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To the Shareholders of MACC Private Equities Inc.:

The Annual Meeting of Shareholders of our Corporation will be held on February 28, 2006, at 10:00 a.m. Central Standard Time at the Grand Hyatt DFW, 2337 South International Parkway, DFW Airport, Texas 75261.

A Notice of the meeting, a Proxy and Proxy Statement containing information about matters to be acted upon are enclosed. In addition, the MACC Private Equities Inc. Annual Report for the Fiscal Year ended September 30, 2005, is enclosed and provides information regarding the financial results of the Corporation for the year. Holders of Common Stock are entitled to vote at the Annual Meeting on the basis of one vote for each share held. **If you attend the Annual Meeting in February, you retain the right to vote in person even though you previously mailed the enclosed Proxy.**

It is important that your shares be represented at the meeting whether or not you are personally in attendance, and I urge you to review carefully the Proxy Statement and sign, date and return the enclosed Proxy at your earliest convenience. I look forward to meeting you and, together with our Directors and Officers, reporting our activities and discussing the Corporation's business and its prospects. I hope you will be present.

Very truly yours,  
Geoffrey T. Woolley  
Chairman of the Board

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**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS  
TO BE HELD FEBRUARY 28, 2006**

To the Shareholders of MACC Private Equities Inc.:

**NOTICE IS HEREBY GIVEN** that the Annual Meeting of the Shareholders of MACC Private Equities Inc., a Delaware corporation (the "Corporation"), will be held on February 28, 2006, at 10:00 a.m. Central Standard Time at the Grand Hyatt DFW, 2337 South International Parkway, DFW Airport, Texas 75261, for the following purposes:

1. To elect five directors to serve until the 2007 Annual Shareholders Meeting or until their respective successors shall be elected and qualified;
2. To ratify the appointment of KPMG LLP as independent auditors of the Corporation for fiscal year 2006; and
3. To transact such other business as may properly come before the meeting and any adjournment thereof.

Only holders of Common Stock of the Corporation of record at the close of business on January 13, 2006, will be entitled to notice of, and to vote at, the meeting and any adjournment thereof.

By Order of the Board of Directors  
David R. Schroder, Secretary

**Your Officers and Directors desire that all shareholders be present or**

represented at the Annual Meeting. Even if you plan to attend in person, please date, sign and return the enclosed proxy in the enclosed postage-prepaid envelope at your earliest convenience so that your shares may be voted. If you do attend the meeting in February, you retain the right to vote even though you mailed the enclosed proxy. The proxy must be signed by each registered holder exactly as the stock is registered.

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**PROXY STATEMENT**

**FOR ANNUAL MEETING OF SHAREHOLDERS  
TO BE HELD FEBRUARY 28, 2006**

This Proxy Statement is furnished in connection with the solicitation by the Board of Directors of MACC Private Equities Inc., a Delaware corporation (the "Corporation"), of proxies to be voted at the Annual Meeting of Shareholders to be held on February 28, 2006, or any adjournment thereof (the "2006 Annual Meeting"). The date on which this Proxy Statement and the enclosed form of proxy are first being sent or given to shareholders of the Corporation is on or about January 23, 2006.

**PURPOSES OF THE MEETING**

The 2006 Annual Meeting is to be held for the purposes of:

(1) electing five persons to serve as Directors of the Corporation to serve until the 2007 Annual Shareholders Meeting or until their respective successors shall be elected and qualified;

(2) ratifying the appointment by the Board of Directors of KPMG LLP as independent auditors of the Corporation for fiscal year 2006; and

(3) transacting such other business as may properly come before the meeting or any adjournment thereof.

The Board of Directors unanimously recommends that the shareholders vote FOR the election as Directors of the persons named under ELECTION OF DIRECTORS, and FOR the ratification of the appointment of KPMG LLP as independent auditors.

**VOTING AT THE MEETING**

The record date for holders of Common Stock entitled to notice of, and to vote at, the 2006 Annual Meeting is the close of business on January 13, 2006 (the "Record Date"). As of the Record Date, the Corporation had outstanding and entitled to vote at the 2006 Annual Meeting 2,464,621 shares of Common Stock.

The presence, in person or by proxy, of the holders of a majority of the shares of Common Stock outstanding and entitled to vote at the 2006 Annual Meeting is necessary to constitute a quorum. Abstentions and shares held by brokers, banks, other institutions and nominees that are voted on any matter at the 2006 Annual Meeting are included in determining the presence of a quorum for the transaction of business at the commencement of the 2006 Annual Meeting and on those matters for which the broker, nominee or fiduciary has authority to vote. In deciding all questions, a shareholder shall be entitled to one vote, in person or by proxy, for each share of Common Stock held in the shareholder's name at the close of business on the record date.

To be elected a Director, each nominee under **PROPOSAL 1** must receive the favorable vote of the holders of a plurality of the shares of Common Stock entitled to vote and represented at the 2006 Annual Meeting.

In order to ratify the appointment of KPMG LLP as independent auditors for the Corporation for the fiscal year ending September 30, 2006 under **PROPOSAL 2**, this proposal must receive the favorable vote of a majority of the outstanding shares of Common Stock entitled to vote at the 2006 Annual Meeting.

Each proxy delivered to the Corporation, unless the shareholder otherwise specifies therein, will be voted:

- >> **FOR** the election as Directors of the persons named under **ELECTION OF DIRECTORS--NOMINEES**, and
- >> **FOR** the ratification of the appointment by the Board of Directors of KPMG LLP as independent auditors.

In each case where the shareholder has appropriately specified how the proxy is to be voted, it will be voted in accordance with this specification. As to any other matter or business which may be brought before the meeting, a vote may be cast pursuant to the accompanying proxy in accordance with the judgment of the person or persons voting the same, but neither the Corporation's management nor the Board of Directors knows of any such other matter or business. Any shareholder has the power to revoke his proxy at any time insofar as it is then not exercised by giving notice of such revocation, either personally at the meeting or in writing, to the Secretary of the Corporation or by the execution and delivery to the Corporation of a new proxy dated subsequent to the original proxy.

**PROPOSAL 1**  
**ELECTION OF DIRECTORS**

All Director nominees elected at the 2006 Annual Meeting will serve until the 2007 Annual Meeting of shareholders or until their respective successors shall be elected and qualified. The persons named in the accompanying form of proxy intend to vote such proxy for the election of the nominees named below as Directors of the Corporation to serve until the next Annual Meeting of shareholders or until their respective successors shall be elected and qualified, unless otherwise properly indicated on such proxy. If any nominee shall become unavailable for any reason, the persons named in the accompanying form of proxy are expected to consult with the Board of Directors in voting the shares represented by them at the 2006 Annual Meeting. The Board of Directors has no reason to doubt the availability of any of the nominees and no reason to believe that any of the nominees will be unable or unwilling to serve the entire term for which election is sought.

At their December 16, 2005 meeting, the Board approved revision of the Corporation's Amended and Restated Bylaws to provide that the Corporation will have five directors beginning with the 2006 Annual Meeting. Therefore, the shareholders will only elect five directors at the 2006 Annual Meeting, and Mr. Paul Bass and Mr. Martin Walton will not seek re-election at the 2006 Annual Meeting. The Corporation's Amended and Restated Bylaws will take effect following the 2006 Annual Meeting.

Proxies may not be voted for more than the five Director nominees set forth below. To be elected a Director, each nominee must receive the favorable vote of the holders of a plurality of the shares of Common Stock entitled to vote and represented at the 2006 Annual Meeting. The names of the nominees, along with

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certain information concerning them, are set forth below.

2

### Nominees

In the chart below, "Interested Directors" indicate those persons who are "interested persons," as that term is defined in Section 2(a)(19) of the Investment Company Act, of the Corporation, as affiliated persons of the Corporation. In contrast, "Independent Directors" are not "interested persons." The address for all Director nominees is 101 Second Street SE, Suite 800, Cedar Rapids, Iowa 52401. All Director nominees also serve as Directors of MorAmerica Capital Corporation ("MorAmerica"), the Corporation's wholly-owned subsidiary.

#### *Interested Directors*

| Name<br>and Age                   | Position(s)<br>Held with<br>the<br>Corporation | Term of<br>Office and<br>Length of<br>Time Served                | Principal Occupation(s)<br>During Past 5 Years                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Number<br>Portf<br>in F<br>Comp<br>Overse<br>Nomine |
|-----------------------------------|------------------------------------------------|------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------|
| Benjamin<br>Jiaravanon,<br>35 (3) | Director                                       | Since<br>February,<br>2004                                       | President, Strategic Planning Group, Charoen Pokphand Indonesia (agribusiness conglomerate with sales in excess of \$1.5 billion), since 2002; Associate, Direct Investments Group, Merrill Lynch, 1996 - 2002. Mr. Jiaravanon received his Bachelor of Science degree in industrial management from Carnegie Mellon University.                                                                                                                                                                                                                                                                   | On                                                  |
| Goeffrey T.<br>Woolley,<br>46 (4) | Director<br>and<br>Chairman<br>of the<br>Board | Director<br>since<br>2003,<br>elected<br>Chairman<br>April, 2004 | Executive Chairman, European Venture Partners (founded in 1997 by Mr. Woolley to introduce "venture leasing," an asset-backed debt instrument with equity participation to the European and Israeli markets); director, Dominion Ventures, Inc.; director, BH Thermal Corp.; director, University Opportunity Fund; director, Utah Capital Investment Corporation; Chairman of the board: MorAmerica, Hild Assets, Ltd. and Unitus Equity Fund. Mr. Woolley 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. | On                                                  |

(1) As the Corporation conducts all of its investments through MorAmerica, the Corporation and MorAmerica are deemed one "fund."

(2) "Other Directorships" indicate other U.S. publicly-traded companies.

(3) To the extent that Bridgewater International Group, LLC ("Bridgewater") may be deemed to be in control of the Corporation as a result of its 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) Mr. Woolley, as a former Voting Managing Director of Atlas Management

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Partners, LLC, the Company's former investment adviser, may be an "interested person" of the Corporation, as that term is defined in Section 2(a)(19) of the Investment Company Act.

3

### Independent Directors

| Name<br>and Age           | Position(s)<br>Held with<br>the<br>Corporation | Term of<br>Office<br>and<br>Length of<br>Time<br>Served | Principal Occupation(s)<br>During Past 5 Years                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Number<br>Portf<br>in F<br>Comp<br>Overse<br>Nomin |
|---------------------------|------------------------------------------------|---------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------|
| Gordon J.<br>Roth,<br>51  | Director                                       | Since 2000                                              | CFO and Executive Vice President, Roth Capital Partners, LLC (independent investment banking firm specializing in small-cap companies), 2000-present; Chairman, Roth & Company, P.C. (public accounting firm located in Des Moines, Iowa), 1990-2000. Prior to that, Mr. Roth was a partner at Deloitte & Touche, a public accounting firm, in Des Moines.                                                                                                                                                                                                           | On                                                 |
| Jasja<br>Kotterman,<br>36 | Director                                       | Since<br>February,<br>2004                              | Director of Business Development, Avon Products, 2004-present; Vice President, Strategic Planning and Business Development for Primedia Inc. (diversified media company), 2003-2004; Managing Director, Primedia International (the international development group for Primedia), 2000-2003. Ms. Kotterman holds an M.B.A. from the Wharton School, an M.A. in International Studies from the University of Pennsylvania, and is a graduate of Cambridge University in England, where she received an M.A. in Genetics and an M.Phil. in International Development. | On                                                 |
| Michael W.<br>Dunn,<br>56 | Director                                       | Since 1994                                              | Director, MorAmerica since 1994; C.E.O. (since 1980), President and Director (since 1983), Farmers & Merchants Savings Bank of Manchester, Iowa; Vice President and Director, Security Savings Bank of Eagle Grove, Iowa; President and CEO, Dunn Investment Co. (bank holding company).                                                                                                                                                                                                                                                                             | On                                                 |

(1) As the Corporation conducts all of its investments through MorAmerica, the Corporation and MorAmerica are deemed one "fund."

(2) "Other Directorships" indicate other U.S. publicly-traded companies.

### Corporation Stock Ownership of Director Nominees

The following table represents, as of December 30, 2005, the dollar range value of equity securities beneficially owned (as that term is defined in Rule 16a-1(a)(2) of the Exchange Act) by each nominee for Director of the Corporation pursuant to this **PROPOSAL 1**. In the table, "Interested Directors" indicate those

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persons who are "interested persons," as that term is defined in Section 2(a)(19) of the Investment Company Act, of the Corporation, as affiliated persons of the Corporation. In contrast, "Independent Directors" are not "interested persons."

4

| <b>NAME OF INDEPENDENT<br/>DIRECTOR<br/>NOMINEE</b> | <b>DOLLAR RANGE<br/>OF EQUITY SECURITIES<br/>IN THE CORPORATION</b> | <b>AGGREGATE D<br/>OF EQUITY SEC<br/>FUNDS IN CO<br/>COMP</b> |
|-----------------------------------------------------|---------------------------------------------------------------------|---------------------------------------------------------------|
| Michael W. Dunn                                     | \$50,001 - \$100,000                                                | \$50,001 -                                                    |
| Gordon J. Roth                                      | \$10,001 - \$50,000                                                 | \$10,001 -                                                    |
| Jasja Kotterman                                     | \$1 - \$10,000                                                      | \$1 - \$                                                      |

  

| <b>NAME OF INTERESTED<br/>DIRECTOR<br/>NOMINEE</b> | <b>DOLLAR RANGE<br/>OF EQUITY SECURITIES<br/>IN THE CORPORATION</b> | <b>AGGREGATE D<br/>OF EQUITY SEC<br/>FUNDS IN CO<br/>COMP</b> |
|----------------------------------------------------|---------------------------------------------------------------------|---------------------------------------------------------------|
| Geoffrey T. Woolley                                | Over \$100,000                                                      | Over \$1                                                      |
| Benjamin Jiaravanon                                | Over \$100,000                                                      | Over \$1                                                      |

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There are no other funds in the Corporation's complex.

**Director Nominee Interests in Affiliates of the Corporation**

Mr. Woolley, a Director nominee and Chairman of the boards of directors of both the Corporation and of MorAmerica, was formerly a Voting Managing Director of Atlas Management Partners, LLC ("Atlas"). Atlas served as the investment adviser to the Corporation and to MorAmerica from March 1, 2004 through April 29, 2005 pursuant to Investment Advisory Agreements dated March 1, 2004 (the "Atlas MACC Advisory Agreement" and the "Atlas MorAmerica Advisory Agreement"). Mr. Woolley no longer holds any interests in Atlas.

The Atlas MACC Advisory Agreement provided that Atlas was to receive a management fee equal to an annual rate of 2.5% of the Assets Under Management (as defined in the Atlas MACC Advisory Agreement), payable in arrears. In addition to the annual management fee of 2.5% of the Assets Under Management, Atlas was to receive an incentive fee (the "Atlas Incentive fee") in an amount equal to 20.0% of the Corporation's net capital gains (as defined in the Atlas MACC Advisory Agreement), before taxes. Total management fees under the Atlas MACC Advisory Agreement amounted to \$395 for the year ended September 30, 2005. There were no Atlas Incentive fees accrued or paid under the Atlas MACC Advisory Agreement in 2005.

The Atlas MorAmerica Advisory Agreement provided that Atlas was to receive a management fee equal to an annual rate of 2.5% of the Assets Under Management (as defined in the Atlas MorAmerica Advisory Agreement), payable in arrears. In addition to the annual management fee of 2.5% of the Assets Under Management, Atlas was to receive an incentive fee (the "Atlas MorAmerica Incentive fee") in an amount equal to 20.0% of MorAmerica's net capital gains (as defined in the Atlas MorAmerica Advisory Agreement), before taxes. Total management fees under

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the Atlas MorAmerica Advisory Agreement amounted to \$458,858 for the year ended September 30, 2005. There were no Atlas MorAmerica Incentive fees accrued or paid under the Atlas MorAmerica Advisory Agreement in 2005.

As previously reported, Mr. Woolley entered into an Amended and Restated Convertible Note and Security Agreement with the Corporation on July 20, 2005, pursuant to which Mr. Woolley subsequently elected to convert all debt owed by the Corporation to Mr. Woolley into 135,366 shares of the Corporation's Common Stock.

5

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**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT THE SHAREHOLDERS VOTE FOR THE ELECTION AS DIRECTORS OF THE PERSONS NAMED UNDER "ELECTION OF DIRECTORS--NOMINEES" TO THEIR RESPECTIVE TERMS.**

### **PROPOSAL 2 RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS**

As recommended by the Audit Committee of the Corporation's Board of Directors, on December 16, 2005, a majority of those members of the Board of Directors of the Corporation who are not "interested persons" of the Corporation (as defined in Section 2(a)(19) of the Investment Company Act) voted in favor of the appointment of KPMG LLP to serve as the Corporation's independent auditors for the fiscal year ending September 30, 2006.

The appointment of KPMG LLP as independent auditors is subject to ratification by the shareholders. If the shareholders ratify the selection of KPMG LLP as the Corporation's auditors, they will also serve as independent auditors for MorAmerica. A representative of KPMG LLP is expected to be present at the 2006 Annual Meeting with an opportunity to make a statement, and will be available to respond to appropriate questions.

In order to ratify the appointment of KPMG LLP as independent auditors for the Corporation for the fiscal year ending September 30, 2006, the proposal must receive the favorable vote of a majority of the shares entitled to vote and represented at the 2006 Annual Meeting.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT THE SHAREHOLDERS VOTE FOR THE RATIFICATION OF KPMG LLP AS THE INDEPENDENT AUDITORS FOR THE CORPORATION FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2006.**

### **OTHER BUSINESS**

The Board of Directors knows of no other business to be presented for action at the 2006 Annual Meeting. If any matters do come before the 2006 Annual Meeting on which action can properly be taken, it is intended that the proxies shall vote in accordance with the judgment of the person or persons exercising the authority conferred by the proxy at the 2006 Annual Meeting.

### **ADDITIONAL INFORMATION**

#### **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



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and 5 regarding changes in their holdings of the Corporation's equity securities with the SEC. Based solely upon a review of copies of these reports sent to the Secretary of the Corporation and/or written representations from reporting persons that no Form 5 was required to be filed with respect to Fiscal Year 2005, 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 ("SEC").

6

### *Common Stock Ownership*

As of December 30, 2005, there were 2,464,621 shares issued and outstanding. The following table sets forth certain information as of December 30, 2005, 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, eleven in number, as a group. Unless otherwise provided, the address of those in the following table is 101 Second Street S.E., Suite 800, Cedar Rapids IA 52401.

| <b><u>Name and Address of<br/>Beneficial Owner</u></b>                                                | <b><u>Amount and Nature<br/>Of Beneficial Ownership</u></b> | <b><u>Percent of<br/>Voting Com</u></b> |
|-------------------------------------------------------------------------------------------------------|-------------------------------------------------------------|-----------------------------------------|
| Atlas Management Partners, LLC(1)<br>One South Main Street, Suite 1660, Salt Lake<br>City, Utah 84133 | 804,689 Shares                                              | 32.                                     |
| Bridgewater International Group, LLC(1)<br>10500 South 1300 West, South Jordan, Utah<br>84095         | 804,689 Shares                                              | 32.                                     |
| Timothy A. Bridgewater(1)<br>10500 South 1300 West<br>South Jordan, Utah 84095                        | 809,689 Shares                                              | 32.                                     |
| Jasja Kotterman                                                                                       | 1,000 Shares                                                | .0                                      |
| Michael W. Dunn                                                                                       | 32,984 Shares                                               | 1.3                                     |
| Benjamin Jiaravanon(2)<br>Ancol Barat, J1 Ancol VIII, No.1<br>Jakarta 14430 Indonesia                 | 804,689 Shares                                              | 32.                                     |
| Gordon J. Roth                                                                                        | 5,151 Shares                                                | 0.2                                     |
| David R. Schroder(3)                                                                                  | 77,416 Shares                                               | 3.3                                     |
| Kevin F. Mullane(3)                                                                                   | 11,264 Shares                                               | 0.4                                     |
| Robert A. Comey(3)                                                                                    | 57,019 Shares                                               | 2.                                      |
| Martin C. Walton                                                                                      | 0 Shares                                                    | 0.0                                     |
| Paul M. Bass                                                                                          | 37,000 Shares                                               | 1.5                                     |

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|                                       |                  |     |
|---------------------------------------|------------------|-----|
| Michael Reynoldson(3)                 | 0 Shares         | 0.0 |
| Geoffrey T. Woolley(4)                | 151,314 Shares   | 6.1 |
| All Officers and Directors as a Group | 1,182,837 Shares | 48  |

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7

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(1) Information with respect to Atlas Management Partners, LLC ("Atlas"), Bridgewater International Group, LLC ("BIG") and Mr. Bridgewater is based upon Amendment No. 4 to Schedule 13D, dated April 30, 2005, filed by Atlas, BIG and others 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 804,689 shares of the Company's Common Stock previously acquired by BIG under a Shareholder and Voting Agreement entered into between Atlas and BIG (the "Shareholder Agreement"). Pursuant to the Shareholder Agreement, BIG retains beneficial ownership and dispositive power of the 804,689 shares. As a voting Managing Director of Atlas, Mr. Bridgewater has shared control over the voting power held by Atlas of 804,689 shares, subject to Atlas's rights under the Shareholder Agreement. Mr. Bridgewater also individually owns 5,000 shares of stock.

(2) Information with respect to Mr. Jiaravanon is based upon Amendment No. 4 to Schedule 13D, dated April 30, 2005, filed by Atlas, BIG and others with the SEC. As the sole manager of BIG, Mr. Jiaravanon has shared control over the voting power of Atlas on the 804,689 shares of the Company's Common Stock Atlas jointly controls with BIG pursuant to the Shareholder Agreement. To the extent that BIG may be deemed to be in control of the Corporation as a result of beneficial ownership of the Company's Common Stock, Mr. Jiaravanon, as the sole manager of BIG, may be an "interested person" of the Company, as that term is defined in Section 2(a)(19) of the Investment Company Act.

(3) As principals, officers and directors of InvestAmerica Investment Advisors, Inc. ("InvestAmerica"), the investment advisor for the Corporation and MorAmerica, Messrs. Schroder, Mullane, Comey and Reynoldson are "interested persons" of the Corporation, as that term is defined in Section 2(a)(19) of the Investment Company Act.

(4) As a former Voting Managing Director of Atlas, the former investment advisor for the Corporation and MorAmerica, Mr. Woolley is an "interested person" of the Corporation, as that term is defined in Section 2(a)(19) of the Investment Company Act. As of April 30, 2005, Mr. Woolley is no longer a Voting Managing Director of Atlas.

### *Investment Adviser & Certain Business Relationships*

InvestAmerica is the investment advisor to the Corporation pursuant to an Investment Advisory Agreement between the Corporation and InvestAmerica dated July 21, 2005 (the "MACC Advisory Agreement"). The address of InvestAmerica is 101 Second Street S.E., Suite 800, Cedar Rapids IA 52401. The MACC Advisory Agreement provides that InvestAmerica is entitled to receive a management fee equal to an annual rate of 1.5% of the Assets Under Management (as defined in the MACC Advisory Agreement), payable monthly in arrears. In addition to the annual management fee of 1.5% of the Assets Under Management, InvestAmerica is

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entitled to receive an incentive fee (the "Incentive fee") in an amount equal to 13.4% 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 Advisory Agreement amounted to \$241 for the year ended September 30, 2005. There were no Incentive fees accrued or paid under the MACC Advisory Agreement in 2005.

MorAmerica has a separate investment advisory agreement (the "MorAmerica Advisory Agreement") with InvestAmerica dated July 21, 2005. MorAmerica pays InvestAmerica, monthly in arrears, a management fee equal to the lesser of 1.5% per annum of the (i) Combined Capital (as defined under the SBA Regulations) or (ii) Assets Under Management (as defined in the MorAmerica Advisory Agreement. These fees are not based upon any of the Corporation's assets managed by InvestAmerica under the MACC Advisory Agreement. In addition, the MorAmerica Advisory Agreement provides that MorAmerica will pay InvestAmerica an incentive fee in an amount equal to 13.4% of the net capital gains, before taxes. Net capital gains, as defined in the MorAmerica 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. 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. Total management

8

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fees (net of management fees waived) under the MorAmerica Advisory Agreement amounted to \$241,517 for the year ended September 30, 2005. Incentive fees earned and paid for the year ended September 30, 2005 under the MorAmerica Advisory Agreement amounted to \$566,426 and \$16,577, respectively. Included in the incentive fees earned of \$566,426 are approximately \$94,882 of incentive fees related to noncash gains which are being deferred.

As a condition to the SBA's approval of the MorAmerica Advisory Agreement, the SBA has required that MorAmerica enter into a subordination agreement among it, the SBA and InvestAmerica (the "Subordination Agreement") providing that MorAmerica's payment to InvestAmerica, and InvestAmerica's receipt of, incentive fees under the MorAmerica Advisory Agreement be subordinated to MorAmerica's repayment of all obligations owing to the SBA. Those obligations include the repayment of all outstanding SBA debentures and MorAmerica's agreement, along with other SBA licensees, to reimburse the SBA for any losses the SBA may incur in connection with the settlement of an arbitration proceeding which was concluded in late 2004 (collectively, the "Obligations"). MorAmerica expects that the proposed Subordination Agreement will provide that: (i) MorAmerica will not pay InvestAmerica incentive fees under the MorAmerica Advisory Agreement unless and until MorAmerica's Obligations to the SBA are satisfied, and (ii) to the extent (A) incentive fees have been escrowed under the MorAmerica Advisory Agreement because MorAmerica's capital has been impaired as provided in Section 5.2(c)(ii) of the MorAmerica Advisory Agreement, and (B) MorAmerica is delinquent in repaying the SBA any amounts respecting SBA debentures, the SBA may require MorAmerica to pay any so escrowed funds to the SBA to satisfy any arrearage respecting SBA debentures. The Subordination Agreement will not, however, affect: (i) InvestAmerica's ability to earn incentive fees under the MorAmerica Advisory Agreement, (ii) MorAmerica's payment to InvestAmerica of management fees under the MorAmerica Advisory Agreement, or (iii) any other

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terms of the MorAmerica Advisory Agreement. Upon receiving verbal assurance that the SBA has approved the terms of the proposed Subordination Agreement, MorAmerica has executed the Subordination Agreement and has sent it to the SBA for final approval and execution.

Mr. David Schroder, President and Secretary of the Corporation and MorAmerica, is a shareholder of, Director, President and Secretary of InvestAmerica. Mr. Robert A. Comey, Executive Vice President, Chief Financial Officer, Treasurer, Chief Compliance Officer and Assistant Secretary of the Corporation and of MorAmerica, is a Director of and the Executive Vice President, Treasurer and Assistant Secretary of InvestAmerica. Mr. Kevin Mullane, Senior Vice President of the Corporation and MorAmerica, is a shareholder and Director of, and the Senior Vice President and Assistant Secretary of InvestAmerica. Mr. Michael H. Reynoldson, Vice President of the Corporation and MorAmerica, is the Vice President of InvestAmerica.

*Executive Officers of the Corporation*

As affiliated persons of InvestAmerica, the officers of the Corporation listed in the chart below are "interested persons," as that term is defined in Section 2(a)(19) of the Investment Company Act, of the Corporation. The address for all officers is 101 Second Street SE, Suite 800, Cedar Rapids, Iowa 52401.

The Corporation's officers listed below also serve in similar capacities with MorAmerica and serve in various capacities with the following companies which are under common control with or are affiliated with InvestAmerica: InvestAmerica Venture Group, Inc. (provides management and investment services to a private investment partnership, the Iowa Venture Capital Fund, L.P.); InvestAmerica N.D. Management, Inc. (provides management and investment services to NDSBIC, L.P., a Small Business Investment Company ("SBIC")); InvestAmerica ND, L.L.C. (general partner of NDSBIC, L.P.); InvestAmerica L&C Management, Inc. (provides management and investment services to Lewis & Clark Private Equities, L.P., an SBIC ("Lewis")); InvestAmerica L&C, LLC (general partner of Lewis); InvestAmerica NW Management, Inc. (provides management and investment services to Invest Northwest, L.P. ("NWLP") (private venture capital fund); and InvestAmerica NW, LLC (general partner of NWLP).

As representatives of InvestAmerica and its affiliates, the Corporation's officers listed below also serve on the boards of directors of several of the Corporation's portfolio companies and the portfolio companies of other managed funds.

| <b>Name and Age</b>   | <b>Position(s) Held with the Corporation</b> | <b>Term of Office and Length of Time Served</b> | <b>Principal Occupation(s) During Past 5 Years</b>                                                                                                                                                                                                                   |
|-----------------------|----------------------------------------------|-------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| David R. Schroder, 62 | President and Secretary                      | Since April, 2005                               | Chief Compliance Officer and Treasurer of the Corporation, March, 2004-April, 2005; President, Secretary and a Director of the Corporation, 1994-2004. Mr. Schroder also serves as President, Secretary and a Director of InvestAmerica. He received a B.S.F.S. from |

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Georgetown University and an M.B.A. from the University of Wisconsin.

|                              |                                                                                                                |                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|------------------------------|----------------------------------------------------------------------------------------------------------------|-------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Robert A. Comey,<br>59       | Chief Financial Officer, Executive Vice President, Chief Compliance Officer, Treasurer and Assistant Secretary | Since April, 2005 | Chief Financial Officer, Executive Vice President, Treasurer and a Director of the Corporation, 1994-2004; Director of MorAmerica, 1989-2004; Executive Vice President and Assistant Secretary of MorAmerica, 1994-2004; Treasurer of MorAmerica, 1994-April, 2005. Mr. Comey is the Executive Vice President, Treasurer, Assistant Secretary and a Director of InvestAmerica. He received an A.B. in Economics from Brown University and an M.B.A. from Fordham University. |
| Kevin F. Mullane,<br>50      | Senior Vice President                                                                                          | Since April, 2005 | Vice President of the Corporation, 1994-1999; Vice President of MorAmerica, 1994-1998; Senior Vice President of the Corporation, 2000-2004; Senior Vice President of MorAmerica, 1999-2004. Mr. Mullane is a Senior Vice President, Assistant Secretary and a Director of InvestAmerica. He received an M.B.A. and an M.S. in Business Administration, Emphasis in Accounting, from Rockhurst Jesuit University.                                                             |
| Michael H. Reynoldson,<br>40 | Vice President                                                                                                 | Since April, 2005 | Vice President of the Corporation, 2002-2004; Vice President of MorAmerica since 2002. Mr. Reynoldson is Vice President of InvestAmerica. He received an M.B.A. from the University of Iowa and a B.A. in Business Administration from Washington State University.                                                                                                                                                                                                          |

(1) As the Corporation conducts all of its investments through MorAmerica, the Corporation and MorAmerica are deemed one "fund."

(2) "Other Directorships" indicate other U.S. publicly-traded companies.

### **Advisory Board**

At its meeting on December 22, 2003, the Boards of Directors of the Corporation and MorAmerica voted to create an Advisory Board to MorAmerica. Initially, two former members of the Boards of Directors of the

Corporation and MorAmerica, Henry T. Madden and John Wolfe, were appointed to the MorAmerica Advisory Board commencing at the end of the 2004 Annual Meeting of Shareholders. Pursuant to a written agreement, Mr. Madden and Mr. Wolfe have provided consulting services as advisory directors for a two-year term based on their prior experience as members of the Board of Directors with respect to the current investment portfolio. The Boards of Directors of the Corporation and MorAmerica have since determined that the assistance of the Advisory Board is no longer necessary, and therefore the Advisory Board will not be utilized by MorAmerica after the 2006 Annual Meeting.

### **Meetings and Committees of the Board of Directors**

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The Audit Committee, the Corporate Governance/Nominating Committee, the Investment Committee and the Valuation Committee operated during Fiscal Year 2005 to assist the Board of Directors in carrying out its duties. During Fiscal Year 2005, six meetings of the Board of Directors were held. In addition, five meetings of the Audit Committee, two meetings of the Corporate Governance/Nominating Committee, two meetings of the Investment Committee and three meetings of the Valuation Committee were held. Except for Mr. Jiaravanon, each of the Directors who are nominated for election at the 2006 Annual Meeting attended at least 75% of the aggregate meetings of the Board of Directors and the meetings held by the committees of the Board of Directors on which each Director served during fiscal year 2005.

### *Audit Committee*

The Audit Committee makes recommendations to the Board of Directors regarding the engagement of the independent auditors for audit and non-audit services; evaluates the independence of the auditors and reviews with the independent auditors the fee, scope and timing of audit and non-audit services. The Audit Committee also is charged with monitoring the Corporation's Policy Against Insider Trading and Prohibited Transactions and its Code of Conduct. The Audit Committee has adopted a written charter, which was previously provided with the Corporation's Proxy Statement for the 2004 Annual Meeting.

The Audit Committee presently consists of Michael W. Dunn (Chair), Paul M. Bass, Jr. and Gordon J. Roth. Each member of the Audit Committee is independent under NASDAQ listing standards.

### *Corporate Governance/Nominating Committee*

The Corporate Governance/Nominating Committee was appointed by the Board of Directors to identify and recommend approval of all Director nominees to be voted on at the Annual Shareholders' Meetings, to recommend corporate governance guidelines for the Corporation, to lead the Board of Directors in its annual review of the Board's performance, and to recommend to the Board of Directors nominees for each committee of the Board. On December 22, 2003, the Board of Directors approved the Corporate Governance/Nominating Committee Charter, which was previously provided with the Corporation's Proxy Statement for the 2004 Annual Meeting.

The Corporate Governance/Nominating Committee may seek input from other Directors or senior management in identifying candidates. Shareholders may propose nominees for Director by following the procedures set forth in the section of this Proxy Statement entitled "**SHAREHOLDER PROPOSALS FOR 2007 ANNUAL MEETING.**"

The qualifications used in evaluating Director candidates include but are not limited to: independence, time commitments, attendance, business judgment, management, accounting, finance, industry and technology knowledge, as well as, personal and professional ethics, integrity and values. In addition, as set forth in its Charter, the Corporate Governance/Nominating Committee believes that having directors with relevant experience in business and industry, government, finance and other areas is beneficial to the Board of Directors as a whole. The Corporate Governance/Nominating Committee further reviews the qualifications of any candidate in the context of the current composition of the Board of Directors and the needs of the Corporation. The same identifying and

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evaluating procedures apply to all candidates for director nomination. The Corporate Governance/Nominating Committee has approved all of the nominees for Director identified above.

The Corporate Governance/Nominating Committee also oversees the formulation of, and recommends for adoption to the Board of Directors, a set of corporate governance guidelines. The Corporate Governance/Nominating Committee also periodically reviews and reassesses the corporate governance guidelines of the Corporation and recommends appropriate changes to the Board of Directors for approval. The Corporate Governance/Nominating Committee also reviews and approves annually the Corporation's compensation program for service on the Board of Directors or any of its committees.

The Corporate Governance/Nominating Committee presently consists of Paul M. Bass, Jr. (Chair), and Jasja Kotterman. All members of the Corporate Governance/Nominating Committee are independent under NASDAQ listing standards.

### *Investment Committee*

The Investment Committee assists the full Board of Directors with oversight of the Corporation's investment portfolio and evaluates any proposed revisions to the Corporation's investment policy. The Investment Committee also assures compliance with the Corporation's policies regarding investments made in participation with other funds managed by InvestAmerica, with entities controlling, controlled by or under common control with InvestAmerica, and with other affiliates. The voting members of the Investment Committee presently include Michael W. Dunn, Gordon J. Roth, and Jasja Kotterman. All voting members are independent under NASDAQ listing standards. The nonvoting ex officio members are Benjamin Jiaravanon and Geoffrey T. Woolley.

### *Valuation Committee*

Since the end of Fiscal Year 2003, the Board of Directors has appointed a Valuation Committee to assist the Board of Directors with its quarterly portfolio valuations. The Valuation Committee meets with the portfolio managers to review the portfolio managers' proposed valuations of all investments. The Valuation Committee then recommends proposed valuations to the full Board, and selects investments for review by the full Board which have had material developments or are otherwise determined appropriate for individual review. The full Board of Directors then reviews the report of the Valuation Committee as well as all portfolio investments recommended for review at the meeting. The full Board of Directors also receives and reviews the complete valuation report and recommendations on every investment and may ask for a detailed review of any investment. The Board of Directors then approves the valuation of all portfolio investments, with any changes approved at the meeting. Current members of the Valuation Committee are Jasja Kotterman and Martin Walton.

### **Audit Committee Report**

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, Jr. 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

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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 2005 with management and discussed other matters related to the audit with the independent auditors.

12

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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 2005, the following amounts during fiscal year 2005:

|                                                                                   |    |        |
|-----------------------------------------------------------------------------------|----|--------|
| Audit Fees (including quarterly reviews, security counts, and audit of Form 468): | \$ | 64,400 |
| Audit-related services                                                            | \$ | -0-    |
| Financial Information Systems Design and Implementation:                          |    |        |
| Non-Audit Fees:                                                                   |    |        |
| Preparation of federal and state income tax returns                               | \$ | 13,500 |
| Other tax research, consultation, correspondence and advice                       | \$ | -0-    |

The Audit Committee has considered whether KPMG has maintained its independence during Fiscal Year 2005.

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, 2005, filed with the SEC.

AUDIT COMMITTEE:  
Michael W. Dunn, Chair  
Paul M. Bass, Jr.  
Gordon J. Roth

### **Independent Auditor Fees and Services**

The following table presents fees paid for professional services rendered by KPMG for the Fiscal Year 2005 and the fiscal year ending September 30, 2004 ("Fiscal Year 2004"):



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| Fee Category       | Fiscal Year 2005 Fees | Fiscal Year 2004 Fees |
|--------------------|-----------------------|-----------------------|
| Audit Fees         | \$64,400              | \$58,250              |
| Audit-Related Fees | -0-                   | \$11,175              |
| Tax Fees           | \$13,500              | \$24,900              |
| All Other Fees     | -0-                   | -0-                   |
| Total Fees         | \$77,900              | \$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 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

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pre-approve particular services on a case-by-case basis.

### Compensation of Directors and Executive Officers

#### *Compensation of Directors*

Pursuant to the Board of Directors Resolution dated February 24, 2004, Directors of the Corporation and of MorAmerica who are also officers or directors of any investment advisor of either the Corporation or of MorAmerica receive no compensation for serving on the Boards of Directors of the Corporation and of MorAmerica, except that this policy does not apply to the Chairman of the Board. The Chairman of the Board receives an annual retainer of \$21,600, and all other outside Directors receive an annual retainer of \$7,200. The Chairman of the Board and all other outside Directors also receive \$1,000 for each Board of Directors meeting attended (whether such attendance is in person or by telephone) if the meeting is scheduled as an in-person meeting and \$250 for each Board of Directors meeting attended by telephone if the meeting is scheduled to be held by teleconference. In addition, the Chairman of the Board and all other Directors receive \$250 for each committee meeting attended (whether such attendance is in person or by telephone) if the committee meeting is scheduled as an in-person meeting and \$100 for each committee meeting attended by telephone if the meeting is scheduled to be held by teleconference. The Directors do not receive separate compensation for serving on the Board of Directors of MorAmerica. The Corporation also reimburses all reasonable expenses of the Directors and the Chairman of the Board in attending Board of Directors and committee meetings. Directors' meetings are normally held on a quarterly basis, with additional meetings held as needed on an interim basis.

#### *Summary Compensation Table*

The following table sets forth certain details of compensation paid to Directors during Fiscal Year 2005, which includes compensation for serving on the Boards of Directors of the Corporation and MorAmerica Capital

14

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(the only wholly owned subsidiary of the Corporation). For purposes of the following table, the Fund Complex (as that term is defined in Item 22(a)(1)(v) of Reg. ss.240.14a-101) consists solely of the Corporation and MorAmerica. The Corporation presently maintains no pension or retirement plans for its Directors.

| <u>Name and Position</u>                      | <u>Aggregate Compensation<br/>From Corporation and Fund Complex(1)</u> |
|-----------------------------------------------|------------------------------------------------------------------------|
| Geoffrey T. Woolley<br>Chairman of the Board  | \$21,600                                                               |
| Paul M. Bass, Jr., Director(2)                | \$12,750                                                               |
| David R. Schroder,<br>President and Secretary | -0-                                                                    |
| Kent I. Madsen(3)                             | -0-                                                                    |
| Benjamin Jiaravanon, Director                 | -0-                                                                    |

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|                                    |          |
|------------------------------------|----------|
| Jasja De Smedt Kotterman, Director | \$11,600 |
| Shane V. Robison(4)                | \$4,950  |
| Martin Walton, Director(5)         | \$10,900 |
| Michael W. Dunn, Director          | \$12,400 |
| Gordon J. Roth                     | \$11,150 |

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(1) Consists only of directors' fees and does not include reimbursed expenses. The Corporation presently maintains no pension or retirement plans for its Directors.

(2) Mr. Bass is not seeking re-election at the 2006 Annual Meeting.

(3) Mr. Madsen resigned from the Board of Directors on May 24, 2005.

(4) Mr. Robison did not stand for re-election at the 2005 Annual Meeting.

(5) Mr. Walton is not seeking re-election at the 2006 Annual Meeting.

### *Compensation of Executive Officers*

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 InvestAmerica Investment Advisors, Inc., which pays all of their cash compensation.

### **Performance Graph**

The following graph compares the semi-annual percentage change in cumulative stockholder return on the Common Stock of the Corporation since September 30, 2000, with the cumulative total return over the same period of (i) the NASDAQ Stock Market Total Return Index (U.S. Companies), (ii) the Corporation's former peer group selected in good faith by the Corporation which was composed of the following nine business development companies or other funds known by the Corporation to have similar investment objectives to the Corporation: Allied Capital Corporation (ALD), American Capital Strategies, Ltd. (ACAS), Brantley Capital Corporation (BBDC), Capital Southwest Corp (CSWC), Equus II Inc. (EQS), Harris & Harris Group, Inc. (TINY), Rand Capital Corp (RAND), Waterside Capital Corporation (WSCC) and Winfield Capital Corp (WCAP) (the "Former Peer Group"),

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and (iii) the Corporation's new peer group selected in good faith by the Corporation composed of the following eleven business development companies or other funds known by the Corporation to have similar investment objectives to the Corporation: Ares Capital Corporation (ARCC), Brantley Capital Corporation (BBDC), Capital Southwest Corp (CSWC), Equus II Inc. (EQS), Gladstone Investment Corporation (GAIN), Harris & Harris Group, Inc. (TINY), MVC Capital (MVC), NGP Capital Resources Company (NGPC), (Rand Capital Corp (RAND), and Winfield Capital Corp (WCAP) (the "New Peer Group").

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The Corporation periodically reviews the composition of the peer group. In reviewing the peer group in recent months, the Corporation noted that the two members of the Former Peer Group which have been removed, Allied Capital Corporation (ALD), American Capital Strategies, Ltd. (ACAS), are so much larger than the Corporation and currently have such a different investment focus that they should no longer be included in the peer group. In addition, the Corporation determined that there are a number of additional business development companies with sufficient similarities to the Corporation that should be included in the peer group. The additions to the peer group are: Ares Capital Corporation (ARCC), Gladstone Investment Corporation (GAIN), MVC Capital (MVC) and NGP Capital Resources Company (NGPC).

In the graph, the comparison assumes \$100 was invested on October 1, 2000, in shares of the Corporation's Common Stock and in each of the indices. The comparison is based upon the closing market bid price for shares of the Corporation's Common Stock, and assumes the reinvestment of all dividends, if any. The returns of each of the companies in the Peer Group are weighted according to the respective company's stock market capitalization at the beginning of each period for which a return is indicated.

16

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### SHAREHOLDER PROPOSALS FOR 2007 ANNUAL MEETING

Under the rules of the SEC, any shareholder proposal to be considered by the Corporation for inclusion in the proxy material for the February, 2007 Annual Meeting of shareholders must be received by the Secretary of the Corporation, 101 Second Street, S.E., Suite 800, Cedar Rapids, Iowa 52401, no later than September 26, 2006. The submission of a proposal does not guarantee its inclusion in the proxy statement or presentation at the annual meeting unless certain securities laws requirements are met.

In addition, under the Corporation's Amended and Restated Bylaws, shareholders desiring to nominate persons for election as Directors or to propose other business for consideration at an annual meeting must notify the Secretary of the Corporation in writing not less than 60 days, nor more than 90 days, prior to the date on which the Corporation first mailed its proxy materials for the prior year's annual meeting. Accordingly, shareholders desiring to submit a proposal for consideration at the 2007 Annual Meeting of shareholders must give written notice of the proposal to the Secretary of the Corporation not earlier than October 26, 2006, and not later than November 25, 2006. The Corporation's proxies will have discretionary authority to vote with respect to any shareholder proposal that may be presented at an annual meeting which does not comply with these notice requirements. Shareholders' notices must contain the specific information set forth in the Corporation's Amended and Restated Bylaws. A copy of the Corporation's Amended and Restated Bylaws will be furnished to shareholders without charge upon written request to the Secretary of the Corporation.

### SHAREHOLDER COMMUNICATION

Any shareholder wishing to communicate with any of the Corporation's Directors regarding matters related to the Corporation may provide correspondence to the Director in care of Secretary, MACC Private Equities Inc., 101 Second Street S.E., Suite 800, Cedar Rapids IA 52401. The Chairman of the Corporate Governance/Nominating Committee will review and determine the appropriate response to questions from shareholders, including whether to

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forward communications to individual Directors. The independent members of the Board of Directors review and approve the shareholder's communication process periodically to ensure effective communication with the shareholders.

The Corporation strongly encourages its Directors to attend all annual meetings, and all Directors attended the Corporation's 2005 Annual Meeting of shareholders.

### EXPENSES OF SOLICITATION OF PROXIES

In addition to the use of the mails, proxies may be solicited by personal interview and telephone by directors, officers and other employees of the Corporation, who will not receive additional compensation for such services. The Corporation has employed Mellon Investor Services, LLC ("Mellon") to aid in the solicitation of proxies at an estimated fee of \$5,000. The Corporation's agreement with Mellon to solicit proxies generally provides that Mellon will: (i) assist the Corporation in its planning and organization of proxy solicitation matters, (ii) establish communications with banks, brokers and other parties for purposes of the solicitation, (iii) disseminate all proxy materials in a timely manner, (iv) solicit and collect proxies according to Mellon's calling and reporting procedures.

The Corporation will also request brokerage houses, nominees, custodians and fiduciaries to forward soliciting materials to the beneficial owners of stock held of record by them and will reimburse such persons for forwarding materials. The cost of soliciting proxies will be borne by the Corporation.

17

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### PERIODIC REPORTS

The Corporation's financial statements and related financial information required by Item 13(a) of Schedule 14A are incorporated herein by this reference to the Corporation's Annual Report to Shareholders for its fiscal year ended September 30, 2005 (the "Annual Report"). The Annual Report accompanies this proxy statement, but is not deemed a part of the proxy soliciting material, except to the extent that portions thereof have been incorporated herein pursuant to the preceding sentence.

A copy of the Fiscal Year 2005 Form 10-K report to the SEC, excluding exhibits, will be mailed to shareholders without charge upon written request to Secretary, MACC Private Equities Inc., 101 Second Street, S.E., Suite 800, Cedar Rapids, Iowa 52401 or by calling (319) 363-8249. Such requests must set forth a good faith representation that the requesting party was either a holder of record or a beneficial owner of Common Stock of the Corporation on December 30, 2005. Exhibits to the Form 10-K will be mailed upon similar request and payment of specified fees.

Please date, sign and return the proxy at your earliest convenience in the enclosed envelope. No postage is required for mailing in the United States. A prompt return of your proxy will be appreciated as it will save the expense of further mailings and telephone solicitations.

By Order of the Board of Directors  
David R. Schroder  
Secretary

Cedar Rapids, Iowa  
January 23, 2006

18

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**MACC Private Equities Inc.  
Proxy Solicited on Behalf of the Board of Directors  
for Annual Meeting of Shareholders  
February 28, 2006**

The undersigned hereby appoints Geoffrey T. Woolley, David R. Schroder and Robert A. Comey and each of them, with full power of substitution, and hereby authorizes them to represent the undersigned and to vote all of the shares of Common Stock of MACC PRIVATE EQUITIES INC. (the "Corporation") held of record by the undersigned on January 13, 2006, at the Annual Meeting of Shareholders of the Corporation to be held on February 28, 2006 and any adjournment(s) thereof.

The proxy when properly executed will be voted as directed by the undersigned shareholder. If directors are not indicated, the proxy will be voted to elect the nominees described in item 1 and for the proposal described in item 2. The proxies, in their discretion, are further authorized to vote (a) on matters which the Board of Directors did not know would be presented at the Annual Meeting within the time period specified in the Corporation's Amended and Restated Bylaws; and (b) on other matters which may properly come before the Annual Meeting and any adjournments or postponements thereof.

(continued, and to be signed on reverse side)

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- Address Change/Comments (Mark the corresponding box on the reverse side) -  
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FOR WITHHOLD Authority  
all nominees for all nominees

1. To elect five Directors to serve until

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the 2007 Annual Meeting of Shareholders or    
until their respective successors shall be  
elected and qualified;

Director Nominees:

- 01 Michael W. Dunn
- 02 Benjamin Jiaravanon
- 03 Jasja Kotterman
- 04 Gordon J. Roth
- 05 Geoffrey T. Woolley

FOR            AGAINST            ABSTAIN

2. To ratify the appointment of KPMG LLP as     
independent auditors; and

3. To transact such other business that may properly come before the meeting and  
any adjournment thereof.

(INSTRUCTIONS: To withhold authority for any individual  
nominee, write that nominee's name on the space provided  
below.)

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**PLEASE SIGN, DATE AND RETURN THIS PROXY USING THE ENCLOSED ENVELOPE.**

Signature\_\_\_\_\_ Signature\_\_\_\_\_ Date\_\_\_\_\_

Please sign your name exactly as it appears hereon. If signing for estates,  
trusts, corporations or partnerships, title or capacity should be stated. If  
shares are held jointly, each holder should sign.