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MACC PRIVATE EQUITIES INC

Form 8-K

September 06, 2007

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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of report (Date of earliest event reported) September 6, 2007

MACC PRIVATE EQUITIES INC.

(Exact Name of Registrant as Specified in Its Charter)

DELAWARE	0-24412	42-1421406
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(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

101 Second Street SE, Suite 800, Cedar Rapids, Iowa	52401
-----	-----
(Address of Principal Executive Offices)	(Zip Code)

(319) 363-8249

(Registrant's Telephone Number, Including Area Code)

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- | Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- | Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- | Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- | Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01. Entry into a Material Definitive Agreement.

On September 1, 2007, MACC Private Equities Inc. ("MACC") and its wholly-owned subsidiary, MorAmerica Capital Corporation ("MorAmerica," together with MACC, the "Companies"), entered into a Safekeeping Agreement (the "Safekeeping Agreement") with Cedar Rapids Bank and Trust Company ("CRB&T"). Under the Safekeeping Agreement, Companies appointed CRB&T as their custodian of their respective assets.

The information set forth in Item 2.03 below is incorporated herein by reference.

Item 2.03. Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.

On August 30, 2007, MorAmerica entered into a term loan in the amount of \$6,250,000 (the "Term Loan") and a \$500,000 line of credit (the "Line of Credit," together with the Term Loan, the "Loans"), both with CRB&T. The Loans are evidenced by a Business Loan Agreement (the "Loan Agreement"), the Line of Credit is evidenced by a Promissory Note (the "Line of Credit Note"), and the Term Loan is evidenced by a Promissory Note (the "Term Note," together with the Line of Credit Note, the "Notes"), all dated August 30, 2007.

Under the Loans, MorAmerica is required to repay CRB&T amounts borrowed and any unpaid interest in one payment on August 28, 2009. The amounts borrowed under the Loans will accrue interest at an initial rate of 8.75%, and then adjust daily at a rate of 0.50% over the Wall Street Journal Prime index, subject to a minimum interest rate of 6.0%, which interest must be paid monthly. The applicable interest rate may not increase or decrease by more than 1.0% at any one time. MorAmerica may prepay principal amounts without penalty under the Loans.

In addition to making customary representations, warranties and covenants to CRB&T, MorAmerica agreed, as long as either of the Loans remains outstanding, to: (i) apply 80% of the proceeds of any sale or liquidation of any portfolio asset first to the repayment of principal owed under either of the Loans, as directed by CRB&T, (ii) not incur any additional debt without the consent of CRB&T, (iii) not pay any dividends to MACC, except for cash dividends in amounts necessary to enable MACC to satisfy any tax liabilities arising solely from MACC's ownership of MorAmerica stock, (iv) not loan money to or invest in any other entity, except that it may make follow-on investments in its existing portfolio companies in amounts up to \$300,000 in any one year, and subject to a maximum amount of \$500,000 during the term of the Loans, (v) maintain custody of its assets at CRB&T, (vi) provide to CRB&T a copy of its investment adviser's management letter which is provided to MorAmerica's Board of Directors each fiscal quarter, (vii) maintain an investment portfolio valued at a minimum of \$5,000,000 in excess of the outstanding principal amount of the Loans, (viii) notify CRB&T and obtain its consent to any replacement investment adviser, and (ix) only dispose of its portfolio assets in accordance with the terms of the underlying agreements respecting its investments in its portfolio companies.

MorAmerica's performance of its obligations under the Loan Agreement and the Notes are secured in favor of CRB&T through a Commercial Security Agreement ("Security Agreement"), a Commercial Pledge and Security Agreement ("Pledge"), and a Commercial Guaranty (the "Guaranty"). Under the Security Agreement, MorAmerica granted to CRB&T a security interest in all of its assets, including its interests in its portfolio investments. Under the Pledge, MorAmerica has, subject to existing limitations under its agreements with its portfolio

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companies, pledged its portfolio securities to CRB&T. Under the Guaranty, MACC has unconditionally guaranteed MorAmerica's repayment of all borrowings under the Loans and its performance under the Loan Agreement, the Security Agreement and the Pledge.

MorAmerica and its investment adviser, InvestAmerica Investment Advisors, Inc. ("InvestAmerica") are parties to an Incentive Fee Subordination Agreement dated July 21, 2005 (the "Subordination Agreement") with the United States Small Business Administration (the "SBA"). Under the Subordination Agreement, among other things, MorAmerica and InvestAmerica agreed that accrued incentive fees payable to InvestAmerica by MorAmerica would be subordinated to all amounts payable by MorAmerica to the SBA, including outstanding SBA-guaranteed debentures, and any losses the SBA may incur in connection with the settlement of arbitration proceedings to which MorAmerica was a party occurring in late 2004. Because of limitations imposed by

underlying agreements respecting MorAmerica's ownership of certain of its portfolio securities, as part of MorAmerica's pledge of its portfolio securities to CRB&T under the Pledge, MorAmerica has agreed to use its best efforts to obtain the required consents to perfect the pledge to CRB&T of at least 80% of the value of MorAmerica's portfolio securities under the terms of a letter agreement dated August 30, 2007 (the "Letter Agreement"). Under the Letter Agreement, until such consents are obtained, MorAmerica and InvestAmerica agreed to not seek a release of amounts owed by MorAmerica to InvestAmerica as incentive payments which are presently escrowed according to the terms of the Subordination Agreement. In the event that MorAmerica is unable to obtain such consents by November 30, 2007, then the interest payable on the amounts borrowed by MorAmerica under the Loans will increase to 1.0% over the Wall Street Journal Prime index and continue at such rate until such consents are obtained.

MorAmerica's breach of any of the terms of the Loan Agreement, the Security Agreement, the Pledge or the Notes would constitute an event of default thereunder, which would entitle CRB&T to, among other things, accelerate all amounts borrowed under the Loans and foreclose on the assets of MorAmerica.

Item 8.01. Other Events.

The Registrant issued a press release on September 6, 2007 regarding the entry by MorAmerica into the Loans.

A copy of the press release has been filed with this Current Report on Form 8-K as Exhibit 99.1, and is incorporated herein by reference.

Item 9.01. Financial Statements and Exhibits.

- (c) Exhibits
 - 10(i).1 Business Loan Agreement dated August 30, 2007 between MorAmerica Capital Corporation and Cedar Rapids Bank and Trust Company.
 - 10(i).2 Commercial Guaranty given by MACC Private Equities Inc. in favor of Cedar Rapids Bank and Trust Company.
 - 10(i).3 Commercial Pledge and Security Agreement dated August 30, 2007 between MorAmerica Capital Corporation and Cedar Rapids Bank and Trust Company.
 - 10(i).4 Commercial Security Agreement dated August 30, 2007 between MorAmerica Capital Corporation and Cedar Rapids Bank and Trust Company.
 - 10(i).5 Promissory Note in the amount of \$500,000 dated August 30, 2007 made by MorAmerica Capital

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- Corporation in favor of Cedar Rapids Bank and Trust Company.
- 10(i).6 Promissory Note in the amount of \$6,250,000 dated August 30, 2007 made by MorAmerica Capital Corporation in favor of Cedar Rapids Bank and Trust Company.
- 10(i).7 Letter Agreement dated August 30, 2007 made by MorAmerica Capital Corporation in favor of Cedar Rapids Bank and Trust Company.
- 10(i).8 Incentive Fee Subordination Agreement dated July 21, 2005 among InvestAmerica, MorAmerica and the United States Small Business Administration (incorporated by reference to exhibit 99.1 of Registrant's Report on Form 10-Q filed August 14, 2006).
- 10(i).9 Safekeeping Agreement dated September 1, 2007 between MACC Private Equities Inc., MorAmerica Capital Corporation and Cedar Rapids Bank and Trust Company.
- 99.1 Press Release dated September 6, 2007.

SIGNATURES

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

Date: September 6, 2007

MACC PRIVATE EQUITIES INC.

By: /s/ Robert A. Comey

Robert A. Comey
Executive Vice President

Exhibit Index

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