include the capital impairment rules. MorAmerica Capital is expected to exceed the maximum impairment percentage as of September 30, 2004, after giving effect to the arbitration settlement. Accordingly, SBA will have the discretion not to extend additional financing to MorAmerica Capital and the right to declare MorAmerica Capital's debentures, currently in the principal amount of \$25.8 million, in default, to accelerate MorAmerica Capital's payment obligations under the debentures and to seek appointment of SBA as receiver. The exercise by SBA of any of these rights could have a material adverse effect on the financial position, results of operations, cash flow and liquidity of MACC and MorAmerica Capital. MorAmerica Capital anticipates meeting with the SBA in coming weeks to review in detail MorAmerica Capital's financial condition after giving effect to the arbitration settlement.

Under the Settlement Agreement, should an attempt be made by any party to recover amounts paid to TransCore in the settlement, under certain circumstances the SBICs will be liable for an additional amount equal to the difference between the final award and the settlement (\$10.4 million). However, the SBA, which, under statute and by contract would be the receiver of the SBICs in the event of receivership, has stipulated that it has no objection to the settlement, has agreed that the payment of the settlement was permissible under SBA law and Regulations and has further agreed that it will not seek in any proceeding to set aside the settlement. In approving the settlement, the SBA required the SBICs to agree, jointly and severally, to be liable to SBA for up to one-half of the SBA's potential losses on SBA debentures issued by the SBICs, up to a maximum of \$7.5 million. The SBA will incur losses under this agreement only following full and final liquidation of one of the SBICs whose SBA debentures are not repaid in full. Should MorAmerica Capital ever be required to make a payment under this agreement, it will have a claim against the other three SBICs which are party to the Contribution Agreement.

BFS Diversified Products, LLC ("BFS") was a supplier to Water Creations, Inc. ("Water Creations"), a former portfolio company of MorAmerica Capital. Water Creations went out of business in December, 2002, at which time BFS was owed approximately \$900,000 for products sold to Water Creations. On March 26, 2004, BFS filed suit in the Iowa District Court of Polk County, Iowa against board members of and investors in Water Creations, including MorAmerica Capital, David Schroder (Chief Financial Officer of the Corporation), and InvestAmerica Venture Group, Inc., an affiliate of InvestAmerica Investment Advisors, Inc., the subadviser to the Corporation. BFS has sued the defendants for fraud, fraudulent transfer, breach of fiduciary duty, civil conspiracy, breach of contract, conversion, and alter ego/piercing corporate veil. The

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central allegation of the case is that the defendants knew that Water Creations was insolvent and owed a duty to BFS to protect it from selling to Water Creations under these circumstances. The defendants have hired counsel and intend to vigorously defend this litigation.

Item 4. Submission of Matters to a Vote of Security Holders

There are no items to report.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters.

Information in response to this Item is incorporated by reference to the "Shareholder Information" section of the Corporation's Annual Report to Shareholders for the fiscal year ended September 30, 2004 (the "2004 Annual Report").

Item 6. Selected Financial Data.

Information in response to this Item is incorporated by reference to the "Selected Financial Data" section of the 2004 Annual Report.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Information in response to this Item is incorporated by reference to the "Management's Discussion and Analysis" section of the 2004 Annual Report.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Information in response to this Item is incorporated by reference to the "Quantitative and Qualitative Disclosures About Market Risk" section of the 2004 Annual Report.

Item 8. Financial Statements and Supplementary Data.

Information in response to this Item is incorporated by reference to the Consolidated Financial Statements, notes thereto and report thereon contained in the 2004 Annual Report.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

There are no items to report.

Item 9A. Controls and Procedures.

In accordance with Item 307 of Regulation S-K promulgated under the Securities Act of 1933, as amended, the Chief Executive Officer and Chief

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Financial Officer of the Corporation (the "Certifying Officers") have conducted evaluations of the Corporation's 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 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 reviewed the Corporation's disclosure controls and procedures and have concluded that those disclosure controls and procedures are effective as of the date of this Annual Report on Form 10-K. In compliance with Section 302 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350), each of the Certifying Officers executed an Officer's Certification included in this Annual Report on Form 10-K.

As of the date of this Annual Report on Form 10-K, there have not been any significant changes in the Corporation's 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 III

Item 10. Directors and Executive Officers of the Registrant.

The following chart identifies the persons nominated to serve as directors of the Corporation at the Corporation's 2005 Annual Shareholders' Meeting. Unless otherwise indicated, the addresses for all director nominees is 15 West South Temple Street, Suite 520, Salt Lake City, Utah 84101.

Name, Address and Age	Position(s) Held with the Corporation	Term of Office and Length of Time Served	Principal Occupation(s) During Past 5 Years
Goeffrey T. Woolley, 45	Director and Chairman of the Board	Director since 2003, elected Chairman April, 2004	Mr. Woolley is currently Executive Chairman of European Venture Partners, a company he founded in 1997 to introduce "venture leasing," an asset-backed debt instrument with equity participation to the European and Israeli markets. He holds an M.B.A. from the University of Utah and a B.S. in Business Management with a Minor in Economics from Brigham Young University.
Benjamin Jiaravanon 33	Director	Since	Mr. Jiaravanon has served as President of Jiaravanon, 33 February, Strategic Planning Group of Charoen Pokphand 2004 Indonesia, an agribusiness conglomerate with sales in excess of \$1.5 billion, since 2002. From 1996 to 2002, Mr. Jiaravanon was an Associate in the Direct Investments Group at Merrill Lynch. He was responsible for helping manage Merrill Lynch's capital in a portfolio of companies

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across Asia including China, Malaysia, Indonesia, Korea, and Singapore. Mr. Jiaravanon received his Bachelor of Science degree in industrial management from Carnegie Mellon University.

<p>Kent I. Madsen, 38</p>	<p>Director, President and Secretary</p>	<p>Director since 2003, President and Secretary since 2004</p>	<p>Mr. Madsen has served as a Managing Director of Wasatch Venture Fund, where he has been employed since 1998, and as an officer of Zion's Bank SBIC Venture Fund since 2001. Mr. Madsen is a member of three investment advisers which are affiliated with the Corporation's investment advisor: ZWMC, L.L.C., Wasatch Management Partners, L.L.C., and DWMC II, L.L.C. From 1994 to 1996, Mr. Madsen worked for Ford Motor Company, initially in the Advanced Technology Group and later in Ford's China Operations. Mr. Madsen received a B.S. in Mechanical Engineering and Applied Mechanics with a Minor in Mathematics from the University of Pennsylvania. He also received a M.S.E. from the University of Michigan, an M.A. in International Studies from the Lauder Institute at the University of Pennsylvania and an M.B.A. from the Wharton School at the University of Pennsylvania.</p>
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<p>Paul M. Bass, Jr., 69</p>	<p>Director</p>	<p>Since 1994</p>	<p>Mr. Bass was Chairman of the Boards of Directors of the Corporation and of MorAmerica from 1994 to April, 2004. Mr. Bass has served as Vice Chairman of First Southwest Company, a regional investment banking firm from 1988 to the present. Mr. Bass specializes in corporate finance, investment management and public finance. Mr. Bass holds a B.B.A. in finance from Southern Methodist University.</p>
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<p>Michael W. Dunn, 55</p>	<p>Director</p>	<p>Since 1994</p>	<p>Mr. Dunn has also been a Director of MorAmerica since 1994. Mr. Dunn has been C.E.O. since 1980 and President and Director since 1983 of Farmers & Merchants Savings Bank of Manchester, Iowa.</p>
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<p>Jasja Kotterman, 35</p>	<p>Director</p>	<p>Since February, 2004</p>	<p>Ms. Kotterman joined Avon Products as Director of Business Development in February, 2004. Prior to joining Avon, she was Vice President, Strategic Planning and Business Development for Primedia Inc., a diversified media company, from 2003-2004, and Managing Director of Primedia International, the international development group for Primedia, from 2000-2003. Prior to joining Primedia, Ms. Kotterman was</p>
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trading at Bank of America in London. Mr. Walton graduated with a B.A. degree (Honours) from Brasenose College, Oxford University in 1985.

Executive Officers of the Corporation

Unless otherwise indicated, the addresses for all officers is 15 West South Temple Street, Suite 520, Salt Lake City, Utah 84101.

Name, Address and Age	Position(s) Held with the Corporation	Term of Office and Length of Time Served	Principal Occupation(s) During Past 5 Years
Kent I. Madsen, 38	Director, President and Secretary	Director since 2003, President and Secretary since 2004	Mr. Madsen has served as a Managing Director of Wasatch Venture Fund, where he has been employed since 1998, and as an officer of Zion's Bank SBIC Venture Fund since 2001. Mr. Madsen is a member of three investment advisers which are affiliated with the Corporation's investment advisor: ZWMC, L.L.C., Wasatch Management Partners, L.L.C., and DWMC II, L.L.C. From 1994 to 1996, Mr. Madsen worked for Ford Motor Company, initially in the Advanced Technology Group and later in Ford's China Operations. Mr. Madsen received a B.S. in Mechanical Engineering and Applied Mechanics with a Minor in Mathematics from the University of Pennsylvania. He also received a M.S.E. from the University of Michigan, an M.A. in International Studies from the Lauder Institute at the University of Pennsylvania and an M.B.A. from the Wharton School at the University of Pennsylvania.
David R. Schroder, 61	Chief Financial Officer and Treasurer	Since March, 2004	Prior to his current position, Mr. Schroder served as President, Secretary and a Director of the Corporation since 1994. Since 1985, Mr. Schroder has been a principal of InvestAmerica Investment Advisors, Inc., the Corporation's subadvisor, and is presently President, Secretary and a Director. Mr. Schroder is also President, Secretary and a Director of InvestAmerica N.D. Management, Inc., which provides management and investment services to NDSBIC, L.P., and which is affiliated with the Subadvisor. Mr. Schroder is also President, Secretary and a Director of InvestAmerica ND, L.L.C., the general partner of NDSBIC, L.P. Since 2002 Mr. Schroder has also served as President and Secretary of InvestAmerica L&C Management, Inc. ("InvestAm L&C") and InvestAmerica L&C, LLC, respectively the Manager and General Partner of Lewis and Clark Private Equities, LP, an SBIC. InvestAm L&C is also affiliated with the Subadvisor. Since August, 2004, Mr. Schroder has also served as President and Secretary of InvestAmerica NW Management, Inc. and InvestAmerica NW, LLC, respectively the Manager and General Partner of Invest Northwest, LP, a private venture capital limited partnership. As a

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for the 2004 Annual Shareholders Meeting. The current members of the Audit Committee are Michael W. Dunn (Chair), Paul M. Bass and Gordon J. Roth. Under the terms of the charter and the listing standards of The Nasdaq Stock Market, Inc., all of the Audit Committee members are considered to be independent.

Section 16(a) Beneficial Ownership Reporting Compliance

Pursuant to Section 16(a) of the Exchange Act, officers and directors of the Corporation and persons beneficially owning 10% or more of the Corporation's Common Stock (collectively, "reporting persons") must file reports on Forms 3, 4 and 5 regarding changes in their holdings of the Corporation's equity securities with the Securities and Exchange Commission. Based solely upon a review of copies of these reports sent to the Secretary of the Corporation, the Corporation believes that all Forms 3, 4, and 5 required to be filed by all reporting persons have been properly and timely filed with the Securities and Exchange Commission, except that Mr. Walton was to have filed a Form 3 by March 5, 2004, and that form was filed with the SEC on April 29, 2004.

Code of Ethics

The Corporation has adopted a Code of Business Conduct and Ethics that applies to all of the Corporation's officers, directors and employees. The Corporation's Code of Business Conduct and Ethics is filed with the Commission as an exhibit to its 2003 Annual Report on Form 10-K.

If the Corporation makes any substantive amendments to the Code of Business Conduct and Ethics or grant any waiver, including any implicit waiver, from a provision of the Code of Business Conduct and Ethics to its principal executive or principal financial officer, the Corporation will disclose the nature of such amendment or waiver in a report on Form 8-K.

Item 11. Executive Compensation.

The Corporation has no employees and does not pay any compensation to any of its officers. All of the Corporation's officers and staff are employed by Atlas Management Partners, LLC or InvestAmerica Investment Advisors, Inc., which pay all of their cash compensation.

Item 12. Security Ownership of Certain Beneficial Owners and Management.

The Corporation does not have any equity compensation plans. As of November 30, 2004, there were 2,329,255 shares issued and outstanding. The following table sets forth certain information as of November 30, 2004, with respect to the Common Stock ownership of: (i) those persons or groups (as that term is used in Section 13(d)(3) of the Securities and Exchange Act of 1934, as amended (the "Exchange Act") who beneficially own more than 5% of the Common Stock, (ii) each Director and nominee for Director of the Corporation, and (iii) all Officers and Directors of the Corporation, twelve in number, as a group. Unless otherwise provided, the address of those in the following table is 15 West South Temple Street, Suite 520, Salt Lake City, Utah 84101.

Name and Address of Beneficial Owner	Amount and Nature Of Beneficial Ownership	Percent of Cla
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Atlas Management Partners, LLC(1) One South Main Street, Suite 1660, Salt Lake City, Utah 84133	910,146 Shares	39.1
Bridgewater International Group, LLC(1) 10500 South 1300 West, South Jordan, Utah 84095	804,689 Shares	34.5
Geoffrey T. Woolley(2)	926,094 Shares	39.7
Paul M. Bass, Jr.	37,000 Shares	1.5
Michael W. Dunn	26,827 Shares	1.1
Benjamin Jiaravanon(3)	910,146 Shares	39.1
Kent I. Madsen(4)	913,846 Shares	39.2
Robert T. Madsen(5)	105,457 Shares	4.5
Gordon J. Roth	3,951 Shares	0.1
David R. Schroder(6)	77,416 Shares	3.3
Kevin F. Mullane(6)	11,264 Shares	0.4
Nick Efstratis(7)	910,646 Shares	39.0
Todd J. Stevens(8)	911,146 Shares	39.1
Timothy Bridgewater(9)	5,000 Shares	0.2
Martin C. Walton	--	-
Shane V. Robison	--	-
Jasja Kotterman	1,000 Shares	0.0
Robert A. Comey(6)	57,019 Shares	2.
All Officers and Directors as a Group	1,150,771 Shares	49.4

(1) Information with respect to Atlas and Bridgewater International Group, LLC ("Bridgewater") is based upon Amendment No. 2 to Schedule 13D, dated February 13, 2004, filed by Atlas with the SEC in which Atlas disclosed that its has sole power to vote or to direct the vote and shared power to dispose or to direct the disposition of approximately 804,689 shares of the Corporation's Common Stock previously acquired by Bridgewater under a Shareholder and Voting Agreement entered into between Atlas and Bridgewater. In addition, Atlas has sole power to vote or to direct the vote and shared power to dispose or to direct the disposition of approximately 105,457 shares of the Corporation's Common Stock previously acquired by Robert T. Madsen under a Shareholder and Voting Agreement entered into between Atlas and Robert T. Madsen. Both Shareholder and Voting Agreements referenced above grant Atlas the right to vote the respective shares of Bridgewater and Robert T. Madsen for an initial period ending six years after the date upon which Atlas entered into that Investment Advisory Agreement with the Corporation and MorAmerica.

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(2) Information with respect to Mr. Woolley is based upon Amendment No. 2 to Schedule 13D, dated February 13, 2004, filed by Atlas with the SEC, and Form 4 filed with the SEC by Mr. Woolley on March 16, 2004. Mr. Woolley has sole voting and sole dispositive power over 13,948 shares of the Corporation's Common Stock and, as a manager of Atlas, has shared control over the voting power of Atlas on an additional 910,146 shares of the Corporation's Common Stock. To the extent that Atlas may be deemed to be in control of the Corporation as a result of beneficial ownership and voting control of the Corporation's Common Stock, or to the extent that Atlas is the investment advisor for the Corporation and MorAmerica as provided in that Investment Advisory Agreement between Atlas and MorAmerica dated March 1, 2004 and the Investment Advisory Agreement between Atlas and the Corporation dated March 1, 2004, Mr. Woolley, as a Member and Voting Managing Director of Atlas under the Strategic Agreement, may be an "interested person" of the Corporation, as that term is defined in Section 2(a)(19) of the Investment Company Act.

(3) Information with respect to Mr. Jiaravanon is based upon Amendment No. 2 to Schedule 13D, dated February 13, 2004, filed by Atlas with the SEC. As the sole manager of Bridgewater, which is a member of Atlas, Mr. Jiaravanon has shared control over the voting power of Atlas on the 910,146 shares of the Corporation's Common Stock Atlas controls. To the extent that Bridgewater may be deemed to be in control of the Corporation as a result of beneficial ownership of the Corporation's Common Stock, Mr. Jiaravanon, as the sole manager of Bridgewater, may be an "interested person" of the Corporation, as that term is defined in Section 2(a)(19) of the Investment Company Act.

(4) Information with respect to Mr. Kent Madsen is based upon Amendment No. 2 to Schedule 13D, dated February 13, 2004, filed by Atlas with the SEC, and Form 4 filed by Mr. Madsen with the SEC on September 23, 2004. Mr. Kent Madsen has sole voting and sole dispositive power over 3,700 shares of the Corporation's Common Stock and, as a manager of Atlas, has shared control over the voting power of Atlas on an additional 910,146 shares of the Corporation's Common Stock. To the extent that Atlas may be deemed to be in control of the Corporation as a result of beneficial ownership and voting control of the Corporation's Common Stock, or to the extent that Atlas is the investment advisor for the Corporation and MorAmerica as provided in that Investment Advisory Agreement between Atlas and MorAmerica dated March 1, 2004 and the Investment Advisory Agreement between Atlas and the Corporation dated March 1, 2004, Mr. Kent Madsen, who is currently a member and the sole manager of Atlas, may be an "interested person" of the Corporation, as that term is defined in Section 2(a)(19) of the Investment Company Act. Mr. Kent Madsen is the son of Mr. Robert Madsen.

(5) Information with respect to Mr. Robert Madsen is based upon Amendment No. 2 to Schedule 13D, dated February 13, 2004, filed by Atlas with the SEC. As the holder of shared dispositive power over 105,457 shares of the Corporation's Common Stock, Mr. Robert Madsen may be deemed to be a member of a "group" as that term is used in Section 13(d)(3) of the Exchange Act, together with Bridgewater, Kent I. Madsen and Geoffrey T. Woolley. In addition, to the extent that Atlas may be deemed to be in control of the Corporation as a result of beneficial ownership and voting control of the Corporation's Common Stock, or to the extent that Atlas is the investment advisor for the Corporation and MorAmerica as provided in that Investment Advisory Agreement between Atlas and MorAmerica dated March 1, 2004 and the Investment Advisory Agreement between Atlas and the Corporation dated March 1, 2004, Mr. Robert Madsen, who is a Member of Atlas under that Strategic Agreement entered into among Robert T. Madsen, Kent I. Madsen, Geoffrey T. Woolley, Bridgewater and Atlas (the "Strategic Agreement"), may be an "interested person" of the Corporation, as that term is defined in Section 2(a)(19) of the Investment Company Act. Mr. Robert Madsen is the father of Mr. Kent Madsen.

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(6) As principals, officers and directors of InvestAmerica Investment Advisors, Inc. ("InvestAmerica"), 101 Second Street S.E., Suite 800, Cedar Rapids, IA 52401, the investment advisor for the Corporation and MorAmerica, during the fiscal year ended September 30, 2004, Messrs. Schroder, Mullane and Comey were "interested persons" of the Corporation, as that term is defined in Section 2(a)(19) of the Investment Company Act.

(7) Information with respect to Mr. Nick Efstratis is based upon Amendment No. 2 to Schedule 13D, dated February 13, 2004, filed by Atlas with the SEC, and Form 4 filed by Mr. Efstratis with the SEC on February 23, 2004. Mr. Efstratis has sole voting and sole dispositive power over 500 shares of the Corporation's Common Stock and, as a manager of Atlas, has shared control over the voting power of Atlas on an additional 910,146 shares of the Corporation's Common Stock. To the extent that Atlas may be deemed to be in control of the Corporation as a result of beneficial ownership and voting control of the Corporation's Common Stock, or to the extent that Atlas is the investment advisor for the Corporation and MorAmerica as provided in that Investment Advisory Agreement between Atlas and MorAmerica dated March 1, 2004 and the Investment Advisory Agreement between Atlas and the Corporation dated March 1, 2004, Mr. Efstratis, who is currently a Voting Managing Director of Atlas, may be an "interested person" of the Corporation, as that term is defined in Section 2(a)(19) of the Investment Company Act.

(8) Information with respect to Mr. Todd Stevens is based upon Amendment No. 2 to Schedule 13D, dated February 13, 2004, filed by Atlas with the SEC, and Form 4 filed by Mr. Stevens with the SEC on February 20, 2004. Mr. Stevens has sole voting and sole dispositive power over 1,000 shares of the Corporation's Common Stock and, as a manager of Atlas, has shared control over the voting power of Atlas on an additional 910,146 shares of the Corporation's Common Stock. To the extent that Atlas may be deemed to be in control of the Corporation as a result of beneficial ownership and voting control of the Corporation's Common Stock, or to the extent that Atlas is the investment advisor for the Corporation and MorAmerica as provided in that Investment Advisory Agreement between Atlas and MorAmerica dated March 1, 2004 and the Investment Advisory Agreement between Atlas and the Corporation dated March 1, 2004, Mr. Stevens, who is currently a Voting Managing Director of Atlas, may be an "interested person" of the Corporation, as that term is defined in Section 2(a)(19) of the Investment Company Act.

(9) Information with respect to Mr. Timothy Bridgewater is based upon Amendment No. 2 to Schedule 13D, dated February 13, 2004, filed by Atlas with the SEC, and Form 4 filed by Mr. Bridgewater with the SEC on February 13, 2004. Mr. Bridgewater has sole voting and sole dispositive power over 5,000 shares of the Corporation's Common Stock and, as Managing Director of Bridgewater and as a manager of Atlas, has shared control over the voting power of Atlas on an additional 910,146 shares of the Corporation's Common Stock. To the extent that Atlas may be deemed to be in control of the Corporation as a result of beneficial ownership and voting control of the Corporation's Common Stock, or to the extent that Atlas is the investment advisor for the Corporation and MorAmerica as provided in that Investment Advisory Agreement between Atlas and MorAmerica dated March 1, 2004 and the Investment Advisory Agreement between Atlas and the Corporation dated March 1, 2004, Mr. Bridgewater, who is currently a Voting Managing Director of Atlas, may be an "interested person" of the Corporation, as that term is defined in Section 2(a)(19) of the Investment Company Act.

Item 13. Certain Relationships and Related Transactions.

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Atlas is the investment advisor to the Corporation pursuant to that Investment Advisory Agreement between the Corporation and Atlas dated March 1, 2004 (the "MACC Investment Advisory Agreement"). Atlas's address is One South Main Street, Suite 1660, Salt Lake City, Utah 84133. The MACC Investment Advisory Agreement provides that Atlas is entitled to receive a management fee equal to an annual rate of 2.5% of the Corporation's Net Assets, payable monthly in arrears. In addition to the annual management fee of 2.5% of the Corporation's net assets, Atlas is entitled to receive an incentive fee (the "Incentive fee") in an amount equal to 20% of the Corporation's realized capital gains in excess of realized capital losses of the Corporation after allowance for any unrealized capital losses on the portfolio investments of the Corporation. The Incentive fee is calculated, accrued, and paid on a quarterly basis, subject to adjustment at the end of each fiscal year. Total management fees under the MACC Investment Advisory Agreement amounted to \$2,892 for the year ended September 30, 2004. There were no incentive fees accrued or paid under the MACC Investment Advisory Agreement in 2004.

Mr. Geoffrey Wolley, Director and Chairman of the Board of the Corporation, is a Voting Managing Director of Atlas. Mr. Kent Madsen, Director, President and Secretary of the Corporation, is a Voting Managing Director of Atlas. Mr. Timothy Bridgewater, Vice President and Assistant Secretary of the Corporation, is a Voting Managing Director of Atlas. Mr. Nick Efstratis, Vice President and Chief Compliance Officer of the Corporation, is a Voting Managing Director of Atlas.

MorAmerica is a wholly-owned subsidiary of the Corporation. The current members of the Board of Directors and the nominees for fiscal year 2005 of the Board of Directors of MorAmerica are the same individuals as are nominated for directors of the Corporation's Board of Directors. Mr. Geoffrey Woolley is Chairman of the Board of both the Corporation and of MorAmerica. Mr. Kent Madsen, Director, President and Secretary of the Corporation, is the President and Secretary of MorAmerica. Mr. Timothy Bridgewater, Assistant Secretary of the Corporation, is the Vice President and Assistant Secretary of MorAmerica. Mr. Nick Efstratis, Vice President and Chief Compliance Officer of the Corporation is the Vice President and Chief Compliance Officer of MorAmerica.

MorAmerica has a separate investment advisory agreement (the "MorAmerica Capital Investment Advisory Agreement") with Atlas. The fee is equal to 2.5% of the Capital Under Management (as defined in the MorAmerica Capital Investment Advisory Agreement) on an annual basis, but in no event more than 2.5% per annum of the Assets Under Management or 7.5% of Regulatory Capital (as defined in the MorAmerica Capital Investment Advisory Agreement). However, during fiscal 2003, MorAmerica's investment advisor, InvestAmerica, agreed to a voluntary, temporary reduction in management fees from January 1, 2003 through February 29, 2004. This temporary agreement changed the management fee to be \$68,750 per month not to exceed the calculation specified in the current advisory agreement. This voluntary, temporary reduction in management fees was terminated on February 29, 2004. In addition, the MorAmerica Capital Investment Advisory Agreement provides that MorAmerica will pay Atlas 20.0% of the net capital gains, before taxes, on investments in the form of an incentive fee. Net capital gains, as defined in the MorAmerica Capital Investment Advisory Agreement, are calculated as gross realized gains, minus the sum of capital losses, less any unrealized depreciation, including reversals of previously recorded unrealized depreciation, recorded during the year, and net investment losses, if any, as reported on page 4c, line 33 of the SBA Form 468.1. Capital losses and realized capital gains are not cumulative under the incentive fee computation. Payments for incentive fees resulting from noncash gains are deferred until the assets are sold. The MorAmerica Capital Investment Advisory

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Agreement may be terminated by either party upon sixty days written notice.

Total management fees (net of management fees waived) under the MorAmerica Capital Investment Advisory Agreement amounted to \$955,508 for the year ended September 30, 2004. Incentive fees are an expense in determining net realized gain (loss) on investments in the consolidated statement of operations. Incentive fees of \$493,050 were earned for the year ended September 30, 2004. Total incentive fees paid under the MorAmerica Capital Investment Advisory Agreement amounted to \$497,517 in fiscal 2004. Approximately \$18,353 of incentive fees related to noncash gains from prior years is being deferred as described above.

As previously disclosed, most recently in the Corporation's Form 8-K filed on January 7, 2005, in anticipation of changes to the Board of Directors of the Corporation and MorAmerica Capital and a change in investment advisors, starting in July, 2003, Atlas, the Corporation's investment advisor since March 1, 2004, periodically notified the SBA of the proposed changes and, as required by the Regulations, submitted the Atlas/MorAmerica Capital Investment Advisory Agreement to the SBA for approval on January 29, 2004. While SBA has previously notified MorAmerica Capital in writing that four of the five principals of Atlas have SBA's approval as managers of MorAmerica Capital, SBA has recently notified MorAmerica Capital that SBA will not grant approval of Atlas as investment advisor of MorAmerica Capital. Atlas and MorAmerica Capital are working with SBA to resolve this issue and anticipate a meeting on this topic with SBA during the month of January, 2005.

The Corporation, MorAmerica and Atlas are also parties to an Investment Advisory Support Services Agreement (the "Subadvisory Agreement") with InvestAmerica ("InvestAmerica" or the "Subadviser"). Prior to March 1, 2004, InvestAmerica was the investment advisor to the Corporation and MorAmerica. Pursuant to the Subadvisory Agreement, InvestAmerica has been retained to monitor and manage portfolio company

investments in existence as of the date of the Subadvisory Agreement, including exits, preparation of valuations, follow-on investment analysis and recommendations and other portfolio management matters. InvestAmerica also currently provides certain accounting and financial services for the Corporation. Under the Subadvisory Agreement, Atlas pays InvestAmerica certain fixed management fees and incentive fees based on a portion of the incentive fees paid to Atlas by the Corporation and MorAmerica under the MACC Investment Advisory Agreement and the MorAmerica Capital Investment Advisory Agreement, respectively. The Subadvisory Agreement does not result in any additional expense to either the Corporation or MorAmerica Capital. Total management fees under the Subadvisory Agreement amounted to \$189,583 for the year ended September 30, 2004.

The address of the Subadviser is 101 Second Street S.E., Suite 800, Cedar Rapids IA 52401. Mr. David Schroder, Chief Financial Officer and Treasurer of the Corporation, is a shareholder of, and President and Secretary of InvestAmerica. Mr. Kevin Mullane, Vice President of MorAmerica, is a shareholder of, and the Senior Vice President and Assistant Secretary of InvestAmerica. Mr. Robert A. Comey, Chief Financial Officer and Treasurer of MorAmerica, is the Executive Vice President, Treasurer and Assistant Secretary of InvestAmerica. Mr. Michael H. Reynoldson, Vice President of MorAmerica, is the Vice President of InvestAmerica.

Pursuant to authority granted by the Corporation's shareholders at the 2004 Annual meeting, the Corporation issued convertible debt to its Chairman, Geoffrey T. Woolley in 2004 pursuant to a Convertible Note and Security Agreement with Mr. Woolley dated March 1, 2004 (the "Woolley Agreement"). Under

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the Woolley Agreement, the Corporation may borrow up to up to \$400,000 from Mr. Woolley, which may be drawn over a twelve month period. Advances under this line of credit bear interest at the rate of 9% per year. The Corporation is required to make interest payments quarterly during the first year, and all accrued interest and unpaid principal will be fully amortized in the second year. The Woolley Agreement extends for two years, subject to extension at any time by mutual agreement. Any outstanding principal and interest may be converted at the option of Mr. Woolley to shares of the Corporation's Common Stock at the lesser of (i) \$3.50 per share or (ii) the same price per share as any rights offering to shareholders within 12 months of the loan date. The loan is secured by a first lien on cash assets of the Corporation, a letter of support from MorAmerica Capital in which MorAmerica Capital agreed to make legally available distributions to pay any outstanding loan amounts, and a guarantee by Atlas.

Item 14. Principal Accounting Fees and Services.

The Audit Committee of the Board of Directors of the Corporation (the "Audit Committee") is composed of three directors and operates under a written charter originally adopted by the Board of Directors and annually updated by the Audit Committee. The current charter of the Audit Committee was attached to the Proxy Statement for the 2004 Annual Shareholders Meeting. The current members of the Audit Committee are Michael W. Dunn (Chair), Paul M. Bass and Gordon J. Roth. Under the terms of the charter and the listing standards of The Nasdaq Stock Market, Inc., all of the Audit Committee members are considered to be independent.

Management is responsible for the Corporation's internal controls and the financial reporting process. The independent accountants are responsible for performing an independent audit of the Corporation's consolidated financial statements in accordance with generally accepted auditing standards and to issue a report thereon. The Audit Committee's responsibility is to monitor and oversee these processes.

In this regard, the Audit Committee has reviewed and discussed the audited financial statements for Fiscal Year 2004 with management and discussed other matters related to the

audit with the independent auditors. Management represented to the Audit Committee that the Corporation's consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America. The Audit Committee met with the independent auditors, with and without management present, and discussed with the independent auditors matters required to be discussed by Statement on Auditing Standards No. 61 (Communication with Audit Committees). The independent auditors also provided to the Audit Committee the written disclosures and the letter required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), and the Audit Committee discussed with the independent auditors the firm's independence.

The Corporation paid KPMG LLP ("KPMG"), the Corporation's independent auditors for fiscal year 2004, the following amounts during fiscal year 2004:

Audit Fees (including quarterly reviews, security counts, and audit of Form 468):	\$58,250
Audit-related services	\$11,175
Financial Information Systems Design and Implementation:	\$ -0-

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Non-Audit Fees:

Preparation of federal and state income tax returns	\$23,750
Other tax research, consultation, correspondence and advice	\$ 1,150

The Audit Committee has considered whether KPMG has maintained its independence during Fiscal Year 2004.

Based upon the Audit Committee's discussions with management and the independent auditors, and the Audit Committee's review of representations of management and the report of the independent auditors to the Audit Committee, the Audit Committee recommended that the Corporation's Board of Directors include the audited consolidated financial statements in the Corporation's Annual Report on Form 10-K for the year ended September 30, 2004, filed with the Securities and Exchange Commission.

AUDIT COMMITTEE:

Michael W. Dunn, Chair
Paul M. Bass
Gordon J. Roth

Independent Auditor Fees and Services

The following table presents fees paid for professional services rendered by KPMG for the Fiscal Year 2004 and the fiscal year ending September 30, 2003 ("Fiscal Year 2003"):

Fee Category	Fiscal Year 2004 Fees	Fiscal Year 2003 Fees
Audit Fees	\$58,250	\$58,250
Audit-Related Fees	\$11,175	\$11,175
Tax Fees	\$24,900	\$24,900
All Other Fees	-0-	-0-
Total Fees	\$94,325	\$94,325

Audit Fees were for professional services rendered for the audit of the Corporation's consolidated financial statements and review of the interim consolidated financial statements included in quarterly reports and services that are normally provided by KPMG in connection with statutory and regulatory filings or engagements and include quarterly reviews, security counts and audit of SBA Form 468.

Audit-Related Fees were for assurance and related services that are

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reasonably related to the performance of the audit or review of the Corporation's consolidated financial statements and are not reported under "Audit Fees." These services include accounting consultations in connection with acquisitions, consultations concerning financial accounting and reporting standards.

Tax Fees were for professional services for federal, state and international tax compliance, tax advice and tax planning and include preparation of federal and state income tax returns, and other tax research, consultation, correspondence and advice.

All Other Fees are for services other than the services reported above. The Corporation did not pay any fees for such other services in Fiscal Year 2004 or Fiscal Year 2003.

The Audit Committee has concluded the provision of the non-audit services listed above is compatible with maintaining the independence of KPMG.

Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Auditors

The Audit Committee pre-approves all audit and permissible non-audit services provided by the independent auditors. These services may include audit services, audit-related services, tax services and other services. Pre-approval is generally provided for up to one year and any

pre-approval is detailed as to the particular service or category of services and is generally subject to a specific budget. The independent auditors and management are required to periodically report to the Audit Committee regarding the extent of services provided by the independent auditors in accordance with this pre-approval, and the fees for the services performed to date. The Audit Committee may also pre-approve particular services on a case-by-case basis.

PART IV

Item 15. Exhibits, Financial Statement Schedules and Reports on Form 8-K.

(a) Documents filed as part of this Report:

- (1) A. The following financial statements are incorporated by reference to the 2004 Annual Report.
 - Consolidated Balance Sheet at September 30, 2004
 - Consolidated Statement of Operations for the year ended September 30, 2004
 - Consolidated Statements of Changes in Net Assets for the years ended September 30, 2004 and September 30, 2003
 - Consolidated Statement of Cash Flows for the year ended September 30, 2004
 - Notes to Consolidated Financial Statements
 - Consolidated Schedule of Investments as of September 30, 2004
 - Notes to the Consolidated Schedule of Investments
- B. The Report of Independent Accountants with respect to the financial statements listed in A. above is incorporated by reference to the 2004 Annual Report.

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(2) No financial statement schedules of the Corporation are filed herewith because (i) such schedules are not required or (ii) the information required has been presented in the aforementioned financial statements and schedule of investments.

(3) The following exhibits are filed herewith or incorporated by reference as set forth below:

3(i)1 Certificate of Incorporation of the Corporation.

3(ii)4 Amended and Restated By-Laws of the Corporation.

4. See Exhibits 3.1 and 3.2.

10.12 Investment Advisory Agreement between MACC Private Equities Inc. and Atlas Management Partners, LLC dated March 1, 2004.

10.2(2) Investment Advisory Agreement between MorAmerica Capital Corporation and Atlas Management Partners, LLC dated March 1, 2004.

10.3(2) Investment Advisory Support Services Agreement dated March 1, 2004 among MACC Private Equities Inc., MorAmerica Capital Corporation, Atlas Management Partners, LLC and InvestAmerica Investment Advisors, Inc.

10.4(2) Convertible Note and Security Agreement dated March 1, 2004 between MACC Private Equities Inc. and Geoffrey T. Woolley.

10.5(2) Guarantee dated March 1, 2004 by Atlas Management Partners, LLC in favor of Geoffrey T. Woolley.

10.6(2) Letter Agreement Regarding Subsidiary Support dated March 1, 2004 between MorAmerica Capital Corporation and MACC Private Equities Inc.

10.7(3) Agreement and Waiver of Rights Under Section 203 of the Delaware General Corporation Law among Zions First National Bank, Atlas Management Partners LLC and MACC Private Equities Inc.

13 2004 Annual Report to Stockholders.

14(3) Code of Business Conduct and Ethics

21(3) Subsidiary of the Corporation and jurisdiction of incorporation.

31.1 Section 302 Certification of Kent I. Madsen (President).

31.2 Section 302 Certification of David R. Schroder (CFO).

32.1 Section 906 Certification of Kent I. Madsen (President).

32.2 Section 906 Certification of David R. Schroder (CFO).

99.1 Letter from United States Small Business Administration dated January 4, 2005.

99.2 Agreement between United States Small Business

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Administration, Rocky Mountain Mezzanine Fund II, L.P.,
Hanifen Imhoff Mezzanine Fund, L.P., MorAmerica Capital
Corporation and NDSBIC, L.P.

99.3 Agreement of Settlement and Mutual Release.

- 1 Incorporated by reference to the Corporation's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 1997, as filed with the Commission on May 14, 1997.
- 2 Incorporated by reference to the Corporation's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2004, as filed with the Commission on May 17, 2004.
- 3 Incorporated by reference to the Corporation's Annual Report on Form 10-K for the period ended September 30, 2003, as filed with the Commission on December 29, 2003.
- 4 Incorporated by reference to the Corporation's Annual Report on Form 10-K for the period ended September 30, 2002, as filed with the Commission on December 27, 2002.

(b) Reports on Form 8-K.

On December 3, 2004, and on January 7, 2005, the Corporation filed reports on Form 8-K reporting information under Item 8.01 announcing developments in the arbitration proceedings discussed in Item 3 of this Annual Report on Form 10-K.

(c) Exhibits

See (a) (3) above.

(d) Financial Statement Schedules

See (a) (1) and (a) (2) above.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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 on January 12, 2005.

/s/ Kent I. Madsen

Kent I. Madsen
President and Secretary

/s/ David R. Schroder

David R. Schroder

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Chief Financial Officer and Treasurer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant in the capacities and on the dates indicated.

Signature -----	Date ----
/s/ Geoffrey R. Woolley ----- Geoffrey T. Woolley Chairman of the Board of Directors	January 12, 200
/s/ Kent I. Madsen ----- Kent I. Madsen Director, President and Secretary	January 12, 200
/s/ Paul M. Bass, Jr. ----- Paul M. Bass, Jr. Director	January 12, 200
/s/ Michael W. Dunn ----- Michael W. Dunn Director	January 12, 200
/s/ Gordon J. Roth ----- Gordon J. Roth Director	January 12, 200
/s/ Benjamin Jiaravanon ----- Benjamin Jiaravanon Director	January 12, 200
/s/ Jasja Kotterman ----- Jasja Kotterman Director	January 12, 200
/s/ Shane Robison ----- Shane Robison Director	January 12, 200
/s/ Martin Walton ----- Martin Walton Director	January 12, 200