MACC PRIVATE EQUITIES INC
Form N-2
September 24, 2004

As filed with the Securities and Exchange Commission on September 24, 2004

Securities Act Registration No. 333-______

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM N-2

(Check appropriate box or boxes)
[X] REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933
[ ] Pre-Effective Amendment No. ____
[ ] Post-Effective Amendment No. ____

and/or

[ ] REGISTRATION STATEMENT UNDER THE INVESTMENT COMPANY ACT OF 1940
[ ] Amendment No. ____

MACC PRIVATE EQUITIES INC.
Exact name of Registrant as Specified in Charter

15 West South Temple Street, Suite 520
Salt Lake City, UT 84101
(Number, Street, City, State, Zip Code)

(801) 524-8939
Registrant's Telephone Number, including Area Code

Kent I. Madsen
President and CEO
MACC Private Equities Inc.
15 West South Temple Street, Suite 520
Salt Lake City, UT 84101

Copy to:
David E. Gardels, Esq.
Blackwell Sanders Peper Martin LLP
1620 Dodge Street, Suite 2100
Omaha, Nebraska 68102

Approximate Date of Proposed Public Offering:
As soon as practicable after the effective date of the registration statement.

If any securities being registered on this form will be offered on a delayed or continuous basis in reliance on Rule 415 under the Securities Act of 1933, other than securities offered in connection with a dividend reinvestment plan, check the following box: [X]

It is proposed that this filing will become effective (check appropriate box)

[ ] when declared effective pursuant to section 8(c)

If appropriate, check the following box:

[ ] This [post-effective] amendment designates a new effective date for a previously filed [post-effective amendment] [registration statement].

[ ] This form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, and the Securities Act registration number of the earlier effective registration statement for the same offering is ___-_______.

CALCULATION OF REGISTRATION FEE UNDER THE SECURITIES ACT OF 1933

TITLE OF SECURITIES BEING REGISTERED	AMOUNT BEING REGISTERED	PROPOSED MAXIMUM OFFERING PRICE PER SHARE (1)	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE(1)	AMOUNT OF REGISTRATION FEE(1)
Common Stock, $.01 par value	768,654	$3.50	$2,690,289	$341.00
Subscription Rights	768,654	--	--	--

(1) Estimated for purposes of calculating the registration fee pursuant to Rule 457(c) under the Securities Act of 1933, as amended (the "1933 Act"), based on the average of the high and low price per share of Common Stock on September 21, 2004 as reported on the Nasdaq SmallCap Market.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE 1933 ACT OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SECTION 8(A), MAY DETERMINE.

MACC PRIVATE EQUITIES INC.

FORM N-2

CROSS REFERENCE SHEET

PARTS A AND B OF PROSPECTUS

ITEM	CAPTION	LOCATION IN PROSPECTUS
Item 1.	Outside Front Cover	Front Cover Page
Item 2.	Inside Front and Outside Back Cover Page	Front Cover Page; Outside Back Cover Page
Item 3.	Fee Table and Synopsis	Summary; Fee Table and Example
Item 4. Share	Financial Highlights	Selected Financial Data; Selected Pe Data; MD&A
Item 5.	Plan of Distribution	"The Offering"
Item 6.	Selling Shareholders	Not Applicable
Item 7.	Use of Proceeds	Use of Proceeds; Investment Objectiv
Item 8.	General Description of the Registrant	Cover Page; Summary; Risk Factors; Description of MACC; Investment Objectives
Item 9.	Management	Management; Custodian & Transfer Age
Item 10.	Capital Stock, Long-Term Debt, and Other Securities	Dividends and Dividend Reinvestment Plan; The Offering; Description of Common Stock
Item 11.	Defaults and Arrears on Senior Securities	Not Applicable
Item 12.	Legal Proceedings	Description of MACC - Legal Proceedi
Item 13.	Table of Contents of the Statement of Additional Information	Not Applicable
Item 14.	Cover Page	Front Cover Page
Item 15.	Table of Contents	Back Cover Page

ITEM	CAPTION	LOCATION IN PROSPECTUS
Item 16.	General Information and History	Description of MACC
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Item 18.	Management	Management; Description of Common Stock--Convertible Debt
Item 19.	Control Persons and Principal Holders of Securities	Principal Shareholders
Item 20.	Investment Advisory and Other Services	Information About MACC's Officers and the Investment Adviser; Descrip of MACC-Investment Advisers Act of 1 and the Investment Advisory Agreemen

Item 21.	Brokerage Allocation and Other Practices	Not Applicable
Item 22.	Tax Status	Federal Income Tax Considerations
Item 23.	Financial Statements	Financial Statements

SUBJECT TO COMPLETION
PRELIMINARY PROSPECTUS
DATED SEPTEMBER 24, 2004

[Information contained herein is subject to completion or amendment. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This Prospectus shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale for these securities in any state in which such offer, solicitation or sale is not permitted.]

768,654 SHARES OF COMMON STOCK
Issuable upon the Exercise of Transferable Rights to Subscribe for such Shares

MACC Private Equities Inc. (the "MACC") is issuing to its shareholders of record ("Record Date Shareholders") as of the close of business on ___________, 2004 (the "Record Date") transferable rights ("Rights") entitling you to subscribe for an aggregate of 768,654 shares of common stock, $.01 par value ("Common Stock"), of MACC (such shares, together with all outstanding shares of MACC's Common Stock, "Shares"). You will receive one Right for each three Shares you hold on the Record Date. The number of Rights issued to you will be rounded up to the nearest number of Rights. The Rights entitle you to subscribe for Shares at the rate of one Share for every one Right held (the "Primary Subscription"). The Rights further entitle you to subscribe, subject to certain limitations and subject to allotment, for any Shares not acquired by other holders in the Primary Subscription (the "Over-Subscription Privilege"). The offering (the "Offering") will expire at 5:00 p.m., Eastern time, on ______________, 2004 (the "Expiration Date"), unless extended by MACC. The Rights are transferable and will be listed for trading on the Nasdaq SmallCap Market under the symbol ["MACCR."] The Shares trade on the Nasdaq SmallCap Market under the symbol "MACC."

The subscription price for each Share to be issued pursuant to the Offering will be 95% of the volume-weighted average of the last reported bid price per Share on the Nasdaq SmallCap Market on the Expiration Date and the four preceding business days (the "Subscription Price"). You will not know the actual Subscription Price at the time of exercise. You therefore will be required initially to pay for the Shares at the estimated Subscription Price of $______ per Share, based on the volume-weighted average of the last reported bid price per share on the Nasdaq SmallCap Market on the commencement date of the Offering and each of the four preceding business days ("Estimated Subscription Price"). Once you subscribe for Shares and your payment is received, you will not be able to change your decision.

Shareholders who do not exercise their Rights should expect that they will, at the completion of the Offering, own a smaller proportional interest in MACC than they would if they exercised. In addition, because the Subscription Price per Share will be less than the net asset value per share on the Pricing Date, you will experience an immediate dilution, which could be significant, of the aggregate net asset value of your shares. This dilution will disproportionately affect you if you do not exercise your Rights in full. MACC cannot state precisely the extent of this dilution at this time because MACC does not know what the net asset value per share will be when the Offering expires, what the Subscription Price will be or what proportion of the Rights will be exercised. See "Risk Factors - Dilution."

The net asset value per share at the close of business on September 30, 2001, September 30, 2002 and September 30, 2003 were $8.60, $6.72 and $5.47, respectively, and the last reported bid price per share on the Nasdaq SmallCap Market on ___________, 2004 was $____.

1

MACC does not have a dividend distribution policy, and does not currently pay to its shareholders a minimum annual distribution. MACC has paid no dividends in cash to its shareholders since inception in 1995.

MACC is a non-diversified, closed-end management investment company that has elected to be treated as a business development company ("BDC") under the Investment Company Act of 1940 (the "1940 Act"). The investment objective of MACC is to provide shareholders with long-term capital appreciation by investing primarily in privately-placed convertible debt or equity securities of private companies. MACC's mailing address is 15 West South Temple Street, Suite 520, Salt Lake City UT 84101; its telephone number is (801) 524-8941.

MACC files period reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). The public may read and copy any materials filed by MACC at the SEC's Public Reference Room at 450 Fifth Street, NW., Washington, DC 20549, or on the SEC's Web site at http://www.sec.gov.

FOR A DISCUSSION OF CERTAIN RISK FACTORS AND SPECIAL CONSIDERATIONS WITH RESPECT TO OWNING SHARES, SEE "RISK FACTORS," "DESCRIPTION OF MACC" AND "INVESTMENT OBJECTIVES AND POLICIES" IN THIS PROSPECTUS.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	Per Share	Total (4)
Estimated Subscription Price(1)	$________	$________
Sales Load	None	None
Estimated Proceeds to MACC (2) (3)	$________	$________

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(1) The Estimated Subscription Price is computed as 95% of the volume-weighted average of the last reported bid price of MACC's Common Stock on the Nasdaq SmallCap Market on __________, 2004 and each of the four preceding business days.

(2) Before deduction of Offering costs incurred related to this Offering, payable by MACC, estimated at $_____.

(3) Funds received prior to the final due date of the Offering will be deposited into a segregated interest-bearing account (which interest will be paid to MACC) pending proration and distribution of Shares. Interest on subscription monies will be paid to MACC regardless of whether shares are issued by MACC.

(4) Assumes all Rights are exercised at the Estimated Subscription Price.

This Prospectus sets forth concisely the information about MACC that a prospective investor ought to know before investing. Investors are advised to read this Prospectus and to retain it for future reference.

ALL QUESTIONS AND INQUIRIES RELATING TO THE OFFERING SHOULD BE DIRECTED TO THE INFORMATION AGENT, _____________, TOLL FREE AT TELEPHONE NUMBER __________ OR EMAIL ADDRESS _______________. THE MAILING ADDRESS OF __________________ IS _________________________.

The date of this Prospectus is ________________, 2004

SUMMARY

THE FOLLOWING SUMMARY IS QUALIFIED IN ITS ENTIRETY BY THE MORE DETAILED INFORMATION INCLUDED ELSEWHERE IN THIS PROSPECTUS. IT MAY NOT CONTAIN ALL OF THE INFORMATION THAT IS IMPORTANT TO YOU. TO UNDERSTAND THE OFFERING FULLY, YOU SHOULD READ THE ENTIRE DOCUMENT CAREFULLY, INCLUDING THE RISK FACTORS.

Purpose of the Offering

The Board of Directors of MACC has determined that it is in the best interests of MACC and its shareholders to increase the number of outstanding Shares of MACC and to increase the assets of MACC available for investment (primarily made through MACC's subsidiary, MorAmerica Capital). The Board of Directors of MACC approved the Offering because it believes the Offering may:

increase the level of market interest in MACC and the liquidity of the Shares;

provide a source of funds (other than distributions from MorAmerica Capital, which are currently restricted) for MACC to be able to pay its operating expenses;

reduce expenses per Share due to the spreading of fixed expenses over a larger number of outstanding Shares and lower MACC's expenses as a proportion of net assets;

allow MACC to achieve greater breadth in its investment portfolio by increasing the total number and amount of portfolio investments;

increase MorAmerica Capital's maximum single investment size, which may permit MorAmerica Capital to make larger portfolio investments and may make more portfolio investment opportunities available to MorAmerica Capital on more competitive terms; and

to enhance MorAmerica Capital's regulatory capital position as a Small Business Investment Company under rules and regulations of the Small

Business Administration.

The Board considered the effect that the issuance of the Shares would have on the net asset value per Share of MACC and also considered the dilutive effect on current shareholders, particularly those who determine not to exercise their Rights to purchase additional Shares. The Board considered that non-participating shareholders would have the opportunity to sell their Rights for cash and would derive a benefit if MACC invests additional amounts that earn a return that exceeds the dilution, thus mitigating the dilutive effect of the Rights Offering on those shareholders.

The Board believes that the Offering would permit MACC to accomplish these objectives, while allowing shareholders an opportunity to purchase additional Shares at a price below market value without paying a brokerage commission.

Important Terms of the Offering

Maximum Number of Shares to be Issued	768,654
Number of Rights Issued	768,654
Number of Rights Issued Per Existing Shares	1 Right for each 3 Shares held
Subscription Ratio	1 Right to buy 1 Share
Estimated Subscription Price	$__________

Shares Outstanding at ________________, 2004	2,329,255

Key Elements of the Offering

One-For-Three Offering

The Offering will give shareholders of record the "right" to purchase one new Share of MACC for every three Shares held on the record date. For example, if you own 300 Shares on the announced record date, you will receive 100 Rights entitling you to purchase 100 new Shares of MACC. Shareholders will be able to exercise all or some of their Rights. The number of Rights issued to a Record Date Shareholder will be rounded up to the nearest number of Rights. However, Record Date Shareholders who do not exercise all of their Rights in the primary subscription will not be able to participate in the Over-Subscription Privilege. See "Over-Subscription Privilege" below.

Transferable Rights

The Rights issued in the Offering will be transferable, are expected be traded on the Nasdaq SmallCap Market and will afford non-subscribing shareholders the option of selling their Rights on the Nasdaq SmallCap Market or through the subscription agent, ____________________ (the "Subscription Agent"). Selling the Rights allows a non-exercising shareholder (i.e., a shareholder who does not wish to purchase additional Shares in the Offering) the ability to offset some of the dilution which would otherwise occur. In contrast, in a non-transferable rights offering (i.e., an offering where the rights cannot be traded), non-exercising shareholders would experience full dilution.

There can be no assurance that a liquid trading market will develop for the Rights or that the price at which such Rights trade will approximate the amount of dilution otherwise realized by a non-exercising shareholder. The period during which Rights will trade will be limited and, upon the Expiration Date, the Rights will cease to trade and will have no residual value.

Subscription Price

Under the Offering, new Shares will be sold at a price equal to 95% of the volume-weighted average of the last reported bid price per Share on the Nasdaq SmallCap Market on the Expiration Date and the four preceding business days. Management believes that this pricing formula (versus a higher or lower percentage discount or a pre-determined fixed price) will provide an incentive to shareholders (as well as others who might trade in the transferable Rights) to participate in the Offering.

Over-Subscription Privilege

If all of the Rights initially issued are not exercised by Record Date Shareholders, any unsubscribed Shares will be offered to other Record Date Shareholders and Rights holders who have exercised all Rights held by them and who wish to acquire more than the number of Shares they are entitled to purchase pursuant to the exercise of their Rights. You must exercise all of your Rights in order to participate in the Over-Subscription Privilege. If shares are insufficient to honor all over-subscriptions, the available shares will be allocated pro-rata among those who over-subscribe based on the number of Rights held by them.

How to Exercise Rights

If your existing Shares are held in a brokerage account or by a custodian bank or trust company, contact your broker or financial adviser for additional instructions on how to participate in the Offering.

If your existing Shares are held by you of record, complete, sign and date the enclosed Subscription Certificate.

Make your check or money order payable to "MACC Private Equities Inc." in the amount of $___________ for each Share you wish to buy including any Shares you wish to buy pursuant to the Over-Subscription Privilege. This payment may be more or less than the actual Subscription Price. Additional payment may be required when the actual Subscription Price is determined. You should mail the subscription certificate and your payment in the enclosed envelope to the Subscription Agent in a manner that will ensure receipt prior to 5:00 p.m., Eastern time, on _________, 2004, unless extended. Its mailing address is ___________________.

Once you subscribe for Shares and your payment is received, you will not be able to change your decision.

You will have no right to rescind a purchase after the Subscription Agent has received the Subscription Certificate or Notice of Guaranteed Delivery. See "The Offering."

The Subscription Agent will deposit all checks received by it prior to the final due date into a segregated interest-bearing account pending distribution of the shares from the Offering. All interest will accrue to the benefit of MACC, and you will not earn interest on payments submitted.

Important Dates to Remember

Record Date	__________, 2004
Final Date for Sales of Rights	__________, 2004
Expiration Date (Payment for Shares and Notices of Guaranteed Delivery Due)	__________, 2004 (unless extended)
Due Date for Delivery by Brokerage Firms or Custodian Banks of Payment and Subscription Certificates to Subscription Agent pursuant to Notice of Guaranteed Delivery	__________, 2004 (unless extended)
Mailing of Shares and Confirmations of Purchases of Shares	Not later than __________, 2004 (unless extended)

Additional Terms of the Offering

The Rights entitle you to subscribe for Shares at the rate of one Share for every one Right held by you. You will receive one Right for each three Shares you hold on the Record Date. These Rights are transferable. The holders of the Rights may exercise them at any time from the date of this Prospectus until 5:00 p.m., Eastern time, on _____________, 2004, unless extended.

In addition, if a Record Date Shareholder or a purchaser of Rights subscribes for the maximum number of Shares to which it is entitled, such holder may also subscribe for Shares that were not otherwise subscribed for by other shareholders. Shares acquired pursuant to the Over-Subscription Privilege are subject to allotment, which is more fully discussed below under "The Offering - Over-Subscription Privilege." MACC will not offer or sell in connection with the Offering any Shares that are not subscribed for pursuant to the Primary Subscription or the Over-Subscription Privilege.

No fractional Rights will be issued.

The Subscription Price per Share will be 95% of the volume-weighted average of the last reported bid price per Share on the Nasdaq SmallCap Market on the Expiration Date and each of the four preceding business days.

The Rights are transferable and will be listed for trading on the Nasdaq SmallCap Market under the symbol ["MACCR."] There is no assurance that a market for the Rights will develop.

Before exercising your Rights pursuant to the Offering, you should consider the factors described in this Prospectus, including without limitation, the factors described under "Description of MACC," "Investment Objectives and Policies" and "Risk Factors." These factors include the effects of the Offering and the fact that Shares generally trade below their net asset value. In addition, the Offering involves the risk of an immediate dilution of the aggregate net asset value of your Shares, if you do not fully exercise your Rights.

ANY QUESTIONS OR REQUESTS FOR ASSISTANCE CONCERNING THE METHOD OF SUBSCRIBING FOR SHARES OR FOR ADDITIONAL COPIES OF THIS PROSPECTUS OR SUBSCRIPTION CERTIFICATES OR NOTICES OF GUARANTEED DELIVERY MAY BE DIRECTED TO THE INFORMATION AGENT, _______________________, TOLL FREE AT TELEPHONE NUMBER _____________, EMAIL ADDRESS _____________________ OR THE MAILING ADDRESS OF ____ _______________________________. SHAREHOLDERS MAY ALSO CONTACT THEIR BROKERS OR NOMINEES FOR INFORMATION WITH RESPECT TO THE OFFERING.

MACC

MACC is a non-diversified, closed-end management investment company that has elected to be treated as a BDC under the 1940 Act. The investment objective of MACC is to provide shareholders with long-term capital appreciation by making primarily later-stage venture capital investments using borrowed funds. Although there is significant risk inherent in this strategy, we believe that over the long term, we will be able to achieve higher returns on our invested capital if we deploy our available capital in primarily later-stage venture capital investments and increase the funds we have available for investment by borrowing additional funds.

MACC has one subsidiary, MorAmerica Capital Corporation ("MorAmerica Capital"). MorAmerica Capital is an Iowa corporation incorporated in 1959, which has been licensed as a small business investment corporation since that year. It is also a BDC under the 1940 Act. MACC's investing activities are conducted primarily through MorAmerica Capital.

MACC does not currently pay to its shareholders a minimum annual distribution or other dividend. MACC has paid no dividends in cash to its shareholders since inception in 1995.

As discussed more fully in this Prospectus, investment in MACC involves a number of significant and substantial risks, including:

risks associated with MACC's investments in higher risk securities of private companies;

risks associated with MACC's investments in certain restricted and illiquid securities;

the fluctuation of MACC's net asset value in connection with changes in the value of its portfolio securities; and

interest rate risks on borrowed funds.

No assurance can be given that MACC will achieve its investment objectives.

In addition, the Rights Offering involves the risk of an immediate dilution of the aggregate net asset value of your Shares if you do not fully exercise your Rights.

The Investment Adviser

Atlas Management Partners, LLC., a Utah limited liability corporation ("Atlas" or the "Investment Adviser"), with its executive offices at 15 West South Temple Street, Suite 520 Salt Lake City, Utah 84101, is the investment advisor to MACC and MorAmerica Capital and is registered as an investment advisor under the Investment Advisers Act of 1940, as amended (the "Advisers Act"), and subject to its reporting and other requirements. Atlas currently is the investment manager of no other funds. Atlas is primarily responsible for the selection, structure and administration of MACC's investment portfolios.

InvestAmerica Investment Advisors, Inc., an Iowa corporation ("InvestAmerica" or the "Subadviser"), has been retained by MACC, MorAmerica Capital and Atlas to serve as a subadvisor. Prior to March 1, 2004, InvestAmerica was the investment advisor to MACC and MorAmerica Capital. For additional information on the Adviser, the Subadviser and the terms of their contracts, see "DESCRIPTION OF MACC - INVESTMENT ADVISORS ACT OF 1940 AND THE INVESTMENT ADVISORY AGREEMENTS."

FEE TABLE AND EXAMPLE

The following Fee Table and Example are intended to assist investors in understanding the costs and expenses that an investor in MACC bears directly or indirectly.

FEE TABLE

SHAREHOLDER TRANSACTION EXPENSES	
Sales Load (as a percentage of the Subscription Price per Share)	None
ANNUAL EXPENSES (AS A PERCENTAGE OF MACC'S AVERAGE NET ASSETS)(1)	
Management Fee(2)	6.39%
Interest Expense	15.53%
Other Expenses	11.68%
Total Annual Expenses(2)	33.60%

(1) Fiscal year ended September 30, 2003

(2) Management Fee is net of fees waived during the fiscal year ended September 30, 2003. Management fee percentage is 7.66% before adjustment for waived management fees. Total annual expenses before adjustment for waived management fees is 34.88%. In addition to its management fees, Atlas is entitled to receive an incentive fee payable quarterly that is equal to 20% of MACC's realized capital gains in excess of realized capital losses, after allowance for any unrealized capital losses in excess of unrealized capital gains on the portfolio investments of MACC incurred during MACC's fiscal year. No incentive fees were paid in the fiscal year ended September 20. 2003.

EXAMPLE

	CUMULATIVE EXPENSES PAID FOR THE PERIOD OF: 1 YEAR	3 YEARS	5 YEARS	10 YEARS
You would pay the following expenses on a $1,000 investment, assuming a 5% annual return throughout the periods	$344	$1,086	$1,903	$4,332

The purpose of the foregoing table and example is to assist investors in understanding the various costs and expenses that an investor in MACC bears, directly or indirectly. It should be noted that if any portion of the assumed return on investment includes net realized gain, an incentive fee of 20% of such realized gain may be incurred and would further increase expenses reflected in the table above. The example set forth above assumes an annual expense ratio of 33.60%. The Fee Table above and the assumption in the Example of a 5% annual return are required by Securities and Exchange Commission (the "Commission") regulations applicable to all management investment companies. The Example and Fee Table should not be considered as a representation of past or future expenses or annual rates of return, which may be more or less than those assumed for purposes of the Example and Fee Table. The percentage for "Other Expenses" set forth on the Fee Table is based on estimated amounts for the current fiscal year.

SELECTED FINANCIAL DATA

The following selected financial data for the period from September 30, 1999 through September 30, 2003 is derived from MACC's audited financial statements. The selected data presented for the nine months ended June 30, 2003 and June 30, 2004 is derived from unaudited financial statements of MACC which, in the opinion of management, include all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the financial position and results of operations of MACC as of and for these periods. Results of operations for the nine months ended June 30, 2004 are not necessarily indicative of the results of operations that may be achieved for the full fiscal year. The Data should be read in conjunction with MACC's financial statements and notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	Nine Months Ended June 30,		Fiscal Years Ended September 3		
	2004	2003	2003	2002	2001
Investment (expense)	(1,847,444)	(1,664,818)	(2,206,134)	(926,634)	(284,263)

income, net						
Net realized (loss) gain on investments, net	2,506,339	(1,893,048)	(3,600,749)	(4,592,480)	2,488,350	(2,2
Net change in unrealized appreciation/ deprecation on investments	(484,199)	(502,937)	2,896,291	1,132,647	(8,477,187)	4,4
Net change in net assets from operations	174,696	(4,060,803)	(2,910,592)	(4,386,467)	(6,273,100)	2,2
Net change in net assets from operations per common share	0.08[1]	(1.74[1])	(1.25[1])	(1.88[1])	(2.69[1])	
Total assets	42,064,897	40,706,883	41,233,118	44,013,701	41,395,958	46,6
Total long term debt	27,940,000	27,938,910	27,940,000	27,934,004	20,972,463	20,3
Net assets	12,920,608	11,595,701	12,745,912	15,656,504	20,042,941	25,6
Net assets per share	5.55[1]	4.98[1]	5.47[1]	6.72[1]	8.60[1]	

[1]Computed using 2,329,255 shares outstanding at June 30, 2004, September 30, 2003, June 30, 2003, September 30, 2002 and September 30, 2001.

[2]Per share data have been restated to reflect a 20% stock split effected in the form of a stock dividend on March 31, 2001.

[3]Per share data have been restated to reflect a 20% stock split effected in the form of a stock dividend on March 31, 2001 and a 20% stock split effected in the form of a stock dividend on March 31, 2000.

SELECTED PER SHARE DATA

	Nine Months Ended		FOR THE YEARS ENDED SEPTEMBER 30:				
	June 30, 2004[1]	June 30, 2003[1]	2003[1]	2002[1]	2001[1]	2000[2]	1999[3]
	(Unaudited)						

Investment income	0.86	0.84	1.09	1.28	1.30	1.20	0.97
Other operating expenses	(0.96)	(0.84)	(1.10)	(0.82)	(0.68)	(0.60)	(0.49)
Interest expense	(0.69)	(0.71)	(0.94)	(0.86)	(0.74)	(0.58)	(0.48)
Investment (expense) income, net	(0.79)	(0.71)	(0.95)	(0.40)	(0.12)	0.02	-
Net realized gain (loss) on investments	1.08	(0.81)	(1.54)	(1.97)	1.07	(0.97)	1.41
Net change in unrealized appreciation/ depreciation of investments	(0.21)	(0.22)	1.24	0.49	(3.64)	1.92	(0.26)
Allocation of income tax benefit to additional paid-in capital	-	-	-	-	0.28	-	0.51
Net change in net assets from operations	0.08	(1.74)	(1.25)	(1.88)	(2.41)	0.97	1.66
Net asset value, beginning of period	5.47	6.72	6.72	8.60	11.01	10.04	8.38
Net asset value, end of period	5.55	4.98	5.47	6.72	8.60	11.01	10.04

[1]Computed using 2,329,255 shares outstanding at June 30, 2004, September 30, 2003, June 30, 2003, September 30, 2002 and September 30, 2001.

[2]Per share data have been restated to reflect a 20% stock split effected in the form of a stock dividend on March 31, 2001.

[3]Per share data have been restated to reflect a 20% stock split effected in the form of a stock dividend on March 31, 2001 and a 20% stock split effected in the form of a stock dividend on March 31, 2000.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

General

MACC's primary goal is to create long-term appreciation of shareholder value based upon the successful management of later stage venture capital investments.

Sources of Operating Income

The major source of operating income for MACC is investment income, either in the form of interest on debentures, dividends on stock, or interest on securities held pending investment in portfolio companies. However, MACC also generates income through capital gains. Further, MACC in some cases receives due diligence, commitment, and closing fees, as well as other similar types of revenue. Director's compensation received by Atlas (or its personnel) for services to a portfolio company is paid to the account of MACC.

Financial Condition, Liquidity and Capital Resources

To date, MACC has relied upon several sources to fund its investment activities, including MACC's cash and money market accounts and the Small Business Investment Company ("SBIC") leverage program operated by the Small Business Administration (the "SBA").

MACC, through its wholly-owned subsidiary, MorAmerica Capital, from time to time may seek to procure additional capital through the SBIC leverage program to fund a portion of its investment capital requirements. At present, committed leverage with a commitment period of up to four years is available through the SBIC leverage program and MACC anticipates that leverage may be available in future periods. MACC has not currently budgeted to borrow any funds through the SBIC leverage program during fiscal year 2004.

As of June 30, 2004, MACC's cash and money market accounts totaled $7,884,630. MACC has commitments for an additional $3,500,000 and $6,500,000 in SBA guaranteed debentures, which expire on September 30, 2005 and September 30, 2007, respectively. Subject to the risks and uncertainties described in this Prospectus, MACC believes that its existing cash and money market accounts, the $10,000,000 of SBA commitments, and other anticipated cash flows, will provide adequate funds for MACC's anticipated budgeted cash requirements during the current fiscal year, including portfolio investment activities, principal and interest payments on outstanding debentures payable and administrative expenses. MACC's budgeted investment objective is to invest $2,500,000 in new and follow-on investments during the current fiscal year. Based upon current economic and operating conditions, actual investment results for fiscal year ending September 30, 2004 may be somewhat below budget. MACC has invested $481,934 in follow-on investments through June 30, 2004.

Debentures payable are composed of $27,940,000 in principal amount of SBA-guaranteed debentures issued by MACC's subsidiary, MorAmerica Capital. Subject to the risks and uncertainties described in this Prospectus, it is anticipated MorAmerica Capital will be able to roll over these debentures with new ten-year debentures when they mature. The following table shows our significant contractual obligations for the repayment of debt and other contractual obligations as of June 30, 2004.

Contractual Obligations	Payments due by period				
	Total	Less than 1 Year	1-3 Years	3-5 Years	More
SBA Debentures	$27,940,000	2,150,000	---	2,000,000	

Loan Agreement[1]	$ 270,000	67,500	202,500	---

MACC currently anticipates that it will rely primarily on its current cash and money market accounts and its cash flows from operations to fund its investment activities and other cash requirements during the remainder of fiscal year 2004. Although management believes these sources will provide sufficient funds for MACC to meet its fiscal 2004 investment level objective and other anticipated cash requirements, there can be no assurances that MACC's cash flows from operations will be as projected, or that MACC's cash requirements will be as projected. MACC's cash flow has been negatively affected by expenses associated with the pending arbitration proceedings described in Note 3 to the Unaudited Condensed Consolidated Financial Statements. An adverse outcome on such arbitration proceedings could further adversely affect MACC's cash flow.

As an SBIC, MorAmerica Capital is required to comply with the regulations of the SBA (the "SBA Regulations"). These regulations include the capital impairment rules, as defined by Regulation 107.1830 of the SBA Regulations. As of June 30, 2004, the capital of MorAmerica Capital was impaired less than the maximum impairment percentage permitted under SBA Regulations. If MorAmerica Capital continues to experience negative operating results, no assurances can be given that MorAmerica Capital will continue to be less than the maximum impairment percentage in future periods. If MorAmerica Capital would exceed the maximum impairment percentage in future periods, a number of events could occur which could have a material adverse effect on the financial position, results of operations, cash flow and liquidity of MACC and MorAmerica Capital.

MorAmerica Capital is currently limited by the SBA Regulations in the amount of distributions it may make to MACC. MACC historically has relied in large part on distributions from MorAmerica Capital to fund its operating expenses and other cash requirements. While the paragraphs above describe MACC's liquidity on a consolidated basis, due to current limitations on MorAmerica Capital's ability to make distributions to MACC, MACC has limited liquidity to pay its holding company operating expenses. During the second quarter of the current fiscal year, MACC entered into a loan agreement providing for advances of up to $400,000 through a loan made by one of its directors. MACC obtained $200,000 and $70,000 under this loan agreement in the second quarter and third quarter, respectively, of the current fiscal year. It is anticipated that no additional drawings will be necessary in the fourth quarter of the current fiscal year. In addition to utilizing this loan facility, MACC is currently evaluating a number of alternatives to provide for its liquidity, including one or more of the capital transactions approved by shareholders at the 2004 annual meeting. This Offering is one such transaction, and the net proceeds of this Offering will enhance MACC's liquidity.

Results of Operations

MACC's investment income includes income from interest, dividends and fees. Investment expense, net represents total investment income minus total 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

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[1] During the second quarter of the current fiscal year, MACC entered into a loan agreement with one of its directors, Geoffrey T. Woolley, providing for advances of up to $400,000 on a revolving credit basis through February 28, 2005. The outstanding principal amount of the loan as of March 1, 2005 will be due and payable in four equal installments on the first day of June, September, December, and March, commencing June 1, 2005 and concluding March 1, 2006. The payment obligations in the table set forth above are based on the amount outstanding under the loan agreement as of June 30, 2004. The entire unpaid

amount of the loan is convertible into shares of MACC's common stock at the option of the lender.

included in investment expense, net. Another one of MACC's on-going goals is to achieve net investment income and increased earnings stability. In this regard, a significant proportion of new portfolio investments are structured so as to provide a current yield through interest or dividends. MACC also earns interest on short-term investments of cash.

Third Quarter Ended June 30, 2004 Compared to Third Quarter Ended June 30, 2003

	For the three months ended June 30,		
	2004	2003	Change
Investment income	$ 672,573	715,734	(43,161)
Net operating expenses	(975,141)	(1,472,428)	497,287
Investment expense, net	(302,568)	(756,694)	454,126
Net realized gain on investments	29,875	899,234	(869,359)
Net change in unrealized appreciation/ depreciation on investments	(80,659)	(2,955,958)	2,875,299
Net loss on investments	(50,784)	(2,056,724)	2,005,940
Net change in net assets from operations	$ (353,352)	(2,813,418)	2,460,066
Net asset value:			
Beginning of period	$ 5.70	6.74	
End of period	$ 5.55	4.98	

Investment Income

During the current year third quarter, total investment income was $672,573, a decrease of $43,161, or 6%, from total investment income of $715,734 for the prior year third quarter. In the current year third quarter as compared to the prior year third quarter, interest income decreased $65,294, or 13%, dividend income increased $36,738, or 17%, processing fees decreased $5,556, or 100%, and other income decreased $9,049, or 78%. The decrease in interest income is mainly due to the receipt of $2,159,800 in principal payments on five portfolio investments during the current fiscal year. In the current year third quarter, MACC received dividends on six existing portfolio companies, as compared to dividend income received in the prior year third quarter on seven existing portfolio companies. The distributions from limited liability companies in the current year third quarter were larger than in the prior year third quarter. Processing fees decreased due to no new or follow-on portfolio company investments made in the current year third quarter, compared to one restructure of an existing portfolio company investment in which MACC received a processing fee at closing in the prior year third quarter. The decrease in other income is due to advisory fees received from one portfolio company in the prior year third quarter.

Operating Expenses

Total operating expenses for the third quarter of the current year were $975,141, a decrease of $497,287, or 34%, as compared to total operating expenses for the prior year third quarter of $1,472,428. Interest expense decreased $18,706, or 3%, in the current year third quarter due to a reduction in the interest rate on $2,150,000 of SBA-guaranteed debentures to 3.125% in the current year second quarter, from 6.12% in the prior year third quarter. Following the expiration of the terms of the investment advisory agreements between each of MACC and MorAmerica Capital and InvestAmerica, MACC and MorAmerica Capital each entered into an investment advisory agreement with the Investment Adviser. Contemporaneously with this change in investment advisor, MACC, MorAmerica Capital, the Investment Adviser and InvestAmerica entered into an a agreement pursuant to which InvestAmerica will act as a subadvisor with respect to the companies' existing investment portfolio as of the transition date. Management fees increased $53,448, or 26%, in the current year third quarter due to a voluntary reduction in management fees taken by InvestAmerica in the prior year third quarter which terminated on February 29, 2004. Professional fees decreased $374,102, or 80%, in the current year third quarter primarily due to decreased legal expenses in connection with arbitration proceedings related to the sale of a former portfolio company and legal

and accounting fees to comply with new securities and exchange corporate governance requirements in the prior year third quarter. Professional fees are expected to be high in the next three to six months due to the item identified in Note 3 to the Unaudited Condensed Consolidated Financial Statements and legal advice in implementing the future direction of MACC. Other expenses decreased $157,927, or 64%, in the current year third quarter as compared to the prior year third quarter mainly due to the change in the other assets loss provision. The other assets loss provision was higher in the prior year third quarter because an additional loss provision of $205,433 was recorded with respect to other securities which had been classified as other assets.

Investment Expense, Net

For the current year third quarter, MACC recorded investment expense, net of $302,568, as compared to investment expense, net of $756,694 during the prior year third quarter.

Net Realized Gain (Loss) on Investments

During the current year third quarter, MACC recorded net realized gain on investments of $29,875, as compared with net realized gain on investments of $899,234 during the prior year third quarter. In the current year third quarter, MACC realized an additional gain of $3,380 from the sale of one portfolio company which occurred in the current year second quarter and the adjustment of $26,495 in deferred incentive fees due to the revaluation of the deferred gain. 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 and investing in new portfolio investments.

Net Change in Unrealized Appreciation/Depreciation of Investments

MACC recorded net change in unrealized appreciation/depreciation on investments of ($80,659) during the current year third quarter, as compared to ($2,955,958) during the prior year third quarter. This net change in unrealized appreciation/depreciation on investments of ($80,659) is the net effect of increases in fair value of three portfolio companies totaling $652,732 and decreases in fair value of four portfolio companies totaling $733,391.

Net change in unrealized appreciation/depreciation on investments represents the change for the period in the unrealized appreciation net of unrealized depreciation on MACC's total investment portfolio. When MACC increases the fair value of a portfolio investment above its cost, the unrealized appreciation for the portfolio as a whole increases, and when MACC decreases the fair value of a portfolio investment below its cost, unrealized depreciation for the portfolio as a whole increases. When MACC sells an appreciated portfolio investment for a gain, unrealized appreciation for the portfolio as a whole decreases as the gain is realized. Similarly, when MACC sells or writes off a depreciated portfolio investment for a loss, unrealized depreciation for the portfolio as a whole decreases as the loss is realized.

Net Change in Net Assets from Operations

MACC experienced a decrease of $353,352 in net assets at the end of the third quarter of fiscal year 2004, and the resulting net asset value per share was $5.55 as of June 30, 2004, as compared to $5.47 as of September 30, 2003. General economic conditions have recently appeared to have a positive impact on the operating results and financial condition of a number of MACC's portfolio companies and the majority of MACC's thirty-two operating portfolio companies continue to be valued at cost or above. MACC has ten portfolio investments valued at cost, has recorded unrealized appreciation on nine portfolio investments and has recorded unrealized depreciation on thirteen portfolio investments.

General economic conditions adversely affected a number of MACC's portfolio companies during fiscal year 2003, which contributed to a decline in MACC's operating performance and liquidity during the period. In an effort to improve operating performance and liquidity in the current fiscal year, MACC projected no new borrowings under the SBIC leverage program in the fiscal year 2004 budget and has actively pursued opportunities to liquidate a number of portfolio investments. As a result of these efforts and improvements in general economic conditions, MACC's operating performance and liquidity through the first nine months of the current fiscal year

have significantly improved, as compared to the comparable period during fiscal year 2003. Management anticipates that if general economic conditions continue to be conducive to portfolio investment liquidity events, subject to the risks described in this report, MACC will experience further improvements in its operating performance.

Nine Months Ended June 30, 2004 Compared to Nine Months Ended June 30, 2003

	For the nine months ended June 30, 2004	2003	Change
Investment income	$1,993,163	1,965,985	27,178
Net operating expenses	(3,840,607)	(3,630,803)	(209,804)
Investment expense, net	(1,847,444)	(1,664,818)	(182,626)
Net realized gain (loss) on investments	2,506,339	(1,893,048)	4,399,387
Net change in unrealized appreciation/ depreciation on investments	(484,199)	(502,937)	18,738
Net gain (loss) on investments	2,022,140	(2,395,985)	4,418,125
Net change in net assets from operations	$ 174,696	(4,060,803)	4,235,499
Net asset value:			
Beginning of period	$ 5.47	6.72	
End of period	$ 5.55	4.98	

Investment Income

During the current year nine-month period, total investment income was $1,993,163, an increase of $27,178, or 1%, from total investment income of $1,965,985 for the prior year nine-month period. In the current year nine-month period as compared to the prior year nine-month period, interest income decreased $81,976, or 6%, dividend income increased $219,311, or 49%, processing fees decreased $22,741, or 100%, and other income decreased $87,416, or 90%. The decrease in interest income is the net result of only three follow-on investments made during the current year nine-month period, one investment which converted all interest accrued and reserved to an equity investment, the placing of debt portfolio securities issued by three portfolio companies on non-accrual of interest status in the current year nine-month period which were accruing interest in the prior year nine-month period and the receipt of $2,159,800 in principal payments on five portfolio investments. In the current year nine-month period and in the prior year nine-month period, MACC received dividends on eight existing portfolio companies, however dividend payments were greater in the current year nine-month period. Processing fees decreased due to no fees received on the three follow-on investments made in the current year nine-month period, compared to one follow-on investment and two existing portfolio company investments in which MACC received processing fees in the prior year nine-month period. The period-over-period decrease in other income is due to a decrease in advisory fees received from two portfolio companies in the prior year nine-month period.

Operating Expenses

Total operating expenses for the nine-month period of the current year were $3,840,607, an increase of $224,804, or 6%, as compared to total operating expenses for the prior year nine-month period of $3,615,803. Interest expense decreased $56,119, or 3%, in the current year nine-month period due to a reduction in the interest rate on $2,150,000 of SBA-guaranteed debentures to 3.125% in the current year nine-month period, from 6.12% in the prior year nine-month period. Management fees increased $1,724, or 1%, in the current year nine-month period mainly due to the termination of the agreement with

InvestAmerica to a voluntary, temporary reduction in management fees to reduce the expenses of MACC. This voluntary, temporary reduction in management fees terminated at February 29, 2004. Professional fees decreased $250,523, or 31%, in the current year nine-month period primarily due to decreased legal expenses in connection with arbitration proceedings related to the sale of a former portfolio company and various corporate governance changes. Professional fees are expected to be high for at least the next three to six months as a result of the item identified in Note 3 to the Unaudited Condensed

Consolidated Financial Statements and legal advice in implementing the future direction of MACC. Other expenses increased $529,722, or 112%, in the current year nine-month period as compared to the prior year nine-month period mainly due to the change in the other assets loss provision. The other assets loss provision increased because depreciated portfolio securities were reclassified as other assets in the current year nine-month period, which required the unrealized depreciation on such assets in the amount of $532,760 to be recorded as other assets loss provision, and because an additional loss provision of $197,727 was recorded in the current year nine-month period with respect to other securities which had been classified as other assets in a prior period.

Investment Expense, Net

For the current year nine-month period, MACC recorded investment expense, net of $1,847,444, as compared to investment expense, net of $1,664,818 during the prior year nine-month period.

Net Realized Gain (Loss) on Investments

During the current year nine-month period, MACC recorded net realized gain on investments of $2,506,339, as compared with net realized loss on investments of $1,893,048 during the prior year nine-month period. In the current year nine-month period, MACC realized a gain of $328,968 from the sale of warrants of one portfolio company, and $3,024,756 from the sale of equity interests of three portfolio companies of which $3,259,790 was previously recorded as unrealized appreciation. MACC also realized a loss of $847,385 from the write-off of one portfolio company of which $847,384 was previously recorded as unrealized depreciation. Management does not attempt to maintain a comparable level of realized gains quarter to quarter but instead attempts to maximize total investment portfolio appreciation by appropriately realizing gains in the disposition of securities and investing in new portfolio investments.

Net Change in Unrealized Appreciation/Depreciation of Investments

MACC recorded net change in unrealized appreciation/depreciation on investments of ($484,199) during the current year nine-month period, as compared to ($502,937) during the prior year nine-month period. This net change in unrealized appreciation/depreciation on investments of ($484,199) is the net effect of increases in fair value of seven portfolio companies totaling $2,166,255, decreases in fair value of four portfolio companies totaling $770,809, the reversal of $3,259,789 of appreciation resulting from the sale of warrants of one portfolio investment and the sale of equity interests of three portfolio investments referenced above, the reversal of $847,384 of depreciation resulting from the write-off of the investment in one portfolio investment, and the reversal of $532,760 of depreciation resulting from the restructure of one portfolio investment to other assets.

Fiscal 2003 Compared to Fiscal 2002

	For the years ended September 30, 2003	2002	Change
Investment income	$ 2,544,725	2,997,551	(452,826)
Operating expenses	(4,735,859)	(3,825,185)	(910,674)
Income tax expense	(15,000)	(99,000)	84,000
Investment expense, net	(2,206,134)	(926,634)	(1,279,500)
Net realized loss on investments	(3,600,749)	(4,592,480)	991,731

Net change in unrealized appreciation/ depreciation on investments	2,896,291	1,132,647	1,763,644
Net loss on investments	(704,458)	(3,459,833)	2,755,375
Net change in net assets from operations	$ (2,910,592)	(4,386,467)	1,475,875
Net asset value:			
Beginning of period	$ 6.72	8.60	
End of period	$ 5.47	6.72	

Investment Income

During the fiscal year ended September 30, 2003, total investment income was $2,544,725, a decrease of 15% from fiscal year 2002 investment income of $2,997,551. The decrease during the fiscal year 2003 was the net result of decreases in interest income of $342,804, or 16%, dividend income of $64,840, or 10% and processing fees of $80,195, or 78%, and an increase in other income of $35,013, or 37%. MACC attributes the decease in interest income primarily to no new investments made during fiscal year 2003, the placing of debt portfolio securities issued by five portfolio companies on non-accrual of interest status during fiscal year 2003, MACC's receipt of $1,425,013 in principal payments on several of its debt portfolio investments and the write-off of two portfolio company debt security investments totaling $1,723,857. In most cases, MACC is subordinated to senior secured financing and its ability to collect interest is subject to the terms of the senior financing and subordination agreements. A significant number of the portfolio investments that were placed on non-accrual of interest status during fiscal years 2003 and 2002 had ceased making current interest payments to MACC as a result of these subordination provisions. Dividend income for fiscal years 2003 and 2002 represents dividends received on eight existing portfolio companies, five of which are distributions from limited liability companies. Dividend income decreased in fiscal year 2003 because the distributions from the limited liability companies during fiscal year 2002 were larger than the distributions in fiscal year 2003. Processing fees decreased in fiscal year 2003 primarily as a result of fewer new and follow-on investments made during fiscal year 2003. The increase in other income is due to advisory fees received on two portfolio companies during fiscal year 2003, as compared to advisory fees received on only one portfolio company in fiscal year 2002. The timing and amount of dividend income, income from the collection of processing fees on new investments and other income are difficult to predict.

Operating Expenses

Net operating expenses of MACC increased by 24% in fiscal year 2003 to $4,735,859 from $3,825,185 in fiscal year 2002. The relative increase in net operating expenses is the net result of increases of $185,548, or 9%, in interest expense, $705,014, or 194%, in professional fees, $288,743 in net unrealized loss on other assets, and a decrease of $217,000, or 19%, in management fees (net of management fees waived). Interest expense increased due to the accrual of a full year of interest during fiscal year 2003 on additional borrowings of $6,955,000 from the Small Business Administration in fiscal year 2002. Professional fees increased primarily due to increased legal expenses due to arbitration proceedings related to the sale of a former portfolio company and compliance with new Securities and Exchange Commission and NASDAQ corporate governance requirements. Because these arbitration proceedings are expected to conclude during the first half of fiscal year 2004, MACC expects legal expenses for fiscal year 2004 to be less than in fiscal year 2003. Net unrealized loss on other assets increased $288,743 primarily due to the change in the other assets loss provision which was recorded in fiscal year 2003. Management fees (net of management fees waived) decreased due to MACC's investment advisor agreeing to a voluntary, temporary reduction in management fees to reduce the expenses of MACC.

Net Investment Expense

MACC had investment expense, net in fiscal year 2003 of $2,206,134, an increase of 138% from investment expense, net of $926,634 in fiscal year 2002. The increase in investment expense, net is the net result of the decrease in investment income and increase in operating expenses described above.

Realized Loss on Disposition of Investments

MACC recorded a net realized loss on investments in fiscal 2003 of $3,600,749, as compared to a net realized loss of $4,592,480 in fiscal year 2002. The fiscal year 2003 net realized loss is the net result of $875,137 of realized gains from three portfolio companies and the recovery of $42,605 from one portfolio company investment which was written off in a prior period, offset by a realized loss of $236,785 from the sale of one portfolio company, of which $335,002 was previously recorded as unrealized depreciation, and realized losses of $4,281,706 from the write-off of four portfolio companies, of which $3,716,076 was previously recorded as unrealized depreciation. 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 and investing in new portfolio investments.

Changes in Unrealized Appreciation/Depreciation of Investments

MACC had unrealized depreciation of $278,560 at September 30, 2003, a positive change of $2,896,291, or 91%, from the $3,174,851 of unrealized depreciation at September 30, 2002. This resulted in a net loss on investments for fiscal year 2003 of $704,458, as compared to a net loss on investments of $3,459,833 for fiscal year 2002. The fiscal year 2003 change in unrealized appreciation/depreciation is the net effect of increases in fair value of seven portfolio companies totaling $2,820,241, decreases in fair value of thirteen portfolio companies totaling $3,673,462, the reversal of appreciation of $301,566 in one portfolio investment from the sale of warrants resulting in a realized gain, the reversal of depreciation of $335,002 in one portfolio investment from the sale of the investment resulting in a realized loss, and the reversal of $3,716,076 of depreciation resulting from the write-off of the investment in four portfolio investments.

Net change in unrealized appreciation/depreciation on investments represents the change for the period in the unrealized appreciation net of unrealized depreciation on MACC's total investment portfolio. When MACC increases the fair value of a portfolio investment above its cost, the unrealized appreciation for the portfolio as a whole increases, and when MACC decreases the fair value of a portfolio investment below its cost, unrealized depreciation for the portfolio as a whole increases. When MACC sells an appreciated portfolio investment for a gain, unrealized appreciation for the portfolio as a whole decreases as the gain is realized. Similarly, when MACC sells or writes off a depreciated portfolio investment for a loss, unrealized depreciation for the portfolio as a whole decreases as the loss is realized.

Changes in Net Assets from Operations

As a result of the items described above, MACC experienced a decrease of $2,910,592, or 19%, in net assets during fiscal year 2003, and the resulting net asset value per share was $5.47 at September 30, 2003, as compared to $6.72 at September 30, 2002. Management attributes these disappointing results primarily to the negative effect that general economic conditions during fiscal year 2003 had on MACC's investment income and the valuation of certain portfolio investments, and the negative effects that increased professional fees and interest expense had on MACC's operating expenses. Nevertheless, the majority of MACC's forty portfolio companies continued to perform well at September 30, 2003. MACC realized gains on three portfolio companies and seven portfolio investments increased in value during fiscal year 2003.

To mitigate the effects of the economic environment on MACC's operating performance during fiscal 2003, MACC's investment advisor voluntarily agreed to reduce the amount of management fees payable by MACC from January 1, 2003 through February 29, 2004. In addition, MACC reduced its projected investment rate and projected borrowing rate in the revised fiscal 2003 budget.

Fiscal 2002 Compared to Fiscal 2001

For the years ended

	September 30, 2002	September 30, 2001	Change
Investment income	$ 2,997,551	3,024,842	(27,291)
Operating expenses	(3,825,185)	(3,239,105)	586,080
Income tax expense	(99,000)	(70,000)	29,000
Investment expense, net	(926,634)	(284,263)	(642,371)
Net realized (loss) gain on investments	(4,592,480)	2,488,350	(7,080,830)
Net change in unrealized appreciation/ depreciation on investments	1,132,647	(8,477,187)	9,609,834
Net loss on investments	(3,459,833)	(5,988,837)	2,529,004
Net change in net assets from operations	$ (4,386,467)	(6,273,100)	1,886,633
Net asset value:			
Beginning of period	$ 8.60	11.01	
End of period	$ 6.72	8.60	

Investment Income

During the fiscal year ended September 30, 2002, investment income was $2,997,551, a decrease of 1% from fiscal year 2001 investment income of $3,024,842. The decrease during the 2002 fiscal year was the net result of an increase in interest income of $94,930, or 5%, and decreases in dividend income and processing fees of $134,182, or 17%, and $885, or 1%, respectively. MACC attributed the increase in interest income primarily to the $5,251,849 of new investments made during fiscal year 2002 which were structured as subordinated debentures, partially offset by the effects of placing the debt portfolio securities issued by two portfolio companies on non-accrual status during fiscal year 2002, MACC's receipt of $2,102,621 in principal payments on several of its debt portfolio investments and the write-off of three portfolio company debt security investments totaling $4,414,887. In most cases, MACC is subordinated to senior secured financing and its ability to collect interest is subject to the terms of the senior financing and subordination agreements. The decrease in dividend income represents dividends received on eight existing portfolio companies, seven of which are distributions from limited liability companies, as compared to dividends received on ten portfolio companies during fiscal year 2001. Processing fees decreased only slightly due to four new portfolio company investments made in the current year, a restructuring of an existing portfolio company investment and two follow-on portfolio investments in which MACC received processing fees at the losing, compared to four new portfolio company investments and four follow-on investments made in the prior year in which MACC received a processing fee at closing.

Operating Expenses

Total operating expenses of MACC increased by 18% in fiscal year 2002 to $3,825,185 from $3,239,105 in fiscal year 2001. The relative increase in operating expenses is primarily due to increases of $277,113, or 16%, in interest expense, $55,583, or 5%, in management fees, $235,742, or 185%, in professional fees, and $17,642, or 6%, in other operating expenses. These increases were generated from additional borrowings from the Small Business Administration, increased assets under management, increased legal expenses due to arbitration proceedings related to the sale of a former portfolio company and compliance with new securities and exchange corporate governance requirements, increased accounting fees and a change in the other assets loss provision, respectively.

Investment Expense, Net

MACC had investment expense, net in fiscal year 2002 of $926,634, an increase of 226% from an investment expense, net of $284,263 in 2001. The increase in investment expense, net is the net result of the decrease in investment income and increase in operating expenses described above.

Realized (Loss) Gain on Disposition of Investments

MACC recorded a net realized loss on investments in fiscal year 2002 of $4,592,480, as compared to a net realized gain of $3,168,350 in fiscal year 2001. The fiscal year 2002 net realized loss is the net result of $947,539 of realized gains from five portfolio companies and realized losses of $5,540,019 from the write-off of three portfolio companies, of which $4,115,424 was previously recorded as unrealized depreciation. 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 and investing in new portfolio investments.

Changes in Unrealized Appreciation/Depreciation of Investments

MACC had unrealized depreciation of $3,174,851 at September 30, 2002, a positive change of $1,132,647, or 26%, from the $4,307,498 of unrealized depreciation at September 30, 2001. This resulted in a net loss on investments for fiscal year 2002 of $3,459,833, as compared to a net loss on investments of $5,988,837 for fiscal year 2001. The fiscal year 2002 change in unrealized appreciation/depreciation is the net effect of increases in fair value of twelve portfolio companies totaling $3,266,069, decreases in fair value of eleven portfolio companies totaling $5,608,130, the reversal of appreciation of $538,000 in one portfolio investment in which the portfolio company was part of a recapitalization resulting in a realized gain, the reversal of appreciation of $102,716 in one portfolio investment in which an outstanding cash escrow was received, and the reversal of $4,115,424 of depreciation resulting from the write-off of the investment in three portfolio investments.

MARKET RISK

MACC is exposed to market risk from changes in the market price of publicly traded equity securities held from time to time in the MACC consolidated investment portfolio. At June 30, 2004, MACC held only one publicly traded equity security in its consolidated investment portfolio, and the fair value of that portfolio investment was not material. Therefore, a hypothetical 10% adverse change in quoted market price of that portfolio investment would not be material.

MACC is also exposed to market risk from changes in market interest rates that affect the fair value of MorAmerica Capital's debentures payable determined in accordance with Statement of Financial Accounting Standards No. 107, *Disclosures About Fair Value of Financial Instruments*. The estimated fair value of MorAmerica Capital's outstanding debentures payable at June 30, 2004, was $30,341,000, with a cost of $27,940,000. Fair value of MorAmerica Capital's outstanding debentures payable is calculated by discounting cash flows through estimated maturity using the borrowing rate currently available to MorAmerica Capital for debt of similar original maturity. None of MorAmerica Capital's outstanding debentures payable are publicly traded. Market risk is estimated as the potential increase in fair value resulting from a hypothetical 0.5% decrease in interest rates. Actual results may differ.

	June 30, 2004
Fair Value of Debentures Payable	$30,341,000
Amount Above Cost	$ 2,401,000
Additional Market Risk	$ 719,000

TRADING AND NET ASSET VALUE INFORMATION

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 liabilities by the total number of shares outstanding at the date as of which the determination is made. Based on the consolidated balance sheet at June 30, 2004, the net asset value per share is $5.55 per share.

In calculating the value of the total assets, securities that are traded in the over-the-counter market or on a stock exchange are valued in accordance with the current valuation policies of SBA. Under SBA regulations, publicly traded equity securities 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 and the preceding two days. This policy differs from the Commission's guidelines which utilize only a one day price measurement. All future financial reports of MACC will note this difference in approaches to valuation.

All other investments are valued at fair value as determined in good faith by the Board of Directors. The Board of Directors has determined that all other investments are valued initially at cost, but such valuation is subject to quarterly adjustments if the Board of Directors determines in good faith that cost no longer represents fair value. The Board of Directors values loans and non-convertible debt securities for which there exists no public trading market at cost plus amortized original issue discount, if any, at the time such assets are acquired and thereafter unless adverse factors lead to a determination of a lesser value. In valuing convertible debt securities and equity securities for which there exists no public trading market, the Board of Directors values such investments at cost at the time of acquisition, and quarterly thereafter will determine fair value on the basis of collateral, the issuer's ability to make payments, its earnings, prevailing interest rates and other pertinent factors.

A substantial portion of MACC's assets consists of securities carried at fair values determined by the Board of Directors. MACC's independent registered public accounting firm may review and express an opinion on the reasonableness of the procedures applied by the Directors in valuing such securities and the appropriateness of the underlying documentation. Their opinion also indicates that 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.

Shares of MACC's Common Stock are traded on the Nasdaq SmallCap Market under the symbol "MACC". The following table sets forth, for the periods indicated, high and low bid prices as quoted on Nasdaq, the net asset value per share at the end of each quarter and the premium (discount) to net asset value at the end of each quarter. The Nasdaq bid quotations represent prices between dealers, do not include retail markups, markdowns or commissions, and may not represent actual transactions.

YEAR AND QUARTER	**BID PRICE**		**NET ASSET VALUE PER SHARE AT END OF QUARTER**	**BID PRICE P (DISCOUNT NET ASSET**
	HIGH	**LOW**		**HIGH**
Current Fiscal Year				
3 Q	3.78	3.03	5.55	(35.9%)
2 Q	3.80	2.66	5.70	(33.3%)
1 Q	3.35	2.46	5.31	(36.9%)
Fiscal Year Ended Sept. 30, 2003				
4 Q	3.13	2.43	5.47	(42.8%)
3 Q	3.40	2.20	4.98	(31.7%)
2 Q	3.18	2.05	6.19	(48.6%)
1 Q	4.04	2.75	6.74	(40.1%)
Fiscal Year Ended Sept. 30, 2002				
4 Q	4.00	3.25	6.72	(40.5%)
3 Q	4.58	3.76	8.12	(43.6%)

2 Q	6.40	4.56	7.96	(19.6%)
1 Q	8.75	5.55	8.33	5.1%

The net asset value per share at September 30, 2001, September 30, 2002 and September 30, 2003 were $8.60, $6.72 and $5.47, respectively, and the last reported bid price per share on the Nasdaq SmallCap Market on _________, 2004 was $_____.

As of ___________________, there were approximately 2,209 record holders of Common Stock.

DIVIDENDS AND DIVIDEND REINVESTMENT PLAN

MACC does not currently pay dividends or any other form of distribution. MACC does not currently have any type of dividend reinvestment plan.

RISK FACTORS

AN INVESTMENT IN MACC IS SUBJECT TO A NUMBER OF RISKS AND SPECIAL CONSIDERATIONS, INCLUDING THE FOLLOWING:

Higher Risk Investments

MACC is designed for long-term investors. Investors should not rely on MACC for their short-term financial needs. The value of the higher risk securities in which MACC invests will be affected by:

general economic conditions

the securities market

the markets for public offerings and corporate acquisitions

specific industry conditions

the management of the individual issuer

Additionally, MACC may not achieve its investment objectives.

Dilution

You may experience an immediate dilution of the aggregate net asset value of your Shares if you do not fully exercise your Rights pursuant to the Offering. This is because the Subscription Price per Share will likely be less than MACC's net asset value per Share on the Expiration Date, and the number of Shares outstanding after the Offering is likely to increase in a greater percentage than the increase in the size of MACC's assets. In addition, if you do not fully exercise your Rights you should expect that you will, at the completion of the Offering, own a smaller proportional interest in MACC than would otherwise be the case. Although it is not possible to state precisely the amount of any such decrease in net asset value, because it is not known at this time what the net asset value per share will be at the Expiration Date or what proportion of the Shares will be subscribed, such dilution could be significant. For example, assuming that all Rights are exercised at the Estimated Subscription Price of $_______, expenses associated with the Offering were $________, and MACC's net asset value otherwise remained constant, MACC's net asset value per Share on such date would be reduced by approximately $_______ per Share (or ___%). Your ability to transfer your Rights allows you to receive cash for such Rights should you choose not to exercise them. However, it is not certain that a market for the Rights will develop, and no assurance can be given as to the value, if any, that such Rights will have.

Investments in Private Companies

As a BDC, MACC invests a large portion of its assets in restricted securities issued by small, private companies, some of which have operated at losses or have experienced substantial fluctuations in operating results. There is generally little or no publicly available information about such companies and MACC must rely on the diligence of its investment advisor to obtain the information necessary for MACC's decision to invest in these companies. In order to maintain its status as a BDC, MACC must have at least 50 percent of its total assets invested in these types of portfolio companies, as described in Sections 55(a)(1) through 55(a)(3) of the 1940 Act. Typically, such companies depend for their success on the management talents and efforts of one person or a small group of persons, so that the death, disability or resignation of such person or persons could have a materially adverse impact on them. Moreover, smaller companies frequently have narrower product lines and smaller market shares than larger companies and, therefore, may be more vulnerable to competitors' actions and market conditions, as well as general economic downturns. Such companies may face intense competition, including competition from companies with greater financial resources, more extensive research and development, manufacturing, marketing and service capabilities, and a larger number of qualified managerial and technical personnel. Because these companies will generally have highly leveraged capital structures, reduced cash flow resulting from an adverse business development, shift in customer preferences, or an economic downturn or the inability to complete a public offering or other financing may adversely affect the return on, or the recovery of, MACC's investment in them. Investment in such companies therefore involves a high degree of business and financial risk, which can result in

substantial losses and, accordingly, should be considered highly speculative. No assurance can be given that some of MACC's investments will not result in substantial or complete losses.

Long-Term Character of Portfolio Investments

MACC's investments yield a current return for most of their lives, but generally only produce a capital gain, if any, from an accompanying equity feature only after five to eight years. Both the current yield and a capital gain must be achieved on most investments in order to meet MACC's investment goals. There can be no assurance that either a current return or capital gain will actually be achieved on MACC's investments.

Restricted Securities and Illiquidity

Most of the investments of MACC consist of securities acquired directly from their issuers in private transactions. They are usually subject to restrictions on resale and are generally illiquid. Usually there is no established trading market for such securities into which they could be sold. In addition, most of the securities are not eligible for sale to the public without registration under the Securities Act, which would involve delay and expense. Restricted securities generally sell at a price lower than similar securities that are not subject to restrictions on sale.

Market Price Disparities

Shares of closed-end investment companies like MACC frequently trade at a discount from net asset value and MACC's shares have historically traded at a discount from net asset value. At September 30, 2003, and June 30, 2004, MACC's shares traded at a 42.8% and 35.9% discount to their net asset value, respectively. This characteristic of shares of closed-end investment companies is separate and distinct from the risk that MACC's per share net asset value will decline. In addition, MACC differs from similar venture capital closed-end funds in several respects.

First, many closed-end funds generally are structured to produce annual dividends to shareholders. MACC, however, does not presently pay dividends but, rather, retains all income after taxes and expenses to fund additional investments and thus create capital appreciation. The return to holders of the Shares is thus anticipated to be long-term and capital in nature. MACC's Board will, however, consider payment of dividends in the future and reserves the right to do so without shareholder approval.

Second, most similar closed-end funds have elected pass-through tax treatment so that no taxes are incurred at the corporate level. As noted in "RISK FACTORS - Loss of Pass-Through Tax Treatment," it may be a considerable period of time before MACC converts to this mode of tax operation. It is likely that a change to pass-through tax treatment would be made in conjunction with a decision to pay dividends to shareholders.

Third, due to several factors, including the small size of MACC relative to fixed expenses, and the fact that much of the income of MACC arises through capital gains rather than ordinary income, on a consolidated basis, MACC has had operating expenses in excess of investment income for four of the last five years. Many similar funds are structured to earn sufficient current income to achieve operating income (investment income in excess of operating expenses) each year. MACC's goals are to increase the size of its asset base relative to fixed expenses, among other things though this Offering, and to continue to increase the number and size of investments yielding current income.

Portfolio Valuation

Pursuant to the requirements of the 1940 Act, substantially all of MACC's portfolio investments are recorded at fair value as determined in good faith by our Board of Directors on a quarterly basis, and, as a result, there is uncertainty regarding the value of MACC's portfolio investments. At June 30, 2004, approximately 79% of MACC's total assets represented investments recorded at fair value. Since there is typically no readily ascertainable market value for the investments in MACC's portfolio, our Board of Directors determines in good faith the fair value of these investments pursuant to a valuation policy and a consistently applied valuation process.

There is no single standard for determining fair value in good faith. As a result, determining fair value requires that judgment be applied to the specific facts and circumstances of each portfolio investment while employing a consistently applied valuation process for the types of investments MACC makes. Unlike banks, MACC is not permitted to provide a general reserve for anticipated loan losses; MACC is instead required by the 1940 Act to specifically value each individual investment and record unrealized depreciation for an investment that MACC believes has become impaired, including where collection of a debt security or realization of an equity security is doubtful. Conversely, MACC records unrealized appreciation if MACC has an indication that the underlying portfolio company has appreciated in value and, therefore, our security has also appreciated in value, where appropriate. Without a readily ascertainable market value and because of the inherent uncertainty of valuation, fair value of our investments determined in good faith by the Board of Directors may differ significantly from the values that would have been used had a ready market existed for the investments, and the differences could be material.

We adjust quarterly the valuation of our portfolio to reflect the Board of Directors' determination of the fair value of each investment in our portfolio. Any changes in fair value are recorded in our statement of operations as "Net unrealized gains (losses)."

Competition

A large number of entities and individuals compete for the kinds of investments made by MACC. Many of these entities and individuals have greater financial resources than the combined resources of MACC. As a result of this competition, MACC may, from time to time, be precluded from entering into attractive transactions on terms considered by the Investment Adviser to be prudent in light of the risks to be assumed.

Loss of Pass-Through Tax Treatment

Currently, MACC is a taxable entity (a "C corporation") in order to utilize net operating loss carryforwards generated from a predecessor company as well as MACC operating losses. In the future MACC may elect to qualify for pass-through tax treatment contained in Subchapter M of the Code. Subchapter M treatment essentially means that certain income is taxed at the shareholder level only with no tax at the corporate level, although MACC may be subject to a corporate level tax on certain built-in gains in existence at the time MACC would first become subject to Subchapter M. It is possible that, for a number of reasons, MACC may be unable to meet Subchapter M requirements, or that it may also cease to qualify for pass-through treatment, or be subject to a four percent excise tax, if it fails to make certain distributions. Under the 1940 Act, MACC is not permitted to make distributions to shareholders unless it meets certain asset coverage requirements with respect to money borrowed and senior securities issued. See "DESCRIPTION OF MACC," and "INVESTMENT OBJECTIVES AND POLICIES." Non-availability of pass-through tax treatment may potentially have a materially adverse effect on the total return, if any, obtainable from an investment in MACC's shares, once net operating loss carryforwards are no longer available and the Subchapter M election has become advantageous.

Dependence on Management

MACC is wholly dependent for the selection, structuring, closing and monitoring of its investments on the diligence and skill of its officers and of the Investment Adviser and the Subadviser, subject to supervision by the Board of Directors. However, the advisory agreements with the Investment Adviser are short-term in nature and are subject to cancellation on 60 days' notice. The management of the Investment Adviser and Subadviser believe that performance is attributable largely to the abilities and experiences of certain key individuals. The loss to the Investment Adviser or the Subadviser of these individuals could have a material adverse effect on MACC's performance. See "MANAGEMENT."

Leverage

MACC may borrow funds from and issue senior debt securities to banks, insurance companies or other lenders up to the limit permitted by the 1940 Act. Currently, MACC has an outstanding line of credit from a related party. See "DESCRIPTION OF COMMON STOCK--Convertible Debt." In addition, through MorAmerica Capital, MACC has borrowed and may continue to borrow funds through the SBIC programs established by the

SBA. See "DESCRIPTION OF MACC." Such borrowings cause MACC to be leveraged. When such borrowings are incurred, the lenders of these funds will have fixed dollar claims on MACC's assets superior to the claims of MACC's shareholders. Decreases in the value of the investments below their value at the time of acquisition would cause MACC's net asset value to decline more sharply than it would if the funds had not been borrowed. Any decrease in the rate of income would cause net income to decline more sharply than it would had the funds not been borrowed and invested. Leverage is thus generally considered a speculative investment technique. Conversely, however, the ability of MACC to achieve its investment objectives may depend in part on its ability to acquire leverage on favorable terms by borrowing through the SBA, banks or insurance companies and there can be no assurance that such leverage can in fact be acquired. Changes in legislation applicable to or Congressional funding for the SBA, or changes in the SBA regulations, may have an adverse impact on the future ability of either MACC or MorAmerica Capital to acquire such leverage.

MACC, on a consolidated basis through its wholly-owned subsidiary MorAmerica Capital, had outstanding $27,940,000 in subordinated debentures issued to various parties and guaranteed by the SBA on September 30, 2003. The following describes the maturities and interest rates of these debentures:

Due Year Ending September 30	Principal Amount	Fixed Interest Rate
2005	$2,150,000	3.13%
2007	$1,000,000	7.55%
2009	$2,500,000	7.83%
2010	$9,000,000	8.48%
2011	$5,835,000	6.89%
2012	$7,455,000	7.03%
Total	$27,940,000	

The annual return that must be generated on MACC's portfolio in order to cover annual interest payments is 5.22 percent. The following table is provided to assist shareholders in understanding the effects of leverage. The calculations are based upon the actual interest expense incurred on MorAmerica Capital's subordinated debentures set out above and MACC's pro forma net assets as of September 30, 2003 as described elsewhere in this Prospectus. The figures provided are hypothetical and actual returns may be greater or less than those appearing in the table.

Assumed Return on Portfolio (Net of Expenses)	-10%	-5%	0%	5%	10%
Corresponding Return to Common Stockholder	(43.51%)	(28.93%)	(14.34%)	0.24%	14.82%

Management Fee

Since Atlas's management fee is based on a percentage of MACC's net assets, increasing MACC's net assets through the Offering will increase the dollar amount of the management fees paid to Atlas.

Possible Need for Follow-On Investments in Portfolio Companies

Following its initial investment, MACC may make additional debt and equity investments in portfolio companies ("follow-on investments") in order to increase its investment in a successful portfolio company, to exercise securities that were acquired in the original financing, to preserve MACC's proportionate ownership when a subsequent financing is planned or to protect MACC's initial investment when such portfolio company's performance does not meet expectations. The failure or inability to make such follow-on investments may, in certain circumstances, jeopardize the continued viability of a portfolio company and MACC's initial investment in that company.

Lack of Diversification

MACC is classified as a "non-diversified" investment company under the 1940 Act, which means MACC is not limited by the 1940 Act in the proportion of its assets that may be invested in the securities of a single issuer. To the extent MACC takes large positions in the securities of a small number of issuers, MACC's net asset value and the market price of its Shares may fluctuate as a result of changes in the financial condition of such issuers to a greater extent than that of a diversified investment company.

THE OFFERING

Purpose of the Offering

The Board of Directors of MACC has determined that it is in the best interests of MACC and its shareholders to increase the number of outstanding Shares in order to provide working capital for holding company expenses and to increase the assets of MACC available for investment (primarily through its subsidiary, MorAmerica Capital). In reaching its decision, the Board noted that more investment opportunities for MACC may exist in the future. The Board concluded that an increase in the assets of MACC would permit MACC to take advantage of these additional investment opportunities, consistent with MACC's investment objectives, while retaining investments believed to be attractive in MACC's portfolio. The Board believes that the Offering would permit MACC to accomplish these objectives, while allowing existing shareholders an opportunity to purchase additional Shares at a price below market value without paying a brokerage commission. The Board also believes that a larger number of outstanding Shares and a larger number of shareholders could increase the level of market interest in MACC and the liquidity of Shares.

The Board considered that the Offering would have a dilutive effect on nonparticipating shareholders and on shareholders who do not fully participate in the Offering. The Board also considered the effect that the issuance of the Shares would have on the net asset value of MACC. Nonetheless, the Board believes that the dilutive effect will be mitigated because the Rights are transferable, which will afford shareholders who do not exercise all of their Rights the potential of receiving a cash payment upon sale of such Rights. Additionally, nonparticipating shareholders would derive a benefit from the Offering if it enables MACC to invest additional amounts that earn a return that exceeds the dilution. Additionally, the Board concluded that increasing MACC's total assets would reduce expenses per share due to the spreading of fixed expenses over a larger asset base.

MACC's directors have voted unanimously to authorize the Offering. Three of MACC's directors who voted to authorize the Offering are affiliated with the Adviser and, therefore, could benefit indirectly from the Offering. The other six directors are not "interested persons" of MACC within the meaning of the 1940 Act.

MACC may, in the future and at its discretion, choose to make additional rights offerings from time to time for a number of Shares and on terms which may or may not be similar to this Offering. Any such future rights offering will be made in accordance with the 1940 Act.

Terms of the Offering

MACC is issuing Rights to its Record Date Shareholders entitling the holders thereof to subscribe for an aggregate of 768,654 Shares. Record Date Shareholders, where the context requires, shall include beneficial owners whose Shares are held of record by Cede & Co. ("Cede"), nominee for The Depository Trust Company ("DTC"), or by any other depository or nominee. In the case of Shares held of record by Cede or any other depository or nominee, beneficial owners for whom Cede or any other depository or nominee is the holder of record will be deemed to be the holders of the Rights that are issued to Cede or such other depository or nominee on their behalf. Each Record Date Shareholder will receive one Right for each three Shares beneficially owned on the Record Date, and the Rights entitle Record Date Shareholders and holders of Rights acquired during the period from the commencement date of the Offering to the Expiration Date (the "Subscription Period") to acquire one Share for each Right held. No fractional Shares will be issued. In addition, the Rights entitle each holder thereof to subscribe, pursuant to the Over-Subscription Privilege, for any Shares not acquired by exercise of Rights in the Primary Subscription. Rights holders will have no right to rescind a purchase after the Subscription Agent has received the Subscription Certificate or Notice of Guaranteed Delivery. All Rights may be exercised until the Expiration Date. (Record Date Shareholders and Rights holders purchasing Shares are hereinafter referred to as "Exercising Rights Holders"). No fractional Rights will be issued.

Shares not subscribed for in the Primary Subscription will be offered, by means of the Over-Subscription Privilege, to those Record Date Shareholders and Rights holders who have exercised all Rights held by them and who wish to acquire more than the number of Shares they are entitled to purchase pursuant to the exercise of their Rights. Shares acquired pursuant to the Over-Subscription Privilege are subject to allotment, as more fully discussed below under "Over-Subscription Privilege." For purposes of determining the maximum number of Shares a shareholder may acquire pursuant to the Offering, beneficial owners of Shares whose Shares are held of record by Cede, as nominee for DTC, or by any other depository or nominee will be deemed to be the holders of the Rights that are issued to Cede or such other depository or nominee on their behalf.

There is no minimum number of Rights which must be exercised in order for the Offering to close.

The number of Rights issued to a shareholder on the Record Date will be rounded up to the nearest number of Rights. In the case of shares of common stock held of record by a Nominee (e.g., Cede, as nominee for DTC, or any other depository or nominee), the number of Rights issued to the Nominee will be adjusted to permit rounding up (to the nearest number of Rights) of the Rights to be received by beneficial owners for whom the Nominee is the holder of record only if the Nominee provides to MACC on or before the close of business on _____________, 2004 a written representation of the number of Rights required for such rounding.

Over-Subscription Privilege

Shares not subscribed for in the Primary Subscription (the "Excess Shares") will be offered, by means of the Over-Subscription Privilege, to those Exercising Rights Holders who have exercised all exercisable Rights held by them and who wish to acquire more than the number of Shares for which the Rights held by them are exercisable. Exercising Rights Holders should indicate on the Subscription Certificate, which they submit with respect to the exercise of the Rights held by them, how many Excess Shares they are willing to acquire pursuant to the Over-Subscription Privilege. If sufficient Excess Shares remain, all over-subscription requests by Exercising Rights Holders will be honored in full. If requests for Shares pursuant to the Over-Subscription Privilege exceed the Excess Shares available, the available Excess Shares will be allocated pro rata among Exercising Rights Holders who oversubscribe based on the number of Rights held by such Exercising Rights Holders.

MACC WILL NOT OFFER OR SELL IN CONNECTION WITH THE OFFERING ANY SHARES THAT ARE NOT SUBSCRIBED FOR PURSUANT TO THE PRIMARY SUBSCRIPTION OR THE OVER-SUBSCRIPTION PRIVILEGE.

Subscription Price

The Subscription Price for each Share to be issued pursuant to the Offering will be 95% of the volume-weighted average of the last reported bid price per Share on the Nasdaq SmallCap Market on the Expiration Date and the four preceding business days.

Exercising Rights Holders will not know the actual Subscription Price at the time of exercise and will be required initially to pay for the Shares at the Estimated Subscription Price of $______ per Share based on the last reported bid price of MACC's Common Stock on __________________. The actual Subscription Price may be more than the Estimated Subscription Price.

The net asset value per share at September 30, 2001, September 30, 2002 and September 30, 2003 were $8.60, $6.72 and $5.47, respectively, and the last reported bid price of a share on the Nasdaq SmallCap Market on ____________, 2004 was $______.

Expiration of the Offering

The Offering and the Rights will expire on the Expiration Date, unless extended by MACC. MACC may make one or more extensions of the Offering, as discussed below. Any extension of the Offering will be followed as promptly as practicable by announcement thereof. Such announcement will be issued no later than 9:00 a.m., Eastern time, on the next business day following the previously scheduled Expiration Date. Without limiting the manner in which MACC may choose to make such announcement, MACC will not, unless otherwise required by law, have any obligation to publish, advertise or otherwise communicate any such announcement other than by making a release to the Dow Jones News Service or such other means of announcement as MACC deems appropriate.

Subscription Agent

The Subscription Agent will receive for its administrative, processing, invoicing and other services as Subscription Agent fees and expenses estimated to be approximately $_______. Questions regarding the Subscription Forms should be directed to the Information Agent at ____________, (toll free); shareholders may also consult their brokers or nominees. Completed Subscription Forms must be sent, together with proper payment of the Estimated Subscription Price for all Shares subscribed for in the Primary Subscription and the Over-Subscription Privilege, to the Subscription Agent by one of the methods described below. Alternatively, Notices of Guaranteed Delivery may be sent by brokerage firms and custodian banks and trust companies exercising Rights on behalf of Exercising Rights Holders whose Shares are held by such institutions by facsimile to _________________ to be received by the Subscription Agent prior to 5:00 p.m., Eastern time, on the Expiration Date. Facsimiles should be confirmed by telephone at ______________. MACC will accept only properly completed and executed Subscription Certificates actually received at any of the addresses listed below, prior to 5:00 p.m., Eastern time, on the Expiration Date or by the close of business on the third business day after the Expiration Date following timely receipt of a Notice of Guaranteed Delivery.

(1) BY FIRST CLASS MAIL:
MACC Private Equities Inc.

(2) BY OVERNIGHT COURIER:
MACC Private Equities Inc.

(3) BY HAND:

DELIVERY TO AN ADDRESS OTHER THAN ONE OF THE ADDRESSES LISTED ABOVE WILL NOT CONSTITUTE VALID DELIVERY.

Method for Exercising Rights

Rights are evidenced by Subscription Certificates that, except as described below under "Foreign Shareholders," will be mailed promptly following the Record Date to Record Date Shareholders or, if a shareholder's Shares are held by _______ or any other depository or nominee on their behalf, to _________ or such depository or nominee. Rights may be exercised by completing and signing the Subscription Certificate that accompanies this Prospectus and mailing it in the envelope provided, or otherwise delivering the completed and signed Subscription Certificate to the Subscription Agent, together with payment in full for the Shares to be purchased at the Estimated Subscription Price by the Expiration Date. Rights may also be exercised by contacting your broker, bank or trust company which can arrange, on your behalf, to guarantee delivery of payment and delivery of a properly completed and executed Subscription Certificate pursuant to a Notice of Guaranteed Delivery by the close of business on the third business day after the Expiration Date. A fee may be charged by the broker,

bank or trust company for this service. Completed Subscription Certificates must be received by the Subscription Agent prior to 5:00 p.m., Eastern time, on the Expiration Date at one of the addresses set forth above (unless the guaranteed delivery procedures are complied with as described below under "Payment for Shares"). Exercising Rights Holders will have no right to rescind their subscriptions after receipt of their payment for Shares by the Subscription Agent.

Shareholders Who Are Record Owners

Shareholders who are record owners can choose between two options to exercise their Rights as described below under "Payment for Shares." If time is of the essence, option (2) under "Payment for Shares" below will permit delivery of the Subscription Certificate and payment after the Expiration Date, provided that a Notice of Guaranteed Delivery from a financial institution meeting certain requirements has been received by the Subscription Agent prior to 5:00 p.m., Eastern time, on the Expiration Date, as described below.

Shareholders Whose Shares Are Held by a Nominee

Shareholders whose Shares are held by a nominee, such as a bank, broker or trustee, must contact that nominee to exercise their Rights. In such case, the nominee will complete the Subscription Certificate on behalf of the shareholder and arrange for proper payment by one of the methods described below under "Payment for Shares."

Nominees

Nominees who hold Shares for the account of others should notify the beneficial owners of such Shares as soon as possible to ascertain such beneficial owners' intentions and to obtain instructions with respect to the Rights. If the beneficial owner so instructs, the nominee should complete the

Subscription Certificate and submit it to the Subscription Agent with the proper payment as described below under "Payment for Shares."

Payment for Shares

Shareholders who wish to acquire Shares pursuant to the Offering may choose between the following methods of payment:

1. An Exercising Rights Holder may send the Subscription Certificate together with payment (based on Estimated Subscription Price) for the Shares subscribed for in the Primary Subscription and any additional Shares subscribed for pursuant to the Over-Subscription Privilege to the Subscription Agent. A subscription will be accepted when payment, together with a properly completed and executed Subscription Certificate, is received by the Subscription Agent's office at one of the addresses set forth above no later than 5:00 p.m., Eastern time, on the Expiration Date. The Subscription Agent will deposit all checks and money orders received by it for the purchase of Shares into a segregated interest-bearing account (the interest from which will accrue to the benefit of MACC) pending proration and distribution of Shares. A PAYMENT PURSUANT TO THIS METHOD MUST BE IN U.S. DOLLARS BY MONEY ORDER OR CHECK DRAWN ON A BANK OR BRANCH LOCATED IN THE UNITED STATES, MUST BE PAYABLE TO MACC PRIVATE EQUITIES INC. AND MUST ACCOMPANY A PROPERLY COMPLETED AND EXECUTED SUBSCRIPTION CERTIFICATE FOR SUCH SUBSCRIPTION CERTIFICATE TO BE ACCEPTED. EXERCISE BY THIS METHOD IS SUBJECT TO ACTUAL COLLECTION OF CHECKS BY 5:00 P.M., EASTERN TIME, ON THE EXPIRATION DATE. BECAUSE UNCERTIFIED PERSONAL CHECKS MAY TAKE AT LEAST FIVE BUSINESS DAYS TO CLEAR, SHAREHOLDERS ARE STRONGLY URGED TO PAY, OR ARRANGE FOR PAYMENT, BY MEANS OF A CERTIFIED OR CASHIER'S CHECK OR MONEY ORDER.

2. Alternatively, an Exercising Rights Holder may acquire Shares, and a subscription will be accepted by the Subscription Agent if, prior to 5:00 p.m., Eastern time, on the Expiration Date, the Subscription Agent has received a Notice of Guaranteed Delivery by facsimile (telecopy) or

otherwise FROM A FINANCIAL INSTITUTION THAT IS A MEMBER OF THE SECURITIES TRANSFER AGENTS MEDALLION PROGRAM, THE STOCK EXCHANGE MEDALLION PROGRAM OR THE NEW YORK STOCK EXCHANGE MEDALLION SIGNATURE PROGRAM guaranteeing delivery of (i) payment of the Estimated Subscription Price for the Shares subscribed for in the Primary Subscription and any additional Shares subscribed for pursuant to the Over-Subscription Privilege, (ii) payment in full of any additional amount required to be paid if the actual Subscription Price is in excess of the Estimated Subscription Price, and (iii) a properly completed and executed Subscription Certificate. The Subscription Agent will not honor a Notice of Guaranteed Delivery unless a properly completed and executed Subscription Certificate and full payment for the Shares based on the Estimated Subscription Price is received by the Subscription Agent by the close of business on the third business day after the Expiration Date.

On a date within eight business days following the Expiration Date (the "Confirmation Date"), the Subscription Agent will send to each Exercising Rights

Holder (or, if Shares are held by Cede or any other depository or nominee, to Cede or such other depository or nominee) a confirmation showing (i) the number of Shares purchased pursuant to the Primary Subscription, (ii) the number of Shares, if any, acquired pursuant to the Over-Subscription Privilege, (iii) any excess to be refunded by MACC to such Exercising Rights Holder as a result of payment for Shares pursuant to the Over-Subscription Privilege which the Exercising Rights Holder is not acquiring, and (iv) any additional amount payable by such Exercising Rights Holder to MACC or any excess to be refunded by MACC to such Exercising Rights Holder, in each case, based on the actual Subscription Price as determined on the Expiration Date. Any additional payment required from Exercising Rights Holders must be received by the Subscription Agent within seven business days after the Confirmation Date. Any excess payment to be refunded by MACC to an Exercising Rights Holder will be mailed by the Subscription Agent as promptly as practicable. All payments by an Exercising Rights Holder must be in U.S. dollars by money order or check drawn on a bank or branch located in the United States and payable to MACC PRIVATE EQUITIES, INC.

WHICHEVER OF THE TWO METHODS DESCRIBED ABOVE IS USED, ISSUANCE OF THE SHARES PURCHASED IS SUBJECT TO COLLECTION OF CHECKS AND ACTUAL PAYMENT. IF A HOLDER OF RIGHTS WHO SUBSCRIBES FOR SHARES PURSUANT TO THE PRIMARY SUBSCRIPTION OR OVER-SUBSCRIPTION PRIVILEGE DOES NOT MAKE PAYMENT OF ANY AMOUNTS DUE BY THE TENTH BUSINESS DAY AFTER THE CONFIRMATION DATE, THE SUBSCRIPTION AGENT RESERVES THE RIGHT TO TAKE ANY OR ALL OF THE FOLLOWING ACTIONS: (i) FIND OTHER EXERCISING RIGHTS HOLDERS TO PURCHASE SUCH SUBSCRIBED AND UNPAID SHARES; (ii) APPLY ANY PAYMENT ACTUALLY RECEIVED BY IT TOWARD THE PURCHASE OF THE GREATEST WHOLE NUMBER OF SHARES WHICH COULD BE ACQUIRED BY SUCH HOLDER UPON EXERCISE OF THE PRIMARY SUBSCRIPTION AND/OR OVER-SUBSCRIPTION PRIVILEGE; AND/OR (iii) EXERCISE ANY AND ALL OTHER RIGHTS OR REMEDIES TO WHICH IT MAY BE ENTITLED INCLUDING, WITHOUT LIMITATION, THE RIGHT TO SET OFF AGAINST PAYMENTS ACTUALLY RECEIVED BY IT WITH RESPECT TO SUCH SUBSCRIBED SHARES.

THE METHOD OF DELIVERY OF SUBSCRIPTION CERTIFICATES AND PAYMENT OF THE SUBSCRIPTION PRICE TO MACC WILL BE AT THE ELECTION AND RISK OF THE EXERCISING RIGHTS HOLDERS, BUT IF SENT BY MAIL IT IS RECOMMENDED THAT SUCH CERTIFICATES AND PAYMENTS BE SENT BY REGISTERED MAIL, PROPERLY INSURED, WITH RETURN RECEIPT REQUESTED, AND THAT A SUFFICIENT NUMBER OF DAYS BE ALLOWED TO ENSURE DELIVERY TO THE SUBSCRIPTION AGENT AND CLEARANCE OF PAYMENT PRIOR TO 5:00 P.M., EASTERN TIME, ON THE EXPIRATION DATE. BECAUSE UNCERTIFIED PERSONAL CHECKS MAY TAKE AT LEAST FIVE BUSINESS DAYS TO CLEAR, YOU ARE STRONGLY URGED TO PAY, OR ARRANGE FOR PAYMENT, BY MEANS OF CERTIFIED OR CASHIER'S CHECK OR MONEY ORDER.

All questions concerning the timeliness, validity, form and eligibility of any exercise of Rights will be determined by MACC, whose determinations will be final and binding. MACC in its sole discretion may waive any defect or irregularity, or permit a defect or irregularity to be corrected within such time as it may determine, or reject the purported exercise of any Right. Subscriptions will not be deemed to have been received or accepted until all irregularities have been waived or cured within such time as the Subscription Agent determines in its sole discretion.

The Subscription Agent will not be under any duty to give notification of any defect or irregularity in connection with the submission of Subscription Certificates or incur any liability for failure to give such notification.

EXERCISING RIGHTS HOLDERS WILL HAVE NO RIGHT TO RESCIND THEIR SUBSCRIPTION

AFTER RECEIPT OF THEIR PAYMENT FOR SHARES BY THE SUBSCRIPTION AGENT, EXCEPT AS PROVIDED BELOW UNDER "NOTICE OF NET ASSET VALUE DECLINE."

Sale of Rights

The Rights are transferable until the Expiration Date. The Rights will be listed for trading on the Nasdaq SmallCap Market under the symbol ["MACCR."] MACC will use its best efforts to ensure that an adequate trading market for the Rights will exist, although no assurance can be given that a market for the Rights will develop. It is anticipated that the Rights will trade on the Nasdaq SmallCap Market on a when-issued basis commencing on or about ________, ____ until approximately _______, ____ and on a regular way basis thereafter until and including _________, ____, the last business day prior to the Expiration Date.

Sales Through Subscription Agent

Record Date Shareholders who do not wish to exercise any or all of their Rights may instruct the Subscription Agent to sell any unexercised Rights. Subscription Certificates representing the Rights to be sold must be received by the Subscription Agent on or before ___________, 2004 (or if the Offering is extended, by two business days prior to the Expiration Date). Upon the timely receipt by the Subscription Agent of appropriate instructions to sell Rights, the Subscription Agent will use its best efforts to complete the sale and will remit the proceeds of sale, net of commissions, to the selling Record Date Shareholder. Any commissions on sales of Rights will be paid by the selling Record Date Shareholder. If the Rights can be sold, sales of such Rights will be deemed to have been effected at the volume-weighted average price received by the Subscription Agent on the day such Rights are sold. The Subscription Agent will also attempt to sell all Rights which remain unclaimed as a result of Subscription Certificates being returned by the postal authorities to the Subscription Agent as undeliverable as of the fourth business day prior to the Expiration Date. Such sales will be made, net of commissions, on behalf of the nonclaiming Record Date Shareholders. The Subscription Agent will hold the proceeds from those sales for the benefit of such nonclaiming Record Date Shareholders, until such proceeds are either claimed or escheated. There can be no assurance that the Subscription Agent will be able to complete the sale of any such Rights, and neither MACC nor the Subscription Agent has guaranteed any minimum sales price for the Rights.

Other Transfers

The Rights will be evidenced by a Subscription Certificate and may be transferred in whole by endorsing the Subscription Certificate for transfer in accordance with the accompanying instructions. A portion of the Rights evidenced by a single Subscription Certificate (but not fractional Rights) may be transferred by delivering to the Subscription Agent a Subscription Certificate properly endorsed for transfer, with instructions to register such portion of the Rights evidenced thereby in the name of the transferee and to issue a new Subscription Certificate to the transferee evidencing such transferred Rights. In such event, a new Subscription Certificate evidencing the balance of the Rights, if any, will be issued to the holder thereof or, if the holder thereof so instructs, to an additional transferee. The signature on the Subscription Certificate must correspond with the name as written upon the face of the Subscription Certificate in every particular, without alteration or enlargement, or any change whatsoever. A signature guarantee must be provided by an eligible financial institution as defined in Rule 17Ad-15 of the Securities Exchange Act of 1934, as amended (the "1934 Act"), subject to the standards and procedures adopted by MACC.

Record Date Shareholders wishing to transfer all or a portion of their Rights should allow at least five business days for (i) the transfer instructions to be received and processed by the Subscription Agent; (ii) a new Subscription Certificate to be issued and transmitted to the transferee or transferees with respect to transferred Rights, and to the transferor with respect to retained Rights, if any; and (iii) the Rights evidenced by such new Subscription Certificate to be exercised or sold by the recipients thereof. Neither MACC nor the Subscription Agent shall have any liability to a transferee or transferor of Rights if Subscription Certificates are not received in time for exercise or sale prior to the Expiration Date.

Except for the fees charged by the Subscription Agent (which will be paid by MACC), all commissions, fees and other expenses (including brokerage commissions and transfer taxes) incurred or charged in connection with the purchase, sale or exercise of Rights will be for the account of the transferor of the Rights, and none of such commissions, fees or expenses will be paid by MACC or the Subscription Agent.

MACC anticipates that the Rights will be eligible for transfer or exercise through the DTC PSOP function and that the exercise of the Primary Subscription and the Over-Subscription Privilege may be effected through the same facility (Rights exercised through DTC are referred to as "DTC Exercised Rights"). Holders of DTC Exercised Rights may exercise the Over-Subscription Privilege in respect of such DTC Exercised Rights by delivering their instructions to the Subscription Agent via the PSOP function, at or prior to 5:00 p.m., Eastern time, on the Expiration Date, with payment of the Estimated Subscription Price for the number of Shares for which the Over-Subscription Privilege is to be exercised.

Delivery of Share Certificates

Except as described herein, certificates representing Shares acquired in the Primary Subscription and representing Shares acquired pursuant to the Over-Subscription Privilege will be mailed promptly after the Expiration Date once full payment for such Shares has been received and cleared. Shareholders whose Shares are held of record by Cede or by any other depository or nominee on their behalf or their broker-dealer's behalf will have any Shares acquired in the Primary Subscription credited to the account of Cede or such other depository or nominee. Shares acquired pursuant to the Over-Subscription Privilege will be certificated and certificates representing such Shares will be sent directly to Cede or such other depository or nominee. Stock certificates will not be issued for Shares credited to the Plan accounts.

Foreign Shareholders

SUBSCRIPTION CERTIFICATES WILL NOT BE MAILED TO RECORD DATE SHAREHOLDERS WHOSE RECORD ADDRESSES ARE OUTSIDE THE UNITED STATES (the term "United States" includes the states, the District of Columbia, and the territories and possessions of the United States) ("Foreign Record Date Shareholders"). Each Foreign Record Date Shareholder will be sent written notice of the Offering, provided that such provision of notice is consistent with the laws of the jurisdiction to which such notice is to be sent. The Rights to which such Subscription Certificates relate will be held by the Subscription Agent for such Foreign Record Date Shareholders' accounts until instructions are received to exercise or sell the Rights. If no instructions have been received by 5:00 p.m., Eastern time, on _________, 2004, which is three business days prior to the Expiration Date, the Rights of those Foreign Record Date Shareholders will be transferred by the Subscription Agent, who will either purchase the Rights or use its best efforts to sell the Rights. The net proceeds, if any, from the sale of those Rights by the Subscription Agent will be remitted to Foreign Record Date Shareholders.

Federal Income Tax Consequences of the Offering

The U.S. federal income tax consequences to holders of Shares with respect to the Offering will be as follows:

The distribution of Rights to Record Date Shareholders will not result in taxable income to them, nor will they realize taxable income as a result of the exercise of the Rights. No loss will be realized if Rights expire without being exercised.

The basis of a Right to a Record Date Shareholder who exercises or sells the Right is expected to be zero, since the Right's fair market value on the distribution date is expected to be less than 15% of the fair market value on that date of the Shares with regard to which it is issued (unless the holder elects with respect to all Rights received, by filing a statement with his or her timely filed federal income tax return for the year in which the Rights are received, to allocate the basis of the Share between the Right and the Share based on their respective fair market values on that date). The basis of a Right to a Record Date Shareholder who allows the Right to expire will be zero, and the basis to anyone who purchases a Right in the market will be its purchase price.

An Exercising Rights Holder's basis for determining gain or loss on the sale of a Share acquired on the exercise of Rights will be equal to the sum of the Record Date Shareholder's basis in the Rights, if any, plus the Subscription Price per Share. An Exercising Rights Holder's gain or loss recognized on the sale or exchange of such a Share will be capital gain or loss if the Share was then held as a capital asset and will be long-term capital gain or loss if the Share was held for more than one year.

MACC is required to withhold and remit to the U.S. Treasury 28% of reportable payments paid on an account if its holder provides MACC with either an incorrect taxpayer identification number or no number at all or fails to certify that he or she is not subject to such withholding.

The foregoing is only a general summary of the material U.S. federal income tax consequences of the Offering under the Code, and Treasury regulations presently in effect that are generally applicable to (1) Record Date Shareholders that are "United States persons" within the meaning of the Code and (2) any other Record Date Shareholder that would be subject to U.S. federal income tax on the sale or exchange of the Shares acquired on exercise of the Rights, and does not cover foreign, state or local taxes. The Code and those regulations are subject to change by legislative or administrative action, which may be retroactive. Record Date Shareholders and Exercising Rights Holders should consult their tax advisers regarding specific questions as to federal, state, local or foreign taxes. See "Federal Income Tax Considerations."

Notice of Net Asset Value Decline

MACC has, as required by the Commission's registration form, undertaken to suspend the Offering until it amends this Prospectus if, subsequent to the effective date of this Registration Statement, MACC's net asset value declines more than 10% from its net asset value as of that date. In such event, the Expiration Date would be extended, and MACC would notify Exercising Rights Holders of any such decline and thereby permit them to cancel their exercise of Rights.

Employee Plan Considerations

Shareholders that are on tax-deferral arrangements, such as plans qualified under Code section 401(a) (including corporate savings plans, 401(k) plans, and Keogh plans of self-employed individuals), individual retirement accounts under Code section 408(a) ("IRAs"), Roth IRAs under Code section 408A, and custodial accounts under Code section 403(b) (collectively, "Retirement Plans"), should be aware that additional contributions of cash to a Retirement Plan (other than permitted rollover contributions or trustee-to-trustee transfers from another Retirement Plan) in order to exercise Rights, when taken together with contributions previously made, may result in, among other things, excise taxes for excess or nondeductible contributions or the Retirement Plan's loss of its tax-favored status. Furthermore, the sale or transfer of Rights may be treated as a distribution or result in other adverse tax consequences. In the case of Retirement Plans qualified under Code section 401(a) and certain other Retirement Plans, additional cash contributions could cause the maximum contribution limitations of Code section 415 or other qualification rules to be violated.

Retirement Plans and other tax-exempt entities, including governmental plans, should also be aware that if they borrow in order to finance their exercise of Rights, they may become subject to the tax on unrelated business taxable income ("UBTI") under Code section 511. If any portion of an IRA or a Roth IRA is used as security for a loan, the portion so used is also treated as distributed to the IRA or Roth IRA owner, which may result in current income taxation and penalty taxes.

The Employee Retirement Income Security Act of 1974, as amended ("ERISA"), contains fiduciary responsibility requirements, and ERISA and the Code contain prohibited transaction rules that may apply to the exercise of Rights by Retirement Plans. Retirement Plans that are not subject to ERISA (such as governmental plans) may be subject to state law restrictions that could affect the decision to exercise or transfer Rights. Due to the complexity of these rules and the penalties for noncompliance, shareholders that are on Retirement Plans should consult with their counsel and other advisers regarding the consequences of their exercise of Rights under ERISA, the Code, and, where applicable, state law.

USE OF PROCEEDS

Assuming all Shares offered hereby are sold at the Estimated Subscription Price of $____ per Share, the net proceeds of the Offering are estimated to be $_______ after payment of the estimated Offering expenses. These expenses will be borne by MACC and will reduce the net asset value of MACC's shares. MACC anticipates that an estimated $200,000 of the proceeds of the Offering will be retained by MACC to be used for and as a reserve for operating expenses of MACC.

The balance of the proceeds, estimated at $_______________ will be contributed as a capital contribution to MorAmerica Capital and, in accordance with MACC's investment objective, used to make new investments primarily in private companies. It is anticipated that these proceeds will be invested within one year of the closing of this Offering. MACC intends that, pending investment, the proceeds of the Offering will be invested in cash and cash equivalents.

DESCRIPTION OF MACC

General

MACC, MACC Private Equities Inc., was formed as a Delaware corporation on March 3, 1994. It is qualified as a BDC under the 1940 Act and is classified as a closed-end management investment company.

MACC has one subsidiary, MorAmerica Capital. MorAmerica Capital is an Iowa corporation incorporated in 1959, which has been licensed as a small business investment corporation since that year. It is also a BDC under the 1940 Act and is classified as a closed-end management investment company.

Regulation Under the Investment Company Act of 1940

The 1940 Act was enacted to regulate investment companies. In 1980, the 1940 Act was amended by the adoption of the Small Business Investment Incentive Act. The purpose of the amendment was to remove regulatory burdens on professionally managed investment companies engaged in providing capital to smaller companies. The Small Business Investment Incentive Act established a new type of investment company specifically identified as a "business development company" as a way to encourage financial institutions and other major investors to provide a new source of capital for small developing businesses.

Business Development Company

A business development company ("BDC") is a closed-end management company that generally makes 70% or more of its investments in "eligible portfolio companies" and "cash items" pending other investment. Under the regulations established by the Securities and Exchange Commission (the "SEC") under the 1940 Act, only certain companies may qualify as "eligible portfolio companies." To be an "eligible portfolio company," a portfolio company must satisfy the following:

it must be organized under the laws of, and has its principal place of business in, any state or states;

is neither an investment company as defined in Section 3 (other than a small business investment company which is licensed by the Small Business Administration to operate under the Small Business Investment Act of 1958 and which is a wholly-owned subsidiary of the BDC) nor a company which would be an investment company except for the exclusion from the definition of investment company in Section 3(c); and

satisfies one of the following:

a. it does not have any class of securities with respect to which a member of a national securities exchange, broker, or dealer may extend or maintain credit to or for a customer pursuant to rules or regulations adopted by the Board of Governors of the Federal Reserve System under Section 7 of the Securities Exchange Act of 1934;

b. it is controlled by a BDC, either alone or as part of a group acting together, and such BDC in fact exercises a controlling influence over the management or policies of such eligible portfolio company and, as a result of such control, has an affiliated person who is a director of such eligible portfolio company;

c. it has total assets of not more than $4,000,000, and capital and surplus (shareholders' equity less retained earnings) of not less than $2,000,000, except that the Commission may adjust such amounts by rule, regulation, or order to reflect changes in one or more generally accepted indices or other indicators for small businesses; or

d. it meets such other criteria as the Commission may, by rule, establish as consistent with the public interest, the protection of investors, and the purposes fairly intended by the policy and provisions of this title.

While the 1940 Act allows a BDC to "control" a portfolio company, it is not the general policy of MACC to acquire a controlling position in its portfolio companies. MACC only provides managerial assistance, and in certain circumstances seeks to limit its "control" position by contracting for the right to have a designee of MACC be elected to the board of directors of the portfolio company, or be selected an advisory director. While these are MACC's general policies, the application of these policies, of necessity, vary with each investment situation.

1940 Act Requirements

The BDC election exempts MACC from some provisions of the 1940 Act. However, except for those specific provisions, MACC will continue to be subject to all provisions of the 1940 Act not exempted, including the following:

restrictions on MACC from changing the nature of business so as to cease to be, or to withdraw its election as, a BDC without the majority vote of the shares outstanding;

restrictions against certain transactions between MACC and affiliated persons;

restrictions on issuance of senior securities, such not being prohibited by the 1940 Act but being restricted as a percentage of capital;

compliance with accounting rules and conditions as established by the SEC, including annual audits by independent accountants;

compliance with fiduciary obligations imposed under the 1940 Act; and

requirement that the shareholders ratify the selection of MACC's independent public accountants and the approval of the investment advisory agreement or similar contracts and amendments thereto.

Investment Advisers Act of 1940 and the Investment Advisory Agreements

Atlas Management Partners, LLC is the investment advisor to MACC pursuant to the Investment Advisory Agreement, as amended (the "MACC Investment Advisory Agreement"). The Investment Adviser is registered as an investment advisor under the Advisers Act and is subject to the reporting and other requirements thereof. The Advisers Act also provides restrictions on the activities of registered advisors to protect its clients from manipulative or deceptive practices and restricts performance compensation. Atlas address is 15 West South Temple Street, Suite 520, Salt Lake City, Utah 84101.

The MACC Investment Advisory Agreement provides that the Investment Adviser is entitled to receive a management fee equal to a annual rate of 2.5% of MACC's Net Assets, payable monthly in arrears. In addition to the annual management fee of 2.5% of MACC's net assets, Atlas is entitled to receive an incentive fee (the

"Incentive fee") in an amount equal to 20% of MACC's realized capital gains in excess of realized capital losses of MACC after allowance for any unrealized capital losses in excess of unrealized capital gains on the portfolio investments of MACC. The Incentive fee is calculated, accrued, and paid on a quarterly basis, subject to adjustment at the end of each fiscal year.

MorAmerica Capital has a separate investment advisory agreement with the Investment Adviser (the "MorAmerica Capital Investment Advisory Agreement"). Under the MorAmerica Capital Investment Advisory Agreement, the Investment Adviser is entitled to a management fee equal to 2.5% of the Capital Under Management (as defined in the MorAmerica Capital Investment Advisory Agreement) on an annual basis, but in no event more than 2.5% per annum of the Assets Under Management, or 7.5% of Regulatory Capital (as defined in the MorAmerica Capital Investment Advisory Agreement). In addition, MorAmerica Capital contracted to pay the Investment Adviser 20% of the net capital gains, before taxes, on investments in the form of an incentive fee. Net capital gains, as defined in the 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.

MACC, MorAmerica Capital and Atlas are also parties to an Investment Advisory Support Services Agreement (the "Subadvisory Agreement") with InvestAmerica Investment Advisors, Inc ("InvestAmerica" or the "Subadviser"). Prior to March 1, 2004, InvestAmerica was the investment advisor to MACC and MorAmerica Capital. Pursuant to the Subadvisory Agreement, InvestAmerica has been retained to monitor and manage portfolio company investments in existence as of the date of the Subadvisory Agreement, including exits, preparation of valuations, follow-on investment analysis and recommendations and other portfolio management matters. InvestAmerica also currently provides certain accounting and financial services for MACC. Under the Subadvisory Agreement, Atlas pays InvestAmerica certain fixed management fees and incentive fees based on a portion of the incentive fees paid to Atlas by the MACC and MorAmerica Capital under the MACC Investment Advisory Agreement and the MorAmerica Capital Investment Advisory Agreement, respectively. The Subadvisory Agreement does not result in any additional expense to either MACC or MorAmerica Capital. The address of the Subadviser is 101 Second Street S.E., Suite 800, Cedar Rapids IA 52401.

The following table reflects the amount of management fees and incentive fees payable to InvestAmerica by Atlas under the Subadvisory Agreement:

Period	Management Fee	% Portion of Incentive Fees
Effective Date through February 28, 2005	$325,000	70%
March 1, 2005 through February 28, 2006	$250,000	70%
March 1, 2006 through February 28, 2007	$125,000	70%
March 1, 2007 through February 28, 2008	$ 60,000	70%
March 1, 2008 through February 28, 2009	$ 60,000	50%

The Subadvisory Agreement has a term of two years, unless sooner terminated as described below. After the initial two-year term, the Subadvisory Agreement will continue in effect so long as such continuance is specifically approved at least annually by Atlas and the Boards of Directors of MACC and MorAmerica Capital, including a majority of their respective directors who are not interested persons of InvestAmerica, or by vote of the holders of a majority, as defined in the 1940 Act, of the outstanding voting securities MACC and MorAmerica Capital. The Subadvisory Agreement may be terminated by Atlas, MACC or MorAmerica Capital at any time, without payment of any penalty, on 60 days written notice to InvestAmerica if the decision to terminate has been made by Atlas or by the Boards of Directors of MACC and MorAmerica Capital or by vote of the holders of a majority, as defined in the 1940 Act, of the outstanding voting securities MACC or MorAmerica Capital. The Subadvisory Agreement also may be terminated by InvestAmerica at any time, without payment of any penalty, on 60 days' written notice to Atlas, MACC and MorAmerica Capital.

Investment advisory agreements are further subject to the 1940 Act, which requires that the agreement, in addition to having to be initially ratified by a majority of the outstanding shares, shall precisely describe all compensation to be paid, shall be approved annually by a majority vote of the Board of Directors, may be terminated without penalty on not more than 60 days notice by a vote of a majority of the outstanding shares, and shall terminate automatically in the event of assignment. The Board of Directors has determined that the Investment Advisory Agreement shall constitute MACC's advisory agreement and at all times be construed so as to comply with the Advisers Act and the 1940 Act.

Pending SBA Approval of Atlas

As noted, MorAmerica Capital is a small business investment company regulated by the U.S. Small Business Administration. In anticipation of the changes to the Board of Directors of MACC and MorAmerica and the change in investment advisors, Atlas periodically notified the SBA of the proposed changes and, as required by SBA regulations, submitted the MorAmerica Capital Investment Advisory Agreement to the SBA for approval on January 29, 2004. Section 107.400 of the SBA regulations requires prior approval by the SBA of an event that results in a change of control by any persons not previously approved as SBIC management by the SBA. Because Mr. Madsen and a majority of Atlas members are approved SBIC managers, Atlas did not view the change of investment advisors as a change of control requiring SBA approval. The SBA has taken the position that both the MorAmerica Capital Investment Advisory Agreement and the change of control require SBA approval and the review process on both issues is proceeding. However, the SBA has indicated that due to a backlog of work by the relevant SBA internal committee, this process may take some time. Nonetheless, the SBA has notified MorAmerica Capital in writing that (i) Mr. Efstratis, Mr. Stevens, Mr. Bridgewater and Mr. Madsen have SBA's approval as management of MorAmerica Capital; and (ii) MorAmerica Capital's SBA Account Executive has recommended approval of the MorAmerica Capital Investment Advisory Agreement and prospects are positive for final official approval. The SBA has made several comments on the MorAmerica Capital Investment Advisory Agreement that are technical in nature. When finally agreed with the SBA, these changes will be submitted to a meeting of MACC shareholders for approval.

Other Investment Funds

Atlas and InvestAmerica currently serve as the investment advisor to no other funds. However, affiliates of both Atlas and InvestAmerica do serve as the investment advisors to other private venture capital funds. Atlas is affiliated with Wasatch Management Partners, LLC which manages Wasatch Venture Corporation, Wasatch Venture Fund II, LLC, Wasatch Venture Fund III, LLC and Zions SBIC, LLC. Affiliates of InvestAmerica manage NDSBIC, L.P. and Lewis & Clark Private Equities, L.P.

Atlas and InvestAmerica, may, from time to time, provide investment advisory services, management consulting services and investment banking services to other clients. The determination regarding the existence of conflict of interest between these affiliated investment funds and the Registrant, and the resolution of any such conflict, vests in the discretion of the Board of Directors, subject to the requirements and resolution of the 1940 Act.

Co-Investments with Adviser Affiliated Funds

Certain investments made by MACC will be made in participation with its wholly-owned subsidiary, MorAmerica Capital, and in some cases with other funds managed by affiliates of the Investment Adviser or Subadviser. Under an existing exemptive order from the Commission, MACC is presently permitted to make investments in InvestAmerica-affiliated Managed Funds, subject to the conditions set forth in the order. MACC intends to obtain a new exemptive order from the Commission that would permit co-investments with Atlas-affiliated Managed Funds on the same terms and conditions as the current exemptive order.

The Commission's current exemptive order permitting such co-investments with InvestAmerica and its affiliates provides that MACC must be offered the opportunity to invest in any investment (other than in interim investments or marketable securities) that would be suitable for MACC that is being presented to the Managed Funds to the extent of an amount proportionate to their respective consolidated assets or paid-in-capital if SBICs are involved. All co-investments with Managed Funds must receive specific advance approval by a majority of the non-

interested directors of MACC. Securities purchased in a joint transaction by both MACC and Managed Funds will consist of the same class of securities, including the same registration rights, if any, and other rights related thereto, and will be purchased for the same unit consideration, all as governed by SBA regulations, if applicable, and the approval of such transaction, including the determination by non-interested directors, will take place during the same time period. Notwithstanding the foregoing, MACC will not make any investment in the securities of any issuer in which the Managed Funds, but not MACC, have previously invested.

Atlas is affiliated with Wasatch Management Partners, LLC which manages Wasatch Venture Corporation, Wasatch Venture Fund II, LLC, Wasatch Venture Fund III, LLC and Zions SBIC, LLC. Each of these four funds is headquartered in Salt Lake City, Utah and is invested primarily in early stage high technology companies. Wasatch Venture Corporation was founded in 1994 with approximately $11.5 million of committed capital and has approximately 35 portfolio companies; Wasatch Venture Fund II, LLC was founded in 1999 with approximately $37 million of committed capital and has approximately 30 portfolio companies, Wasatch Venture Fund III, LLC was founded in 2001 with approximately $58 million of committed capital and currently has invested in approximately 13 portfolio companies and Zions SBIC, LLC was founded in 2001 with approximately $26 million of committed capital and has invested in approximately 7 portfolio companies.

Affiliates of InvestAmerica manage NDSBIC, L.P., Lewis & Clark Private Equities, L.P. and Invest Northwest, LP. Each of these to funds is headquartered in Cedar Rapids, Iowa. Both NDSBIC, L.P. and Lewis & Clark Private Equities, L.P. are SBICs and invest primarily in later stage companies. NDSBIC, L.P. was organized in 1995, had $5,000,000 of committed capital and currently owns approximately 20 portfolio companies. Except for follow on investments, this fund is fully invested. Lewis & Clark Private Equities, L.P. was founded in 2002, has committed capital of $11,989,899 and to date has approximately 6 portfolio company investments. Invest Northwest is a private venture capital limited partnership and was organized in 2004 with $10,000,000 of committed capital.

Note that not all investments that might be made by Managed Funds may be suitable for investment by MACC, or vice versa.

MACC will be given the opportunity to dispose of any securities in which both Managed Funds and MACC have invested in proportion to their holdings of such securities. MACC will take advantage of such opportunity except to the extent that a majority of the members of its Board of Directors, including a majority of its independent directors, determines otherwise. In connection with any such disposition, MACC will be required to bear no more than its proportionate share of the transaction costs.

MACC will be given notice of any intention by a Managed Fund to exercise any conversion privilege or other right to acquire equity securities of an issuer in the securities of which both a Managed Fund and MACC have invested.

Personnel

MACC has no direct employees, but instead has contracted with Atlas pursuant to the Investment Advisory Agreement to provide all management and operating activities. Atlas currently has seven employees who are engaged in performing the duties and functions required by MACC. At the present time, a substantial portion of Atlas's staff time is devoted to activities of MACC. These employees are not engaged solely in activities of MACC.

In addition, under the Subadvisory Agreement, InvestAmerica employees provide management and operational support to MACC. InvestAmerica currently has seven employees who provide services on behalf of MACC. These employees are not engaged solely in activities of MACC.

Properties

MACC's business activities are conducted from the offices of the Investment Adviser and Subadviser. The use of office facilities, including office furniture, phone services, computer equipment and files, are provided by the Investment Adviser and Subadviser at their expense pursuant to the Investment Advisory Agreement and the Subadvisory Agreement.

Legal Proceedings

MorAmerica Capital is party to arbitration proceedings instituted by TransCore Holdings, Inc., a company (Buyer) seeking indemnification under the Stock Purchase Agreement (the Stock Purchase Agreement), pursuant to which MorAmerica Capital and certain other individuals and institutional investors (collectively, the Sellers) sold their interest in a former portfolio company investment (Portfolio Company). The arbitration proceedings are being administered by JAMS. Under the Stock Purchase Agreement, the Sellers agreed to indemnify Buyer for breaches of representations and warranties as to Portfolio Company made by the Sellers. Buyer claims that accounting irregularities at Portfolio Company resulted in a breach of the Sellers' representations and warranties. The Sellers have retained counsel and forensic accountants to defend the Sellers against Buyer's claim for indemnification. Following discovery, depositions and other preliminary proceedings, in June, 2003, the formal arbitration proceedings commenced and are being intensively contested by all parties. Based on the current schedule for the arbitration, a decision will not be rendered until at least September, 2004. Based on its evaluation of the Buyer's claim and discussions with external legal counsel, MACC believes that it is reasonably possible that a loss may have been incurred as a result of the indemnification claim, against which no accrual for loss has been made as of June 30, 2004, because the amount of the possible loss, and therefore its materiality to the financial statements, cannot be estimated. MorAmerica Capital intends to continue vigorously defending this arbitration. MorAmerica Capital received approximately $939,000 of proceeds from the sale of the Portfolio Company. MorAmerica Capital owned debt securities of Buyer with a face value of $508,761 and warrants with a cost of $24,000 received as part of the sale. Buyer has defaulted on interest payments due on these debt securities. On March 31, 2003, MorAmerica Capital reduced the valuation of these debt securities by $254,380 in light of the interest default and information regarding the related dispute as of that date. On June 30, 2003, MorAmerica Capital further reduced the valuation of these debt securities by $254,380 to $1 and reduced the valuation of the warrants to zero based upon the continuing interest default and additional information regarding the related dispute as of that date. Subsequent to December 31, 2003, Buyer refinanced certain of its obligations, including the debt securities held by MorAmerica Capital, and the principal amount of these debt securities and accrued interest has been deposited in an escrow account pending conclusion of the arbitration proceedings.

BFS Diversified Products, LLC ("BFS") was a supplier to Water Creations, Inc. ("Water Creations"), a former portfolio company of MorAmerica Capital. Water Creations went out of business in December, 2002, at which time BFS was owed approximately $900,000 for products sold to Water Creations. On March 26, 2004, BFS filed suit in the Iowa District Court of Polk County, Iowa against board members of and investors in Water Creations, including MorAmerica Capital, David Schroder (Chief Financial Officer of MACC), and InvestAmerica Venture Group, Inc., an affiliate of the Subadviser. BFS has sued the defendants for fraud, fraudulent transfer, breach of fiduciary duty, civil conspiracy, breach of contract, conversion, and alter ego/piercing corporate veil. The central allegation of the case is that the defendants knew that Water Creations was insolvent and owed a duty to BFS to protect it from selling to Water Creations under these circumstances. The defendants have hired counsel and intend to vigorously defend this litigation.

INVESTMENT OBJECTIVES

General

In addition to the 1940 Act requirements discussed above, MACC and MorAmerica Capital have adopted the following additional policies. These policies may be changed from time to time by the Board of Directors, except that the election of MACC and MorAmerica Capital to be regulated as business development companies may not be revoked without the approval of the holders of a majority of the Shares.

Short Term Investment Policies

MACC's short term investments are placed in the following investment instruments that mature in one year or less from the date of investment:

Short Term Treasury Bills.

Insured Certificates of Deposit in principal amounts not to exceed $100,000.

Securities issued by U.S. Government, consisting of agency issues backed by the full faith and credit of the federal government with maturities not to exceed one year.

Commercial paper rated Al or P1.

High quality repurchase contracts relating to government backed securities.

Money market funds investing primarily in short-term U.S. Government securities.

MorAmerica Capital's short term investments are placed in securities approved by SBA for SBIC's which include:

Short Term Treasury Bills.

Insured Certificates of Deposit in amounts not to exceed $100,000 at maturity.

High quality repurchase contracts relating to government backed securities.

Long Term Investment Policies

In making investments and managing its portfolio, MACC and MorAmerica Capital presently intend to adhere to the following policies.

MACC will generally seek investments that will result in immediate cash flow to MACC . These may include but not be limited to structuring the investments as interest-bearing debt instruments (with or without equity features), equity with current dividend requirements, and other structures permitted for investment by BDCs and SBICs . Nevertheless, MACC may from time to time invest in equity instruments which may not require current payments.

MACC will at all times conduct its business so as to retain its (and MorAmerica Capital's) status as a BDC. In order to retain that status, MACC may not at any time acquire any assets (other than non-investment assets necessary and appropriate to its operations as a BDC) if, after giving effect to such acquisition, the value of its "Qualifying Assets" amounts to less than 70 percent of the value of its total assets. Securities proposed to be acquired by MACC in its growth financing, management buyout, financing, senior financing, bridge financing and follow-on investment activities (provided that MACC, through its officers, makes significant managerial assistance available to the issuers of these securities), as well as interim investments, will generally be Qualifying Assets, as will be its investment in MorAmerica Capital. Securities of public companies, on the other hand, are generally not Qualifying Assets unless they were acquired in a distribution on, in exchange for or upon the exercise of a right relating to securities that were Qualifying Assets.

MACC will not make any investment in the securities of any company if, after giving effect to that investment, the value of all the securities of that company held by MACC will exceed five percent of the value of MACC's total assets and the value of all investments worth more than five percent of MACC's total assets aggregates more than 25 percent of MACC's total assets. For this purpose, an acquisition by MACC of securities upon the exercise of a right related to previously acquired securities and which are not then legally or contractually or, in the opinion of its Board of Directors, advantageously saleable, will not be considered an acquisition.

MACC will not concentrate its investments in any particular industry or group of industries. Therefore, MACC will not acquire any securities (except upon the exercise of a right related to previously acquired securities) if, as a result, more than 25 percent of the value of its total assets consists of securities of companies in the same industry.

MACC may borrow money and issue senior securities to the extent that the 1940 Act permits a BDC to do so, for the purpose of making investments, to fund share repurchases or tender offers, or for temporary or emergency purposes. A BDC may issue and sell senior securities if, immediately after such issuance or sale, the securities will have asset coverage of at least 200 percent. MACC does not, however, intend to incur indebtedness for borrowed money, other than through MorAmerica Capital, so long as it holds cash, interim investments or marketable securities in an amount sufficient to fund the amount of investments (other than in interim investments or marketable securities) and operating expenses projected to be made in the forthcoming twelve months. At the present time, MACC has an outstanding line of credit from a related party to fund operating expenses. See `CERTAIN RELATIONSHIPS AND TRANSACTIONS." For the risks associated with the resulting leverage, see "RISK FACTORS."

MorAmerica Capital will issue and sell senior securities, in the form of subordinated debentures within applicable SBIC limitations. An SBIC may borrow money through subordinated debentures in an amount up to 300 percent of its combined paid-in capital and paid-in surplus, but not in excess of $90 million in the aggregate. MorAmerica Capital does not expect to borrow more than 200 percent of its combined capital and paid-in surplus through the SBIC program. Subordinated debentures may be issued for a term not exceeding ten years and bear interest at a rate determined by the United States Secretary of the Treasury. Subordinated debentures guaranteed by the SBA may be issued by MorAmerica Capital up to applicable SBA limits. The 1940 Act senior securities asset coverage requirements noted above will not be applicable to MorAmerica Capital's SBA borrowings. Congressional funding for the SBA, or changes in SBA regulations may have an adverse impact on the future ability of either MACC or MorAmerica Capital to issue such securities.

While MACC will not generally acquire any security of a company for the purpose of acquiring, by itself or together with other SBIC participants in the acquisition transaction, more than 50 percent of the voting securities of that company, situations may arise in which MACC, by itself or together with other SBIC participants, in fact acquires voting control of a company.

MACC may invest up to 100 percent of its assets in securities acquired directly from issuers in privately negotiated transactions. With respect to such securities, MACC may, for the purpose of public resale, be deemed an "underwriter" as that term is defined in the 1933 Act.

MACC and MorAmerica Capital will not (1) act as an underwriter of securities of other issuers (except to the extent that it may be deemed an "underwriter" of securities purchased, by it that must be registered under the 1933 Act before they may be offered or sold to the public); (2) purchase or sell real estate or interests in real estate or real estate investment trusts (except that MACC may purchase and sell real estate or interests in real estate in connection with the orderly liquidation of investments, including real estate assets acquired through the MorAmerica reorganization, and may own the securities of companies or participate in a partnership or partnerships that are in the business of buying, selling or developing real estate); (3) sell securities short; (4) purchase securities on margin (except to the extent that it may purchase securities with borrowed money); (5) write or buy put or call options (except to the extent of warrants or conversion privileges in connection with its growth financing and management buyout investments, and rights to require the issuer of such investments or their affiliates to repurchase them under certain circumstances); or (6) engage in the purchase or sale of commodities or commodity contracts, including futures contracts; (7) acquire more than three percent of the voting stock of, or invest more than five percent of its total assets in any securities issued by, any other investment company, except as they may be acquired as part of a merger, consolidation or acquisition of assets. As with other investment policies, these policies may be changed without shareholder approval (except that the BDC election of MACC and MorAmerica Capital may not be changed without shareholder consent).

Other Policies

As an SBIC, MorAmerica Capital must conform various aspects of its investing activities to SBIC regulations promulgated by the SBA. In general, MorAmerica Capital has generally invested in U.S.-owned businesses with annual sales volumes ranging from $1,000,000 to $20,000,000. MorAmerica Capital has generally invested the majority of its funds in mature ventures (companies with five to eight years of business history) with a minority made in early stage ventures. MorAmerica Capital's investments have generally been concentrated in manufacturing and service businesses with no focus on any one technology or industry.

The majority of MorAmerica Capital's "first round" investments have been in a range of from $500,000 to $2,000,000. MorAmerica Capital's total investment size in any one company is limited by the SBA to twenty percent of MorAmerica Capital's private capital. As the size of MorAmerica Capital's private capital increases it is likely that the size of the "first round" investments will increase to exceed the range of $500,000 to $2,000,000.

Consistent with practices in the venture capital and SBIC business, generally MorAmerica Capital has made investments in conjunction with other venture capital investors. Generally, two or three venture capital investors will make co-investments in a small business, and one of the investors will take the lead in monitoring the investment. MACC and MorAmerica Capital expect to continue this practice and anticipate that the investment portfolio will continue to be substantially co-invested with other venture capital investors. Co-investments with any fund managed by Invest America are covered by a specific policy designed to assure that the terms of the co-investments are not less advantageous to MACC and MorAmerica Capital than to the other fund. See "INVESTMENT OBJECTIVES AND POLICY--Co-Investments With Adviser-Affiliated Funds."

The general purposes of MorAmerica Capital's investments in new portfolio companies are to help businesses fund expected growth, to help finance changes of ownership and in some cases to assist in funding turnaround situations. The general purposes of MorAmerica Capital's follow-on investments in portfolio companies are to fund growth or occasionally to fund unexpected losses until profits and positive cash flow are achieved. The terms of MorAmerica Capital financings are generally from five to seven years. In the case of bridge financings or for some follow-on financings, MorAmerica Capital has made demand loans with and without equity features and for periods of less than five to seven years.

MorAmerica Capital has always provided advisory services to its portfolio companies either directly or in conjunction with co-investors. Both MACC and MorAmerica Capital will continue this policy of making significant managerial assistance available to portfolio companies. These advisory services include but are not limited to accepting or requiring board representation, providing executive hiring and search advice, assisting to secure debt and equity financing relationships, offering management advice and providing general oversight of portfolio companies. The President and Vice Presidents of MACC and MorAmerica Capital will be available for and will provide these services.

MorAmerica Capital's ownership of voting securities of any one issuer is generally limited by SBIC regulations to not more than 50 percent, including voting securities held by other SBICs and affiliates. SBIC regulations do provide for ownership of more than 50 percent of voting securities under limited circumstances.

MACC Portfolio Investments

The following is a listing of MACC's portfolio companies in which MACC (through its wholly-owned subsidiary MorAmerica Capital) had an investment at June 30, 2004. The portfolio companies are presented in three categories -- companies more than 25% owned which represent portfolio companies where MACC directly or indirectly owns more than 25% of the outstanding voting securities of such portfolio company and, therefore, is deemed controlled by MACC under the 1940 Act; companies owned 5% to 25% which represent portfolio companies where MACC directly or indirectly owns 5% to 25% of the outstanding voting securities of such portfolio company or where MACC holds one or more seats on the portfolio company's board of directors and, therefore, is deemed to be an affiliated person under the 1940 Act; and companies less than 5% owned which represent portfolio companies where MACC directly or indirectly owns less than 5% of the outstanding voting securities of such portfolio company and where MACC has no other affiliations with such portfolio company.

MACC makes available significant managerial assistance to its portfolio companies. MACC generally receives rights to observe the meetings of the portfolio companies' board of directors, and may have one or more voting seats on their boards. For additional information relating to the amount and nature of our investments in portfolio companies, see our consolidated statement of investments at September 30, 2003 in the "FINANCIAL STATEMENTS" section of this Prospectus.

Name and Address of Portfolio Company	**Nature of its Principal Business**	**Title of Securities Held by the Company**
Companies More Than 25% Owned		
Humane Manufacturing, LLC Baraboo, Wisconsin	Manufacturer of rubber mats for anti-fatigue, agricultural, exercise and roofing markets	12% debt security, due December 31, 2004 Membership interest (c) 12% debt security, due December 31, 2004
Morgan Ohare, Inc. Addison, Illinois	Fastener plating and heat treating	0% debt security, due January 1, 2007 10% debt security, due January 1, 2007 57 common shares 10% debt security, due January 1, 2007 10% debt security, due January 1, 2007 10% debt security, due January 1, 2007 10% debt security, due January 1, 2007
Spectrum Products, LLC Missoula, Montana	Manufacturer of equipment for the swimming pool industry	13% debt security, due October 9, 2006 385,000 units Series A preferred Membership interest

Companies 5% to 25% Owned

Aviation Manufacturing Group, LLC Yankton, South Dakota	Manufacturer of flight critical parts for aircraft	14% debt security, due October 1, 2007 154,000 units preferred Membership interest
Concentrix Corporation Pittsford, New York	Provides marketing outsourcing solutions including telemarketing, fulfillment and web communications	3,758,750 shares Series A preferred 130,539 shares Series C preferred 261,078 shares Series D preferred 67,407 shares Series D preferred
Direct Mail Holding, LLC Mt. Pleasant, Iowa	Provider of turnkey services for non-profit fund raising	537.634 units of preferre preferred Membership interest
DTMP Acquisition Company Lebanon, Missouri	Metal stamping	14% debt security, due June 30, 2006 25,666.67 shares Series A preferred 45.26 shares common Warrant to purchase 8,555.55 common shares
Feed Management Systems, Inc. Fairmont, Minnesota	Batch feed software and systems and B2B internet services	540,551 common shares 47,709 shares Series A Preferred 66,600 shares Series A preferred 400,000 shares Series A preferred 160,000 shares Series A preferred 12% debt security, due May 20, 2008 Warrant to purchase 92,500 Series A preferred 12% debt security, due August 21, 2008 Warrant to purchase 74,000 Series A preferred
Handy Industries, LLC Marshalltown, Iowa	Manufacturer of lifts for motorcycles, trucks and industrial metal products	12.5% debt security, due January 8, 2007 167,171 units Class B preferred Membership interest
Hicklin Engineering, L.C. Des Moines, Iowa	Manufacturer of auto and truck transmission and brake dynamometers	10% debt security, due December 31, 2003 Membership interest

KW Products, Inc. Marion, Iowa	Manufacturer of automobile aftermarket engine and brake repair machinery	11% debt security, due June 15, 2005 11% debt security, due June 15, 2005 29,340 common shares Warrant to purchase 8,879 common shares
M.A. Gedney Company Chaska, Minnesota	Pickle processor	188,750 shares preferred 137,086 shares preferred 210,167 shares preferred 10% loan, due on demand Warrant to purchase 34,223 preferred shares
Magnum Systems, Inc. Parsons, Kansas	Manufacturer of industrial bagging equipment	12% debt security, due July 31, 2006 48,038 common shares 292,800 shares preferred Warrant to purchase 56,529 common shares
Miles Media Group, Inc. Sarasota, Florida	Tourist magazine publisher	1,000 common shares 100 common options 12% debt security, due September 24, 2007 150 shares Series A preferred Warrant to purchase 831 common shares 12% debt security, due September 24, 2007 50 shares Series A preferred Warrant to purchase 92 common shares 12% debt security, due June 30, 2008 Warrant to purchase 500 shares common
Penn Wheeling Acquisition Company, LLC Glen Dale, West Virginia	Metal closure manufacturer	13% debt security, due March 10, 2007 62 units Class B membership interest 24 units Class C membership interest 8 units Class C membership interest 3 units Class C membership interest

Pratt-Read Corporation Bridgeport, Connecticut	Manufacturer of screwdriver shafts and handles and other hand tools	13,889 shares Series A Preferred Warrants to purchase common shares 7,718 shares Series A preferred Warrant to purchase common shares 13% debt security, duly July 26, 2006 Warrant to purchase common shares Warrant to purchase common shares
SMWC Acquisition Co., Inc. Kansas City, Missouri	Steel warehouse distribution and processing	10% debt security, due on demand 13% debt security due May 19, 2007 1,320 shares common Warrant to purchase 1,100 common shares Warrant to purchase 1,100 common shares 176,550 shares Series A preferred
Companies Less Than 5% Owned		
A-Plus Galvanizing, Inc. Salina, Kansas	Specialty metal galvanizing	12% debt security, due February 11, 2005 Warrant to purchase 16,940 common shares
Architectural Art Manufacturing, Inc. Wichita, Kansas	Manufacturer of industrial and commercial boilers and shower doors, frames and enclosures	12% debt security, due March 31, 2007 Warrant to purchase 11,143 common shares 10% debt security due March 31, 2007 Warrant to purchase 121,457 common shares
Central Fiber Corporation Wellsville, Kansas	Recyles and manufactures cellulose fiber products	12% debt security, due December 31, 2005 12% debt security, due December 31, 2005 Warrant to purchase 490.67 common shares
Divine, Inc. Chicago, Illinois	Database mining and analysis	8,904 common shares

FreightPro, Inc. Overland Park, Kansas	Internet-based outsource provider of freight logistics	16% debt security, due February 21, 2007 Warrant to purchase 243,810 common shares 16% debt security, due February 15, 2007 Warrant to purchase 81,270 common shares Warrant to purchase 41,097.80 common shares
JHT Holdings, Inc. Joplin, Missouri	Provider of truck drive-away, internet-based auction and related services to the commercial truck industry	1,238 shares Class A common
Lee Mathews Equipment, Inc. Kansas City, Missouri	Distributor of industrial pump systems	12% debt security, due March 10, 2005 Warrant to purchase 153,654 common shares 12% debt security, due March 10, 2005
Linton Truss Corporation Delray Beach, Florida	Manufacturer of residential roof and floor truss systems	542.8 common shares 400 shares Series 1 preferred Warrant to purchase common shares Warrant to purchase common shares Warrant to purchase common shares
Monitronics International, Inc. Dallas, Texas	Provides home security systems monitoring services	73,214 common shares

Organized Living, Inc. Lenexa, Kansas	Retail specialty stores for storage and organizational products	400,000 shares Series A preferred 145,204 shares Series A preferred 130,435 shares Series B preferred 43,478 shares Series B preferred 41,680 shares Series B preferred 94,241 shares Series C preferred 71,428.5714 shares Series C preferred 9,295 shares Series C preferred

		104,167 shares Series D preferred 34,722 shares Series D preferred 800,000 shares Series F preferred
Phonex Broadband Corporation Midvale, Utah	Power line communications	1,855,302 shares Series A preferred
Portrait Displays, Inc. Pleasanton, California	Designs and markets pivot enabling software for LCD computer monitors	12% debt security, due April 1, 2005 8% debt security, due April 1, 2009 8% debt security, due April 1, 2012 Warrant to purchase common shares Warrant to purchase common shares
Simoniz USA, Inc. Bolton, Connecticut	Producer of cleaning and wax products under both the Simoniz brand and private label brand names	12% debt security, due April 1, 2008
SnapNames.com, Inc. Portland, Oregon	Domain name management	10% debt security, due March 15, 2007 Warrant to purchase 465,000 common shares
TransCore Holdings, Inc. Hummelstown, Pennsylvania	Legal, audit, logistical and internet e-business services for the trucking industry	Escrow Agreement

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Warren Family Funeral Homes, Inc. Topeka, Kansas	Provider of value-priced funeral services	12% debt security, due June 29, 2006 Warrant to purchase 231 common shares 12% debt security, due June 29, 2006 Warrant to purchase 115.5 common shares

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MANAGEMENT

Board of Directors

The management of MACC, including general supervision of the duties performed by the Investment Adviser, is the responsibility of the Board of Directors. Pursuant to MACC's Articles of Incorporation and Bylaws, the Board of Directors consists of nine directors. Each director serves for a one-year term.

Information Concerning Directors

NAME, ADDRESS* AND AGE	POSITION(S) HELD WITH FUND	DIRECTOR'S LENGTH OF TIME SERVED	PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS	NUMBER OF PORTFOLIOS IN FUND COMPLEX OVERSEEN BY DIRECTOR**	D
Independent Directors					
Paul M. Bass, Jr. Age 69	Director	Director since 1994	Vice Chairman of First Southwest Company, a regional investment banking firm.		K C I C I
Michael W. Dunn Age 55	Director	Director since 1994	President and Director of Farmers & Merchants Savings Bank of Manchester, Iowa and Vice President and Director of Security Savings Bank of Eagle Grove, Iowa. Mr. Dunn also serves as President and C.E.O. of Dunn Investment Co., a bank holding company for both banks.		N
Jasja Kotterman Age 34	Director	Director since 2004	Vice President, Strategic Planning and Business Development for Primedia Inc., a diversified media company		N

Shane Robison Age 50	Director	Director since 2004	Executive Vice President and Chief Strategy and Technology Officer, Hewlett-Packard Company	N
Gordon J. Roth Age 50	Director	Director since 2000	Chief Financial Officer and Executive Vice President of Roth Capital Partners, LLC (formerly known as Cruttenden Roth), an independent investment banking firm	N
Martin Walton Age 41	Director	Director since 2004	President of TD Options LLC and Global Head of Equity Derivatives for TD Securities (the investment bank arm of the Toronto-Dominion Bank)	N
Interested Directors				
Benjamin Jiaravanon*** age 33	Director	Director since 2004	President of Strategic Planning Group of Charoen Pokphand Indonesia, an agribusiness conglomerate	N
Kent I. Madsen*** Age 38	President, Chief Executive Officer, and Director	Director since 2003	Managing Director of Wasatch Venture Fund; Officer of Zion's Bank SBIC Venture Fund; Managing Director of the Investment Adviser	

Geoffrey T. Woolley*** Age 45	Director	Director since 2003	Executive Chairman of European Venture Partners; Managing Director of the Investment Adviser	P V S B S

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*Unless otherwise provided, the address of the individuals in the foregoing table is: 15 West South Temple Street, Suite 520, Salt Lake City, Utah 84101.

**No other funds in MACC complex.

***Mr. Jiaravanon, Mr. Madsen and Mr. Woolley are "interested persons" as defined by the 1940 Act. See "MANAGEMENT."

NAME OF DIRECTOR	DOLLAR RANGE* OF EQUITY SECURITIES IN MACC	AGGREGATE DOLLAR RANGE OF EQUITY SECURITIES IN FUNDS IN MACC COMPLEX
Paul M. Bass, Jr.	over $100,000	
Michael W. Dunn	$50,001 - $100,000	
Kent I. Madsen	over $100,000	
Gordon J. Roth	$10,001 - $50,000	
Geoffrey T. Woolley***	$50,001 - $100,000	

*As of March 30, 2004.
**No other funds in MACC complex
*** Mr. Woolley is a party to a line of credit agreement with MACC. Under this agreement, amounts loaned by Mr. Woolley to MACC may be converted, at his option, into Shares. The amount reported here does not include any Shares which may be so acquired. See "DESCRIPTION OF COMMON STOCK -- Convertible Debt."

Committees and Meetings

During Fiscal Year 2003, fourteen meetings of the Board of Directors were held. In addition, six meetings of the Audit Committee, one meeting of the Nominating Committee and three meetings of the Investment Committee were held. Each of the Directors attended at least 75% of the meetings of the Board of Directors and at least 75% of the meetings held by the committees of the Board of Directors on which that Director served. The Audit Committee consists of Michael W. Dunn (Chair), Paul M. Bass, Jr. and Gordon J. Roth.

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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.

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.

Nominating/Governance Committee

In last 2003, the Nominating Committee adopted a written charter, subsequently approved by the Board of Directors, which reconstituted the Nominating Committee as the Nominating/Governance Committee. Among other things, the Nominating/Governance Committee recommends to the Board of Directors nominations for Director of the Corporation.

The Nominating/Governance Committee may seek input from other Directors or senior management in identifying candidates. Under the Corporation's Bylaws, shareholders desiring to nominate persons for election as directors or to propose other business for consideration at an annual meeting must generally notify the Secretary of MACC in writing not less than 60 days, nor more than 90 days, prior to the date on which MACC first mailed its proxy materials for the prior year's annual meeting. Accordingly, shareholders desiring to submit a proposal for consideration at the 2005 Annual Meeting of shareholders must give written notice of the proposal to the Secretary not earlier than November 10, 2004, and not later than December 10, 2004.

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

The Nominating/Governance Committee presently consists of Paul M. Bass, Jr. (Chair), Jasja Kotterman and Shane Robison. All members of the Nominating/Governance 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 Atlas, and with other affiliates. The voting members of the Investment Committee presently include Paul M. Bass, Jr., Michael W. Dunn, Jasja Kotterman, Shane Robison, Gordon J. Roth, and Martin Walton. All voting members are independent under Nasdaq listing standards. The nonvoting ex officio members are Benjamin Jiaravanon, Kent I. Madsen 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 valuation. 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 then reviews the report of the Valuation Committee as well as all portfolio investments recommend for review at the

meeting. The full Board also receives the complete valuation report and recommendations on all investments and may ask questions or for detailed review of any investment. The Board then approves the valuation of all portfolio investments, with any changes approved at the meeting. Current members of the Valuation Committee are Jasja Kotterman, Kent I. Madsen and Martin Walton.

Director Compensation

The following table sets forth certain details of compensation paid to Directors during Fiscal Year 2003, which includes compensation for serving on the Boards of Directors of MACC and MorAmerica Capital (the only wholly owned subsidiary of MACC). For purposes of the following table, MACC Complex (as that term is defined in Item 22(a)(1)(v) of Reg. ss.240.14a-101) consists solely of MACC and MorAmerica Capital. MACC presently maintains no pension or retirement plans for its Directors.

Name and Position	Aggregate Compensation From Corporation and Fund Complex(1)
Paul M. Bass, Jr. Chairman of the Board	$30,350
David R. Schroder, Director, President and Secretary	-0-
Robert A. Comey, Director, Executive Vice President and Treasurer	-0-
Henry T. Madden, Director(4)	15,800
John D. Wolfe, Director(4)	15,350
Michael W. Dunn, Director	16,550
Gordon J. Roth, Director	16,400
Todd J. Stevens(2)	15,050
Jeri J. Harman(3)	3,000

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

(2) Mr. Stevens resigned from the Board of Directors on October 7, 2003.

(3) Ms. Harman resigned from the Board of Directors on October 9, 2002.

(4) The terms of Mr. Madden and Mr. Wolfe expired in February, 2004.

Executive Compensation and Options

Officers of MACC receive no compensation from MACC. MACC has never issued options or warrants to officers or directors of MACC.

Auditor

The Audit Committee has selected KPMG LLP ("KPMG"), 666 Grand Avenue, 2500 Ruan Center, Des Moines, Iowa 50309 audit MACC for the fiscal year ending September 30, 2004. KPMG has performed audit services for MACC since 1994. The aggregate fees billed by KPMG for audit services for the audit of MACC's financial statements included in MACC's Form 10-K and the review of MACC's financial statements included in MACC's Forms 10-Q for 2002 and 2003 were $78,840 and $110,150, respectively.

INFORMATION ABOUT OFFICERS AND PRINCIPALS OF MACC AND THE INVESTMENT ADVISORS

MACC Officers

Geoffrey T. Woolley

Mr. Woolley, age 45, has been a Director of MACC since 2003 and Chairman of the Board since April 30, 2004. Mr. Woolley is also a Managing Director of Atlas. He is currently Chairman of European Venture Partners, a company he founded in 1997 to introduce "venture leasing," an asset-backed debt instrument with equity participation to the European and Israeli markets. Mr. Woolley is also the Founding Partner of Dominion Ventures, Inc., a company he formed in 1985. Mr. Woolley also serves as an advisor and/or investor to Polaris Ventures, Euclid SR Partners and Von Braun & Schrieber Private Equity. He holds an M.B.A. from the University of Utah and a B.S. in Business Management with a Minor in Economics from Brigham Young University.

Kent I. Madsen

Mr. Madsen, age 38, has been a Director of MACC since 2003 and Chief Executive Officer since March, 2004. Mr. Madsen is also a Managing Director of Atlas and a Managing Director of Wasatch Venture Fund, where he has been employed since 1998. Mr. Madsen also has served as an officer of Zion's Bank SBIC Venture Fund since 2001. From 1994 to 1996, Mr. Madsen worked for Ford Motor Company, initially in the Advanced Technology Group and later in Ford's China Operations. Mr. Madsen received a B.S. in Mechanical Engineering and Applied Mechanics with a Minor in Mathematics from the University of Pennsylvania. He also received a M.S.E. from the University of Michigan, an M.A. in International Studies from the Lauder Institute at the University of Pennsylvania and an M.B.A. from the Wharton School at the University of Pennsylvania.

David R. Schroder

Mr. Schroder, age 61, has been Chief Financial Officer and Treasurer of MACC since March, 2004. Mr. Schroder is also President, Secretary and a Director of the Subadviser. Prior to his current position, Mr. Schroder served as

President, Secretary and a Director of MACC since 1994. Since 1985, Mr. Schroder has been a principal of InvestAmerica Venture Group, Inc. and is presently President, Secretary and a Director. From 1985 to 1994, InvestAmerica Venture Group, Inc. provided management and investment services to MorAmerica Capital. Venture Group presently provides management and investment services to a private investment partnership, the Iowa Venture Capital Fund, L.P. Mr. Schroder is also President, Secretary and a Director of InvestAmerica N.D. Management, Inc., which provides management and investment services to NDSBIC, L.P. Mr. Schroder is also President, Secretary and a Director of InvestAmerica ND, L.L.C., the general partner of NDSBIC, L.P. Since 2002 Mr. Schroder is also President and Secretary of InvestAmerica L&C Management, Inc. and InvestAmerica L&C, LLC, respectively the Manager and General Partner of Lewis and Clark Private Equities, LP, an SBIC. Since August, 2004, Mr. Schroder is also President and Secretary of InvestAmerica NW Management, Inc. and InvestAmerica NW, LLC, respectively the Manager and General Partner of Invest Northwest, LP, a private venture capital limited partnership. As a representative of the Subadviser and affiliates, Mr. Schroder also serves on the boards of directors of several of MACC's portfolio companies and the portfolio companies of other managed funds. Mr. Schroder received a B.S.F.S. from Georgetown University and an M.B.A. from the University of Wisconsin.

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Robert A. Comey

Mr. Comey, age 58, has been Chief Financial Officer and Treasurer of MorAmerica Capital since March, 2004. Mr. Comey is also Executive Vice President, Treasurer and a Director of the Subadviser. Prior to his current position, Mr. Comey served as Vice President, Treasurer and a Director of the Corporation since 1994. Mr. Comey was named Executive Vice President of MACC in 1995. Since 1986, Mr. Comey has been a principal of InvestAmerica Venture Group, Inc. and is presently Executive Vice President, Treasurer and a Director. From 1985 to 1994, Venture Group provided management and investment services to MorAmerica Capital. Venture Group presently provides management and investment services to a private investment partnership, the Iowa Venture Capital Fund, L.P. Since 1996, Mr. Comey has also been Executive Vice President, Treasurer and a Director of InvestAmerica N.D. Management, Inc., which provides management and investment services to North Dakota Small Business Investment Company ("NDSBIC"), a private investment partnership based in North Dakota. Mr. Comey is also Executive Vice President, Treasurer, and a Director of InvestAmerica ND, L.L.C., the general partner of NDSBIC. Since 2002 Mr. Comey is also Executive Vice President of InvestAmerica L&C Management, Inc. and InvestAmerica L&C, LLC, respectively the Manager and General Partner of Lewis and Clark Private Equities, LP, an SBIC. Since August, 2004, Mr. Comey is also Executive Vice President of InvestAmerica NW Management, Inc. and InvestAmerica NW, LLC, respectively the Manager and General Partner of Invest Northwest, LP, a private venture capital limited partnership. As a representative of the Subadviser and affiliates, Mr. Comey also serves on the boards of directors of several of MACC's portfolio companies and the portfolio companies of other managed funds. Mr. Comey received an A.B. in Economics from Brown University and an M.B.A. from Fordham University.

Timothy A. Bridgewater

Mr. Bridgewater, age 43, has been Vice President and Assistant Secretary of MACC since February 24, 2004. Mr Bridgewater is also a Managing Director of Atlas. He is currently the President of Interlink Management Corporation, a management consulting firm he founded in 1994. Since 1998, Mr. Bridgewater has also served as the Vice President of the American-Thai Foundation for Education, a non-profit scholarship and rural Thai support organization. Mr. Bridgewater also currently serves on the advisory board of Gunderboom, Inc., an environmental services company. From 2000 until 2003, Mr. Bridgewater served on the board of directors of China Motion Telecom International, Ltd., and from 2001 until 2003 he served on the advisory board of LiveTutor, Inc. Mr. Bridgewater received a B.S. in Business Finance from Brigham Young University in 1985.

Investment Adviser Principals

In addition to Mr. Woolley, Mr. Madsen and Mr. Bridgewater, the following are principals of Atlas, the Investment Adviser. Together with Mr. Madsen, each of these principals has responsibility for day-to-day management of all or a portion of MACC's investment portfolio.

Nick Efstratis

Mr. Efstratis joined Atlas shortly after its formation. He is also employed by Wasatch Management Partners, LLC, which manages the Wasatch Venture Funds. He joined Wasatch immediately after completing his MBA at the Marriott School at BYU in 1999. While pursuing his MBA, Mr. Efstratis was retained as a consultant for Wasatch to research, analyze, and make recommendations on strategic investments. In addition, he worked for Excite Corporation as an Associate in Business Development. While at Excite, Mr. Efstratis worked with Excite's Senior Management and production teams to identify the key content and technology elements needed to further advance Excite's services, distribution and branding. Prior to pursuing his MBA, Mr. Efstratis was a founding member of the management team of NetDocuments. He received a B.S. in Entrepreneurship with a minor in Accounting/Economics from Brigham Young University in 1997.

Michael Hennessy

Mr. Hennessy currently serves as an associate with Atlas, joining shortly after its creation. He has responsibility for deal sourcing, due diligence and financial modeling. Mr. Hennessy began his career as an investment banker at Credit Suisse First Boston from 1997 to 1999 where he worked on international mergers, acquisitions, divestitures, restructurings and equity and debt offerings in a variety of industries and countries. He then joined the management team of a financial services software start-up with responsibilities in fundraising, business development and strategy where he worked from 1999 to 2002. The company raised $30 million in venture capital and was acquired by Mellon Financial. Mr. Hennessy subsequently worked as a technology research analyst for Great Companies, LLC, a large cap growth mutual fund from May to August, 2003. Mr. Hennessy received his B.A. in English Literature from Williams College in 1994 and his M.B.A. from Brigham Young University where he was awarded the Hawes and Dean's Scholarships in 2004.

Todd J. Stevens

Mr. Stevens has been Managing Director with Atlas since March, 2004. Between 1997 and 2003, Mr. Stevens was a Director of MACC and MorAmerica. Since 1993, Mr. Stevens has been the Managing Director of the Wasatch Venture Funds, a

$50,000,000 early stage venture capital fund complex and majority-owned subsidiary of Zions First National Bank (the "Bank"). Mr. Stevens is also a Manager of the Bank's Venture Capital Department. From 1991 through 1993, Mr. Stevens was a Managing Director of Stevens Wood, Inc., a financial and managerial consulting firm which assisted in raising equity and debt private placements. Mr. Stevens was also Development Manager, Assistant Treasurer, and Treasurer for Bonneville Pacific Corporation from 1987-1991, in which his functions included negotiating, closing and administering corporate and project finance credit facilities. From 1985 through 1987, Mr. Stevens performed financial analysis for development, acquisition and sale of retail, commercial and hotel properties for Homart Development Company. Mr. Stevens received his B.S. in Accounting and Management from University of Utah in 1983, and his M.B.A. in 1985 from Harvard Graduate School of Business Administration.

Subadviser Principals

The following are principals of InvestAmerica, the Subadviser. Together with Mr. Schroder and Mr. Comey, each of these principals has responsibility for day-to-day management of all or a portion of MACC's investment portfolio.

Kevin F. Mullane

Mr. Mullane, age 48, has been a Senior Vice President of MACC since 1994. Mr. Mullane is also Senior Vice President, Treasurer and a Director of the Subadviser. Since 1985, Mr. Mullane has been a principal of InvestAmerica Venture Group, Inc. and is presently Senior Vice President and a Director. From 1985 to 1994, Venture Group provided management and investment services to MorAmerica Capital. Venture Group presently provides management and investment services to a private investment partnership, the Iowa Venture Capital Fund, L.P. Since 1996, Mr. Mullane has also been Senior Vice President and a Director of InvestAmerica ND Management, Inc., which provides management and investment services to North Dakota Small Business Investment Company ("NDSBIC"), a private investment partnership based in North Dakota. Mr. Mullane is also Senior Vice President and a Director of InvestAmerica N.D., L.L.C., the general partner of NDSBIC. Since 2002 Mr. Mullane is also Senior Vice President of InvestAmerica L&C Management, Inc. and InvestAmerica L&C, LLC, respectively the Manager and General Partner of Lewis and Clark Private Equities, LP, an SBIC. Since August, 2004, Mr. Mullane is also Senior Vice President of InvestAmerica NW Management, Inc. and InvestAmerica NW, LLC, respectively the Manager and General Partner of Invest Northwest, LP, a private venture capital limited partnership. As a representative of the Subadviser and affiliates, Mr. Mullane also serves on the boards of directors of several of MACC's portfolio companies and the portfolio companies of other managed funds. Mr. Mullane received an M.B.A. and an M.S. in Business Administration, Emphasis in Accounting, from Rockhurst Jesuit University.

Michael H. Reynoldson

Mr. Reynoldson, age 39, has been a Vice President of MACC since 2000. Since 2002, Mr. Reynoldson is also Vice President of InvestAmerica L&C, LLC, the General Partner of Lewis and Clark Private Equities, LP, an SBIC. Since August, 2004, Mr. Reynoldson is also Vice President of InvestAmerica NW, LLC, the General Partner of Invest Northwest, LP, a private venture capital limited partnership. As a representative of the Subadviser and affiliates, Mr. Reynoldson also serves on the boards of directors of several of MACC's portfolio companies and the portfolio companies of other managed funds. From 1999 to 2000, Mr. Reynoldson was a Managing Director of AAVIN, LLC, a venture capital and private equity fund. Mr. Reynoldson received an M.B.A. from the University of Iowa and an B.A. in Business Administration from Washington State University.

Securities Trading Policy

MACC has adopted a policy pursuant to Rule 17j-1 under the 1940 Act that permits investment personnel to invest in securities, including securities that may be purchased or held by MACC, for their own accounts. The securities trading policy is on public file with, and is available from, the Securities and Exchange Commission's Public Reference Room in Washington, D.C. Information on the operation of the Public Reference Room may be obtained by calling the Commission at (202)-942-8090, and this policy is available on the EDGAR database as an exhibit to MACC's registration statement on Form N-2 for this offering, which is found on the Commission internet site at http://www.sec.gov. A copy of this policy may be obtained, after paying a duplicating fee, by electronic request at the following e-mail address: publicinfo@sec.gov, or by writing the Commission's Public Reference Section, Washington, D.C. 20549-0102.

Proxy Voting Policies and Procedures

SEC registered investment advisors that have the authority to vote proxies for their clients are required to adopt policies and procedures reasonably designed to ensure that the advisor votes proxies in the best interests of its clients. Registered advisors also must maintain certain records on proxy voting.

MACC has adopted Proxy Voting Polices and Procedures, which have also been adopted by Atlas and InvestAmerica. In some cases, MACC invests in securities that do not generally entitle MACC to voting rights in our portfolio companies. When MACC does have voting rights, they are delegated to Atlas and InvestAmerica under our investment advisory agreements.

In determining how to vote, our advisors will take into account the interests of MACC and its shareholders well as any potential conflicts of interest. The compliance officer of each of our advisors will implement procedures to identify and deal with any conflicts of interest. The advisors will report regularly to the Board of Directors regarding any conflicts of interest and resolution of those conflicts as well as any other issues arising under the proxy policy and any recommended changes to the proxy policy. The advisors will also keep detailed records of proxy voting and the administration of the proxy policy, which are available to MACC upon request.

PRINCIPAL SHAREHOLDERS

The following table sets forth certain information known to MACC with respect to beneficial ownership of MACC's Common Stock as of June 30, 2004 (i) for all persons who are beneficial owners of 5% or more of the outstanding shares of MACC's Common Stock (ii) each director of MACC, and (iii) all officers and directors of MACC as a group:

NAME OF BENEFICIAL OWNER	NUMBER OF SHARES BENEFICIALLY OWNED DIRECTLY OR INDIRECTLY	PERCENT OF CLASS

Atlas Management Partners, LLC(1) 15 West South Temple Street, Suite 520 Salt Lake City, Utah 84101	910,146 Shares	39.10%
Bridgewater International Group, LLC(1) 10500 South 1300 West South Jordan, Utah 84095	804,689 Shares	34.55%
Paul M. Bass, Jr. 15 West South Temple Street, Suite 520 Salt Lake City, Utah 84101	37,000 Shares	1.59%
Michael W. Dunn 15 West South Temple Street, Suite 520 Salt Lake City, Utah 84101	23,827 Shares	1.02%
Benjamin Jiaravanon(2) 10500 South 1300 West South Jordan, Utah 84095	--	--
Jasja Kotterman 15 West South Temple Street, Suite 520 Salt Lake City, Utah 84101	1,000 Shares	0.04%
Kent I. Madsen(3) 15 West South Temple Street, Suite 520 Salt Lake City, Utah 84101	913,146 Shares	39.18%
Gordon J. Roth 15 West South Temple Street, Suite 520 Salt Lake City, Utah 84101	3,951 Shares	0.17%
Geoffrey T. Woolley(4) 15 West South Temple Street, Suite 520 Salt Lake City, Utah 84101	926,094 Shares	39.76%
All Officers and Directors as a Group	1,148,571 Shares	49.31%

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

The Voting Managing Members of Atlas are Mr. Madsen, Mr. Woolley, Timothy A. Bridgewater, Todd J. Stevens and Nick Efstratis.

(2) To the extent that Bridgewater International Group, LLC ("Bridgewater") may be deemed to be in control of MACC as a result of beneficial ownership of MACC' Shares, Mr. Jiaravanon, as the sole manager of Bridgewater, may be an "interested person" of MACC, as that term is defined in Section 2(a)(19) of the 1940 Act. The sole member of Bridgewater is Aleksin,. a corporation formed under the laws of the British Virgin Islands. The sole shareholder of Aleksin is Maze Industrial Ltd. ("Maze"). Maze is a corporation formed under the laws of the British Virgin Islands. The sole shareholder of Maze is Sumet Jiaravanon. Mr. Sumet Jiaravanon is the father of Mr. Benjamin Jiaravanon.

(3) Information with respect to Mr. Kent Madsen is based upon Amendment No. 2 to Schedule 13D, dated February 13, 2004, filed by Atlas with the SEC. Mr. Kent Madsen has sole voting and sole dispositive power over 3,000 shares of MACC's Common Stock and, as a voting managing director of Atlas, has shared control over the voting power of Atlas on an additional 910,146 shares of MACC's Common Stock. To the extent that Atlas may be deemed to be in control of MACC as a result of beneficial ownership and voting control of MACC's Common Stock, and as Atlas is the investment advisor for MACC and MorAmerica Capital, Mr. Kent Madsen, who is currently a member and a voting managing director of Atlas, may be an "interested person" of MACC, as that term is defined in Section 2(a)(19) of the Investment Company Act.

(4) Information with respect to Mr. Woolley is based upon Amendment No. 2 to Schedule 13D, dated February 13, 2004, filed by Atlas with the SEC. To the extent that Atlas may be deemed to be in control of MACC as a result of beneficial ownership and voting control of MACC Shares, and as Atlas is the investment advisor for MACC and MorAmerica Capital, Mr. Woolley, who is a member and voting managing director of Atlas, may be an "interested person" of MACC, as that term is defined in Section 2(a)(19) of the Investment Company Act. In addition, Mr. Woolley is a party to a line of credit agreement with MACC. Under this agreement, amounts loaned by Mr. Woolley to MACC may be converted, at his option, into Shares. See "DESCRIPTION OF COMMON STOCK -- Convertible Debt."

The ability of Atlas, MACC's Investment Adviser, to vote approximately 39% of MACC's shares may be considered to provide Atlas with control of MACC (for purposes of the 1940 Act, a person is presumed to control a company if that person has the power to vote more than 25% of the voting securities of a company). Atlas' ability to control MACC is, however, limited by a number of provisions of the 1940 Act, other federal securities laws and related regulations, for example, those requiring that certain capital transactions be approved by a majority of disinterested shareholders and the requirement for a majority of independent directors and Board committees composed of independent directors.

FEDERAL INCOME TAX CONSIDERATIONS

Federal Income Tax Consequences of the Offering

The U.S. federal income tax consequences to holders of Common Stock with respect to the Offering will generally be as follows:

The distribution of Rights to Record Date Shareholders will not result in taxable income to such holders nor will such holders realize taxable income as a result of the exercise of the Rights.

The basis of a Right will be (a) to a holder of Common Stock to whom it is issued and who exercises or sells the Right is expected to be zero, since the fair market value of the Right immediately after issuance is expected to be less than 15% of the fair market value of the Common Stock with regard to which it is issued (unless the holder elects, by filing a statement with his timely filed income tax return for the year in which the Rights are received, to allocate the basis of the Common Stock between the Right and the Common Stock based on their respective fair market values immediately after the Right

is issued); (b) to a holder of Common Stock to whom it is issued and who allows the Right to expire, zero; and (c) to anyone who purchases a Right in the market, the purchase price for a Right.

The holding period of a Right received by a Record Date Shareholder includes the holding period of the Common Stock with regard to which the Right is issued.

Any gain or loss on the sale of a Right will be treated as a capital gain or loss if the Right is a capital asset in the hands of the seller. Such a capital gain or loss will be long-term or short-term, depending on whether the Right has been held for more than one year, after giving effect to the rule set forth in the preceding bullet point. A Right issued with regard to Common Stock will be a capital asset in the hands of the person to whom it is issued if the Common Stock was a capital asset in the hands of that person. If a Right is allowed to expire, there will be no loss realized unless the Right had been acquired by purchase, in which case there will be a loss equal to the basis in the Right.

If the Right is exercised by the Record Date Shareholder, the basis of the Common Stock received will include the basis, if any, allocated to the Right and the amount paid upon exercise of the Right.

If the Right is exercised, the holding period of the Common Stock acquired begins on the date the Right is exercised.

The foregoing is only a summary of applicable federal income tax laws and does not include any state or local tax consequences of the Offering. Holders of Rights should consult their own tax advisors concerning the tax consequences of the Offering.

Taxation of MACC

Prior to MACC's inception, MACC's predecessor and its affiliates accumulated substantial net operating loss carryforwards for federal income tax purposes. Management estimates that as of September 30, 2003, MACC's net operating loss carryforwards are approximately $19.9 million, of which $15.9 million are available for the fiscal year ended September 30, 2004 and the remaining $4 million becoming available $1 million each year.

MACC anticipates utilizing these net operating loss carryforwards for a number of years. After MACC has utilized such net operating loss carryforwards, MACC is contemplating making a Subchapter M election. Subchapter M treatment essentially means that certain income is taxed at the shareholder level only with no tax at the corporate level, although certain built-in gains at the time of the election may be subject to a corporate level tax at MACC.

Taxation of Shareholders

OVERVIEW: Distributions paid to shareholders by MACC from its ordinary income or its net capital gains ("Regular Dividends") will be taxable to shareholders as ordinary income to the extent of MACC's current or accumulated earnings and profits. Distributions in excess of MACC's earnings and profits will first reduce the adjusted tax basis of a shareholder's Shares and, after such adjusted tax basis is reduced to zero, will constitute either short-term or long-term capital gains (depending on a shareholder's holding period for his Shares), assuming the Shares are held as capital assets.

Under the Jobs and Growth Tax Relief Reconciliation Act of 2003 ("JGTRRA"), special rules apply to Regular Dividends paid to individual shareholders. Such Regular Dividends, with respect to taxable years beginning on or after January 1, 2003 and ending on or before December 31, 2008, may be subject to tax at the rates generally applicable to long-term capital gains for individuals (which under the JGTRRA have been reduced to a maximum rate of 15% with respect long-term capital gains recognized in taxable years ending on or after May 6, 2003 and before taxable years beginning after December 31, 2008), provided that the individual shareholder meets certain holding period requirements. The maximum long-term capital gains rate of 15% will generally apply to such portion of the Regular Dividends paid by MACC to an individual shareholder in a particular taxable year.

Corporate shareholders which are otherwise eligible to claim the dividends received deduction under section 243 of the Code can deduct 70% of such portion of a dividend as is received with respect to their Shares as represent their proportionate share of the eligible dividend income distributed by MACC. Capital gains dividends do not qualify for the dividends received deduction under section 243 of the Code.

SALE OF SHARES: On a sale of Shares, a shareholder will realize taxable gain or loss depending upon the amount realized on the sale and the shareholder's basis for the Shares. That gain or loss will be treated as capital gain or loss if the shareholder held the Shares as capital assets and will be long-term capital gain or loss if the Shares were held for more than one year. Any such loss will be disallowed to the extent the Shares that were disposed of are replaced (such as pursuant to the Dividend Reinvestment Plan) within a period of 61 days beginning 30 days before and ending 30 days after the date of disposition. In such a case, the basis of the acquired Shares will be adjusted to reflect the disallowed loss. Any loss realized by a shareholder on the sale of Shares held for six months or less will be treated as long-term, instead of short-term, capital loss to the extent of any capital gain distributions received by the shareholder on those Shares or any undistributed capital gains.

Backup Withholding

MACC is required to withhold federal income tax at the rate of 28% on all dividends, capital gain distributions and repurchase proceeds payable to any individuals and certain other noncorporate shareholders who fail to provide MACC with certain information, including their correct taxpayer identification number, or who otherwise (with respect to dividends and capital gain distributions) are subject to backup withholding under section 3406 of the Code. Any amount withheld under the backup withholding provisions may be credited against a shareholder's U.S. federal income tax liability.

Foreign Withholding Taxes Imposed on MACC

Income received by MACC from sources within foreign countries, and gains realized on foreign securities, may be subject to withholding and other taxes imposed by such countries, which would reduce MACC's yield and/or total return. Tax conventions between certain countries and the United States may reduce or eliminate such taxes, and many foreign countries do not impose taxes on capital gains from investments by foreign investors. It is impossible to determine the rate of foreign tax in advance, because the amount of MACC's assets to be invested in various countries is not known.

Foreign Shareholders of MACC

Regular Dividends distributed by MACC to non-U.S. shareholders (which generally would include non-resident alien individuals, foreign trusts and estates, foreign corporations, and foreign partnerships, in each case as defined in section 7701 of the Code) will be subject to U.S. withholding taxes imposed at a flat rate of 30%, unless either (i) such non-U.S. shareholder is entitled to an exemption from, or reduced rate of, withholding under an applicable income tax treaty, or (ii) such Regular Dividends constitute income "effectively connected" with the conduct of a trade or business within the United States (or, if required under an applicable income tax treaty, are attributable to the conduct of a trade or business carried on within the United States through a "permanent establishment") in respect of which the non-U.S. shareholder will be subject to U.S. federal income taxes on its net income at applicable graduated rates. In order to claim an exemption from, or reduced rate of, withholding under an applicable income tax treaty with respect to Regular Dividends not subject to U.S. income tax on a net income basis, a non-U.S. shareholder will be required to furnish generally a U.S. Internal Revenue Service ("IRS") Form W-8 BEN, and such other information and documentation as is required under the instructions to the Form W-8 BEN and applicable regulations prescribed by the IRS, at the times and in the manner set forth therein. In the case of Regular Dividends that are "effectively connected" with conduct of a trade or business within the U.S. (or, if required under an applicable income tax treaty, are attributable to a trade or business carried on within the U.S. through a "permanent establishment"), a non-U.S. shareholder in order to demonstrate its exemption from withholding taxes will be required to provide an IRS Form W-8 ECI, and such other information and documentation as is required under the instructions to the Form W-8 ECI and applicable regulations prescribed by the IRS, at the times and in the manner set forth therein. In addition, by providing an applicable Form W-8, a non-U.S. shareholder identifies himself as being a foreign rather than a U.S. person and, therefore, exempt from backup withholding discussed above.

Non-U.S. shareholders will not be subject either to U.S. federal income taxes or withholding taxes in respect of Capital Gains Dividends, or gains on the sale or exchange of their Shares, unless either (i) such gain is "effectively connected" with the conduct of a U.S. trade or business, or (ii) in the case of an individual, such non-U.S. shareholder is present in the U.S. for 183 days or more during the taxable year.

Other Tax Considerations

The foregoing is only a summary of some of the important federal tax considerations affecting MACC and its shareholders. Distributions may also be subject to state, local and foreign taxes, depending on each shareholder's particular situation. Prospective shareholders thus are advised to consult their own tax advisers with respect to the particular tax consequences to them of an investment in MACC.

DESCRIPTION OF COMMON STOCK

General

(1) TITLE OF CLASS	(2) AMOUNT AUTHORIZED	(3) AMOUNT HELD BY REGISTRANT OR FOR ITS ACCOUNT	(4) AMOUNT OUTSTANDING EXCLUSIVE OF AMOUNT SHOWN UNDER (3)
Common Stock, $.01 Par Value	10,000,000	-0-	2,329,255 as of June 30, 2004

Common Stock

The holders of Common Stock are entitled to one vote per share on all matters submitted for action by the shareholders. There is no provision for cumulative voting rights with respect to the election of directors. Accordingly, the holders of more than 50% of the shares of Common Stock can, if they choose to do so, elect all of the directors. In such event, the holders of the remaining shares will not be able to elect any directors. The holders of shares of Common Stock are entitled to receive dividends, when, as and if declared by the Board of Directors, out of funds legally available therefor. In the event of liquidation, dissolution or winding up of MACC, the holders of Common Stock are entitled to share ratably in all assets remaining available for distribution to them after payment of liabilities and after provision has been made for each class of stock, if any, having preference over the Common Stock. Holders of shares of Common Stock, as such, have no conversion, preemptive or other subscription rights, and there are no redemption provisions applicable to the Common Stock. All of the outstanding shares of Common Stock are, and the shares of Common Stock offered hereby, when issued against the consideration set forth in this Prospectus, will be, fully-paid and non-assessable.

Section 203 of Delaware Corporation Law

MACC is subject to the "business combination" statute of the Delaware General Corporation Law. In general, this statute prohibits a publicly held Delaware corporation from engaging in various "business combination" transactions with any "interested stockholder," unless (1) the transaction is approved by the Board of Directors prior to the date the interested stockholder obtained such status, (2) upon the consummation of the transaction which resulted in the stockholder becoming an "interested stockholder," the "interested stockholder" owned at least 85 percent of the voting stock of MACC outstanding at the time the transaction commenced, excluding for purposes of determining the number of shares outstanding, those shares owned by (a) persons who are directors and also officers and (b) employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the Plan will be tendered in a tender or exchange offer, or (3) on or subsequent to such date the "business combination" is approved by the Board of Directors and authorized at an annual or special

meeting of the stockholders by the affirmative vote of 66 2/3 percent of the outstanding voting stock that is not owned by the "interested stockholder." A "business combination" includes mergers, asset sales and other transactions resulting in financial benefit to a stockholder. An "interested stockholder" is a person who, together with affiliates and associates, owns (or within three years, did own) 15 percent of more of a corporation's voting stock. The statute could prohibit or delay mergers or other takeover or change in control attempts with respect to MACC and, accordingly, may discourage attempts to acquire MACC.

Annual Meetings

MACC holds annual meetings of shareholders for the election of directors and other matters.

Convertible Debt

MACC is a party to an agreement providing for a line of credit to be used for MACC's operating expenses, if cash is not available from MorAmerica Capital for these purposes.

The following are the principal terms of the line of credit:

The lender is Mr. Geoffrey T. Woolley, a Director of the Corporation and a voting managing director of Atlas, the Investment Adviser.

MACC may borrow up to up to $400,000, which may be drawn over a twelve month period. Advances under this line of credit bear interest at the rate of 9% per year. MACC is required to make interest payments quarterly during the first year, and all accrued interest and unpaid principal will be fully amortized in the second year.

The loan agreement extends for two years, subject to extension at any time by mutual agreement.

Any outstanding principal and interest may be converted at the option of Mr. Woolley to Shares of the Corporation's Common Stock at the lesser of (i) $3.50 per share or (ii) the same price per share as any rights offering to shareholders within 12 months of the loan date.

The loan is secured by:

» A first lien on cash assets of the Corporation;

» Letter of support from MorAmerica Capital in which MorAmerica Capital agrees to make legally available distributions to pay any outstanding loan amounts; and

» A guarantee by Atlas.

If the entire amount of the loan were drawn and all principal and accrued interest were converted into Common Stock, Mr. Woolley would be issued approximately 139,645 Shares, assuming a conversion price of $3.38 (representing a 5% discount to the market price of the Common Stock of $3.56 as of _________, 2004) and $72,000 of accrued interest. At this date, the sum of $270,000 has been drawn under the loan agreement and $5,723 in accrued interest is due. Mr. Woolley has indicated that he intends to convert all outstanding principal and interest on the loan agreement into Shares following the conclusion of this Offering.

CUSTODIAN AND TRANSFER AGENT

MACC's investment securities and cash are held by Zions First National Bank, as custodian, 10 East South Temple, Suite 300, Salt Lake City, Utah 84111 and US Bank, Post Office Box 3013, Cedar Rapids, Iowa 52406.

Mellon Investor Services, LLC serves as the transfer agent and registrar for the Rights and the Shares.

EXPERTS

The consolidated financial statements of MACC at and as of September 30, 2003, appearing in this Prospectus and Registration Statement have been audited by KPMG, LLP, an independent registered public accounting firm, as set forth in their report thereon appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing.

LEGAL MATTERS

The validity of the Rights and the Shares has been passed on for MACC by Blackwell Sanders Peper Martin LLP, 1620 Dodge Street, Suite 2100, Omaha, Nebraska 68102.

REPORTS TO SHAREHOLDERS

MACC sends audited annual reports to its shareholders, including a list of its portfolio investments.

FURTHER INFORMATION

MACC has filed with the Commission, Washington, D.C., 20549, a Registration Statement under the Securities Act with respect to the Shares offered hereby. Further information concerning these securities and MACC may be found in the Registration Statement, of which this Prospectus constitutes a part, on file with the Commission. The Registration Statement may be inspected without charge at the Commission's office in Washington, D.C., and copies of all or any part thereof may be obtained from such office after payment of the fees prescribed by the Commission.

MACC is subject to the informational requirements of the 1934 Act and the 1940 Act and, in accordance therewith, files reports and other information with the Commission. Such reports, proxy and information statements and other information can be inspected and copied at the Public Reference Room maintained by the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549. Information on the Commission's public reference facilities may be obtained by calling

1-800-SEC-0330. The Commission maintains a Web site (http://www.sec.gov) that contains material incorporated by reference into this Prospectus, and reports, proxy and information statements and other information regarding registrants that file electronically with the Commission. In addition, reports, proxy and information statements and other information concerning MACC can be inspected at the offices of the Nasdaq SmallCap Market, Investor Relations, 4 Times Square, New York, NY 10036.

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INDEX TO FINANCIAL STATEMENTS

MACC PRIVATE EQUITIES INC. AND SUBSIDIARY
Condensed Consolidated Balance Sheets
(Unaudited)

		June 30, 2004	September 2003
Assets			
Loans and investments in portfolio securities, at market or fair value:			
Unaffiliated companies (cost of $11,613,758 and $14,546,361)	$	9,383,813	13,610,
Affiliated companies (cost of $17,786,705 and $19,842,874)		19,175,441	20,068,
Controlled companies (cost of $4,536,308 and $4,490,502)		4,614,758	4,921,
Cash and money market accounts		7,884,630	722,
Other assets, net		1,006,255	1,909,
Total assets	$	42,064,897	41,233,
Liabilities and net assets			
Liabilities:			
Debentures payable, net of discount	$	27,940,000	27,940,
Deferred incentive fees		18,353	27,
Accrued interest		657,214	185,
Accounts payable and other liabilities		528,722	334,
Total liabilities		29,144,289	28,487,
Net assets:			
Common stock, $.01 par value per share; authorized 10,000,000 shares and 4,000,000 shares in 2004 and 2003, respectively; issued and outstanding 2,329,255 shares		23,293	23,
Additional paid-in-capital		13,660,074	13,001,
Unrealized depreciation on investments		(762,759)	(278,5
Total net assets		12,920,608	12,745,
Total liabilities and net assets	$	42,064,897	41,233,
Net assets per share	$	5.55	5.4

See accompanying notes to unaudited condensed consolidated financial statements.

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

For the three For the three For the nine F

	months ended June 30, 2004	months ended June 30, 2003	months ended June 30, 2004	m
Investment income:				
Interest				
Unaffiliated companies	$ 154,724	171,562	531,052	
Affiliated companies	184,070	245,839	538,066	
Controlled companies	68,247	60,626	206,016	
Other	12,690	6,998	37,057	
Dividends				
Unaffiliated companies	--	74,141	78,204	
Affiliated companies	250,335	131,756	592,602	
Controlled companies	--	7,700	--	
Processing fees	--	5,556	--	
Other	2,507	11,556	10,166	
Total investment income	672,573	715,734	1,993,163	1,
Operating expenses:				
Interest expenses	531,714	550,420	1,595,142	1,
Management fees	262,810	270,782	782,608	
Professional fees	93,155	467,257	547,001	
Other	87,462	245,389	1,002,948	
Total operating expenses before management fees waived	975,141	1,533,848	3,927,699	3,
Management fees waived	--	(61,420)	(87,092)	(
Net operating expenses	975,141	1,472,428	3,840,607	3,
Investment expense, net before tax expense	(302,568)	(756,694)	(1,847,444)	(1,
Income tax expense	--	--	--	
Investment expense, net	(302,568)	(756,694)	(1,847,444)	(1,
Realized and unrealized (loss) gain on investments:				
Net realized (loss) gain on investments (net incentive fees of $514,837 in 2004 and $0 in 2003):				
Unaffiliated companies	26,495	748,734	1,974,658	
Affiliated companies	3,380	150,500	64,690	(1,
Controlled companies	--	--	466,991	
Net change in unrealized appreciation/ depreciation on investments	(80,659)	(2,955,958)	(484,199)	(
Net (loss) gain on investments	(50,784)	(2,056,724)	2,022,140	(2,
Net change in net assets				

from operations	$ (353,352)	(2,813,418)	174,696	(4,

See accompanying notes to unaudited condensed consolidated financial statements.

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

	For the nine months ended June 30, 2004	For the nine months ended June 30, 2003
Cash flows from operating activities:		
Increase (decrease) in net assets from operations	$ 174,696	(4,060,803)
Adjustments to reconcile increase (decrease) in net assets from operations to net cash provided by operating activities:		
Net realized and unrealized gain on investments	(2,022,140)	2,395,985
Proceeds from disposition of and payments on loans and investments in portfolio securities	8,023,128	2,218,500
Payments of incentive fees to investment advisor	(497,517)	---
Purchases of loans and investments in portfolio securities	(481,934)	(977,027)
Change in other assets	724,823	238,309
Change in accrued interest, accounts payable, and other liabilities	657,083	777,288
Other	583,800	(169,305)
Total adjustments	6,987,243	4,483,750
Net cash provided by operating activities	7,161,939	422,947
Cash flows from financing activities:		
Payment of commitment fees	---	(65,000)
Net cash used in financing activities	---	(65,000)
Net increase in cash and cash equivalents	7,161,939	357,947
Cash and cash equivalents at beginning of period	722,691	1,802,603
Cash and cash equivalents at end of period	$ 7,884,630	2,160,550
Supplemental disclosure of cash flow information – Cash paid during the period for interest	$ 1,048,948	1,071,804

Supplemental disclosure of noncash investing and financing information –

Assets received in exchange of securities	$ 196,687	448,125
In-kind interest income received in the form of securities	323,820	251,303

See accompanying notes to unaudited condensed consolidated financial statements.

MACC PRIVATE EQUITIES INC.

Notes to Unaudited Condensed Consolidated Financial Statements

(1) Basis of Presentation

The accompanying unaudited condensed consolidated financial statements include the accounts of MACC Private Equities Inc. (MACC) and its wholly owned subsidiary MorAmerica Capital Corporation (MorAmerica Capital) which have been prepared in accordance with accounting principles generally accepted in the United States of America for investment companies. All material intercompany accounts and transactions have been eliminated in consolidation.

The financial statements included herein have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and instructions to Form 10-Q and Article 6 of Regulation S-X. The financial statements should be read in conjunction with the consolidated financial statements and notes thereto of MACC Private Equities Inc. and its Subsidiary as of and for the year ended September 30, 2003. The information reflects all adjustments consisting of normal recurring adjustments which are, in the opinion of management, necessary for a fair presentation of the results of operations for the interim periods. The results of the interim period reported are not necessarily indicative of results to be expected for the year. The balance sheet information as of September 30, 2003 has been derived from the audited balance sheet as of that date.

(2) Critical Accounting Policy

Investments in securities traded on a national securities exchange (or reported on the NASDAQ national market) are stated at the average of the bid price on the three final trading days of the valuation period which is not materially different from the bid price on the final day of the period. 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; and other factors generally pertinent to the valuation of investments. However, 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, MorAmerica Capital uses financial information received monthly, quarterly, and annually from its portfolio companies which includes both audited and unaudited financial statements. This information is used to determine financial condition, performance, and valuation of the portfolio investments.

Realization of the carrying value of investments is subject to future developments. Investment transactions are recorded on the trade date and identified cost is used to determine realized gains and losses. Under the provisions of SOP 90-7, the fair value of loans and investments in portfolio securities on February 15, 1995, the fresh-start date, is considered the cost basis for financial statement purposes.

(3) Loss Contingency

MorAmerica Capital is party to arbitration proceedings instituted by TransCore Holdings, Inc., a company (Buyer) seeking indemnification under the Stock Purchase Agreement (the Stock Purchase Agreement), pursuant to which MorAmerica Capital and certain other individuals and institutional investors (collectively, the Sellers) sold their interest in a former portfolio company investment (Portfolio Company). The arbitration proceedings are being administered by JAMS. Under the Stock Purchase Agreement, the Sellers agreed to indemnify Buyer for breaches of representations and warranties as to Portfolio Company made by the Sellers. Buyer claims that accounting irregularities at Portfolio Company resulted in a breach of the Sellers' representations and warranties. The Sellers have retained counsel and forensic accountants to defend the Sellers against Buyer's claim for indemnification. Following discovery, depositions and other preliminary proceedings, in June, 2003, the formal arbitration proceedings commenced and are being intensively contested by all parties. Based on the current schedule for the arbitration, a decision will not be rendered until at least September, 2004. Based on its evaluation of the Buyer's

claim and discussions with external legal counsel, MACC believes that it is reasonably possible that a loss may have been incurred as a result of the indemnification claim, against which no accrual for loss has been made as of June 30, 2004, because the amount of the possible loss, and therefore its materiality to the financial statements, cannot be estimated. MorAmerica Capital intends to continue vigorously defending this arbitration. MorAmerica Capital received approximately $939,000 of proceeds from the sale of the Portfolio Company. MorAmerica Capital owned debt securities of Buyer with a face value of $508,761 and warrants with a cost of $24,000 received as part of the sale. Buyer has defaulted on interest payments due on these debt securities. On March 31, 2003, MorAmerica Capital reduced the valuation of the debt securities by $254,380 in light of the interest default and information regarding the related dispute as of that date. On June 30, 2003, MorAmerica Capital further reduced the valuation of these debt securities by $254,380 to $1 and reduced the valuation of the warrants to zero based upon the continuing interest default and additional information regarding the related dispute as of that date. Subsequent to December 31, 2003, Buyer refinanced certain of its obligations, including the debt securities held by MorAmerica Capital, and the principal amount of these debt securities and accrued interest has been deposited in an escrow account pending conclusion of the arbitration proceedings.

In a related development, MorAmerica Capital and another small business investment company, NDSBIC, L.P., which co-invested in Portfolio Company, filed suit on December 24, 2003 in the United States District Court for the Northern District of Texas against Patton Boggs LLP and Charles P. Miller, Esq., of Patton Boggs alleging legal malpractice and breach of fiduciary duty. Patton Boggs and Mr. Miller represented MorAmerica Capital and NDSBIC in connection with their investment in the Portfolio Company and the subsequent sale of the Portfolio Company to Buyer. Effective June 30, 2004, Patton Boggs executed a tolling agreement with MorAmerica Capital and NDSBIC, L.P. waiving any statue of limitations defense until the agreement is cancelled by either party with 30 days notice. This litigation was then dismissed without prejudice. MorAmerica

Capital intends to monitor the outcome of the TransCore arbitration and then determine whether to re-institute this litigation.

MACC PRIVATE EQUITIES INC.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

BOARD OF DIRECTORS AND SHAREHOLDERS
MACC PRIVATE EQUITIES INC.:

We have audited the accompanying consolidated balance sheet of MACC Private Equities Inc. and subsidiary (the Companies), including the consolidated schedule of investments, as of September 30, 2003, and the related consolidated statements of operations and cash flows for the year ended September 30, 2003 and the consolidated statements of changes in net assets for the years ended September 30, 2003 and 2002, and the financial highlights for each of the five years in the period then ended. These consolidated financial statements and financial highlights are the responsibility of the Companies' management. Our responsibility is to express an opinion on these consolidated financial statements and financial highlights based on our audit.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation or examination of securities owned as of September 30, 2003. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the aforementioned consolidated financial statements and financial highlights present fairly, in all material respects, the financial position of MACC Private Equities Inc. and subsidiary as of September 30, 2003, and the results of their operations and their cash flows for the year then ended and changes in net assets for the years ended September 30, 2003 and 2002, and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ KPMG LLP

Des Moines, Iowa
November 7, 2003

MACC PRIVATE EQUITIES INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEET
SEPTEMBER 30, 2003

Assets

Loans and investments in portfolio securities, at market or fair value (note 2):	
Unaffiliated companies (cost of $13,439,514)	$ 12,803,914
Affiliated companies (cost of $20,949,721)	20,875,512
Controlled companies (cost of $4,490,502)	4,921,751
Cash and money market accounts	722,691
Other assets, net (note 1)	1,909,250
Total assets	$ 41,233,118

Liabilities and Stockholders' Equity

Liabilities:	
Debentures payable (note 3)	$ 27,940,000
Incentive fees payable (note 5)	27,528
Accrued interest	185,664
Accounts payable and other liabilities	334,014
Total liabilities	28,487,206
Net assets (note 3)	
Common stock, $.01 par value per share; authorized 4,000,000 shares; issued and outstanding 2,329,255 shares	23,293
Additional paid-in-capital	13,001,179
Unrealized depreciation on investments (note 2)	(278,560)
Total net assets	12,745,912
Commitments and contingency (note 5)	
Total liabilities and net assets	$ 41,233,118
Net assets per share	$ 5.47

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

MACC PRIVATE EQUITIES INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED SEPTEMBER 30, 2003

Investment income:	
Interest	
Unaffiliated companies	$ 455,137
Affiliated companies	1,040,270
Controlled companies	256,142
Other	27,807
Dividends	
Unaffiliated companies	315,066

Affiliated companies	275,169
Controlled companies	23,442
Processing fees	22,741
Other	128,951
Total income	2,544,725
Operating expenses:	
Interest expenses (note 3)	2,195,886
Management fees (note 5)	1,083,575
Professional fees	1,068,511
Net unrealized loss on other assets	288,743
Other	279,565
Total operating expenses before management fees waived	4,916,280
Management fees waived (notes 5 and 6)	(180,421)
Net operating expenses	4,735,859
Investment expense, net before tax expense	(2,191,134)
Income tax expense (note 4)	(15,000)
Investment expense, net	(2,206,134)
Realized and unrealized (loss) gain on investments (note 2):	
Net realized loss on investments:	
Unaffiliated companies	(464,441)
Affiliated companies	(3,136,308)
Net change in unrealized depreciation/appreciation on investments	2,896,291
Net loss on investments	(704,458)
Net change in net assets from operations	$(2,910,592)

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MACC PRIVATE EQUITIES INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED SEPTEMBER 30, 2003 AND 2002

	2003	2002
Operations:		
Investment expense, net	$ (2,206,134)	(926,634)
Net realized loss on investments	(3,600,749)	(4,592,480)
Net change in unrealized appreciation/depreciation		

on investments	2,896,291	1,132,647
Net change in net assets from operations	(2,910,592)	(4,386,467)
Net assets:		
Beginning of period	15,656,504	20,042,971
End of period	$ 12,745,912	15,656,504

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MACC PRIVATE EQUITIES INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2003

Cash flows from operating activities:	
Decrease in net assets from operations	$(2,910,592)
Adjustments to reconcile decrease in net assets from operations to net cash used in operating activities:	
Net realized and unrealized loss on investments	704,458
Net unrealized loss on other assets	288,743
Change in incentive fees payable, accrued interest, accounts payable and other liabilities	152,222
Other	(265,677)
Total adjustments	879,746
Net cash used in operating activities	(2,030,846)
Cash flows from investing activities:	
Proceeds from disposition of and payments on loans and investments in portfolio securities	2,316,961
Purchases of loans and investments in portfolio securities	(1,301,027)
Net cash provided by investing activities	1,015,934
Cash flows from financing activities:	
Debt commitment fee	(65,000)
Net cash used in financing activities	(65,000)
Net decrease in cash and cash equivalents	(1,079,912)

Cash and cash equivalents at beginning of period	1,802,603
Cash and cash equivalents at end of period	$ 722,691
Supplemental disclosure of cash flow information - Cash paid during the year for interest	$ 2,088,201
Supplemental disclosure of noncash investing and financing information - Assets received in exchange of securities	$ 739,868

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MACC PRIVATE EQUITIES INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2003

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICES AND RELATED MATTERS

(a) Basis of Presentation

The consolidated financial statements include the accounts of MACC Private Equities Inc. (Equities) and its wholly owned subsidiary, MorAmerica Capital Corporation (MACC). Equities and MACC (the Company) are qualified as business development companies under the Investment Company Act of 1940. All material intercompany accounts and transactions have been eliminated. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for investment companies.

On February 15, 1995, the Company consummated a plan of reorganization as confirmed by the United States Bankruptcy Court for the Northern District of Iowa on December 28, 1993. As of February 15, 1995, the Company adopted fresh-start reporting in accordance with American Institute of Certified Public Accountants (AICPA) Statement of Position (SOP) 90-7, *Financial Reporting by Entities in Reorganization Under the Bankruptcy Code*, resulting in the Company's assets and liabilities being adjusted to fair values.

(b) Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America 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 consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(c) Cash Equivalents

For purposes of reporting cash flows, the Company considers certificates of deposit and U. S. treasury bills with maturities of three months or less from the date of purchase and money market accounts to be cash equivalents. At September 30, 2003, cash equivalents consisted of $688,246 of money market funds.

(d) Loans and Investments in Portfolio Securities

Investments in securities traded on a national securities exchange (or reported on the NASDAQ national market) are stated at the average of the bid price on the three final trading days of the valuation period which is not materially different from the bid price on the final day of the period. Restricted and other securities for which quotations are not readily available are valued at fair value as determined by the Board of Directors. Realization of the carrying value of investments is subject to future developments (see note 2). Investment transactions are recorded on the trade date. Identified cost is used to determine realized gains and losses. Under the provisions of SOP 90-7, the fair value of loans and investments in portfolio securities on February 15, 1995, the fresh-start date, is considered the cost basis for financial statement purposes.

(e) Other Assets

Other assets include accrued interest receivable on portfolio loans of $1,730,327 at September 30, 2003, which is presented net of a reserve of $1,333,746.

(f) Revenue Recognition

Dividend income is recognized on the ex-dividend date and interest income is accrued on a daily basis.

In conjunction with the investment process, the Company negotiates non-refundable processing fees with many companies it evaluates for investment. These fees are compensation for time and efforts of the investment advisory personnel and for reimbursement of expenses related to the due diligence, and are recognized as income when received.

(g) Income Taxes

Equities and MACC are members of a consolidated group for income tax purposes.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in the period that includes the enactment date.

(h) Disclosures About Fair Value of Financial Instruments

Statement of Financial Accounting Standards (SFAS) No. 107, *Disclosures About Fair Value of Financial Instruments,* requires that disclosures be made regarding the estimated fair value of financial instruments, which are generally described as cash, contractual obligations, or rights to pay or receive cash. The carrying amount approximates fair value for certain financial instruments because of the short-term maturity of these instruments, including cash, incentive fee payable, accrued interest, accounts payable and other liabilities.

Portfolio investments are recorded at fair value. The consolidated schedule of investments discloses the applicable fair value and cost for each security investment, which aggregated to $38,601,177 and $38,879,737, respectively, at September 30, 2003.

The estimated fair value of long-term debt is $30,545,000, with a cost of $27,940,000, at September 30, 2003. This fair value amount was calculated by discounting future cash flows through estimated maturity using the borrowing rate currently available to the Company for debt of similar original maturity.

(2) LOANS AND INVESTMENTS IN PORTFOLIO SECURITIES

Loans and investments in portfolio securities include debt and equity securities in small business concerns located throughout the continental United States, with a concentration in the Midwest. The Company determined that the fair value of its portfolio securities was $38,601,177 at September 30, 2003. Among the factors considered by the Company in determining the fair value of investments were the cost of the investment; developments, including recent financing transactions, since the acquisition of the investment; the financial condition and operating results of the investee; the long-term potential of the business of the investee; and other factors generally pertinent to the valuation of investments. However, 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.

The Company acquired its portfolio securities by direct purchase from the issuers under investment representation and values the securities on the premise that, in most instances, they may not be sold without registration under the Securities Act of 1933. The price of securities purchased was determined by direct negotiation between the Company and the seller. All portfolio securities, other than a portion of the securities held of Devine, Inc. (formerly Delano Technology Corporation, acquired on October 16, 2000), are considered to be restricted in their disposition and illiquid at September 30, 2003.

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(3) DEBENTURES PAYABLE

Debentures of MACC guaranteed by the Small Business Administration (SBA) of $27,940,000 at September 30, 2003 are unsecured. In accordance with SOP 90-7, the debentures then outstanding were revalued to fair value on February 15, 1995. Maturities of the debentures are as follows:

Year ending September 30:		**Debentures**
2005	$	2,150,000
2007		1,000,000
2009		2,500,000
2010		9,000,000
2011		5,835,000
2012		7,455,000
	$	27,940,000

On October 20, 2003, the Company received notification from the SBA that it will not exercise its right to demand payment on $2,150,000 of debentures which matured on September 1, 2003 before November 1, 2004.

The debentures contain restrictions on the acquisition or repurchase of MACC's capital stock, distributions to MACC's shareholder other than out of undistributed net realized earnings, officers' salaries, and certain other matters. At September 30, 2003, MACC does not have accumulated undistributed net realized earnings (computed under SBA guidelines) available for distribution to Equities.

MACC has a commitment letter for $10,000,000 with the SBA to issue debentures, which expire on September 30, 2005. At September 30, 2003, $3,500,000 of this commitment remained unused. On October 1, 2002, MAAC received a commitment letter for $6,500,000 with the SBA to issue debentures, which expire on September 30, 2007. At September 30, 2003, $6,500,000 of this commitment remained unused.

(4) INCOME TAXES

Income tax expense differed from the amounts computed by applying the United States federal income tax rate of 34% to pretax loss due to the following:

Computed "expected" tax benefit	$ (985,000)
Increase (reduction) in income taxes resulting from:	
State income tax expense	15,000
Nontaxable dividend income	(39,000)
Change in the beginning of the period valuation allowance for deferred tax assets	1,087,000
Other	(63,000)
Income tax expense	$ 15,000

MACC PRIVATE EQUITIES INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

SEPTEMBER 30, 2003

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets at September 30, 2003 are as follows:

Deferred tax assets:	
Net operating loss carryforwards	$ 7,994,000
Unrealized depreciation on investments	524,000
Other	574,000
Total gross deferred tax assets	9,092,000
Less valuation allowance	(7,973,000)
Net deferred tax assets	1,119,000
Deferred tax liabilities:	
Equity investments	(795,000)
Other assets received in lieu of cash	(324,000)
Net deferred tax assets	$ --

The net change in the total valuation allowance for the year ended September 30, 2003 was an increase of $1,087,000. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers projected future taxable income and tax planning strategies in making this assessment. In order to fully realize the gross deferred tax assets, the Company will need to generate future taxable income of approximately $19.9 million prior to the expiration of the net operating loss carryforwards in 2008-2023. The Company had a taxable loss of approximately $5.9 million for the year ended September 30, 2003. Based upon the level of historical taxable income of MACC and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not the Company will realize the benefits of these deductible differences, net of the existing valuation allowance at September 30, 2003.

At September 30, 2003, the Company has net operating loss carryforwards for federal income tax purposes of approximately $19.9 million, which are available to offset future federal taxable income, if any, through 2023. Approximately $15.9 million of the carryforwards are available for the year ending September 30, 2004, with approximately $1 million additionally available annually thereafter.

(5) COMMITMENTS AND CONTINGENCY

(a) Management Agreements

Equities has an investment advisory agreement (the Agreement) with InvestAmerica Investment Advisors, Inc. (IAIA). Three of Equities' officers are officers and stockholders of IAIA. The management fee is equal to 2.5% of the assets under management, on an annual basis. The management fee is calculated excluding MACC. In addition, Equities contracted to pay an incentive fee of 13.4% of the net capital gains (as defined in the Agreement) before taxes on the disposition of investments. The Agreement may be terminated by either party upon sixty days' written notice. Total management fees under the Agreement amounted to $12,448 for the year ended September 30, 2003. There were no incentive fees accrued or paid under the Agreement in 2003.

MACC PRIVATE EQUITIES INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
SEPTEMBER 30, 2003

MACC has a separate investment advisory agreement with IAIA. This agreement may be terminated by either party upon sixty days written notice. The fee is equal to 2.5% of the Capital Under Management (as defined in the Agreement) on an annual basis, but in no event more than 2.5% per annum of the Assets Under Management, or 7.5% of Regulatory Capital (as defined in the Agreement). However, during fiscal 2003, MACC's investment advisor agreed to a voluntary, temporary reduction in management fees from January 1, 2003 through February 29, 2004. This temporary agreement changed the management fee to be $68,750 per month not to exceed the calculation specified in the current advisory agreement. In addition, MACC contracted to pay IAIA 13.4% of the net capital gains, before taxes, on investments in the form of an incentive fee. Net capital gains, as defined in the agreement, are calculated as gross realized gains, minus the sum of capital losses, less any unrealized depreciation, including reversals of previously recorded unrealized depreciation, recorded during the year, and net investment losses, if any, as reported on page 4c, line 33 of the SBA Form 468.1. Capital losses and realized capital gains are not cumulative under the incentive fee computation. Payments for incentive fees resulting from noncash gains are deferred until the assets are sold.

Total management fees (net of management fees waived) under this agreement amounted to $890,706 for the year ended September 30, 2003. Incentive fees are an expense in determining net realized gain (loss) on investments in the consolidated statement of operations. No incentive fees were earned or paid for the year ended September 30, 2003. Approximately $27,000 of incentive fees related to noncash gains from prior years is being deferred as described above.

(b) Loss Contingency

MACC is party to arbitration proceedings instituted by TransCore Holding, Inc., a company (Buyer) seeking indemnification under the Stock Purchase Agreement (the Stock Purchase Agreement), pursuant to which MACC and certain other individuals and institutional investors (collectively, the Sellers) sold their interest in a former portfolio company investment (Portfolio Company). The arbitration proceedings are being administered by JAMS. Under the Stock Purchase Agreement, the Sellers agreed to indemnify Buyer for breaches of representations and warranties as to Portfolio Company made by the Sellers. Buyer claims that accounting irregularities at Portfolio Company resulted in a breach of the Sellers' representations and warranties. The Sellers have retained counsel and forensic accountants to defend the Sellers against Buyer's claim for indemnification. Following discovery, depositions and other preliminary proceedings, in June the formal arbitration proceedings commenced and are being intensively contested by all parties. Based on the current schedule for the arbitration, a decision will not be rendered until at least February, 2004. Based on its evaluation of the Buyer's claim and discussions with external legal counsel, Equities believes that it is reasonably possible that a loss may have been incurred as result of the indemnification claim, against which no accrual for loss has been made as of September 30, 2003, because the amount of the possible loss, and therefore its materiality to the financial statements, cannot be estimated. MACC intends to continue vigorously defending this arbitration. MACC received approximately $939,000 of proceeds from the sale of the Portfolio Company. MACC owns debt securities of Buyer with a cost of $508,761 and warrants with a cost of $24,000 received as part of the sale. Buyer has defaulted on interest payments due on these debt securities. On March 31, 2003, MACC reduced the valuation of the debt securities by $254,380 in light of the interest default and information regarding the related dispute as of that date. On June 30, 2003, MACC further reduced the valuation of these debt securities by $254,380 to $1 and reduced the valuation of the warrants to zero based upon the continuing interest default and additional information regarding the related dispute as of that date.

MACC PRIVATE EQUITIES INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
SEPTEMBER 30, 2003

(6) FINANCIAL HIGHLIGHTS

The Company has presented the following disclosures pertaining to common stockholders, the AICPA Audit and Accounting Guide for Investment Companies, for the years ended Septemb

	2003	2002	2001	
Per Share Operating Performance (For a share of capital stock outstanding throughout the period (1)):				
Net asset value, beginning of period	$ 6.72	8.60	11.01	
Income from investment operations:				
Net investment (expense) income	(0.95)	(0.40)	(0.12)	
Net realized and unrealized (loss) gain on investment transactions	(0.30)	(1.48)	(2.57)	
Allocation of income tax benefit to additional paid-in capital	--	--	0.28	
Total from investment operations	(1.25)	(1.88)	(2.41)	
Net asset value, end of period	$ 5.47	6.72	8.60	
Closing market price	$ 2.52	3.40	6.06	
Total return				
Net asset value basis	(18.59) %	(21.89)	(21.81)	
Market price basis	(25.88) %	(43.89)	(20.89)	
Net asset value, end of period (in thousands)	$ 12,746	15,657	20,043	2
Ratio to average net assets:				
Investment (expense) income, net (1)	(15.60) %	(4.85)	(1.21)	
Operating and income tax expense (1) (2)	(33.60) %	(20.52)	(14.14)	(

(1) Per share data reflects a 30% stock split effected in the form of a stock dividend on March 31, 1999, a 20% stock split effected in the form of a stock dividend on March 31, 2000 and a 20% stock split effected in the form of a

stock dividend on March 31, 2001.

(2) As discussed in note 5, MACC's investment advisor agreed to a voluntary, temporary reduction in management fees from January 1, 2003 through February 29, 2004. Due to the agreement, the investment advisor voluntarily waived $180,421 of management fees. Excluding the effect of the waiver, the operating and income tax expense ratio for the year ended September 30, 2003 was (35.10)%.

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

MACC PRIVATE EQUITIES INC. AND SUBSIDIARY
CONSOLIDATED SCHEDULE OF INVESTMENTS
SCHEDULE 1 - SEPTEMBER 30, 2003

Manufacturing:

Company	**Security**
Architectural Art Manufacturing, Inc.	12% debt security, due June 15, 2005 (c)
Wichita, Kansas	Warrant to purchase 11,143 common shares
Manufacturer of industrial and commercial	
boilers and shower doors, frames and enclosures	
Aviation Manufacturing Group, LLC (a)	14% debt security, due October 1, 2007
Yankton, South Dakota	154,000 units preferred
Manufacturer of flight critical parts	Membership interest
for aircraft	
B & B Molders, LLC	11% debt security, due December 31, 2004
Mishawaka, Indiana	
Manufacturer of custom plastic injection	
molded products for the RV and other industries	
Central Fiber Corporation	12% debt security, due December 31, 2005
Wellsville, Kansas	12% debt security, due December 31, 2005
Recycles and manufactures	Warrant to purchase 490.67 common shares
cellulose fiber products	
Deluxe Ice Cream Acquisition Corporation (a)	14,600 shares Series A preferred (c)
Salem, Oregon	Warrant to purchase common shares (c)
Ice cream and novelty dessert manufacturer	Warrant to purchase common shares (c)
	Warrant to purchase common shares (c)
DTMP Acquisition Company (a)	14% debt security, due June 30, 2006

Lebanon, Missouri	25,666.67 shares Series A preferred (c)
Metal stamping	45.26 shares common (c)
	Warrant to purchase 8,555.55 common share
Gregg Manufacturing, Inc. (a)	12% debt security, due July 1, 2004
Irvine, California	545,750 units of 8% preferred (c)
Manufacturer of Bible covers and Christian	136,438 units of common (c)
themed apparel and gifts	Warrant to purchase 74,000 units of commo

MACC PRIVATE EQUITIES INC. AND SUBSIDIARY
CONSOLIDATED SCHEDULE OF INVESTMENTS CONTINUED
SCHEDULE 1 - SEPTEMBER 30, 2003

Manufacturing Continued:

Company	**Security**
Handy Industries, LLC (a)	12.5% debt security, due January 8, 2007
Marshalltown, Iowa	167,171 units Class B preferred (c)
Manufacturer of lifts for motorcycles,	Membership interest
trucks and industrial metal products	
Hicklin Engineering, L.C. (a)	10% debt security, due December 31, 2003
Des Moines, Iowa	Membership interest
Manufacturer of auto and truck transmission	
and brake dynamometers	
Humane Manufacturing, LLC (b)	12% debt security, due April 3, 2004
Baraboo, Wisconsin	Membership interest (c)
Manufacturer of rubber mats for anti-fatigue,	
agricultural, exercise and roofing markets	
KW Products, Inc. (a)	11% debt security, due June 15, 2005 (c)
Marion, Iowa	11% debt security, due June 15, 2005 (c)
Manufacturer of automobile aftermarket	29,340 common shares (c)
engine and brake repair machinery	Warrant to purchase 8,879 common shares (
Linton Truss Corporation	542.8 common shares (c)
Delray Beach, Florida	400 shares Series 1 preferred (c)
Manufacturer of residential roof	Warrant to purchase common shares (c)
and floor truss systems	Warrant to purchase common shares (c)
	Warrant to purchase common shares (c)
trucks and industrial metal products	
M.A. Gedney Company (a)	Warrant to purchase 2,006 common shares (

Chaska, Minnesota	14% debt security, due July 22, 2007 (c)
Pickle processor	10% debt security, due July 3, 2009 (c)
	Warrant to purchase 497,535 common shares
	10% loan, due on demand
	10% loan, due on demand

MACC PRIVATE EQUITIES INC. AND SUBSIDIARY
CONSOLIDATED SCHEDULE OF INVESTMENTS CONTINUED
SCHEDULE 1 - SEPTEMBER 30, 2003

Manufacturing Continued:

Company	**Security**
Magnum Systems, Inc. (a)	12% debt security, due July 31, 2006
Parsons, Kansas	48,038 common shares (c)
Manufacturer of industrial bagging	292,800 shares preferred (c)
equipment	Warrant to purchase 56,529 common shares
Penn Wheeling Acquisition Company, LLC (a)	13% debt security, due March 10, 2007
Glen Dale, West Virginia	62 units Class B membership interest (c)
Metal closure manufacturer	24 units Class C membership interest (c)
	13% debt security, due March 10, 2007
	8 units Class C membership interest (c)
	13% debt security, due March 10, 2007
	3 units Class C membership interest (c)
Pratt-Read Corporation (a)	13,889 shares Series A Preferred
Bridgeport, Connecticut	Warrants to purchase common shares (c)
Manufacturer of screwdriver shafts and	7,718 shares Series A preferred
handles and other hand tools	Warrant to purchase common shares (c)
	13% debt security, due July 26, 2006
	Warrant to purchase common shares (c)
	Warrant to purchase common shares (c)
Simoniz USA, Inc.	12% debt security, due April 1, 2008
Bolton, Connecticut	
Producer of cleaning and wax	
products under both the Simoniz	
brand and private label brand names	
Spectrum Products, LLC (b)	13% debt security, due October 9, 2006
Missoula, Montana	385,000 units Series A preferred
Manufacturer of equipment for the	Membership interest
swimming pool industry	

Total manufacturing

MACC PRIVATE EQUITIES INC. AND SUBSIDIARY
CONSOLIDATED SCHEDULE OF INVESTMENTS CONTINUED
SCHEDULE 1 - SEPTEMBER 30, 2003

Service:

Company	**Security**
A-Plus Galvanizing, Inc. Salina, Kansas Specialty metal galvanizing	12% debt security, due February 11, 2005(Warrant to purchase 16,940 common shares
Big J Enterprises, LLC (b) Albuquerque, New Mexico Electrical-mechanical contractor with an in-plant construction and maintenance focus	Membership interest
Concentrix Corporation (a) Pittsford, New York Provides marketing outsourcing solutions including telemarketing, fulfillment and web communications	3,758,750 shares Series A preferred (c) 130,539 shares Series C preferred (c) 261,078 shares Series D preferred (c) 67,407 shares Series D preferred (c)
Direct Mail Holding, LLC (a) Mt. Pleasant, Iowa Provider of turnkey services for non-profit fund raising	537.634 units of preferred (c) Membership interest
FreightPro, Inc. Overland Park, Kansas Internet based outsource provider of freight logistics	14.5% debt security, due February 21, 200 Warrant to purchase 243,810 common shares 14.5% debt security, due February 15, 200 Warrant to purchase 81,270 common shares Warrant to purchase 41,097.80 common shar
Inergy, LP Kansas City, Missouri Propane distributor	Membership interest
JHT Holdings, Inc. Joplin, Missouri Provider of truck drive-away, internet based auction and related services to the commercial truck industry	1,238 shares Class A common (c)

MACC PRIVATE EQUITIES INC. AND SUBSIDIARY
CONSOLIDATED SCHEDULE OF INVESTMENTS CONTINUED
SCHEDULE 1 - SEPTEMBER 30, 2003

Service Continued:

Company	Security
Lee Mathews Equipment, Inc.	12% debt security, due March 10, 2005
Kansas City, Missouri	Warrant to purchase 153,654 common shares
Distributor of industrial pump systems	12% debt security, due March 10, 2005
Monitronics International, Inc.	73,214 common shares (c)
Dallas, Texas	
Provides home security systems monitoring services	
Morgan Ohare, Inc. (b)	0% debt security, due January 1, 2007 (c)
Addison, Illinois	14% debt security, due January 1, 2007 (c
Fastener plating and heat treating	57 common shares (c)
	14% debt security, due January 1, 2007 (c
	14% debt security, due January 1, 2007 (c
	14% debt security, due January 1, 2007 (c
	14% debt security, due January 1, 2007 (c
Organized Living, Inc.	400,000 shares Series A preferred (c)
Lenexa, Kansas	145,204 shares Series A preferred (c)
Retail specialty stores for storage and organizational products	130,435 shares Series B preferred (c)
	43,478 shares Series B preferred (c)
	41,680 shares Series B preferred (c)
	94,241 shares Series C preferred (c)
	71,428.5714 shares Series C preferred (c)
	9,295 shares Series C preferred 9 (c)
	104,167 shares Series D preferred (c)
	34,722 shares Series D preferred (c)
	Escrow agreement (c)
SMWC Acquisition Co., Inc. (a)	10% debt security, due on demand (c)
Kansas City, Missouri	13% debt security due May 19, 2007 (c)
Steel warehouse distribution and processing	1,320 shares common (c)
	Warrant to purchase 1,100 common shares (
	Warrant to purchase 1,100 common shares (
	176,550 shares Series A preferred (c)

MACC PRIVATE EQUITIES INC. AND SUBSIDIARY
CONSOLIDATED SCHEDULE OF INVESTMENTS CONTINUED
SCHEDULE 1 - SEPTEMBER 30, 2003

Service Continued:

Company	**Security**
TransCore Holdings, Inc	7% debt security, due February 6, 2009 (c
Hummelstown, Pennsylvania	13% debt security, due December 31, 2006
Legal, audit, logistical and internet	Warrant to purchase 1,296.48 common share
e-business services for the trucking industry	Warrant to purchase 107.82 common shares
Warren Family Funeral Homes, Inc.	12% debt security, due June 29, 2006
Topeka, Kansas	Warrant to purchase 231 common shares (c)
Provider of value priced funeral services	12% debt security, due June 29, 2006
	Warrant to purchase 115.5 common shares (
Total services	

Technology and Communications:

Divine, Inc.	8,904 common shares (c)
Chicago, Illinois	
Database mining and analysis	
Feed Management Systems, Inc. (a)	540,551 common shares (c)
Fairmont, Minnesota	47,709 shares Series A Preferred (c)
Batch feed software and systems	66,600 shares Series A preferred (c)
and B2B internet services	400,000 shares Series A preferred (c)
	160,000 shares Series A preferred (c)
	12% debt security, due May 20, 2008 (c)
	Warrant to purchase 92,500 Series A prefe
	12% debt security, due August 21, 2008 (c
	Warrant to purchase 74,000 Series A prefe

MACC PRIVATE EQUITIES INC. AND SUBSIDIARY
CONSOLIDATED SCHEDULE OF INVESTMENTS
SCHEDULE 1 - SEPTEMBER 30, 2003

Technology and Communications Continued:

Company **Security**

....

Miles Media Group, Inc. (a)	1,000 common shares (c)
Sarasota, Florida	100 common options (c)
Tourist magazine publisher	12% debt security, due September 24, 2007
	150 shares Series A preferred (c)
	Warrant to purchase 831 common shares (c)
	12% debt security, due September 24, 2007
	50 shares Series A preferred (c)
	Warrant to purchase 92 common shares (c)
	12% debt security, due June 30, 2008
	Warrant to purchase 500 shares common (c)
NewPath Communications, LC (a)	10% debt security, due April 16, 2002 (c)
Des Moines, Iowa	Membership interest (c)
Rural cable TV network provider	
Phonex Broadband Corporation	1,855,302 shares Series A preferred (c)
Midvale, Utah	
Power line communications	
Portrait Displays, Inc. (a)	12% debt security, due April 1, 2005
Pleasanton, California	8% debt security, due April 1, 2009 (c)
Designs and markets pivot enabling	8% debt security, due April 1, 2012 (c)
software for LCD computer monitors	Warrant to purchase 12,240 common shares
	Warrant to purchase 27,160 common shares
RSI Holdings, Inc.	Warrant to purchase 1,188 common shares (
Fargo, North Dakota	Warrant to purchase 562 common shares (c)
Satellite simulcast communications and	
services to the gaming industry	
SnapNames.com, Inc.	10% debt security, due March 15, 2007
Portland, Oregon	Warrant to purchase 465,000 common shares
Domain name management	
Total technology and communications	

MACC PRIVATE EQUITIES INC. AND SUBSIDIARY
CONSOLIDATED SCHEDULE OF INVESTMENTS CONTINUED...
SCHEDULE 1 - SEPTEMBER 30, 2003

(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 Private Equities Inc. as defined in the Investment Company Act of 1940 at or during the period ended September 30, 2003. Transactions during the period in which the issuers were affiliated companies are as follows:

Description	Beginning Cost	Purchase Cost	Sales Cost	Ending Cost
Aviation Manufacturing Group, LLC	$ 770,039	--	--	770,039
Concentrix Corporation	2,568,543	53,926	--	2,622,469
Deluxe Ice Cream Acquisition Corporation	733,517	--	587,493	146,024
Direct Mail Holding, LLC	585,000	429,000	--	1,014,000
DTMP Acquisition Company	1,275,013	152,423	--	1,427,436
Eagle West, L.L.C	1,243,306	--	1,243,306	--
Feed Management Systems, Inc.	2,001,495	148,000	--	2,149,495
Gregg Manufacturing, Inc.	1,147,000	--	--	1,147,000
Handy Industries, LLC	1,058,750	--	--	1,058,750
Hicklin Engineering, L.C	740,127	--	--	740,127
KW Products, Inc.	650,061	--	8,102	641,959
MA Gedney Company	1,325,270	162,569	--	1,487,839
Magnum Systems, Inc.	927,278	--	--	927,278
Miles Media Group, Inc.	1,440,000	250,500	--	1,690,500
NewPath Communications, LC	847,385	--	--	847,385
Penn Wheeling Acquisition Company, LLC	1,119,500	--	--	1,119,500
Portrait Displays, Inc.	1,000,002	166,746	59,900	1,106,848
Pratt-Read Corporation	1,361,127	83,340	--	1,444,467
SMWC Acquisition Co., Inc.	506,000	102,605	--	608,605
Water Creations, Inc.	2,042,270	1,232	2,043,502	--
Total	$23,341,683	1,550,341	3,942,303	20,949,721

(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 Private Equities Inc. as defined in the Investment Company Act of 1940 at or during the period ended September 30, 2003. Transactions during the period in which the issuers were controlled affiliates are as follows:

Description	Beginning Cost	Purchase Cost	Sales Cost	Ending Cost	Dividend Income	Interest Income
Big J Enterprises, LLC	$ 825,750	--	562,500	263,250	--	13,246
Humane Manufacturing, LLC	885,500	--	--	885,500	--	94,116
Morgan Ohare, Inc.	1,878,751	--	--	1,878,751	--	6,740
Spectrum Products, LLC	1,463,001	--	--	1,463,001	23,442	142,040
Total	$5,053,002	--	562,500	4,490,502	23,442	256,142

(c) Presently nonincome producing.

MACC PRIVATE EQUITIES INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED SCHEDULE OF INVESTMENTS
SEPTEMBER 30, 2003

(A) For investments held at the February 15, 1995 fresh-start date, the stated cost represents the fair value at the fresh-start date.

(B) At September 30, 2003, all securities, except for a portion of the securities held of Divine, Inc. (formerly Delano Technology Corporation), are considered to be restricted in their disposition and are stated at what the Board of Directors considers to be fair market value.

(C) At September 30, 2003, the cost of securities for federal income tax purposes was $38,423,084, and the aggregate unrealized appreciation/depreciation (including other basis differences) based on that cost was:

Unrealized appreciation	$	8,989,502
Unrealized depreciation		(8,811,409)
Net unrealized depreciation	$	178,093

(D) The Company owns a portfolio which includes investments in restricted securities of small businesses. Within this portfolio, thirty of these restricted securities include registration rights and ten of these restricted securities do not include registration rights. Within the thirty securities that include registration rights, the actual rights include the following general characteristics:

1. The securities generally provide for demand rights as follows:

   a. The demand rights may only be required from a low of 25% of the security holders to a high of a majority of the security holders.

   b. The security holders may require from one to two demand registrations.

   c. The small businesses are generally only required to use "best efforts" to comply with the demands.

2. The securities generally allow the security holders to register securities if the small business registers its securities, i.e. "piggyback rights."

   a. Piggyback rights generally may be accessed by individual security holders.

   b. Under piggyback rights, the small business and its investment bankers are only required to use best efforts to comply with the right.

3. The Company expects that, in general, the securities that they will acquire in the future will include demand and piggyback rights.

No dealer, salesperson or any other person has been authorized to give any information or to make any representations other than those contained in this Prospectus in connection with the offer made by this Prospectus and, if given or made, such information or representations must not be relied upon as having been authorized by MACC or the Investment Adviser. This Prospectus does not constitute an offer to sell or the solicitation of any offer to buy any security other than the shares of Common Stock offered by this Prospectus, nor does it constitute an offer to sell or a solicitation of any offer to buy the shares of Common Stock by anyone in any jurisdiction in which such offer or solicitation is not authorized, or in which the person making such offer of solicitation is not qualified to do so, or to any such person to whom it is unlawful to make such offer or solicitation. Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create any implication that information contained herein is correct as of any time subsequent to the date hereof. However, if any material change occurs while this Prospectus is required by law to be delivered, the Prospectus will be amended or supplemented accordingly.

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MACC PRIVATE EQUITIES

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PART C - OTHER INFORMATION

ITEM 24. FINANCIAL STATEMENTS AND EXHIBITS.

1 Financial Statements

See "Index to Financial Statements" in the Prospectus.

2. Exhibits:

a. Certificate of Incorporation, as amended(1)

b. Amended and Restated Bylaws(2)

d.1 Form of Subscription Certificate*

d.2 Form of Notice of Guaranteed Delivery for Shares of Common Stock*

g.1 Investment Advisory Agreement dated as of March 1, 2004, between MACC Private Equities Inc. and Atlas Management Partners, LLC (3)

g.2 Investment Advisory Agreement dated as of March 1, 2004, between MorAmerica Capital Corporation and Atlas Management Partners, LLC (4)

g.3 Investment Advisory Support Services Agreement dated as of March 1, 2004, among MACC Private Equities Inc., MorAmerica Capital Corporation, Atlas Management Partners, LLC and InvestAmerica Investment Advisors, Inc. (5)

j.1 Custodial Agreement*

j.2 Information Agent Agreement*

j.3 Subscription Agent Agreement*

k.1 Agreement and Waiver of Rights under Section 203 of the Delaware General Corporate Law among Zions First National Bank, Atlas Management Partners, LLC, and MACC Private Equities Inc. (6)

k.2 Convertible Note and Security Agreement dated as of March 1, 2004, between MACC Private Equities Inc. and Geoffrey T. Woolley (7)

k.3 Letter Agreement Regarding Subsidiary Support dated as of March 1, 2004, between MorAmerica Capital Corporation and MACC Private Equities Inc. (8)

k.4 Guaranty dated as of March 1, 2004, by Atlas Management Partners, LLC in favor of Geoffrey T. Woolley (9) k.5 Employment Agreement between David R. Schroder and MACC Private Equities Inc. dated March 1, 2004 (10)

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n. Consent of KPMG LLP

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ITEM 25. MARKETING ARRANGEMENTS

None.

ITEM 26. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The following table sets forth the expenses to be incurred in connection with the Offeri this Registration Statement:

SEC Registration Fee	$ 750
Nasdaq SmallCap Market Listing Fees	$ 30,187
Printing	$ 6,000
Accounting fees and expenses	$ 10,000
Legal fees and expenses	$ 75,000
Subscription Agent fees and expenses	$ 28,300
Information Agent fees and expenses	$ 7,500
Miscellaneous	$ 2,500
Total	$160,237

ITEM 27. PERSONS CONTROLLED BY OR UNDER COMMON CONTROL WITH REGISTRANT.

1 Under a Shareholder and Voting Agreement, Atlas Management Partners, LLC holds the power to vote MACC shares owned by Bridgewater International Group LLC; accordingly, Atlas' ownership percentage show above includes the Bridgewater shares. For additional detail on the relationship of these entities, please see notes 1 and 2 to the shareholder chart contained in "PRINCIPAL SHAREHOLDERS."

2 The financial statements of MACC Private Equities Inc. and MorAmerica Capital Corporation are reported on a consolidated basis.

3 See "INVESTMENT OBJECTIVES--MACC Portfolio Investments" for a list of portfolio companies more than 25% owned by MACC and which may be deemed to be controlled by MACC.

ITEM 28. NUMBER OF HOLDERS OF SECURITIES.

(1) Title of Class	(2) Number of Record Holders
Common Stock	2,209

ITEM 29. INDEMNIFICATION.

Article Nine of the Articles of Incorporation provide that any director, officer or employee of the Registrant shall be indemnified by Registrant against reasonable expenses, including attorney's fees and amounts paid in satisfaction of judgments or in settlement resulting from civil or criminal action or proceeding, except in relation to matters in which such person is liable for willful misfeasance, bad faith, gross negligence or reckless disregarding the performance of his duties.

Paragraph 9 of the Investment Advisory Agreement provides that the Registrant shall indemnify, to the extent permitted by law, the Adviser and any of its Affiliates, who was, is or is threatened to be made a party to any threatened, pending or completed action of proceeding whether civil, criminal, administrative or investigative by reason of any actual or alleged acts or omissions arising out of the activities of such person, if such activities were performed in good faith either on behalf of MACC or in furtherance of the interest of MACC, and in a manner reasonably believed by such person to be within the scope of the authority conferred by this Agreement or by law against losses, damages or expenses for which such person has not otherwise been reimbursed (including, but not limited to, accountants' and attorneys' fees, judgments, fines and amounts paid in settlement) actually and reasonably incurred by such person in connection with such action or proceeding, so long as such person was not guilty of willful misfeasance, bad faith, gross negligence, or reckless disregard in the performance of his obligations and duties under such contract, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful.

ITEM 30. BUSINESS AND OTHER CONNECTIONS OF INVESTMENT ADVISER.

Information about the business and other connections of the Investment Adviser and Subadviser are contained in "DESCRIPTION OF MACC - Investment Advisers Act of 1940 and the Investment Advisory Agreements" and "INFORMATION ABOUT OFFICES AND PRINCIPALS OF MACC AND THE INVESTMENT ADVISORS."

ITEM 31. LOCATION OF ACCOUNTS AND RECORDS.

The accounts and records of MACC are located at the offices of the Investment Adviser, Atlas Management Partners, LLC at 15 West South Temple Street, Suite 520, Salt Lake City UT 84101, and at the offices of the Subadviser, InvestAmerica Investment Advisors, Inc. at 101 Second Street S.E., Suite 800, Cedar Rapids IA 52401.

ITEM 32. MANAGEMENT SERVICES.

Not applicable.

ITEM 33. UNDERTAKINGS.

(1) The Registration undertakes to suspend the offering of shares covered hereby until it amends its prospectus contained herein if (i) subsequent to the effective date of this Registration Statement, its net asset value declines more than 10 percent (10%) from its net asset value as of the effective date of this Registration Statement, or (ii) its net asset value increases to an amount greater than its net proceeds as stated in the prospectus contained herein.

(2) Not applicable.

(3) Not applicable.

(4) The Registrant undertakes:

a. to file, during any period in which offers or sales are being made, a post-effective amendment to the registration statement:

(1) to include any prospectus required by Section 10(a)(3) of the 1933 Act [15 U.S.C. 77j(1)(3)];

(2) to reflect in the prospectus any facts or events after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement; and

(3) to include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.

b. that, for the purpose of determining any liability under the 1933 Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of those securities at that time shall be deemed to be the initial bona fide offering thereof; and

c. to remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the Offering.

(5) The Registrant undertakes that:

a. For the purpose of determining any liability under the 1933 Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in the form of prospectus filed by the Registrant under Rule 497(h) under the 1933 Act shall be deemed to be part of the Registration Statement as of the time it was declared effective.

b. For the purpose of determining any liability under the 1933 Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of the securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, and the Investment Company Act of 1940, as amended, the Registrant has duly caused this Registration Statement on Form N-2 to be signed on its behalf by the undersigned, thereunto duly authorized in the City of Salt Lake and the State of Utah, on the 8th day of September, 2004.

MACC PRIVATE EQUITIES INC.

By: /s/ Kent I. Madsen

Title: Kent I. Madsen, President

Each of the undersigned directors of MACC PRIVATE EQUITIES INC., hereby constitute and appoint each of Kent I. Madsen and David R. Schroder, his true and lawful attorney-in-fact, with full power of substitution, to sign for him and in his name, the Registration Statement on Form N-2, and any pre-effective amendments and post-effective amendments to said Registration Statements, any supplements or other instruments in connection therewith, and generally to do all such things in his name and behalf in connection therewith as said attorney-in-fact deems necessary or appropriate, to comply with the provisions of the Securities Act of 1933, as amended, and the Investment Company Act of 1940, as amended, and all related requirements of the Securities and Exchange Commission. Each of them hereby ratifies and confirms all that said attorney-in-fact or his or her substitutes may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement on Form N-2 has been signed below by the following persons in their capacities as directors or principal financial and accounting officer of the Registrant.

SIGNATURES	**TITLE**	**DA**
/s/ Paul M. Bass, Jr. Paul M. Bass, Jr.	Director	September 9,
/s/ Michael W. Dunn Michael W. Dunn	Director	September 7,
/s/ Benjamin Jiaravanon Benjamin Jiaravanon	Director	September 8,
Jasja Kotterman	Director	
/s/ Kent I. Madsen Kent I. Madsen	Director President	September 8,
Shane Robison	Director	
/s/ Gordon J. Roth Gordon J. Roth	Director	September 8,
/s/ Martin Walton Martin Walton	Director	September 9,
/s/ Geoffrey T. Woolley Geoffrey T. Woolley	Director	September 9,
/s/ David R. Schroder David R. Schroder	Principal Financial and Accounting Officer	September 9,

INDEX OF EXHIBITS

a. Certificate of Incorporation, as amended(1)

b.	Amended and Restated Bylaws(2)
d.1	Form of Subscription Certificate*
d.2	Form of Notice of Guaranteed Delivery for Shares of Common Stock*
g.1	Investment Advisory Agreement dated as of March 1, 2004, between MACC Private Equities Inc. and Atlas Management Partners, LLC (3)
g.2	Investment Advisory Agreement dated as of March 1, 2004, between MorAmerica Capital Corporation and Atlas Management Partners, LLC (4)
g.3	Investment Advisory Support Services Agreement dated as of March 1, 2004, among MACC Private Equities Inc., MorAmerica Capital Corporation, Atlas Management Partners, LLC and InvestAmerica Investment Advisors, Inc. (5)
j.1	Custodial Agreement*
j.2	Information Agent Agreement*
j.3	Subscription Agent Agreement*
k.1	Agreement and Waiver of Rights under Section 203 of the Delaware General Corporate Law among Zions First National Bank, Atlas Management Partners, LLC, and MACC Private Equities Inc. (6)
k.2	Convertible Note and Security Agreement dated as of March 1, 2004, between MACC Private Equities Inc. and Geoffrey T. Woolley (7)
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