MACC PRIVATE EQUITIES INC
Form 10-Q
February 22, 2011

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

Form 10-Q

(Mark one)

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

For the quarterly period ended December 31, 2010

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

For the transition period from _________ to __________

Commission file number 0-24412

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

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

2533 South Coast Highway 101, Suite 240,
Cardiff-By-The-Sea, California 92007
(Address of principal executive offices)

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

(Former name, former address and former fiscal year, if changed since last report)

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

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

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

Large accelerated filer	o	Accelerated filer	o	Non-accelerated filer	þ	Smaller reporting company	o

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

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

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PART I -- FINANCIAL INFORMATION

Item 1. Financial Statements

MACC PRIVATE EQUITIES INC.
Condensed Balance Sheets

		December 31, 2010 (Unaudited)	September 30, 2010
Assets			
Cash and cash equivalents	$	220,731	135,094
Loans and investments in portfolio securities, at fair value:			
Unaffiliated companies (cost of $710,507 and $732,032)		482,712	1,201,524
Affiliated companies (cost of $6,072,436 and $6,072,436)		6,283,560	5,867,593
Controlled companies (cost of $1,644,508 and $2,867,127)		1,165,933	2,157,533
Interest receivable		32,356	24,255
Other assets		964,782	188,786
Total assets	$	9,150,074	9,574,785
Liabilities and net assets			
Liabilities:			
Notes payable	$	2,663,029	3,367,928
Incentive fees payable		16,361	16,361
Accounts payable and other liabilities		216,501	242,417
Total liabilities		2,895,891	3,626,706
Net assets:			
Common stock, $.01 par value per share; authorized 10,000,000 shares; issued and outstanding 2,464,621 shares		24,646	24,646
Additional paid-in-capital, net of accumulated net investment income (loss) and net realized gain (loss)		6,724,783	6,368,378
Unrealized depreciation on investments		(495,246)	(444,945)
Total net assets		6,254,183	5,948,079
Total liabilities and net assets	$	9,150,074	9,574,785
Net assets per share	$	2.54	2.41

SEE ACCOMPANYING NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS

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

		For the three months ended December 31, 2010	For the three months ended December 31, 2009
Investment income:			
Interest			
Unaffiliated companies	$	18,057	16,936
Affiliated companies		46,114	57,358
Controlled companies		1,448	217,990
Loss on receivable		---	(241,843)
Other		28	118
Dividends			
Affiliated companies		123,594	42,632
Total investment income		189,241	93,191
Operating expenses:			
Interest expenses		49,441	71,063
Management fees		46,472	62,132
Professional fees		158,851	90,965
Other		74,860	69,958
Total operating expenses before waivers		329,624	294,118
Expenses reduced by Advisor		(23,236)	(31,066)
Total operating expenses		306,388	263,052
Net investment loss		(117,147)	(169,861)
Realized and unrealized gain (loss) on investments:			
Net realized gain (loss) on investments:			
Unaffiliated companies		824,383	---
Affiliated companies		(350,831)	---
Net change in unrealized appreciation/depreciation on investments		(50,301)	(323,671)
Net gain (loss) on investments		423,251	(323,671)
Net increase (decrease) in net assets resulting from operations	$	306,104	(493,532)

SEE ACCOMPANYING NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS

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

	For the three months ended December 31, 2010	For the three months ended December 31, 2009
Operations:		
Net investment loss	$(117,147)	(169,861)
Net realized gain on investments	473,552	---
Net change in unrealized depreciation/appreciation on investments	(50,301)	(323,671)
Net increase (decrease) in net assets resulting from operations	306,104	(493,532)
Net assets:		
Beginning of period	5,948,079	7,809,388
End of period	$ 6,254,183	7,315,856

SEE ACCOMPANYING NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS

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

	For the three months ended December 31, 2010	For the three months ended December 31, 2009
Cash flows provided by (used in) operating activities:		
Net increase (decrease) in net assets resulting from operations	$ 306,104	(493,532)
Adjustments to reconcile net increase (decrease) in net assets from operations to net cash provided by operating activities:		
Net realized and unrealized (gain) loss on investments	(423,251)	323,671
Proceeds from disposition of and payments on loans and investments in portfolio securities	881,124	155,042
Purchases of loans and investments in portfolio securities	---	(33,342)
(Increase)/decrease in interest receivable	(8,101)	236,725
Decrease in other assets	60,576	31,835
Increase (decrease) in accrued interest, deferred incentive fees payable, accounts payable and other liabilities	(25,916)	10,950
Net cash provided by operating activities	484,432	724,881
Cash flows used in financing activities:		
Note repayment	(704,899)	(124,034)
Net cash used in financing activities	(704,899)	(124,034)
Net increase in cash and cash equivalents	85,637	107,315
Cash and cash equivalents at beginning of period	135,094	173,521
Cash and cash equivalents at end of period	$ 220,731	280,836
Supplemental disclosure of cash flow information - Cash paid during the period for interest	$ 49,441	70,312
Supplemental disclosure of non-cash investing and financing information - In-kind interest income received in the form of securities	$ 368,7633	241,843

SEE ACCOMPANYING NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS

MACC PRIVATE EQUITIES INC.

Notes to Unaudited Condensed Financial Statements

(1) Basis of Presentation

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

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

Significant Risk and Uncertainties

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

(2) Going Concern Uncertainty and Liquidity

MACC has a positive net change in net assets from operations of $306,104 for the three months ended December 31, 2010 and generated net cash flow from operations of $484,432 to fund our operating activities and financing requirements for the three months ended December 31, 2010 and for ongoing operating expenses. Operating expenses have been funded primarily from the sale of portfolio companies, dividends, and interest received.

MACC continues to have an ongoing need to raise cash from portfolio sales to fund our operations and pay down outstanding debt. MACC's efforts to sell certain investments has taken longer than we initially anticipated while performance of the underlying portfolio companies in certain cases has deteriorated. MACC believes its ability to liquidate positions had been adversely affected by credit conditions and the downturn in the financial markets and the global economy. MACC had a Note Payable with Cedar Rapids Bank & Trust Company ("CRB&T") with a balance of $2,663,029 as of December 31, 2010 and due and payable January 10, 2011 ("Note Payable"). Effective January 10, 2011, MACC executed a fifth amendment to the business loan agreement ("Fifth Amendment") whereby CRB&T extended the maturity of the Note Payable to July 11, 2011 and removed the covenant requiring MACC to complete a capital transaction to raise additional operating capital for the Company.

On January 6, 2011, the Company received net proceeds of $836,572 from the merger transaction of one of its portfolio companies, Monitronics International, Inc. (the "Transaction"). An additional amount of approximately $58,571 has been placed in an escrow account and may be released to the Company upon the satisfaction of certain conditions of the Transaction.

On January 10, 2011, the Company paid $671,341 to CRB&T in the form of a principal payment on the Note Payable. Subsequent to the payment, the balance of the Note Payable on January 10, 2011 was $1,991,688. After the payment on the outstanding Note Payable, the Transaction provided the Company with $165,231 of additional working capital.

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

As a result of the shareholder actions, the Board of Directions will review a number of alternatives and evaluate potential exit opportunities to maximize return on investment, including seeking shareholder approval to liquidate. At the same time, we will continue to seek additional cash through future sales of portfolio equity and debt securities and from other financing arrangements. Absent additional sources of financing, current working capital and cash will not be adequate for operations at their current levels. If such efforts are not successful, MACC may need to liquidate its current investment portfolio, to the extent possible, which could result in significant realized losses due to the current economic conditions.

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

(3) Critical Accounting Policies

Investments

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

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

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

Accounting Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

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

(4) Recent Accounting Pronouncements

In January 2010, the FASB issued authoritative guidance that requires reporting entities to make new disclosures about recurring and non recurring fair-value measurements including significant transfers into and out of Level 1 and Level 2 fair-value measurements and information on purchases, sales, issuances, and settlements on a gross basis in the reconciliation of Level 3 fair-value measurements. The FASB also clarified existing fair-value measurement disclosure guidance about the level of disaggregation, inputs, and valuation techniques. The new and revised disclosures are required to be implemented in annual and interim reporting periods beginning after December 15, 2010. We are currently evaluating the impact of adopting this standard on MACC’s financial position and results of operations.

(5) Fair Value Measurements

Investments

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

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

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

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

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

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

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

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

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

All of MACC's investments at December 31, 2010 were classified and disclosed under the Level 3 category. Investments are stated at fair value as determined by the Board of Directors according to the procedures of MACC's Valuation Policy. Securities are valued individually as of the end of each quarter of each fiscal year and as of the end of each fiscal year. Interest-bearing securities are carried at the approximate amount of fair value. Loan valuation determinations take into account portfolio companies' financial condition, outlook, payment histories and other factors. Equity security valuations take into account the following factors, among others: the portfolio company's performance, the prospects of a portfolio company's future equity financing and the character of participants in such financing, and the utilization of various financial measures, including cash flow multiples, as appropriate. If a portfolio company appears likely to discontinue operations, a liquidation valuation technique may be employed. The Board of Directors also considers credit market conditions, and the risks and uncertainties associated with those conditions in determining the values of its portfolio securities. Valuations established by the Board of Directors are not necessarily indicative of amounts which may ultimately be realized as a result of future sales or other dispositions of portfolio assets, and these favorable or unfavorable differences could be material.

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

Fair Value Measurement as of December 31, 2010

Fair Value Based on	Corporate Private Debt	Corporate Private Equity (1)	Total
Investment Level 3	$ 5,030,105	$2,902,100	100%

(1) represents $548,512 in preferred shares; $904,827 in common shares; $1,114,988 in membership interests, and $333,773 in escrow.

Fair Value Measurement as of September 30, 2010

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

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

The following tables provide a rollforward in the changes in fair value for the three months ending December 31, 2010 and 2009 for all investments which MACC has determined using unobservable (Level 3) factors.

For the three months ended December 31, 2010		Total
Balance, September 30, 2010		$9,226,650
Purchases (Debt Repayment)		
Linton Truss Corporation	$ (9,336)	
Morgan Ohare, Inc.	(7,813)	
Monitronics International, Inc.	(836,572)	
Spectrum Products, LLC	(863,975)	
Total Purchases (Debt Repayment)		(1,717,696)
Realized Gain (Loss)		
Linton Truss Corporation	(30,700)	
Monitronics International, Inc.	855,083	
Spectrum Products, LLC	(350,831)	
Total Realized Gain (Loss)		473,552
Unrealized Gain (Loss)		
Aviation Manufacturing Group, LLC	312,774	
Detroit Tool Metal Products Co.	214,650	
Linton Truss Corporation	30,700	
Magnum Systems, Inc.	(111,457)	
Monitronics International, Inc.	(664,258)	

Morgan Ohare, Inc.	(127,907)	
Portrait Displays, Inc.	(63,729)	
Spectrum Products, LLC	358,926	
Total Unrealized Gain (Loss)		(50,301)
Balance, December 31, 2010		$7,932,205
The amount of total gains (losses) for the period included on the statement of operations attributable to changes in unrealized gains/losses relating to investments still held at the reporting date		(50,301)

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For the three months ended December 31, 2009		Total
Balance, September 30, 2009		$11,775,272
Purchases (Debt Repayment)		
Detroit Tool Metal Products Co.	$33,342	
Magnum Systems, Inc.	(143,541)	
Portrait Displays, Inc.	(11,501)	
TotaTotal Purchases (Debt Repayment)		(121,700)
RealUnealized Gain (Loss)		
Aviation Manufacturing Group, LLC.	192,500	
Feed Management Systems, Inc.	(441,136)	
Linton Truss Corporation	(75,) 035	
TotaTotal Unrealized Gain (Loss)		(323,671)
BalaBalance, December 31, 2009		$11,329,901
The The amount of total gains (losses) for the period included on the statement of operations attributable to changes in unrealized gains/losses relating to investments still held at the reporting date.		($323,671)

Total unrealized gains and losses recorded for Level 3 investments are reported in Net Changes in Unrealized Loss in the Statements of Operations.

(6) Note Payable

MACC has a term loan with a balance in the amount of $2,663,029 with CRB&T as of December 31, 2010. This Note Payable is a variable interest rate note secured by a Security Agreement, Commercial Pledge Agreement and a Master Business Loan Agreement. The interest rate fluctuates daily and is the greater of the Wall Street Journal prime rate plus 0.5%, or 6%. The interest rate on the Note Payable at December 31, 2010 was 6.0%. The Note Payable had a stated maturity of January 10, 2011 which was extended on January 10, 2011 to July 11, 2011. The Note Payable is secured by all of MACC's assets and MACC is required to apply 80% of all cash proceeds received on the sale or liquidation of investments to pay down any amounts outstanding. MACC may need to consider additional sources of financing and additional sales of investments in order to meet the current payment and operating requirements. No assurance can be given that we will be successful in our efforts to raise additional funding in the near term.

(7) Subsequent Events

On January 6, 2011, the Company received net proceeds of $836,572 from the merger transaction (the "Transaction") of Monitronics International, Inc. An additional amount of approximately $58,571 has been placed in an escrow account and may be released to the Company upon the satisfaction of certain conditions of the Transaction.

On January 10, 2011, the Company paid $671,341 to CRB&T in the form of a principal payment on the outstanding Note Payable. Subsequent to the payment, the balance of the Note Payable on January 10, 2011 was $1,991,688. After the payment on the outstanding Note Payable, the Transaction provided the Company with $165,231 of additional working capital.

The Company evaluated all events that have occurred subsequent to December 31, 2010 through the date of the filing of this Form 10-Q, and besides the above, no additional subsequent events have occurred requiring disclosure in the Form 10-Q.

(8) Financial Highlights (Unaudited)

		For the three months ended December 31, 2010	For the three months ended December 31, 2009
Per Share Operating Performance (For a share of capital stock outstanding throughout each period):			
Net asset value, beginning of period	$	2.41	3.17
Expense from investment operations:			
Net investment loss		(0.05)	(0.07)
Net realized and unrealized gain (loss) on investment transactions		0.18	(0.13)
Total from investment operations		0.13	(0.20)
Net asset value, end of period	$	2.54	2.97
Closing bid price	$	0.80	0.55

		For the three months ended December 31, 2010	For the three months ended December 31, 2009
Total return			
Net asset value basis (1)	%	5.15	(6.32)
Market price basis	%	(5.88)	(31.25)
Net asset value, end of period (in thousands)	$	6,254	7,316
Ratio to weighted average net assets:			
Net investment loss (1)	%	(7.94)	(9.38)
Operating and income tax expense (1)	%	20.77	14.53

(1) MACC's investment advisor, EAM elected to voluntarily waive its management fees during the first quarter of fiscal year 2011 and fiscal year 2010. Due to the election, the investment advisor voluntarily waived $23,236 as of December 31, 2010 and $31,066 as of December 31, 2009. The effects of the waiver as of December 31, 2010 are the following: (i) total return on net assets value basis would be 4.76%; (ii) the net investment loss ratio would be (9.52%); and (iii) the operating and income expense ratio would be 22.34%. The effects of the waiver as of December 31, 2009 are the following: (i) total return on net assets value basis would be (6.72%); (ii) the net investment loss ratio would be (11.20%); and (iii) the operating and income expense ratio would be 16.39%.

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

MACC PRIVATE EQUITIES INC.
SCHEDULE OF INVESTMENTS (UNAUDITED)
DECEMBER 31, 2010

Company	Security	Percent of Net assets	Value	Cost (d)
Manufacturing:				
Aviation Manufacturing Group, LLC (a)	14% debt security, due December 31, 2011		$ 616,000	$ 616,000
Yankton, South Dakota	154,000 units preferred		154,000	154,000
Manufacturer of flight critical parts for airplanes	Membership interest		1,114,988	39
	14% note, due December 31, 2011		77,000	77,000
			1,961,988	847,039
Detroit Tool Metal Products Co. (a)	12% debt security, due December 31, 2011 (c)		1,586,158	1,912,087
Lebanon, Missouri	19,853.94 shares Series A preferred (c)		---	195,231
Metal stamping	7,887.17 shares common (c)		---	126,742
	8% debt security, due December 31, 2011 (c)		33,342	33,342
			1,619,500	2,267,402
Magnum Systems, Inc. (a)	12% debt security, due November 1, 2011		430,622	430,622
Parsons, Kansas	48,038 common shares (c)		48,038	48,038
Manufacturer of industrial bagging equipment	292,800 shares preferred (c)		304,512	304,512
	Warrant to purchase 56,529 common shares (c)		856,788	565
			1,639,960	783,737
Spectrum Products, LLC (b)	Escrow (c)		221,662	295,549
Missoula, Montana				
Manufacturer of equipment for the swimming pool industry				
Superior Holding, Inc. (a)	6% debt security, due April 1, 2013(c)		68,727	780,000

Wichita, Kansas	Warrant to purchase 11,143 common shares (c)		1	1
Manufacturer of industrial and	6% debt security, due April 1, 2013(c)		221,000	221,000
commercial boilers and shower	121,457 common shares (c)		---	121,457
doors, frames and enclosures	6% debt security, due April 1, 2013(c)		308,880	308,880
	312,000 common shares (c)		---	3,120
	12% debt security, due April 1, 2013		39,000	39,000
	12% debt security, due April 1, 2013		39,000	39,000
			676,608	1,512,458
Total Manufacturing		77%	6,119,718	5,706,185

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MACC PRIVATE EQUITIES INC.
SCHEDULE OF INVESTMENTS CONTINUED (UNAUDITED)
DECEMBER 31, 2010

Company	Security	Percent of Net assets	Value	Cost (d)
Service:				
Monitronics International, Inc. Dallas, Texas Provides home security systems monitoring services	Escrow (c)		$ 36,607	$ 73,214
Morgan Ohare, Inc. (b)	0% debt security, due January 1, 2012 (c)		720,312	1,125,000
Addison, Illinois	10% debt security, due December 1, 2012		223,958	223,958
Fastener plating and heat treating	57 common shares (c)		1	1
			944,271	1,348,959
SMWC Acquisition Co., Inc. (a)	12% debt security due September 30, 2011		220,000	220,000
Kansas City, Missouri	145,397 shares Series A preferred		90,000	290,794
Steel warehouse distribution and processing			310,000	510,794
Total Service		16%	1,290,878	1,932,967
Technology and Communications:				
Feed Management Systems, Inc. (a) Brooklyn Center, Minnesota	Escrow (c)		75,504	151,007

Batch feed software and systems and B2B internet services				
Portrait Displays, Inc. Pleasanton, California	11% debt security, due April 1, 2012		446,105	637,292
	Warrant to purchase 39,400 common shares (c)		---	---
Designs and markets pivot enabling software for LCD computer monitors			446,105	637,292
Total Technology and Communications		7%	521,609	788,299
			$ 7,932,205	$ 8,427,451

(a) Affiliated company. Represents ownership of greater than 5% to 25% of the outstanding voting securities of the issuer, and is or was an affiliate of MACC as defined in the Investment Company Act of 1940 at or during the period ended December 31, 2010.

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(a)

(b) Controlled company. Represents ownership of greater than 25% of the outstanding voting securities of the issuer, and is or was a controlled affiliate of MACC as defined in the Investment Company Act of 1940 at or during the period ended December 31, 2010.

(c) Presently non-income producing.

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

SEE ACCOMPANYING NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS.

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

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

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

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

Results of Operations

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

First Quarter Ended December 31, 2010 Compared to first Quarter Ended December 31, 2009

	For the three months ended December 31, 2010	2009	Change
Total investment income	$ 189,241	93,191	96,050
Total operating expenses	(306,388)	(263,052)	(43,336)
Net investment loss	(117,147)	(169,861)	52,714

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Net realized gain (loss) on investments		473,552	---	473,552
Net change in unrealized appreciation/ depreciation on investments and other assets		(50,301)	(323,671)	273,370
Net gain (loss) on investments		423,251	(323,671)	746,922
Net increase (decrease) in net assets resulting from operations	$	306,104	(493,532)	799,636
Net asset value per share: Beginning of period	$	2.41	3.17	
End of period	$	2.54	2.97	

Total Investment Income

During the first quarter of the current fiscal year ("Fiscal 2011"), total investment income was $189,241, an increase of $96,050, or 103%, from total investment income of $93,191 for the prior fiscal year ("Fiscal 2010") first quarter. In the first quarter of Fiscal 2011 as compared to first quarter of Fiscal 2010, interest income increased $15,088 or 30%, and dividend income increased $80,962, or 190%. The increase in interest income is primarily due to the fact that no portfolio securities had accrued interest reserved in the current year first quarter as compared to one debt portfolio security of which the interest accrued was reserved in the prior year first quarter. In the first quarter of Fiscal 2011, MACC received dividends on two existing portfolio investments as compared to only receiving dividend income in first quarter of Fiscal 2010 from one existing portfolio investment. The timing and amount of dividend income is difficult to predict.

Net Operating Expenses

Net operating expenses for the first quarter of the Fiscal 2011 were $306,388, an increase of $43,336 or 16%, as compared to net operating expenses for the first quarter of Fiscal 2010 of $263,052. Interest expense decreased $21,622 or 30%, in first quarter of Fiscal 2011 due to the decrease in the principal balance of the Note Payable to Cedar Rapids Bank and Trust ("CRB&T") as discussed below under Going Concern Uncertainty, Financial Condition, Liquidity and Capital Resources.

Management fees decreased $15,660, or 25%, in the first quarter of Fiscal 2011 due to the decrease in assets under management. Professional fees increased $67,886, or 75%, in the first quarter of Fiscal 2011 as compared to the first quarter of Fiscal 2010. The increase is primarily related to legal costs in relation to the annual meeting of stockholders and the accrual of additional audit fees charged in connection with portfolio valuation activities. Other expenses increased $4,902, or 7%, in the first quarter of Fiscal 2011 as compared to the first quarter of Fiscal 2010 as a result of an increase in Directors and Officers insurance expense and shareholder expenses.

Net Investment Loss

For the first quarter of Fiscal 2011, MACC recorded net investment loss of $117,147, as compared to a net investment loss of $169,861 during first quarter of Fiscal 2010, a decrease of $52,714, or 31%. The decrease in net investment loss is primarily the result of the increase in dividend income in the current period.

Net Realized Gain/(Loss) on Investments

During the first quarter of Fiscal 2011, MACC realized a net gain of $473,552 on three portfolio investments, as compared with no net realized gain or loss on investments in the first quarter of Fiscal 2010. The current period net realized gain was the result of the sale of one portfolio investment for a realized gain of $855,083 and the sale of two other portfolio investments for realized losses of $381,531. Management does not attempt to maintain a comparable level of realized gains quarter to quarter but instead attempts to maximize total investment portfolio appreciation through realizing gains in the disposition of securities. Under the EAM Advisory Agreement (as defined below), the investment adviser is entitled to be paid an incentive fee, which is calculated as a percentage of the excess of our realized gains in a particular period, over the sum of net realized losses, unrealized depreciation, and operating losses during the same period. As a result, the timing of realized gains, realized losses and unrealized depreciation can have an effect on the amount of the incentive fee payable to the investment adviser under the EAM Advisory Agreement.

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

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

Change in Unrealized Appreciation/Depreciation of Investments

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

We recorded a net change in unrealized appreciation/depreciation on investments of ($50,301) during the current year first quarter, as compared to ($323,671) during the prior year first quarter. This net change resulted from:

Unrealized appreciation in the fair value of two portfolio companies totaling $527,424 during the current year first quarter, as compared to no unrealized appreciation during the prior year first quarter.

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

Unrealized depreciation in the fair value of five portfolio companies totaling $413,587 during the current year first quarter, as compared to unrealized depreciation in the fair value of two portfolio companies of $441,530 during the prior year first quarter.

Reversal of unrealized depreciation of $463,513 in two portfolio companies during the current year first quarter, as compared to reversal of unrealized depreciation of $192,500 in one portfolio company in the prior year first quarter.

Net Change in Net Assets from Operations

MACC experienced an increase of $360,104 in net assets for the first quarter of fiscal year 2011, and the resulting net asset value per share was $2.54 as of December 31, 2010, as compared to $2.41 as of September 30, 2010. The increase in net asset value during the first quarter ended December 31, 2010 was primarily the result of the net realized gain on investments, as described above.

As of December 31, 2010, MACC had recorded unrealized appreciation on two portfolio investments and had recorded unrealized depreciation on eight portfolio investments. Quarterly valuations can be affected by a portfolio company's short term performance that results in increases or decreases in unrealized depreciation and unrealized appreciation for the quarter. Changes in the fair value of a portfolio security may or may not be indicative of the long term performance of the portfolio company.

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

Going Concern Uncertainty, Financial Condition, Liquidity and Capital Resources

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

As of December 31, 2010, MACC's cash and money market accounts totaled $220,731. MACC has a note payable ("Note Payable") with Cedar Rapids Bank & Trust Company ("CRB&T") in the amount of $2,663,029 at December 31, 2010 that was due and payable January 10, 2011. Effective January 10, 2011, MACC executed a fifth amendment to the business loan agreement ("Fifth Amendment") whereby CRB&T extended the maturity of the Note Payable to July 11, 2011 and deleted the covenant requiring MACC to complete a capital transaction to raise additional operating capital for the Company.

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

As a result of the shareholder actions, the Board of Directors is reviewing a number of alternatives and evaluating potential exit opportunities to maximize return on investment, including seeking shareholder approval to liquidate. At the same time, we continue to seek additional cash through future sales of portfolio equity and debt securities and from other financing arrangements. Absent additional sources of financing, current working capital and cash will not be adequate for operations at their current levels. If such efforts are not successful, MACC may need to liquidate its current investment portfolio, to the extent possible, which could result in significant realized losses due to the current economic conditions.

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

The following table shows our significant contractual obligations for the repayment of the Note Payable and other contractual obligations as of December 31, 2010:

Payments due by period

Contractual Obligations

		Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Note Payable	$	2,663,029	2,663,029	---	---	---
Incentive Fees Payable	$	16,361	16,361	---	---	---

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

Portfolio Activity

MACC has invested in and lended to businesses through investments in subordinated debt (generally with detachable equity warrants), preferred stock and common stock. MACC, however, is not currently making new investments in portfolio companies and is actively seeking to liquidate the portfolio. The total portfolio value of MACC's investments in illiquid securities was $7,932,205 at December 31, 2010 and $9,226,650 at September 30, 2010. During the three months ended December 31, 2010, MACC sold three portfolio investments resulting in a net realized gain of $473,552. No new investments were made and no follow-on investments were made in existing portfolio companies.

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

Critical Accounting Policies

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

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

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

Realization of the carrying value of investments is subject to future developments. Investment transactions are recorded on the trade date and identified cost is used to determine realized gains and losses.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Determination of Net Asset Value

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

Item 3. Quantitative and Qualitative Disclosure About Market Risk

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

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

A continued economic downturn could continue to impact some of the industries in which we invest, causing us to be vulnerable to further losses in our portfolio. Therefore, the number of our non-performing assets could increase and the fair market value of our portfolio decrease during these periods. The economic downturn has affected the availability of credit generally and may prevent us from replacing or renewing our credit facility on reasonable terms, if at all. If market instability intensifies, we may experience difficulty in raising capital.

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

Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

As of December 31, 2010, the Chief Executive Officer and Chief Financial Officer of MACC (the "Certifying Officers") conducted evaluations of MACC's disclosure controls and procedures. Disclosure controls and procedures means controls and other procedures of an issuer that are designed to ensure that information required to be disclosed by the issuer in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer's management, including its principal executive officer or officers and principal financial officer or officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. The Certifying Officers have evaluated MACC's disclosure controls and procedures and have concluded, as a result of the identification of material weaknesses in internal control over financial reporting, that those disclosure controls and procedures were not effective as of December 31, 2010.

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

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

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

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

Management assessed the effectiveness of MACC's internal control over financial reporting as of December 31, 2010 using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control-Integrated Framework. In performing the assessment, management identified the following material weaknesses in internal control over financial reporting:

1) MACC's policies and procedures over the preparation and accumulation of information used in the investments valuation process and management's review thereof are not appropriately designed to identify matters that may affect the appropriateness and reliability of information provided to the valuation committee. Specifically, our policies and procedures and management's review controls were not designed to ensure the appropriateness and consistency in (a) the preparation of the portfolio company financial information provided to the valuation committee, (b) the procedures used to ensure the relevancy and

reliability of the underlying financial information provided by the portfolio companies, and (c) the methods used to value MACC's individual investments.

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

These material weaknesses resulted in an adjustment to the allocation of the decline in fair value to individual investment holdings in one portfolio company reflected in the September 30, 2010 financial statements included herein.

As a result of these material weaknesses, we have concluded that internal control over financial reporting was not effective as of December 31, 2010.

(c) Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended December 31, 2010 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

(d) Remediation Plan

At the Company's annual shareholder meeting held on November 30, 2010, shareholders voted against giving the Company the ability to raise additional capital through the issuance of shares of Company common stock at a price below its then-current net asset value per share or the ability to issue warrants, options or rights to subscribe for or convert into Company common stock. Without the authorization to sell shares at below net asset value, the Company's ability to raise funding through the capital markets has become limited. In addition, the shareholders voted against approving the Amended and Restated investment Advisory Agreement between MACC and its current investment adviser, EAM, as well as against the approval of the Amended and Restated Subadvisory Agreement with IAIA. As a result of these uncertainties relative to the future of MACC's ongoing operations, MACC has not yet developed a remediation plan to address the material weaknesses identified above.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

There are no items to report.

Item 1A. Risk Factors.

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

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

There are no items to report.

Item 3. Defaults Upon Senior Securities.

There are no items to report.

Item 4. (Removed and Reserved).

Item 5. Other Information.

There are no items to report.

Item 6. Exhibits.

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

31.1	Section 302 Certification of Travis T. Prentice (President and CEO).
31.2	Section 302 Certification of Derek J. Gaertner (CFO).
32.1	Section 1350 Certification of Travis T. Prentice (President and CEO).
32.2	Section 1350 Certification of Derek J. Gaertner (CFO).

SIGNATURES

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

MACC PRIVATE EQUITIES INC.

Date: February 22, 2011	By:	/s/ Travis T. Prentice Travis T. Prentice, President and CEO
Date: February 22, 2011	By:	/s/Derek J. Gaertner Derek J. Gaertner, Chief Financial Officer

EXHIBIT INDEX