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MACC PRIVATE EQUITIES INC

Form PRE 14A

February 19, 2008

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a)
of the Securities Exchange Act of 1934

Filed by the Registrant [X]
Filed by a Party other than the Registrant [ ]

Check the appropriate box:
[X] Preliminary Proxy Statement
\_\_\_ Confidential, for Use of the Commission Only (as
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\_\_\_ Definitive Proxy Statement
\_\_\_ Definitive Additional Materials
\_\_\_ Soliciting Material Pursuant to ss.240.14a-12

MACC PRIVATE EQUITIES INC.
(Name of Registrant as Specified In Its Charter)
(Name of Person(s) Filing Proxy Statement if other than
the Registrant)

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1) Amount Previously Paid:
2) Form, Schedule or Registration Statement No.:
3) Filing Party:
4) Date Filed:

February \_\_\_, 2008

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To the Shareholders of MACC Private Equities Inc.:

The Annual Meeting of Shareholders of our Corporation will be held on Tuesday, March 25, 2008, at 10:00 a.m. Pacific Standard Time at 24 Corporate Plaza Drive, Newport Beach, CA 92660.

A Notice of the meeting, a Proxy and Proxy Statement containing information about matters to be acted upon are enclosed. In addition, the MACC Private Equities Inc. Annual Report for the fiscal year ended September 30, 2007, is enclosed and provides information regarding the financial results of the Corporation for the year. Holders of Common Stock are entitled to vote at the Annual Meeting on the basis of one vote for each share held. **If you attend the Annual Meeting in March, you retain the right to vote in person even though you previously mailed the enclosed Proxy.**

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

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

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### NOTICE OF ANNUAL MEETING OF SHAREHOLDERS TO BE HELD MARCH 25, 2008

To the Shareholders of MACC Private Equities Inc.:

**NOTICE IS HEREBY GIVEN** that the Annual Meeting of the Shareholders of MACC Private Equities Inc., a Delaware corporation (the "Corporation"), will be held on Tuesday, March 25, 2008, 10:00 a.m. Pacific Standard Time at 24 Corporate Plaza Drive, Newport Beach, CA 92660, for the following purposes:

1. To elect five directors to serve until the 2009 Annual Shareholders Meeting or until their respective successors shall be elected and qualified;
2. To approve an Investment Advisory Agreement between the Corporation and Eudaimonia Asset Management, LLC;
3. To approve an Investment Subadvisory Agreement among the Corporation, Eudaimonia and InvestAmerica Investment Advisors, Inc.;
4. To authorize the Corporation to issue rights to acquire any authorized shares of Common Stock of the Corporation;
5. To ratify the appointment of KPMG LLP as independent auditors of the Corporation for fiscal year 2008; and
6. To transact such other business as may properly come before the meeting and any adjournment thereof.

Only holders of Common Stock of the Corporation of record at the close

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of business on January 31, 2008, will be entitled to notice of, and to vote at, the meeting and any adjournment thereof.

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

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

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### PROXY STATEMENT

#### FOR ANNUAL MEETING OF SHAREHOLDERS TO BE HELD MARCH 25, 2008

This Proxy Statement is furnished in connection with the solicitation by the Board of Directors of MACC Private Equities Inc., a Delaware corporation (the "Corporation"), of proxies to be voted at the Annual Meeting of Shareholders to be held on March 25, 2008, or any adjournment thereof (the "2008 Annual Meeting"). The date on which this Proxy Statement and the enclosed form of proxy are first being sent or given to shareholders of the Corporation is on or about [February 29], 2008.

#### PURPOSES OF THE MEETING

The 2008 Annual Meeting is to be held for the purposes of:

(1) electing five persons to serve as Directors of the Corporation to serve until the 2009 Annual Shareholders Meeting or until their respective successors shall be elected and qualified;

(2) approving an Investment Advisory Agreement (the "New Advisory Agreement") between the Corporation and Eudaimonia Asset Management, LLC ("Eudaimonia");

(3) approving an Investment Subadvisory Agreement (the "Subadvisory Agreement") among the Corporation, Eudaimonia and InvestAmerica Investment Advisors, Inc. ("InvestAmerica");

(4) authorizing the Corporation to issue rights to acquire any authorized shares of Common Stock of the Corporation ("Common Stock");

(5) ratifying the appointment by the Board of Directors of KPMG LLP as independent auditors of the Corporation for the fiscal year ending September 30, 2008 ("Fiscal Year 2008"); and

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

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The Board of Directors unanimously recommends that the shareholders vote FOR the election as Directors of the persons named under ELECTION OF DIRECTORS, FOR the approval of the new Investment Advisory Agreement, FOR the approval of the Investment Subadvisory Agreement, FOR the authorization to issue rights to acquire any authorized shares of Common Stock of the Corporation and FOR the ratification of the appointment of KPMG LLP as independent auditors.

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### RECENT DEVELOPMENTS - BACKGROUND FOR PROPOSALS

Given the Corporation's relatively small size and limited shareholder base, trading in the Corporation's stock has been historically limited. In addition, the financial performance of the Corporation has been disappointing for the past several years. The Board of Directors believes that companies with a relatively low market capitalization, such as the Corporation (approximately \$7.0 million at December 31, 2007), do not attract sufficient investor or analyst interest to provide market recognition of value. At the same time, the expenses associated with operating as a public company are very high for a company of such relatively small size.

The Corporation's wholly-owned subsidiary, MorAmerica Capital Corporation ("MorAmerica") currently comprises approximately 99% of the Corporation's assets. MorAmerica has utilized the small business investment company ("SBIC") borrowing program, which is administered by the United States Small Business Administration ("SBA"), as its chief source of capital. Accordingly, MorAmerica had been subject to regulations applicable to SBICs. Consistent with the SBA's goal of fostering investment in small businesses, SBA regulations limit the extent to which an SBIC's capital may be impaired, impose certain standards upon an SBIC's investment advisor, and limit the type of portfolio company an SBIC may invest in and the nature of such investments. One effect of this SBA regulation and certain agreements with the SBA had been to limit the flexibility of the Corporation to make new investments through MorAmerica, which had served to limit the Corporation's opportunities for growth.

On February 7, 1995, the Securities and Exchange Commission ("SEC") issued an order (the "Order") which modifies the application of certain provisions of the Investment Company Act of 1940, as amended (the "1940 Act") to the Corporation and MorAmerica. Additionally, the Order imposed certain restrictions on the assets the Corporation could own as a condition to its grant of exemptive relief under the Securities Exchange Act of 1934 (the "1934 Act") to MorAmerica.

In order to address the Corporation's market capitalization challenges, the Board of Directors has explored various alternatives to improve the Corporation's performance over the past several years, including reevaluating the appropriateness of MorAmerica maintaining its SBIC license, raising enough capital to enhance market recognition, going private, and liquidation through dividend payments to stockholders over time. As a means to enhance the Corporation's growth opportunities, the Board of Directors authorized and directed MorAmerica to voluntarily surrender its SBIC license, which the SBA approved in December, 2007. As a result, MorAmerica and the Corporation are no longer subject to regulation by the SBA and will therefore have greater flexibility in making new investments going forward.

In September, 2007, to replace the SBA borrowing programs MorAmerica entered into a term loan, which has a current balance of \$6,059,845, and a revolving loan permitting MorAmerica to borrow up to \$500,000, with Cedar Rapids Bank & Trust Company. MorAmerica utilized amounts borrowed under the term loan, in addition to cash on hand, to repay all of its outstanding SBA-guaranteed debentures.

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Because MorAmerica is no longer an SBIC, the Board of Directors has determined that there is no longer any need to operate MorAmerica as a separate company. Prior to the voluntary surrender of its SBIC license, MorAmerica existed as a wholly owned subsidiary of the Corporation primarily in order to comply with SBA regulations that prohibited MorAmerica from holding certain assets that were held by the Corporation. Further, in addition to limits respecting the Corporation's investments imposed by the 1940 Act, certain conditions contained in the Order restricted the Corporation's ability to invest in certain types of assets. Because the reasons for having two separate companies are no longer present, and in an effort to operate going forward more efficiently and without the restrictions imposed by the Order, the Board of Directors, at its meeting on January 16, 2008, authorized the merger of MorAmerica with and into the Corporation, with the merger anticipated to be effective immediately following the 2008 Annual Meeting.

In order to capitalize on the increased opportunities for growth afforded to the Corporation following the surrender of MorAmerica's SBIC license, and in an effort to increase the Corporation's assets, the Board of Directors sought to enlist the services of a new investment advisory team which could modify and expand the universe of portfolio company investments made by the Corporation and enhance market interest in the

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Corporation's stock. To that end, the Board has identified Eudaimonia to serve as the Corporation's investment adviser.

Eudaimonia was founded in 2007 by Travis Prentice, Montie L. Weisenberger and Joshua M. Moss. Roth Capital Partners, LLC ("RCP") contributed the operating capital to fund the founders' business plan and holds a 49% interest in Eudaimonia.

Gordon J. Roth, who has served on the Corporation's Board of Directors since 2000, is the Chief Financial Officer of RCP and serves on the Board of Managers of Eudaimonia. In addition to shareholder approval, the 1940 Act requires any investment advisory agreement to be approved by the affirmative vote of a majority of the directors who are not parties to the transaction or "interested persons" within the meaning of Section 2(a)(19) of the 1940 Act, cast in person at a meeting called for the purpose of voting on such approval. In light of Mr. Roth's interests in Eudaimonia, Mr. Roth recused himself from the Board's consideration of the appointment of Eudaimonia as the Corporation's investment adviser and the approval of the terms of the New Advisory Agreement and the Subadvisory Agreement (together, the "Advisory Agreements").

RCP has expressed interest in supporting the growth of the Corporation. No agreements are in place, but subject to the 1940 Act, RCP's support may include serving as standing purchaser of any rights not purchased by existing shareholders in connection with a rights offering, as further described under **PROPOSAL 4**, and serving as placement agent or underwriter for future capital offerings of the Corporation.

As previously reported, on January 16, 2008, Ms. Jasja Kotterman resigned as a Director, due to her travel schedule and location in Hong Kong. Prior to the Board's January 16, 2008 meeting, the Corporate Governance/Nominating Committee ("Nominating Committee") considered the appointment of Mr. James Eiler to serve as an independent Director. The Nominating Committee reviewed Mr. Eiler's background and qualifications, and recommended that the Board of Directors nominate Mr. Eiler to serve on the Board as an independent director to replace the vacancy created by Ms. Kotterman's resignation. Mr. Eiler was

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elected to the Board at that time.

Representatives of Eudaimonia attended the meetings of the Board on December 12, 2007 and January 16, 2008, and gave presentations to the Board of Directors regarding Eudaimonia's plans for the Corporation, including its plans to increase the Corporation's assets and the terms of the New Advisory Agreement. The principal components of the plan are to build shareholder value by increasing the size of the Corporation, in addition to expanding the universe of portfolio companies in which the Corporation invests.

Also during these meetings, the Board of Directors approved and recommended to the shareholders the approval of the Advisory Agreements. The Current Investment Advisory Agreements (as defined below) with InvestAmerica would be terminated upon the effectiveness of the Advisory Agreements. The terms of all of these agreements are summarized under **PROPOSAL 2 and PROPOSAL 3**.

During these meetings, Eudaimonia outlined for the Board of Directors a long-term strategy that includes the following elements:

- \* Investing in small promising companies not traded on major exchanges which may not have access to traditional means of financing through private investments in public equities (so-called "Pipes") and registered direct offerings permissible for investment by a business development company ("BDC") under the 1940 Act;
- \* Investing up to a maximum of 30% of the portfolio in equity positions of promising companies that are publicly listed;
- \* Investing on a limited basis (up to maximum of 10% of the portfolio) in private companies;
- \* Recruiting for the coming year and future years directors with diverse and broad financial and business experience;

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- \* Moving the corporate headquarters to Encinitas, California;
  - \* Undertaking an investor relations strategy to obtain better market understanding of the Corporation;
  - \* Diligently focusing on growing the size of the Corporation over time through internal growth and equity capital to reduce fixed expenses per share, and increase shareholder liquidity and maximize shareholder value; and
  - \* Retaining InvestAmerica on a transitional basis as a subadviser to efficiently liquidate and maximize the value of MorAmerica's existing portfolio of investments.

The Board of Directors reviewed recent financial performance of the Corporation and evaluated information regarding the prior business experience of the Eudaimonia principals. The Board of Directors also examined data regarding peer group business development companies and each of the elements of the Eudaimonia long-range plan described above. In light of these factors, the Board of Directors approved, and determined to recommend to the shareholders for their approval, the slate of Directors described under **PROPOSAL 1**, the New Advisory Agreement as summarized in **PROPOSAL 2** and the Subadvisory Agreement summarized in **PROPOSAL 3**.

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Also on January 16, 2008, the Board of Directors examined and approved a proposal to issue rights to acquire shares of the Corporation's Common Stock as a means by which the Corporation may raise additional equity capital. This proposal is further described under **PROPOSAL 4**. The Board of Directors has determined to recommend this proposal to the shareholders for their approval.

### VOTING AT THE MEETING

The record date for holders of Common Stock entitled to notice of, and to vote at, the 2008 Annual Meeting is the close of business on January 31, 2008 (the "Record Date"). As of the Record Date, the Corporation had outstanding and entitled to vote at the 2008 Annual Meeting 2,464,621 shares of Common Stock.

The presence, in person or by proxy, of the holders of a majority of the shares of Common Stock outstanding and entitled to vote at the 2008 Annual Meeting is necessary to constitute a quorum. Abstentions and shares held by brokers, banks, other institutions and nominees that are voted on any matter at the 2008 Annual Meeting are included in determining the presence of a quorum for the transaction of business at the commencement of the 2008 Annual Meeting and on those matters for which the broker, nominee or fiduciary has authority to vote. In deciding all questions, a shareholder shall be entitled to one vote, in person or by proxy, for each share of Common Stock held in the shareholder's name at the close of business on the record date.

To be elected a Director, each nominee under **PROPOSAL 1** must receive the favorable vote of the holders of a plurality of the shares of Common Stock entitled to vote and represented at the 2008 Annual Meeting.

In order to approve the New Investment Advisory Agreement and the Subadvisory Agreement under **PROPOSALS 2 and 3**, respectively, each proposal must receive the favorable vote of a majority of the outstanding shares of Common Stock entitled to vote at the 2008 Annual Meeting. For purposes of these three proposals, Section 2(a)(42) of the 1940 Act defines "a majority of the outstanding shares" as (i) 67% or more of the voting securities present at such meeting if the holders of more than 50% of the outstanding voting securities of such company are present or represented by proxy; or (ii) 50% of the outstanding voting securities of such company, whichever is less.

In order to authorize the Corporation to issue rights to acquire any authorized shares of Common Stock of the Corporation, **PROPOSAL 4**, the proposal must receive the favorable vote of a majority of the outstanding shares of Common Stock entitled to vote at the 2008 Annual Meeting.

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In order to ratify the appointment of KPMG LLP as independent auditors for the Corporation for the fiscal year ending September 30, 2008 under **PROPOSAL 5**, this proposal must receive the favorable vote of a majority of the outstanding shares of Common Stock entitled to vote at the 2008 Annual Meeting.

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

- >> **FOR** the election as Directors of the persons named under **ELECTION OF DIRECTORS--NOMINEES**;
- >> **FOR** the approval of the New Advisory Agreement described under **APPROVAL OF NEW ADVISORY AGREEMENT**;
- >> **FOR** the approval of the Subadvisory Agreement described under **APPROVAL**

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**OF SUBADVISORY AGREEMENT;**

- >> **FOR** the authorization to issue rights to acquire any authorized shares of Common Stock of the Corporation; and
- >> **FOR** the ratification of the appointment by the Board of Directors of KPMG LLP as independent auditors.

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

**PROPOSAL 1  
ELECTION OF DIRECTORS**

All Director nominees elected at the 2008 Annual Meeting will serve until the 2009 Annual Meeting of shareholders or until their respective successors shall be elected and qualified. The persons named in the accompanying form of proxy intend to vote such proxy for the election of the nominees named below as Directors of the Corporation to serve until the next Annual Meeting of shareholders or until their respective successors shall be elected and qualified, unless otherwise properly indicated on such proxy. If any nominee shall become unavailable for any reason, the persons named in the accompanying form of proxy are expected to consult with the Board of Directors in voting the shares represented by them at the 2008 Annual Meeting. The Board of Directors has no reason to doubt the availability of any of the nominees and no reason to believe that any of the nominees will be unable or unwilling to serve the entire term for which election is sought.

Proxies may not be voted for more than the five Director nominees set forth below. To be elected a Director, each nominee must receive the favorable vote of the holders of a plurality of the shares of Common Stock entitled to vote and represented at the 2008 Annual Meeting. The names of the nominees, along with certain information concerning them, are set forth below.

**Nominees**

In the chart below, "Interested Director" indicates the director nominee who does not meet the definition of "independent director" provided in the rules applicable to companies listed on the NASDAQ Capital Market. In

contrast, "Independent Directors" do meet such qualification. The address for all Director nominees is 101 Second Street SE, Suite 800, Cedar Rapids, Iowa 52401.

*Interested Directors*

Position(s)	Term of
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Number  
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Name and Age	Held with the Corporation	Office and Length of Time Served	Principal Occupation(s) During Past 5 Years	Comp Overse Nomine
Benjamin Jiaravanon, 37 (3)	Director	Since February, 2004	President and CEO, Central Proteina Prima (manufacturer of animal, poultry and fish feeds), since 2004; President, Strategic Planning Group, Charoen Pokphand Indonesia (agribusiness conglomerate), 2002 - 2004; Associate, Direct Investments Group, Merrill Lynch, 1996 - 2002. Mr. Jiaravanon received his Bachelor of Science degree in industrial management from Carnegie Mellon University.	O
Gordon J. Roth, 53(4)			Director Since 2000 CFO and Chief Operating Officer, Roth 53(4) Capital Partners, LLC (independent investment banking firm specializing in small-cap companies), 2000-present; Chairman, Roth & Company, P.C. (public accounting firm located in Des Moines, Iowa), 1990-2000. Prior to that, Mr. Roth was a partner at Deloitte & Touche, a public accounting firm, in Des Moines.	O

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

(2) "Other Directorships" indicate other companies which (i) have a class of securities registered under section 12 of the 1934 Act, (ii) are subject to section 15(d) of the 1934 Act, or (iii) are registered investment companies under the 1940 Act.

(3) To the extent that Bridgewater International Group, LLC ("BIG") may be deemed to be in control of the Corporation as a result of its beneficial ownership of the Corporation's Common Stock, Mr. Jiaravanon, as the sole Managing Member of BIG, may be an "interested person" of the Corporation, as that term is defined in Section 2(a)(19) of the 1940 Act.

(4) As a member of the Board of Managers of Eudaimonia and because of RCP's ownership interest in Eudaimonia, Mr. Roth would be an "interested person" of the Corporation, as that as that term is defined in Section 2(a)(19) of the 1940 Act, upon effectiveness of the New Advisory Agreement.

**Independent Directors**

Name	Position(s) Held with the	Term of Office and Length of	Principal Occupation(s) During Past 5 Years	Number of Shares Owned in F Comp Overse
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and Age	Corporation	Time Served		Nomine
Geoffrey T. Woolley, 48	Director and Chairman of the Board	Director since 2003, elected Chairman April, 2004	Executive Chairman, Kreos Capital Limited (founded in 1997 by Mr. Woolley to introduce "venture leasing," an asset-backed debt instrument with equity participation to the European and Israeli markets); Founding Partner, Dominion Ventures, Inc.; Managing Member, Hild Partners, LLC; Director: BH Thermal Corp, University Opportunity Fund and Utah Capital Investment Corporation; Chairman of the Board: MorAmerica, University Venture Fund, Hild Assets, Ltd. and Unitus Equity Fund; Advisor: Polaris Ventures and Von Braun & Schreiber Private Equity. Mr. Woolley holds an M.B.A. from the University of Utah and a B.S. in Business Management with a Minor in Economics from Brigham Young University.	On
James W. Eiler, 56	Director	Since January, 2008	Principal, Eiler Capital Advisors (Investment Banking), since 2007; Managing Director, First National Investment Bank (Investment Banking), 2007; Managing Partner, Cybus Capital Markets (Investment banking), 2004-2007; Senior Vice President, John Deere Credit (Agricultural Financial Services), 1999-2004. Mr. Eiler holds an M.S. in Ag Economics and a B.S. in Ag Business from Iowa State University.	On
Michael W. Dunn, 58	Director	Since 1994	Director, MorAmerica since 1994; C.E.O. (since 1980), President and CEO and Director (since 1983), Farmers & Merchants Savings Bank of Manchester, Iowa.	One

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

(2) "Other Directorships" indicate other companies which (i) have a class of securities registered under section 12 of the 1934 Act, (ii) are subject to section 15(d) of the 1934 Act, or (iii) are registered investment companies under the 1940 Act.

**Corporation Stock Ownership of Director Nominees**

The following table represents, as of December 31, 2007 and based upon the closing price as reported by NASDAQ on December 31, 2007, the dollar range value

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of equity securities beneficially owned (as that term is defined in Rule 16a-1(a)(2) of the 1934 Act) by each nominee for Director of the Corporation pursuant to this **PROPOSAL 1**. In the table, "Interested Director Nominee" indicates Director nominees who do not meet the definition of "independent director" provided in the rules applicable to companies listed on the NASDAQ Capital Market. In contrast, "Independent Directors" do meet such qualification.

NAME OF INDEPENDENT DIRECTOR NOMINEE	DOLLAR RANGE OF EQUITY SECURITIES IN THE CORPORATION	AGGREGATE DO OF EQUITY SECURITI CORPORATIO
Michael W. Dunn	Over \$100,000	Over \$1
James W. Eiler	None	No
Geoffrey T. Woolley	Over \$100,000	Over \$1

  

NAME OF INTERESTED DIRECTOR NOMINEE	DOLLAR RANGE OF EQUITY SECURITIES IN THE CORPORATION	AGGREGATE DO OF EQUITY SECURITI CORPORATIO
Benjamin Jiaravanon	Over \$100,000	Over \$1
Gordon J. Roth	\$10,001 - \$50,000	\$10,001 -

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

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

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### INTRODUCTION TO PROPOSALS 2 AND 3

#### Background

The Corporation is currently party to the MACC Private Equities Inc. Investment Advisory Agreement (the "Current Corporation Advisory Agreement") with InvestAmerica dated of July 21, 2005, as extended by the Annual Continuation of Investment Advisory Agreement dated of July 21, 2007 (extending the Current Corporation Advisory Agreement for an additional one-year term ending July 20, 2008).

MorAmerica is currently party to the MorAmerica Capital Investment Advisory Agreement (the "Current MorAmerica Advisory Agreement") with InvestAmerica dated of July 21, 2005, as extended by the Annual Continuation of Investment Advisory Agreement dated of July 21, 2007 (extending the Current MorAmerica Advisory Agreement for an additional one-year term ending July 20, 2008) (the Current Corporation Advisory Agreement and the Current MorAmerica Advisory Agreement together, the "Current Advisory Agreements").

The Current Advisory Agreements were approved by a vote of the shareholders at the 2005 Annual Meeting. No person currently serves as an investment adviser to the Corporation or MorAmerica, other than InvestAmerica pursuant to the Current Advisory Agreements. In addition, other than pursuant to the Current Advisory Agreements, the Corporation and MorAmerica did not pay any fees to InvestAmerica, its affiliated persons or affiliated persons of such persons during the fiscal year ended September 30, 2007 ("Fiscal Year 2007").

#### Current Advisory Agreements

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The Current Advisory Agreements provide that InvestAmerica manages all assets of the Corporation and MorAmerica (together, the "Companies") and generally provides all facilities, personnel, and other means necessary for the Companies to operate. Except to the extent of acquisitions or dispositions of portfolio securities that, in accordance with the Companies' co-investment guidelines require specific Board approval, InvestAmerica makes all new and follow-on investments and all asset dispositions and other investment decisions in InvestAmerica's discretion.

Under the Current Advisory Agreements, InvestAmerica generally is responsible for expenses relating to staff salaries, office space and supplies, and the Companies are generally responsible for auditing fees, all legal expenses and other expenses associated with being a public company, fees to the directors of the Companies, and any and all expenses associated with property of a portfolio company taken or received by the Companies or on their behalf as a result of its investment in any portfolio company.

The Current Advisory Agreements provide that InvestAmerica receives a management fee and an incentive fee. With respect to the Corporation, the management fee is paid monthly in arrears and is equal to 1.5% per annum of Assets Under Management (as that term is defined in the Current Corporation Advisory Agreement), which means the total value of the Corporation's assets. With respect to MorAmerica, the management fee is paid monthly in arrears and is equal to the lesser of 1.5% per annum of (i) Combined Capital (as that term is defined in the Current MorAmerica Advisory Agreement), which has the meaning under SBA regulations, or (ii) Assets Under Management (as that term is defined in the Current MorAmerica Advisory Agreement), which means the total value of MorAmerica's assets.

In addition, InvestAmerica is entitled to an incentive fee under the Current Advisory Agreements. Under each of the Current Advisory Agreements, the amount of the incentive fee is 13.4% of the Net Capital Gains (as defined in the Current Advisory Agreements), before taxes, on portfolio investments and from the disposition of other assets or property managed by InvestAmerica.

The amount of the incentive fee was limited in any period by applicable SBA regulations with respect to the fee paid by MorAmerica, although the amount which may not be paid in one period may be an incentive fee payable, or may be in escrow payable, and disbursed in later periods. In addition, the amount of the incentive fee and all incentive compensation, in any fiscal year, may not exceed the limit prescribed by Section 205(b)(3)(A) of

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the Investment Advisers Act of 1940, as amended (the "Advisers Act"). This section provides that the total incentive fee may not exceed 20% of the realized capital gains upon the funds computed net of all realized capital losses and unrealized capital depreciation.

Management fees under the Current Advisory Agreements on a consolidated basis amounted to \$331,625 for Fiscal Year 2007. No incentive fees were earned under the Current Corporation Advisory Agreement during Fiscal Year 2007. Incentive fees under the Current MorAmerica Advisory Agreement for Fiscal Year 2007 amounted to \$143,732 earned and \$0 paid. Included in the incentive fee earned of \$143,732 are approximately \$27,617 of incentive fees related to noncash gains which are being deferred.

### **New Advisory Agreement and Subadvisory Agreement**

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As described above under **"RECENT DEVELOPMENTS - BACKGROUND OF PROPOSALS"** the Board of Directors of the Corporation has recently approved a number of measures designed to improve the performance of the Corporation. Among those measures were the approval of the New Advisory Agreement and the Subadvisory Agreement. Information concerning the terms of the New Advisory Agreement and the Subadvisory Agreement can be found under **"PROPOSAL 2 - APPROVAL OF NEW ADVISORY AGREEMENT"** and **"PROPOSAL 3 - APPROVAL OF SUBADVISORY AGREEMENT,"** respectively.

### Fee Table

The following table sets forth (i) the aggregate amount of InvestAmerica's fees during Fiscal Year 2007; (ii) the amount that Eudaimonia would have received had the New Advisory Agreement been in effect during Fiscal Year 2007(1); and (iii) the difference between these two amounts as a percentage of the amount of InvestAmerica's fees during Fiscal Year 2007:

Aggregate Amount of Fiscal Year 2007 Fees	Fees Under New Advisory Agreement	Difference Between Amounts
\$475,357	\$585,794	23.23%

As described under **"PROPOSAL 2 - APPROVAL OF NEW ADVISORY AGREEMENT"** the higher incentive fee under the New Advisory Agreement will affect the amount of incentive fees payable to Eudaimonia in a given period to the extent that the Corporation realizes net capital gains, before taxes, on new portfolio investments made after the effectiveness of the New Advisory Agreement (the "New Portfolio") or to the extent that the Corporation disposes of other assets or property managed by Eudaimonia. The New Advisory Agreement provides that Eudaimonia will earn the same amount of incentive fees as InvestAmerica would have earned under the Current Advisory Agreements with respect to MorAmerica's legacy assets existing as of the effective date of the Advisory Agreements (the "Existing Portfolio"). Thus, if the New Advisory Agreement had been in effect for Fiscal Year 2007, Eudaimonia would have earned \$143,732, which is the same amount as was actually earned by InvestAmerica in Fiscal Year 2007 under the Current Advisory Agreements. In addition, as described under **"PROPOSAL 3 - APPROVAL OF SUBADVISORY AGREEMENT,"** incentive fees payable to InvestAmerica under the Subadvisory Agreement are payable by Eudaimonia out of the incentive fees attributable to the Existing Portfolio paid by the Corporation to Eudaimonia under the New Advisory Agreement. If the Subadvisory Agreement had been in effect for Fiscal Year 2007, InvestAmerica's earned incentive fee would have been \$143,732, which is 100% of the incentive fee that would have been earned by Eudaimonia and the same amount as was actually earned by InvestAmerica in Fiscal Year 2007.

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 (1) Fees under the New Advisory Agreement are based on the combined assets of the Corporation and those held by MorAmerica, as presently managed by InvestAmerica under the MorAmerica Advisory Agreement. Following the 2008 Shareholders' Meeting, MorAmerica will be merged into the Corporation, and the Corporation will then directly hold all of the assets now held by MorAmerica.

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Also, as described under **"PROPOSAL 3 - APPROVAL OF SUBADVISORY AGREEMENT,"** management fees payable to InvestAmerica under the Subadvisory Agreement are payable by Eudaimonia out of management fees paid by the Corporation to Eudaimonia under the New Advisory Agreement. If the Subadvisory Agreement had been in effect for Fiscal Year 2007, InvestAmerica's management fee would have

been \$249,592.

In approving Eudaimonia as investment adviser to the Corporation under the New Advisory Agreement and the resulting higher aggregate amount of fees that would be payable to Eudaimonia thereunder, the Board concluded that the higher fees were justified given that Eudaimonia will implement and oversee an entirely new long-term strategy for the Corporation, as further described above under the caption, **RECENT DEVELOPMENTS - BACKGROUND FOR PROPOSALS**, which includes additional capital for investment in the New Portfolio. Eudaimonia will not earn any higher incentive fee unless and until the Corporation realizes Net Capital Gains, before taxes, on the New Portfolio.

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**PROPOSAL 2**  
**APPROVAL OF NEW**  
**INVESTMENT ADVISORY AGREEMENT**

Upon shareholder approval at the 2008 Annual Meeting, the Current Advisory Agreements will be terminated under the terms of a Termination and Waiver Agreement among the Corporation, MorAmerica and InvestAmerica. The Corporation proposes to enter into the New Advisory Agreement between the Corporation and Eudaimonia, whose address is 580 2nd Street, Suite 102, Encinitas, California 92024. The New Advisory Agreement was approved on January 16, 2008 by the vote of a majority of the members of the Board of Director of the Corporation who are not parties to the transaction or "interested persons" within the meaning of Section 2(a)(19) of the 1940 Act, cast in person at a meeting called for the purpose of voting on such approval.

Under the New Advisory Agreement, Eudaimonia will manage all new portfolio company investments made by the Corporation. As described below under **PROPOSAL 3 - APPROVAL OF SUBADVISORY AGREEMENT**, InvestAmerica will continue to manage the Existing Portfolio under the Subadvisory Agreement. The following are the remaining key provisions of the New Advisory Agreement, which are substantially the same as the provisions of the Current Advisory Agreements except as to the amount of management fees and incentive fees payable thereunder:

(1) **Management Responsibilities:** Eudaimonia will manage all assets of the Corporation and generally provide all facilities, personnel, and other means necessary for the Corporation to operate. Eudaimonia will make all new and follow-on acquisitions or dispositions of the Corporation's portfolio securities and other investment decisions respecting the Corporation's assets (which will include MorAmerica's assets upon consummation of the merger) in Eudaimonia's discretion, except (i) where specific board approval is required in accordance with the Corporation's co-investment guidelines, or (ii) that relate to the Existing Portfolio.

(2) **Operating Expenses:** Eudaimonia generally will be responsible for expenses relating to staff salaries, office space and supplies, and the Corporation will generally be responsible for auditing fees, all legal expenses and other expenses associated with being a public company, fees to the Directors, and any and all expenses associated with property of a portfolio company taken or received by the Corporation or on its behalf as a result of its investment in any portfolio company.

(3) **Advisory Fees:** The Corporation will pay Eudaimonia, monthly in arrears, a management fee equal to 2.0% per annum of Assets Under Management (as defined in the New Advisory Agreement) attributable to each of the Existing

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Portfolio and the New Portfolio. In addition, the New Advisory Agreement provides that the Corporation will pay Eudaimonia an incentive fee in an amount equal to 20.0% of the net capital gains, before taxes, attributable to the New Portfolio and 13.4% of the net capital gains, before taxes, attributable to the Existing Portfolio (together, the New Portfolio and Existing Portfolio are hereinafter referred to as the "Total Portfolio"). Net capital gains, as defined in the New Advisory Agreement, are calculated as gross realized gains, minus the sum of capital losses, less any unrealized depreciation, including reversals of previously recorded unrealized depreciation, recorded during the year. Capital losses and realized capital gains are not cumulative under the incentive fee computation. Payments for incentive fees resulting from noncash gains are deferred until the assets are sold.

The amount of the incentive fee and all incentive compensation, in any fiscal year, may not exceed the limit prescribed by Section 205(b)(3)(A) of the Advisers Act. This section provides that the total fees will not exceed 20% of the realized capital gains upon the assets of the Corporation over a specified period, computed net of all realized capital losses and unrealized capital depreciation. Under Section 5.2(a)(ii) of the New Advisory Agreement, the specified period is one year.

(4) **Term, Termination and Other Matters:** The New Advisory Agreement has a term of two years, unless sooner terminated as described below. After the initial two-year term, the New Advisory Agreement

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will continue in effect so long as such continuance is specifically approved at least annually by the Board of Directors, including a majority of its Directors who are not interested persons of Eudaimonia, or by the vote of the holders of a majority, as defined in the 1940 Act, of the outstanding shares of the Corporation. The New Advisory Agreement may be terminated by the Corporation at any time, without payment of any penalty, on 60 days' written notice to Eudaimonia if the decision to terminate has been made by the Board of Directors or by the vote of a majority, as defined in the 1940 Act, of the holders of a majority of the outstanding shares of the Corporation.

Eudaimonia may also terminate the New Advisory Agreement on 60 days' written notice to the Corporation provided that another investment advisory agreement with a suitable investment adviser has been approved by the vote of the holders of a majority, as defined in the 1940 Act, of the outstanding shares of the Corporation, and by a majority of Directors who are not parties to such agreement or interested persons of any such party.

The terms of the New Advisory Agreement relating to the amount of management fees and incentive fees payable thereunder are different from the Current Advisory Agreements. The Corporation will pay Eudaimonia a management fee equal to 2.0% of Assets Under Management (as defined in the New Advisory Agreement) attributable to the Total Portfolio, as compared to 1.5% payable under the Current Corporation Advisory Agreement of Assets Under Management (as defined in the Current Advisory Agreements) and the lesser of 1.5% payable under the Current MorAmerica Advisory Agreement of Assets Under Management or Combined Capital (as defined in the Current MorAmerica Advisory Agreement). The incentive fee payable to Eudaimonia would be 20.0%, as compared to the 13.4% paid to InvestAmerica under the Current Advisory Agreements, of the Net Capital Gains (as defined in the Current Advisory Agreements), before taxes, attributable to New Portfolio investments and from the disposition of other assets or property managed by Eudaimonia. With respect to the Existing Portfolio, the incentive fee

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payable to Eudaimonia under the New Advisory Agreement will be the same 13.4% of the Net Capital Gains, before taxes, as would have been payable to InvestAmerica under the Current Advisory Agreements.

As noted above, management and incentive fees of \$475,357 were paid to InvestAmerica in Fiscal Year 2007 under the Current Advisory Agreements. Under the terms of the New Advisory Agreement, Eudaimonia would have earned \$585,794 in management and incentive fees in fiscal year 2007, or 23.23% more than what InvestAmerica was paid pursuant to the Current Advisory Agreements in fiscal year 2007. The proposed New Advisory Agreement is attached hereto as Appendix A.

### **Material Factors and Conclusions Relating to the Board of Director's Selection of Eudaimonia and Approval of Fees under the New Advisory Agreement**

At its meeting on January 16, 2008, the Board evaluated, among other things, written information provided by Eudaimonia as required under Section 15(c) of the 1940 Act (the "Eudaimonia 15(c) Materials"), and answers to questions posed by the Board to representatives of Eudaimonia. The Eudaimonia 15(c) Materials consisted of, among other things, a management fee comparison versus a peer group of substantially similar funds (the "Peer Group"), and a comparison of the total expense ratios versus the Peer Group's expense ratios. Specifically, the Board noted that the total management fees contemplated in the New Advisory Agreement and the Subadvisory Agreement and the estimated expense ratio of the Corporation compared favorably to the Peer Group's advisory fees and expense ratios.

The Board also noted that Eudaimonia does not contemplate employing breakpoints in its fee arrangement, which would benefit shareholders as the Corporation grows, because as investments in new portfolio companies grow, Eudaimonia will be required to expend greater resources to manage the Corporation's portfolio, including hiring additional staff. The Board carefully evaluated Eudaimonia 15(c) Materials, and was advised by legal counsel with respect to its deliberations. The Directors discussed the Eudaimonia 15(c) Materials and Eudaimonia's oral presentation and any other information that the Board received at the meeting, and deliberated on the appointment of Eudaimonia as investment adviser to the Corporation and the terms of the New Advisory Agreement in light of this information. In its deliberations, the Board did not identify any single piece of information that was all-important, controlling or determinative of its decisions. Based on its review of the Eudaimonia 15(c) Materials

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and the discussions with Eudaimonia, the Board determined that the terms of the New Advisory Agreement are consistent with the best interests of the Corporation and its shareholders, and would enable the Corporation to receive high quality services at a cost that is appropriate, reasonable, and in the best interests of the Corporation and its shareholders. The Board made these determinations on the basis of the following factors and conclusions:

- o The advisory fees payable to and profits to be realized by Eudaimonia under the New Advisory Agreement, which the Board concluded (i) were reasonable in comparison to the fees charged by other portfolio managers of funds of similar size having similar investment strategies, and (ii) were in the middle range of the comparisons to the Peer Group identified for the Board;
- o The nature, quality and extent of the advisory services to be provided by Eudaimonia, including its reputation, expertise and resources in domestic financial markets, especially the small and micro-cap stocks



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that are intended to comprise the New Portfolio, which the Board concluded would benefit the Corporation by achieving above-average performance (as compared to other portfolio managers of similar asset classes using similar strategies for portfolios of similar size) and would assist in raising new assets and creating shareholder value;

- o The potential to generate investor and market enthusiasm through the appointment of Eudaimonia to serve as adviser to the Corporation, which the Board concluded would benefit the Corporation and its shareholders;
- o A description of Eudaimonia's business, which the Board concluded demonstrated the appropriate level of expertise and size, which would benefit the Corporation by providing the level of service the Board expects to receive from its portfolio manager;
- o Biographical information respecting Eudaimonia's personnel, which the Board concluded demonstrated the appropriate level of experience and qualification of Eudaimonia's personnel;
- o Eudaimonia's financial condition, including its balance sheet, which the Board concluded demonstrated that Eudaimonia is able to perform its obligations under the New Advisory Agreement and otherwise service the needs of its clients;
- o The investment performance of Eudaimonia's principals with respect to all accounts with similar investment strategies, which the Board concluded demonstrated that such investment strategies and principles have shown superior performance over time;
- o Eudaimonia's brokerage practices (including any soft dollar arrangements), which the Board concluded that (i) Eudaimonia will not utilize directed brokerage in its management of the Corporation, (ii) Eudaimonia does not inappropriately concentrate its brokerage allocation, and (iii) Eudaimonia pays commission rates which are comparable to industry custom;
- o Eudaimonia's portfolio transaction practices, which the Board concluded demonstrated that Eudaimonia appropriately allocates investment opportunities among its clients and seeks to treat its clients fairly;
- o The overall high quality of the personnel, operations, financial condition, investment management capabilities, methodologies, and performance of Eudaimonia, which the Board concluded demonstrated that Eudaimonia will be able to perform as it anticipates, which will enable the Corporation to attract and enhance assets;
- o A description of Eudaimonia's internal compliance program, which the Board concluded demonstrated that (i) Eudaimonia devotes an appropriate level of time and resources to detecting, preventing and remedying violations of the federal securities laws, and (ii) Eudaimonia intends to appropriately utilize outside auditors to audit its compliance functions;

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- o Any possible conflicts of interest arising out a relationship with Eudaimonia, which the Board concluded that that Eudaimonia does not now have, and does not anticipate having in the future, any revenue

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sharing arrangements, but that to the extent RCP participates in any transactions concerning the Corporation, such participation will be subject to limitations imposed by the 1940 Act;

- o The benefits to be realized by Eudaimonia as a result of its management of the New Portfolio, which the Board concluded would be limited to its receipt of the management fee and incentive fee described above, and would not provide other benefits such as soft dollars to Eudaimonia; and
- o The terms of the New Advisory Agreement, which the Board concluded were at least or more beneficial to the Corporation as compared to agreements respecting similar levels of service for similar levels of advisory fees.

### Information Regarding Eudaimonia:

The following table sets forth the name, address and principal occupation of the principal executive officers and each manager of Eudaimonia. Unless otherwise provided, the address for all officers and managers is 580 2nd Street, Suite 102, Encinitas, California 92024.

<u>Name and Address</u> -----	<u>Status</u> -----	<u>Principal Occupation</u> -----
Travis Prentice	Principal Executive Officer, Manager	President and Chief Investment Officer
Montie L. Weisenberger	Principal Executive Officer, Manager	Vice President and Portfolio Manager
Derek Gaertner	Principal Executive Officer	Vice President, Chief Operating Officer and Compliance Officer of Eudaimonia
Joshua M. Moss	Principal Executive Officer	Vice President and Portfolio Manager
Byron Roth 24 Corporate Plaza-200 Newport Beach, California 92660	Manager	Chairman, CEO and Manager of Roth LLC (independent investment specializing in small-cap companies)
Gordon J. Roth 24 Corporate Plaza-200 Newport Beach, California 92660	Manager	CFO and Chief Operating Officer of Partners, LLC

Other than Gordon Roth, no other director or officer of the Corporation or of MorAmerica currently is either a member or manager of Eudaimonia or owns securities of, or has any other material direct or indirect interest in, Eudaimonia.

Eudaimonia does not act as investment adviser with respect to any other registered investment company, and the Corporation's Board of Directors is not aware of any financial condition of Eudaimonia that is reasonably likely to impair the financial ability of Eudaimonia to fulfill its commitment to the Corporation under the New Advisory Agreement. No commission has been paid to, nor does the Corporation have, any Affiliated Broker, as that term is defined in Item 22(a)(1)(ii) of Schedule 14A adopted under the 1934 Act.

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In connection with the New Advisory Agreement, the parties understand that representatives of Eudaimonia will serve as the executive officers of the Corporation during the term of the New Advisory Agreement, as further described below under the heading "Executive Officers of the Corporation." There are no other arrangements or understandings in connection with the New Advisory Agreement with respect to composition of the Board of Directors of the Corporation or the Board of Managers of Eudaimonia or with respect to the appointment of any person to any office with Eudaimonia.

RCP has expressed interest in supporting the growth of the Corporation. No agreements are in place, but, subject to the 1940 Act, RCP's support may include serving as standing purchaser of any rights not purchased by existing shareholders in connection with a rights offering, as further described under **PROPOSAL 4**, and serving as placement agent or underwriter for future capital offerings of the Corporation.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT THE SHAREHOLDERS VOTE FOR THE APPROVAL OF THE NEW ADVISORY AGREEMENT.**

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### **PROPOSAL 3 APPROVAL OF SUBADVISORY AGREEMENT**

The Corporation and Eudaimonia propose to enter into an the Subadvisory Agreement with InvestAmerica in the form attached hereto as Appendix B. The Subadvisory Agreement was approved on January 16, 2008 by the vote of a majority of the members of the Board of Directors who are not parties to the transaction or "interested persons" within the meaning of Section 2(a)(19) of the 1940 Act, cast in person at a meeting called for the purpose of voting on such approval.

Under the Subadvisory Agreement, InvestAmerica would be retained to monitor and manage the Existing Portfolio, including exits, preparation of valuations and other portfolio management matters. Under the Subadvisory Agreement, Eudaimonia would pay InvestAmerica management fees and incentive fees based on a portion of the management fees and incentive fees paid to Eudaimonia by the Corporation under the New Advisory Agreement attributable to the Existing Portfolio. The Subadvisory Agreement would not result in any additional expense to the Corporation beyond the expenses associated with the New Advisory Agreement.

During the first three months of the term of the Subadvisory Agreement, Eudaimonia will pay InvestAmerica a management equal to 75% of the management fee received by Eudaimonia under the New Advisory Agreement attributable to the Existing Portfolio. For the remainder of the term of the Subadvisory Agreement, Eudaimonia will pay InvestAmerica a management fee equal to 50% of the management fee received by Eudaimonia under the New Advisory Agreement attributable to the Existing Portfolio

The amount of the incentive fee payable by Eudaimonia to InvestAmerica under the Subadvisory Agreement is 100% of the incentive fee received by Eudaimonia under the New Advisory Agreement attributable to the Existing Portfolio.

The Subadvisory Agreement has a term of two years, unless sooner terminated as described below. After the initial two-year term, the Subadvisory Agreement

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will continue in effect so long as such continuance is specifically approved at least annually by Eudaimonia and the Board of Directors, including a majority of the Directors who are not interested persons of Eudaimonia or InvestAmerica, or by vote of the holders of a majority, as defined in the 1940 Act, of the outstanding voting securities of the Corporation. The Subadvisory Agreement may be terminated by Eudaimonia or the Corporation at any time, without payment of any penalty, on 60 days written notice to InvestAmerica if the decision to terminate has been made by Eudaimonia or by the Board of Directors of the Corporation or by vote of the holders of a majority, as defined in the 1940 Act, of the outstanding voting securities of the Corporation. The Subadvisory Agreement also may be terminated by InvestAmerica at any time, without payment of any penalty, on 60 days' written notice to Eudaimonia and the Corporation.

### **Material Factors and Conclusions Relating to the Board of Director's Selection of InvestAmerica and Approval of Fees under the Subadvisory Agreement**

The Board evaluated, among other things, written information provided by InvestAmerica as required under Section 15(c) of the 1940 Act (the "InvestAmerica 15(c) Materials"), and answers to questions posed by the Board to representatives of InvestAmerica. The Board noted that InvestAmerica has served as investment adviser or subadviser to the Companies since 1995 and is uniquely familiar with the Existing Portfolio--the assets for which InvestAmerica will render investment subadvisory services under the Subadvisory Agreement.

The Board carefully evaluated InvestAmerica 15(c) Materials, and was advised by legal counsel with respect to its deliberations. The Directors discussed the InvestAmerica 15(c) Materials and InvestAmerica's oral presentation and any other information that the Board received at the meeting, and deliberated on the appointment of InvestAmerica as investment subadviser to the Corporation and the terms of the Subadvisory Agreement in light of this information. In its deliberations, the Board did not identify any single piece of information that was all-important, controlling or determinative of its decisions. Based on its review of the InvestAmerica 15(c) Materials and the discussions with InvestAmerica and Eudaimonia, the Board determined that the terms of the Subadvisory Agreement are consistent with the best interests of the Corporation and its shareholders, and would enable the

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Corporation to receive high quality services at a cost that is appropriate, reasonable, and in the best interests of the Corporation and its shareholders. The Board made these determinations on the basis of the following factors:

- o A description of InvestAmerica's business, which the Board concluded demonstrated the appropriate level of expertise and size, which would benefit the Corporation by providing the level of service the Board expects to continue to receive from the portfolio manager of the Existing Portfolio;
- o Biographical information respecting InvestAmerica's personnel, which the Board concluded demonstrated the appropriate level of experience and qualification of InvestAmerica's personnel;
- o InvestAmerica's financial condition, including its balance sheet, which the Board concluded demonstrated that InvestAmerica is able to perform its obligations under the Subadvisory Agreement and otherwise service the needs of its clients;
- o The nature, quality and extent of the advisory services to be provided by InvestAmerica, including its reputation, expertise and resources in

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domestic financial markets, especially with respect to the Existing Portfolio, which the Board concluded would benefit the Corporation by continuing the management of the Existing Portfolio in the same fashion;

- o The advisory fees payable to and profits to be realized by InvestAmerica under the Subadvisory Agreement, which the Board concluded (i) were reasonable in comparison to the fees charged by other portfolio managers of funds of similar size having similar investment strategies (ii) were in the low to middle range of the comparisons to the Peer Group identified for the Board and (iii) would not result in any added expense to the Corporation;
- o InvestAmerica's brokerage practices (including any soft dollar arrangements), which the Board concluded that (i) InvestAmerica will not utilize directed brokerage in its management of the corporation, (ii) InvestAmerica does not inappropriately concentrate its brokerage allocation, and (iii) InvestAmerica pays commission rates which are comparable to industry custom;
- o InvestAmerica's portfolio transaction practices, which the Board concluded demonstrated that InvestAmerica appropriately allocates investment opportunities among its clients and seeks to treat its clients fairly;
- o The overall high quality of the personnel, operations, financial condition, investment management capabilities, methodologies, and performance of InvestAmerica, which the Board concluded demonstrated will enable the Corporation to achieve shareholder value with respect to the Existing Portfolio;
- o A description of InvestAmerica's internal compliance program, which the Board concluded demonstrated that InvestAmerica devotes an appropriate level of time and resources to detecting, preventing and remedying violations of the federal securities laws;
- o Any possible conflicts of interest arising out a relationship with InvestAmerica, which the Board concluded that that InvestAmerica does not now have, and does not anticipate having in the future, any problematic conflicts of interest;
- o The benefits to be realized by InvestAmerica as a result of its management of the Existing Portfolio, which the Board concluded would be limited to its receipt of the management fee and incentive fee described above, and would not provide other benefits such as soft dollars to InvestAmerica; and
- o The terms of the Subadvisory Agreement which the Board concluded were at least or more beneficial to the Corporation as compared to agreements respecting similar levels of service for similar levels of advisory fees.

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### Information Regarding InvestAmerica:

The following sets forth the name and principal occupation of the principal executive officers and each director of InvestAmerica:

Mr. Robert Comey, the Chief Financial Officer, Executive Vice President,

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Treasurer, Assistant Secretary and Chief Compliance Officer of both the Corporation and MorAmerica, is the Executive Vice President, Treasurer, Assistant Secretary and a Director of InvestAmerica. Mr. Kevin Mullane, Senior Vice President of both the Corporation and MorAmerica, is the Senior Vice President, Assistant Secretary and a Director of InvestAmerica. Mr. David Schroder, President and Secretary of both the Corporation and MorAmerica, is the President, Secretary and a Director of InvestAmerica. Mr. Michael Reynoldson, Vice President of both the Corporation and MorAmerica, is the Vice President of InvestAmerica. The address for Messrs. Comey, Mullane, Schroder and Reynoldson is 101 Second Street S.E., Suite 800, Cedar Rapids IA 52401. Each of Messrs. Schroder, Comey and Mullane own 10% or more of InvestAmerica's stock.

As further described below under the heading "Executive Officers of the Corporation," all executive officers of InvestAmerica who currently serve as officers of the Corporation will resign their respective positions as officers of the Corporation following the effectiveness of the New Advisory Agreement.

InvestAmerica does not act as investment advisor with respect to any other registered investment company, and the Corporation's Board of Directors is not aware of any financial condition of InvestAmerica that is reasonably likely to impair the financial ability of InvestAmerica to fulfill its commitment to the Corporation under the Subadvisory Agreement. No commission has been paid to, nor does the Corporation have, any Affiliated Broker, as that term is defined in Item 22(a)(1)(ii) of Schedule 14A adopted under the 1934 Act.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT THE SHAREHOLDERS VOTE FOR THE APPROVAL OF THE SUBADVISORY AGREEMENT.**

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### **PROPOSAL 4 AUTHORITY FOR RIGHTS OFFERING**

#### **Introduction**

The Corporation's Board of Directors is evaluating means to raise additional equity capital for the Corporation. The Corporation's shareholders approved a rights offering at the 2004 Annual Shareholders Meeting and the Corporation subsequently filed a registration statement to effect a rights offering, but the Corporation's Board determined not to pursue that rights offering in light of certain litigation and regulatory issues facing the Company in the at that time, as previously disclosed. At its meeting on January 16, 2008, the Board authorized the Corporation, with shareholder approval of this **PROPOSAL 4**, to again pursue a rights offering as described below. In order to determine when and if to undertake such rights offering, and to negotiate and fix the terms, including the exercise price of the rights and the number of the rights to be sold, the Board at its meeting on January 16, 2008 also appointed a special committee of the Board of Directors (the "Pricing Committee") consisting of Geoffrey T. Woolley, Michael W. Dunn and James W. Eiler.

#### **Rights Offering**

The Corporation has elected treatment as a BDC. As such, the Corporation is permitted to issue shares of its Common Stock in connection with a rights offering under Section 18(d) of the 1940 Act. In a rights offering, each shareholder receives the right to purchase a specified number of additional shares of the Corporation's Common Stock, pro-rata, based on the number of shares held as of a specified record date. Also, rights offerings may be non-transferable (in which case the rights may only be exercised by existing

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holders) or transferable (in which case rights not exercised by existing holders may be separately transferred).

Under rules of the NASDAQ Stock Market, Inc. ("NASDAQ"), shareholder approval is required for rights offerings that are deemed to be other than "public offerings" and which involve the sale of more than 20% of the outstanding shares at a price less than the greater of net asset value or market value. Thus, if shareholders approve this **PROPOSAL 4**, the Corporation will be authorized to conduct one or more rights offerings for which shareholder approval is required under NASDAQ rules.

However, no shareholder approval is required under NASDAQ rules with respect to rights that are either (i) deemed to be public offerings or (ii) involve the sale of less than 20% of the outstanding shares of the Corporation's Common Stock. Thus, if the shareholders do not approve this **PROPOSAL 4**, the Corporation may nonetheless effect a rights offering, so long as such rights offering does not require shareholder approval under NASDAQ rules.

Shareholders should consider that if they do not exercise their rights under a rights offering, at the completion of any such rights offering they will own a smaller proportional interest in the Corporation than they would if they had exercised. In addition, because the subscription price per share of Common Stock will be less than the net asset value per share, shareholders will experience an immediate dilution, which could be significant, of the aggregate net asset value of their shares. For example, based upon figures as December 31, 2007, assuming that 821,540 rights are issued (one right issued for each three outstanding shares), all rights are exercised at an estimated subscription price of \$2.61 per share (or 95% of the closing market bid price of the Common Stock on December 31, 2007), expenses of the offering are \$75,000 and the Corporation's net asset value otherwise remained constant, the Corporation's net asset value per share of \$4.36 would be reduced by approximately \$0.46 per share (or 10.6%) to \$3.90 per share. This dilution may disproportionately affect those shareholders who do not exercise their rights in full.

The Corporation cannot state precisely the extent of any such dilution at this time because the Board of Directors has not considered any specific transactions and does not know what the net asset value per share will be, what the subscription price will be or what proportion of any rights will be exercised at the time any rights offerings are effected in the future.

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Shares of the Corporation's stock have historically traded at a substantial discount to net asset value. At December 31, 2007, the closing market bid price per share of the Corporation's Common Stock was \$2.75, or 63.1% of the net asset value per share at that date of \$4.36. Accordingly, it is likely that in order to induce existing shareholders or others to exercise rights to purchase shares, the exercise price of the rights must be less than net asset value and/or market value. In addition, given the number of shares outstanding and market capitalization of the Corporation, in order to raise a material amount of money, issuing a substantial number of rights may be appropriate.

Accordingly, the Board of Directors requests approval of the shareholders to conduct one or more rights offerings for which shareholder approval is required under NASDAQ rules, on such terms and conditions as may be determined by the Board of Directors, for up to the total number of authorized but unissued shares. At this date, 2,464,621 shares are issued and outstanding, and 10,000,000 shares are currently authorized. If the shareholders approve this **PROPOSAL 4**, the Board of Directors will be authorized to conduct rights

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offerings for up to a maximum of 7,535,379 shares based on the number of currently authorized and unissued shares.

Any transaction will be undertaken only with the approval of the Board of Directors on the basis that any such transaction is in the best interest of the Corporation and its shareholders. Further, because the terms of any such offering are not known at this time, the terms of such an offering, and the securities issued thereunder, such as the price, voting rights and maturity dates would be determined by the Corporation's Board of Directors and the Pricing Committee.

If the Corporation issues additional securities as contemplated in this **PROPOSAL 4**, those securities would be listed on the NASDAQ.

Representatives of KPMG LLP, the Corporation's principal accountants for Fiscal Year 2008 and Fiscal Year 2007, are expected to be present at the 2008 Annual Meeting. These representatives will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

### **Information Incorporated by Reference from Periodic Reports**

With respect to **PROPOSAL 4**, the Corporation's financial statements and related financial information required by Item 13(a) of Schedule 14A adopted under the 1934 Act are incorporated hereby by this reference to: the Corporation's Annual Report to Shareholders for Fiscal Year 2007, included as exhibit 13 to the Corporation's report on Form 10-K filed with the SEC on December 29, 2007, (the "Annual Report"). The Report accompanies this proxy statement, but is not deemed a part of the proxy soliciting material, except to the extent that portions thereof have been incorporated herein pursuant to the preceding sentence.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT THE SHAREHOLDERS VOTE FOR AUTHORIZING THE CORPORATION TO ISSUE RIGHTS TO ACQUIRE ANY AUTHORIZED SHARES OF COMMON STOCK OF THE CORPORATION.**

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### **PROPOSAL 5 RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS**

As recommended by the Audit Committee of the Corporation's Board of Directors, on December 11, 2007, a majority of those members of the Board of Directors of the Corporation who are not "interested persons" of the Corporation (as defined in Section 2(a)(19) of the 1940 Act) voted in favor of the appointment of KPMG LLP to serve as the Corporation's independent auditors for the fiscal year ending September 30, 2008.

The appointment of KPMG LLP as independent auditors is subject to ratification by the shareholders. If the shareholders ratify the selection of KPMG LLP as the Corporation's auditors, they will also serve as independent auditors for MorAmerica. A representative of KPMG LLP is expected to be present at the 2008 Annual Meeting with an opportunity to make a statement, and will be available to respond to appropriate questions.

In order to ratify the appointment of KPMG LLP as independent auditors for the Corporation for the fiscal year ending September 30, 2008, the proposal must receive the favorable vote of a majority of the shares entitled to vote and represented at the 2008 Annual Meeting.



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**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT THE SHAREHOLDERS VOTE FOR THE RATIFICATION OF KPMG LLP AS THE INDEPENDENT AUDITORS FOR THE CORPORATION FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2008.**

### OTHER BUSINESS

The Board of Directors knows of no other business to be presented for action at the 2008 Annual Meeting. If any matters do come before the 2008 Annual Meeting on which action can properly be taken, it is intended that the proxies shall vote in accordance with the judgment of the person or persons exercising the authority conferred by the proxy at the 2008 Annual Meeting.

### ADDITIONAL INFORMATION

#### Section 16(a) Beneficial Ownership Reporting Compliance

Pursuant to Section 16(a) of the 1934 Act, officers and directors of the Corporation and persons beneficially owning 10% or more of the Corporation's Common Stock (collectively, "reporting persons") must file reports on Forms 3, 4 and 5 regarding changes in their holdings of the Corporation's equity securities with the SEC. Based solely upon a review of copies of these reports sent to the Secretary of the Corporation and/or written representations from reporting persons that no Form 5 was required to be filed with respect to Fiscal Year 2007, the Corporation believes that all Forms 3, 4, and 5 required to be filed by all reporting persons have been properly and timely filed with the SEC.

#### *Common Stock Ownership*

As of January 31, 2008, there were 2,464,621 shares of Common Stock issued and outstanding. The following table sets forth certain information as of January 31, 2008, with respect to the Common Stock ownership of: (i) those persons or groups (as that term is used in Section 13(d)(3) of the 1934 Act) who beneficially own more than 5% of the Common Stock, (ii) each Director and nominee for Director of the Corporation, and (iii) all Officers and Directors of the Corporation, nine in number, as a group. Unless otherwise provided, the address of those in the following table is 101 Second Street S.E., Suite 800, Cedar Rapids IA 52401.

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Name and Address of Beneficial Owner -----	Amount and Nature Of Beneficial Ownership -----	Percent of Voting Com -----
Atlas Management Partners, LLC(1) One South Main Street, Suite 1660, Salt Lake City, Utah 84133	804,689 Shares	32.
Bridgewater International Group, LLC(1) 10500 South 1300 West, South Jordan, Utah 84095	804,689 Shares	32.
Timothy A. Bridgewater(1) 10500 South 1300 West South Jordan, Utah 84095	809,689 Shares	32.
James W. Eiler	0 Shares	-
Michael W. Dunn	46,584 Shares	1.8

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Benjamin Jiaravanon(2) Ancol Barat, Jl Ancol VIII, No.1 Jakarta 14430 Indonesia	804,689 Shares	32.
Gordon J. Roth(3)	5,151 Shares	0.2
David R. Schroder(4)	77,416 Shares	3.1
Kevin F. Mullane(4)	11,264 Shares	0.4
Robert A. Comey(4)	57,019 Shares	2.3
Michael H. Reynoldson(5)	0 Shares	-
Geoffrey T. Woolley	151,314 Shares	6.1
All Officers and Directors as a Group	1,159,437 Shares	47.

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(1) Information with respect to Atlas, BIG and Mr. Bridgewater is based upon Amendment No. 1 to Schedule 13D, dated September 30, 2003, as subsequently amended February 13, 2004, April 28, 2005 and April 30, 2005, filed by Atlas, BIG and others with the SEC (collectively, the "Atlas Group 13D"). The Atlas Group 13D disclosed that control over 804,689 shares of Common Stock owned by BIG (the "BIG Shares") is governed by a Shareholder and Voting Agreement dated September 29, 2003 among Atlas, BIG and Kent Madsen (the "Shareholder Agreement"). The term of the Shareholder Agreement extends to March 1, 2010 and may be extended in certain circumstances; however, the Shareholder Agreement may also be terminated at any time by any party.

Under the Shareholder Agreement, BIG appointed Atlas as its limited proxy to vote the BIG Shares, but BIG retains all other incidents of ownership of the stock, including beneficial ownership and dispositive power. The Shareholder Agreement also provides Atlas with certain rights of first refusal respecting the BIG Shares and limits BIG's ability to otherwise dispose of the BIG Shares. Pursuant to a Mutual Release and Waiver of Claims and Termination of Shareholder and Voting Agreements among Atlas, BIG and the former managers of Atlas dated

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April 28, 2005 and filed as part of the Atlas Group 13D, certain former managers of Atlas, including Geoffrey Woolley and Kent Madsen, no longer have any interests in Atlas and have no voting rights respecting the BIG Shares.

As voting Managing Director of Atlas, Mr. Bridgewater has shared control over the voting power granted to Atlas under the Shareholder Agreement respecting the BIG Shares, subject to the parties' rights under the Shareholder Agreement. Mr. Bridgewater is also Managing Director of BIG and in that capacity has shared control over the voting power granted to Atlas under the Shareholder Agreement respecting the BIG Shares, subject to the parties' rights under the Shareholder Agreement. Mr. Bridgewater also individually owns 5,000 shares of Common Stock.

(2) Information with respect to Mr. Jiaravanon is based upon the Atlas Group 13D. As the sole Managing Member of BIG, Mr. Jiaravanon has shared control over the voting power granted to Atlas under the Shareholder Agreement respecting the BIG Shares, subject to the parties' rights under the Shareholder

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Agreement. To the extent that BIG may be deemed to be in control of the Corporation as a result of beneficial ownership of the Company's Common Stock, Mr. Jiaravanon, as the sole Managing Member of BIG, may be an "interested person" of the Company, as that term is defined in Section 2(a)(19) of the 1940 Act.

(3) As a member of the Board of Managers of Eudaimonia, Mr. Roth will be an "interested person" of the Corporation, as that as that term is defined in Section 2(a)(19) of the 1940 Act, upon effectiveness of the New Advisory Agreement.

(4) As principals, officers and directors of InvestAmerica, and as officers of the Corporation and of MorAmerica, Messrs. Schroder, Mullane and Comey are "interested persons" of the Corporation, as that term is defined in Section 2(a)(19) of the 1940 Act.

(5) As an officer of the Corporation and of MorAmerica, and as an officer or director of several companies affiliated with InvestAmerica, Mr. Reynoldson is an "interested person" of the Corporation, as that term is defined in Section 2(a)(19) of the 1940 Act.

### *Executive Officers of the Corporation*

#### **Current Officers**

As affiliated persons of InvestAmerica, the current officers of the Corporation listed in the chart below (the "Current Officers") are "interested persons," as that term is defined in Section 2(a)(19) of the 1940 Act, of the Corporation. The address for all Current Officers is 101 Second Street SE, Suite 800, Cedar Rapids, Iowa 52401.

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

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

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Name and Age	Position(s) Held with the Corporation	Term of Office and Length of Time Served	Principal Occupation(s) During Past 5 Years	Num Port in Co Over Offi
David R. Schroder, 65	President and Secretary	Since April, 2005	Chief Compliance Officer and Treasurer of the Corporation, March, 2004-April, 2005; President, Secretary and a Director of the Corporation,	

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1994-2004. Mr. Schroder also serves as President, Assistant Secretary and Director of InvestAmerica. He received a B.S.F.S. from Georgetown University and an M.B.A. from the University of Wisconsin.

Robert A. Comey, 62	Chief Financial Officer, Executive Vice President, Chief Compliance Officer, Treasurer and Assistant Secretary	Since April, 2005	Chief Financial Officer, Executive Vice President, Treasurer and a Director of the Corporation, 1994-2004; Director of MorAmerica, 1989-2004; Executive Vice President and Assistant Secretary of MorAmerica, 1994-2004; Treasurer of MorAmerica, 1994-April, 2005. Mr. Comey has been the Executive Vice President, Treasurer, Assistant Secretary and a Director of InvestAmerica since 1994. He received an A.B. in Economics from Brown University and an M.B.A. from Fordham University.
Kevin F. Mullane, 52	Senior Vice President	Since April, 2005	Vice President of the Corporation, 1994-1999; Vice President of MorAmerica, 1994-1998; Senior Vice President of the Corporation, 2000-2004; Senior Vice President of MorAmerica, 1999-2004. Mr. Mullane is a Senior Vice President, Assistant Secretary and a Director of InvestAmerica. He received an M.B.A. and an M.S. in Business Administration, Emphasis in Accounting, from Rockhurst Jesuit University.
Michael H. Reynoldson, 42	Vice President	Since April, 2005	Vice President of MorAmerica since 2002. Mr. Reynoldson is Vice President of InvestAmerica. He received an M.B.A. from the University of Iowa and a B.A. in Business Administration from Washington State University.

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

(2) "Other Directorships" indicate other companies which (i) have a class of securities registered under section 12 of the 1934 Act, (ii) are subject to section 15(d) of the 1934 Act, or (iii) are registered investment companies under the 1940 Act.

**Proposed Officers**

Following shareholder approval of the New Advisory Agreement, all of the Current Officers will resign their respective positions as officers of the Corporation and in their place the individuals listed in the chart below

(the "Proposed Officers") will become executive officers of the Corporation. As affiliated persons of Eudaimonia, the Proposed Officers will be "interested persons," as that term is defined in Section 2(a)(19) of the 1940 Act, of the Corporation. The address for all Proposed Officers is 580 2nd Street, Suite 102, Encinitas, California 92024.

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Name and Age	Position(s) Held with the Corporation	Office and Length of Time Served	Principal Occupation(s) During Past 5 Years
Travis Prentice, 32	President and CEO		President and Chief Investment Officer of Eudaimonia Asset Management, a firm he co-founded in 2007. In addition, he serves as portfolio manager for the firm's Micro Cap Growth and Ultra Micro Cap Growth investment strategies. Prior to founding Eudaimonia Asset Management, Mr. Prentice was a Partner, Managing Director and Portfolio Manager with Nicholas-Applegate Capital Management where he had lead portfolio management responsibilities for their Micro and Ultra Micro Cap investment strategies and a senior role in the firm's US Micro/Emerging Growth team. He brings ten years of institutional investment experience from Nicholas Applegate where he originally joined in 1997. He holds a Masters in Business Administration from San Diego State University and a Bachelor of Arts in Economics and a Bachelor of Arts in Psychology from the University of Arizona.

Derek Gaertner, 36	Chief Financial Officer and Chief Compliance Officer		Vice President and Chief Operating/Compliance Officer of Eudaimonia Asset Management. Prior to joining Eudaimonia Asset Management in 2007, Mr. Gaertner was the Chief Financial Officer of Torrey Pines Capital Management, a global long/short equity hedge fund located in San Diego, California. He was also responsible for overseeing the firm's regulatory compliance and operations functions. Prior to joining Torrey Pines Capital Management in 2004, Mr. Gaertner was a Tax Manager with PricewaterhouseCoopers LLP. He has over 8 years of public accounting experience in both the audit and tax departments. Mr. Gaertner is a Certified Public Accountant and has a Bachelors of Science in Accounting from the University of Southern California and Masters of Science in Taxation from Golden Gate University, San Francisco.
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Name and Age	Position(s) Held with the Corporation	Term of Office and Length of Time Served	Principal Occupation(s) During Past 5 Years
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Montie L. Weisenberger,  
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Treasurer  
and Secretary

Senior Vice President and Portfolio Manager of Eudaimonia, a firm he co-founded in 2007. Mr. Weisenberger has primary portfolio management responsibilities for the firm's Small Cap Growth investment strategy. Prior to founding Eudaimonia Asset Management, Mr. Weisenberger was a Senior Vice President and Portfolio Manager at Nicholas Applegate Capital Management where he had lead portfolio management responsibilities for the firm's Traditional Small-to-Mid Cap Growth strategy and was a senior member of the firm's US Micro / Emerging Growth team since 2001. Prior to joining Nicholas Applegate Capital Management, Montie was a research analyst at Adams, Harkness & Hill, now Cannacord Adams, an emerging growth investment bank located in Boston, MA. Mr. Weisenberger also spent more than five years as a finance and strategic management consultant, most recently as a manager with KPMG, LLP. Mr. Weisenberger brings more than twelve years of combined investment management and financial analysis experience to Eudaimonia Asset Management. He holds a Masters in Business Administration and a Masters in Health Administration from Georgia State University and a Bachelor of Arts in Business Administration from Flagler College.

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

The Audit Committee and the Corporate Governance/Nominating Committee operated during Fiscal Year 2007 to assist the Board of Directors in carrying out its duties. During Fiscal Year 2007, seven meetings of the Board of Directors were held. In addition, four meetings of the Audit Committee and two meetings of the Corporate Governance/Nominating Committee were held. Each of the Directors who are nominated for election at the 2008 Annual Meeting, except Benjamin Jiaravanon, attended at least 75% of the aggregate meetings of the Board of Directors and the meetings held by the committees of the Board of Directors on which each Director served during fiscal year 2007.

The Corporation strongly encourages its Directors to attend all annual meetings, and all Directors attended the Corporation's 2007 Annual Meeting of shareholders.

### *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 presently consists of Michael W. Dunn (Chair), Geoffrey T. Woolley and James W. Eiler. Each member of the Audit Committee is considered "independent" under applicable NASDAQ listing standards. The Board of Directors has determined that James W. Eiler is an Audit Committee financial expert.

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### *Corporate Governance/Nominating Committee*

The Corporate Governance/Nominating Committee was appointed by the Board of Directors to identify and recommend approval of all Director nominees to be voted on at the Annual Shareholders' Meetings, to recommend corporate governance guidelines for the Corporation, to lead the Board of Directors in its annual review of the Board's performance, and to recommend to the Board of Directors nominees for each committee of the Board. On December 22, 2003, the Board of Directors approved the Corporate Governance/Nominating Committee Charter, which was subsequently revised on February 28, 2006 and was attached as an appendix to the Proxy Statement in Fiscal Year 2006.

The Corporate Governance/Nominating Committee may seek input from other Directors or senior management in identifying candidates. Shareholders may propose nominees for Director by following the procedures set forth in the section of this Proxy Statement entitled "**SHAREHOLDER PROPOSALS FOR 2009 ANNUAL MEETING.**"

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

The Corporate Governance/Nominating Committee also: (i) oversees the formulation of, and recommends for adoption to the Board of Directors, a set of corporate governance guidelines; (ii) periodically reviews and reassesses the corporate governance guidelines and recommends appropriate changes to the Board of Directors for approval; (iii) reviews and approves annually the Corporation's compensation program for service on the Board of Directors or any of its committees; (iv) performs an annual assessment of the Board's performance and periodically reports its Board assessments to the Board; (v) annually reviews and assesses its Charter and makes recommendations of appropriate changes to the Board; (vi) performs periodic reviews of all Board committee structure and governance charters; (vii) recommends appropriate changes to Board committee composition and responsibility to the Board; and (viii) reviews any conflicts of interest.

The Corporate Governance/Nominating Committee consists of James W. Eiler and Michael Dunn. All members of the Corporate Governance/Nominating Committee are considered "independent" under applicable NASDAQ listing standards.

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### *Investment and Valuation Committee*

The Investment and Valuation Committee assists the full Board of Directors with the periodic valuation of the Companies' investment securities and with oversight of the Corporation's investment portfolio and evaluates any proposed revisions to the Corporation's investment policy. The Investment and Valuation

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Committee also assures compliance with the Corporation's valuation policy and policies regarding investments made in participation with other funds managed by InvestAmerica, with entities controlling, controlled by or under common control with InvestAmerica, and with other affiliates. The voting members of the Investment and Valuation Committee presently include Michael W. Dunn and James W. Eiler. Both members are independent under NASDAQ listing standards. The Investment and Valuation Committee did not hold any meetings in Fiscal Year 2007.

### Audit Committee Report

The Audit Committee of the Board of Directors of the Corporation was established as a separately designated committee in accordance with section 3(a)(58)(A) of the 1934 Act and is composed of three directors. It operates under a written charter which was approved by the Board of Directors and subsequently amended by the Audit Committee on February 25, 2003, and was attached as an appendix to the Proxy Statement in the Corporation's fiscal Year ended September 30, 2006 ("Fiscal Year 2006"). The members of the Audit Committee during Fiscal Year 2007 were Michael W. Dunn (Chair), Jasja Kotterman and Gordon J. Roth. Mr. Roth was considered the Audit Committee's financial expert during Fiscal Year 2007. Under the terms of the charter and the listing standards applicable to companies listed on the NASDAQ Capital Market, all of the Audit Committee members were considered to be independent.

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

In this regard, the Audit Committee has reviewed and discussed the audited financial statements for Fiscal Year 2007 with management and discussed other matters related to the audit with the independent auditors. Management represented to the Audit Committee that the Corporation's consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America. The Audit Committee met with the independent auditors, with and without management present, and discussed with the independent auditors matters required to be discussed by Statement on Auditing Standards No. 61, as amended (Communication with Audit Committees). The independent auditors also provided to the Audit Committee the written disclosures and the letter required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), and the Audit Committee discussed with the independent auditors the firm's independence.

The Corporation paid KPMG LLP ("KPMG"), the Corporation's independent auditors for Fiscal Year 2007, the following amounts during Fiscal Year 2007:

Audit Fees (including quarterly reviews, security counts, and audit of Form 468):	\$	71,225
Audit-related services	\$	-0-
Financial Information Systems Design and Implementation:		
Non-Audit Fees:		
Preparation of federal and state income tax returns	\$	22,700
Other tax research, consultation, correspondence and advice	\$	-0-

The Audit Committee has considered whether KPMG has maintained its independence during Fiscal Year 2007.



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Based upon the Audit Committee's discussions with management and the independent auditors, and the Audit Committee's review of representations of management and the report of the independent auditors to the Audit Committee, the Audit Committee recommended that the Corporation's Board of Directors include the audited consolidated financial statements in the Corporation's Annual Report on Form 10-K for Fiscal Year 2007, filed with the SEC.

AUDIT COMMITTEE:  
 Michael W. Dunn, Chair  
 Jasja Kotterman  
 Gordon J. Roth

### Independent Auditor Fees and Services

The following table presents fees paid for professional services rendered by KPMG for the Fiscal Year 2007 and Fiscal Year 2006:

Fee Category	Fiscal Year 2007 Fees	Fiscal Year 2006 Fees
Audit Fees	\$71,225	\$67,800
Audit-Related Fees	-0-	-0-
Tax Fees	\$22,700	\$25,900
All Other Fees	-0-	-0-
	\$93,925	\$93,700
Total Fees		

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

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

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

*All Other Fees* are for services other than the services reported above. The Corporation did not pay any fees for such other services in Fiscal Year 2007 or Fiscal Year 2006.

The Audit Committee has concluded the provision of the non-audit services listed above is compatible with maintaining the independence of KPMG. KPMG did not bill the Corporation's investment advisor, InvestAmerica, for any non-audit services in either Fiscal Year 2007 or Fiscal Year 2006.

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

The Audit Committee pre-approves all audit and permissible non-audit services provided by the independent auditors. These services may include audit services, audit-related services, tax services and other services. Pre-approval is generally provided for up to one year and any pre-approval is detailed as to the particular service or category of services and is generally subject to a specific budget. The independent auditors and management are required to periodically report to the Audit Committee regarding the extent of services provided by the independent auditors in accordance with this pre-approval, and the fees for the services performed to date. The Audit Committee may also pre-approve particular services on a case-by-case basis.

**Compensation of Directors and Executive Officers**

*Compensation Committee*

The Corporation does not have a separate compensation committee utilized to determine the appropriate compensation payable to the Directors due to the size of the Corporation. The Corporate Governance/Nominating Committee, however, is responsible for, among other things, annually reviewing and approving the Corporation's compensation policies, and operates under a Charter attached as an appendix to the Proxy Statement in Fiscal Year 2006. The Charter provides that the Corporate Governance/Nominating Committee may form subcommittees and delegate its responsibilities to subcommittees where appropriate. The Corporation's executive officers do not participate in determining or recommending the compensation for the Directors or the executive officers; however, at the time the Compensation Policy discussed below was initially adopted by the Board of Directors, certain of the Corporation's officers did serve on the Board of Directors. Accordingly, the Compensation Policy provided that no Director would be compensated by the Corporation if the Director also served as an officer of an investment adviser of the Corporation. The Corporate Governance/Nominating Committee has not engaged consultants to assist it in these determinations.

*Compensation Committee Interlocks and Insider Participation*

The Corporate Governance/Nominating Committee presently consists of James W. Eiler and Michael Dunn. The members of the Corporate Governance/Nominating Committee during Fiscal Year 2007 were Jasja Kotterman (Chair) and Michael Dunn. All members of the Corporate Governance/Nominating Committee are considered "independent" under applicable NASDAQ listing standards. No members of the Committee have ever served as officers or employees of the Corporation. However, at the time the Compensation Policy was adopted by the Board of Directors, certain of the Corporation's executive officers did serve on the Board of Directors. No executive officers of the Corporation served, during Fiscal Year 2007: (i) on a compensation committee of another entity which had an executive officer serving on the Corporate Governance/Nominating Committee; (ii) as a director of another entity which had an executive officer serving on the Corporate Governance/Nominating Committee; or (iii) as a member of a compensation committee of another entity which had an executive officer who served as a Director of the Corporation.

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The Corporate Governance/Nominating Committee has not reviewed or discussed with the Corporation's management the compensation indicated below under the caption of "Summary Compensation Table" because the Corporation's standing policy is to not compensate executive officers, and because compensation of the Board and its committees is determined only by the Board of Directors and the Corporate Governance/Nominating Committee. The Corporate Governance/Nominating Committee did recommend to the Board of Directors that the information provided below under the caption "Summary Compensation Table" be included in this Proxy Statement.

CORPORATE GOVERNANCE /  
NOMINATING COMMITTEE:  
Jasja Kotterman, Chair  
Michael W. Dunn

### *Compensation of Directors*

The compensation of the Corporation's Directors is governed by a compensation policy adopted via resolution of the Board of Directors on February 24, 2004 and amended on July 18, 2006 (as amended, the "Compensation Policy"). The Compensation Policy provides that: (i) Directors of the Corporation and of MorAmerica who are also officers or directors of any investment advisor of either the Corporation or of MorAmerica receive no compensation for serving on the Boards of Directors of the Corporation and of MorAmerica; (ii) the Chairman of the Board receives an annual retainer of \$24,000; (iii) all other outside Directors receive an annual retainer of \$8,000; (iv) all outside Directors other than the Chairman of the Board receive \$1,000 for each Board of Directors meeting attended (whether such attendance is in person or by telephone) if the meeting is scheduled as an in-person meeting and \$500 for each Board of Directors meeting attended by telephone if the meeting is scheduled to be held by teleconference; (v) all Directors other than the Chairman of the Board receive \$250 for each committee meeting attended (whether such attendance is in person or by telephone) if the committee meeting is scheduled as an in-person meeting and \$250 for each committee meeting attended by telephone if the meeting is scheduled to be held by teleconference; (vi) the Directors do not receive separate compensation for serving on the Board of Directors of MorAmerica; and (vii) the Corporation reimburses all reasonable expenses of the Directors and the Chairman of the Board in attending Board of Directors and committee meetings. Directors' meetings are normally held on a quarterly basis, with additional meetings held as needed. All Director compensation is payable quarterly, in arrears.

### *Summary Compensation Table*

The following table sets forth the details of the compensation paid to Directors during Fiscal Year 2007, which includes compensation for serving on the Boards of Directors of the Corporation and MorAmerica (the only wholly owned subsidiary of the Corporation). The Corporation does not compensate its executive officers. For purposes of the following table, the Fund Complex (as that term is defined in Item 22(a)(1)(v) of Schedule 14A adopted under the 1934 Act) consists solely of the Corporation and MorAmerica. The Corporation presently maintains no pension or retirement plans for its Directors.

<b>Name and Position</b> -----	<b>Aggregate Compensation</b> <b>From Corporation and Fund Complex(1)</b> -----
Geoffrey T. Woolley Chairman of the Board	\$24,000
Benjamin Jiaravanon, Director	\$0

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Jasja De Smedt Kotterman, Director(2)

\$14,000

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Michael W. Dunn, Director  
Gordon J. Roth, Director

\$14,000  
\$13,750

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

2 Ms. Kotterman is not standing for re-election at the 2008 Annual Meeting.

### *Compensation of Executive Officers*

The Corporation has no employees and does not pay any compensation to any of its officers. The Corporation has not compensated its executive officers in any of the last three fiscal years. The Corporation does not provide any of bonus, stock options, stock appreciation rights, non-equity incentive plans, non-qualified deferred compensation or pension benefits to its executive officers. Further, the Corporation has no agreements with any officer pertaining to change in control payments. All of the Corporation's current officers and staff are employed by InvestAmerica, which pays all of their cash compensation. Upon the effectiveness of the New Investment Advisory Agreement, all of the Corporation's officers and staff will be employed by Eudaimonia, which will pay all of their cash compensation.

### **SHAREHOLDER PROPOSALS FOR 2009 ANNUAL MEETING**

Under the rules of the SEC, any shareholder proposal to be considered by the Corporation for inclusion in the proxy material for the February, 2009 Annual Meeting of shareholders must be received by the Secretary of the Corporation, 101 Second Street, S.E., Suite 800, Cedar Rapids, Iowa 52401, no later than [October 31, 2008]. The submission of a proposal does not guarantee its inclusion in the proxy statement or presentation at the annual meeting unless certain securities laws requirements are met.

In addition, under the Corporation's Amended and Restated Bylaws, shareholders desiring to nominate persons for election as Directors or to propose other business for consideration at an annual meeting must notify the Secretary of the Corporation in writing not less than 60 days, nor more than 90 days, prior to the date on which the Corporation first mailed its proxy materials for the prior year's annual meeting. Accordingly, shareholders desiring to submit a proposal for consideration at the 2009 Annual Meeting of shareholders must give written notice of the proposal to the Secretary of the Corporation not earlier than [November 30, 2008], and not later than [December 30, 2008]. The Corporation's proxies will have discretionary authority to vote with respect to any shareholder proposal that may be presented at an annual meeting which does not comply with these notice requirements. Shareholders' notices must contain the specific information set forth in the Corporation's Amended and Restated Bylaws. A copy of the Corporation's Amended and Restated Bylaws will be furnished to shareholders without charge upon written request to the Secretary of the Corporation.

### **SHAREHOLDER COMMUNICATION**

Pursuant to the policy adopted by the Board of Directors on February 28,

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2006, any shareholder wishing to communicate with any of the Corporation's Directors regarding matters related to the Corporation may provide correspondence to the Director in care of Secretary, MACC Private Equities Inc., 101 Second Street S.E., Suite 800, Cedar Rapids IA 52401. The Chairman of the Corporate Governance/Nominating Committee will review and determine the appropriate response to questions from shareholders, including whether to forward communications to individual Directors. The independent members of the Board of Directors review and approve the shareholder's communication process periodically to ensure effective communication with the shareholders.

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### EXPENSES OF SOLICITATION OF PROXIES

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

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

### PERIODIC REPORTS

The Corporation's financial statements and related financial information required by Item 13(a) of Schedule 14A under the 1934 Act are incorporated herein by this reference to the Annual Report. The Annual Report accompanies this proxy statement, but is not deemed a part of the proxy soliciting material, except to the extent that portions thereof have been incorporated herein pursuant to the preceding sentence.

**A copy of the Fiscal Year 2007 Form 10-K report to the SEC, excluding exhibits, will be mailed to shareholders without charge upon written request to Secretary, MACC Private Equities Inc., 101 Second Street, S.E., Suite 800, Cedar Rapids, Iowa 52401 or by calling (319) 363-8249. Such requests must set forth a good faith representation that the requesting party was either a holder of record or a beneficial owner of Common Stock of the Corporation on January 31, 2008. Exhibits to the Form 10-K will be mailed upon similar request and payment of specified fees.**

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

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

Cedar Rapids, Iowa  
\_\_\_\_\_, 2008

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**APPENDIX A**

**New Investment Advisory Agreement**

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**INVESTMENT ADVISORY AGREEMENT**

This INVESTMENT ADVISORY AGREEMENT (this "Agreement") is entered into as of \_\_\_\_\_, 2008 by and between MACC PRIVATE EQUITIES INC., a corporation organized under the laws of the State of Delaware (the "Company"), and EUDAIMONIA ASSET MANAGEMENT, LLC, a limited liability company organized under the laws of the State of California ("Eudaimonia").

**R E C I T A L S**

WHEREAS, the Company is a closed-end investment company that has elected to be regulated as a business development company (a "BDC") under the Investment Company Act of 1940, as amended (the "1940 Act");

WHEREAS, Eudaimonia is qualified to provide investment advisory services to the Company and is registered as an investment advisor under the Investment Advisors Act of 1940, as amended; and

WHEREAS, this Agreement is subject to approval by the holders of a majority, as defined in the 1940 Act, of the Company's outstanding voting securities and will become effective as of the date of such approval (the "Effective Date").

**A G R E E M E N T**

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, the parties hereto agree as follows:

Section 1. Definitions.

1.1 The "1940 Act" has the meaning set forth in the first recital hereof.

1.2 "Affiliate" shall have the meaning given under the 1940 Act.

1.3 "Assets Under Management" shall mean the total value of the Company's assets managed by Eudaimonia under this Agreement, less any cash balances and cash equivalent investments of the Company which are not invested in debt or equity securities of Portfolio Companies in accordance with the Company's investment objectives, calculated as of the end of each month during the term of this Agreement.

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1.4 "Capital Losses" are those which are placed, consistent with generally accepted accounting principles, on the books of the Company and which occur when:

(a) An actual or realized loss is sustained owing to Portfolio Company or investment events including, but not limited to, liquidation, sale or bankruptcy;

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(b) The Board of Directors of the Company determines that a loss or depreciation in value from the value on the date of this Agreement should be taken by the Company in accordance with generally accepted accounting principles ("GAAP") and the Company's Valuation Policy then in effect and is shown on its books as a part of the periodic valuation of the Portfolio Companies by the Board of Directors ("Unrealized Depreciation"); or

(c) Capital Losses are adjusted for reverses of depreciation when the Board of Directors determines that a value should be adjusted upward and the investment value remains at or below original cost.

For purposes of this definition, in any case where the Board of Directors of the Company writes down the value of any investment in the Company's portfolio (in accordance with the standards set forth in subsection 1.4(b) above), (i) such reduction in value shall result in a new cost basis for such investment and (ii) the most recent cost basis for such investment shall thereafter be used in the determination of any Realized Capital Gains or Capital Losses in the Company's portfolio (i.e., there shall be no double-counting of losses when a security (whose value has declined in a prior period) is ultimately sold at a price below its historical cost).

1.5 The "Company" shall mean MACC Private Equities Inc., a Delaware corporation.

1.6 "Eudaimonia" shall mean Eudaimonia Asset Management, LLC, a California limited liability company.

1.7 "Existing Portfolio Company" or "Existing Portfolio Companies" shall mean any Portfolio Company in which the Company or MorAmerica has made an investment prior to the Effective Date.

1.8 "MorAmerica" shall mean the Company's wholly-owned subsidiary, MorAmerica Capital Corporation, an Iowa corporation.

1.9 "Net Capital Gains" shall mean Realized Capital Gains net of Capital Losses determined in accordance with GAAP.

1.10 "New Portfolio Company" or "New Portfolio Companies" shall mean any Portfolio Company, other than an Existing Portfolio Company, in which the Company may make an investment after the Effective Date.

1.11 "Other Venture Capital Funds" has the meaning set forth in subsection 3.2.

1.12 "Portfolio Company" or "Portfolio Companies" shall mean any entity in which the Company may make an investment and with respect to which Eudaimonia will be providing services pursuant hereto, which investments may include ownership of capital stock, loans, receivables due from a Portfolio Company or other debtor on sale of assets acquired in liquidation and assets acquired in

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liquidation of any Portfolio Company.

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1.13 "Realized Capital Gains" shall mean capital gains after deducting the cost and expenses necessary to achieve the gain (e.g., broker's fees). For purposes of this Agreement, capital gains are Realized Capital Gains upon the cash sale of the capital stock or assets of a Portfolio Company or any other asset or item of property managed by Eudaimonia pursuant to the terms hereof or any Realized Capital Gain has occurred in accordance with GAAP which is not cash as described in the following sentence. Realized Capital Gains other than cash gains, shall be recorded and calculated in the period the gain is realized; however in determining payment of any incentive fee, the payment shall be made when the cash is received. The amount of the fee earned on gains other than cash shall be recorded as incentive fees payable on the financial statements of the Company.

1.14 "SEC" shall mean the United States Securities and Exchange Commission.

Section 2. Investment Advisory Engagement. The Company hereby engages Eudaimonia as its investment advisor.

2.1 As such, Eudaimonia will:

(a) Manage, render advice with respect to, and make decisions regarding the acquisition and disposition of securities in accordance with applicable law and the Company's investment policies as set forth in writing by the Board of Directors, to include (without limitation) the search and marketing for investment leads, screening and research of investment opportunities, maintenance and expansion of a co-investor network, review of appropriate investment legal documentation, presentations of investments to the Company's Board of Directors (when and as required), closing of investments, monitoring and management of investments and exits, preparation of valuations, management of relationships with the SEC, shareholders, outside auditors, and the provision of other services appropriate to the management of a BDC;

(b) Make available and, if requested by Portfolio Companies or entities in which the Company is proposing to invest, render managerial assistance to, and exercise management rights in, such Portfolio Companies and entities as appropriate to maximize return for the Company and to comply with regulations;

(c) Maintain office space and facilities to the extent required by Eudaimonia to provide adequate management services to the Company;

(d) Maintain the books of account and other records and files for the Company, but not to include auditing services; and

(e) Report to the Company's Board of Directors, or to any committee or officers acting pursuant to the authority of the Board, at such reasonable times and in such reasonable detail as the Board deems appropriate in order to enable the Company to determine that investment policies are being observed and implemented and that the obligations of Eudaimonia hereunder are being fulfilled. Any investment program undertaken by Eudaimonia pursuant

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hereto and any other activities undertaken by Eudaimonia on behalf of the Company shall at all times be subject to applicable law and any directives of the Company's Board of Directors or any duly constituted committee or officer acting pursuant to the authority of the Company's Board of Directors.

2.2 Eudaimonia will be responsible for the following expenses: its staff salaries and fringe benefits, office space, office equipment and furniture, communications, travel, meals and entertainment, conventions, seminars, office supplies, dues and subscriptions, hiring fees, moving expenses, repair and maintenance, employment taxes, in-house accounting expenses and minor miscellaneous expenses.

Eudaimonia will pay for its own account all expenses incurred in rendering the services to be rendered hereunder. Without limiting the generality of the foregoing, Eudaimonia will pay the salaries and other employee benefits of the persons in its organization whom it may engage to render such services, including without limitation, persons in its organization who may from time to time act as officers of the Company.

Notwithstanding the foregoing, Eudaimonia will earn incentive compensation on a quarterly basis, which shall not be deemed part of compensation or other employee benefits for the purpose of this paragraph.

2.3 In connection with the services provided, Eudaimonia will not be responsible for the following expenses which shall be the sole responsibility of the Company and will be paid promptly by the Company: auditing fees; all legal expenses; legal fees normally paid by Portfolio Companies; appropriate trade association fees; brochures, advertising, marketing and publicity costs; interest on debt; fees to the Company and its directors and Board fees; any fees owed or paid to the Company or fund managers; any and all expenses associated with property of a Portfolio Company taken or received by the Company or on its behalf as a result of its investment in any Portfolio Company; all reorganization and registration expenses of the Company; the fees and disbursements of the Company's counsel, accountants, custodian, transfer agent and registrar; fees and expenses incurred in producing and effecting filings with federal and state securities administrators; costs of periodic reports to, and other communications with the Company's shareholders; fees and expenses of members of the Company's Board of Directors who are not directors, officers, employees or Affiliates of Eudaimonia or of any entity which is an Affiliate of Eudaimonia; premiums for the fidelity bond, if any, maintained by Eudaimonia pursuant to Section 17 of the 1940 Act; premiums for directors and officers insurance maintained by the Company; all transaction costs incident to the acquisition, management and protection of and disposition of securities by the Company; and any other expenses incurred by or on behalf of the Company that are not expressly payable by Eudaimonia under Section 2.2. above.

2.4 Subject to approval by the Board of Directors of the Company and in accordance with the 1940 Act, Eudaimonia may retain one or more subadvisors to assist it in performance of its duties hereunder.

Section 3. Nonexclusive Obligations; Co-investments.

3.1 The obligations of Eudaimonia to the Company are not exclusive. Eudaimonia and its Affiliates, may in their discretion, manage other venture

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capital funds and render the same or similar services to any other person or persons who may be making the same or similar investments. The parties acknowledge that Eudaimonia may offer the same investment opportunities as may be offered to the Company to other persons for whom Eudaimonia is providing services. Neither Eudaimonia nor any of its Affiliates shall in any manner be liable to the Company by reason of the activities of Eudaimonia or its Affiliates on behalf of other persons and funds as described in this paragraph and any conflict of interest arising therefrom is hereby expressly waived.

3.2 Should Eudaimonia or any of its Affiliates agree to perform or undertake any investment management services described in Section 3.1 for any registered or unregistered investment company in addition to the Company, Eudaimonia will notify the Company, in writing, not later than the commencement of such agreement or the initial provision of such services.

3.3 Any such investment management services and any co-investments shall at all times be provided in strict accordance with rules and regulations under the 1940 Act, Eudamonia's asset allocation policy required thereunder and any exemptive order thereunder applicable to the Company.

### Section 4. Services to Portfolio Companies.

4.1 It is acknowledged that as a part of the services to be provided by Eudaimonia hereunder, certain of its employees, representatives and agents will act as members of the board of directors of individual Portfolio Companies, will vote the shares of the capital stock of Portfolio Companies, and make other decisions which may effect the near-and the long-term direction of a Portfolio Company. Unless otherwise restricted hereafter by the Company in writing, in regard to such actions and decisions the Company hereby appoints Eudaimonia (and such officers, directors, employees, representatives and agents is it shall designate) as its proxy, as a result of which Eudaimonia shall have the authority, in its performance of this Agreement, to make decisions and to take such actions, without specific authority from the Board of Directors of the Company, as to all matters which are not hereby restricted.

4.2 All fees, including director's fees that may be paid by or for the account of an entity in which the Company has invested or in which the Company is proposing to invest in connection with an investment transaction in which the Company participates or provides managerial assistance, will be treated as commitment fees or management fees and will be received by the Company, pro rata to its participation in such transaction. Eudaimonia will be allowed to be reimbursed by Portfolio Companies for all direct expenses associated with due diligence and management of portfolio investments or investment opportunities (travel, meals, lodging, etc.).

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4.3 The sole and exclusive compensation to Eudaimonia for its services to be rendered hereunder will be in the form of a management fee and a separate incentive fee as provided in Section 5. Should any officer, director, employee or Affiliate of Eudaimonia serve as a member of the Board of Directors of the Company, such officer, director, employee or Affiliate of Eudaimonia shall not receive compensation as a member of the Board of Directors of the Company.

### Section 5. Management and Incentive Fees.

5.1 During the term of this Agreement, the Company will pay Eudaimonia monthly in arrears a management fee equal to 2.0% per annum of the Assets Under Management attributable to Existing Portfolio Companies.

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5.2 During the term of this Agreement, the Company will pay Eudaimonia monthly in arrears a management fee equal to 2.0% per annum of the Assets Under Management attributable to New Portfolio Companies.

5.3 During the term of this Agreement the Company shall pay to Eudaimonia incentive fees determined as specified in this Section 5.3.

(a) The incentive fee attributable to Existing Portfolio Companies shall be calculated as follows:

(i) The amount of the fee shall be 13.4% of the Net Capital Gains, before taxes, resulting from the disposition of investments in Existing Portfolio Companies or resulting from the disposition of other assets or property of the Company acquired prior to the Effective Date and managed by Eudaimonia pursuant to the terms hereof.

(ii) Net Capital Gains, before taxes, shall be calculated annually at the end of each fiscal year for the purpose of determining the earned incentive fee, unless this Agreement is terminated prior to the completion of any fiscal year, then such calculation shall be made at the end of such shorter period. A preliminary calculation shall be made on the last business day of each of the three fiscal quarters preceding the end of each fiscal year for the purpose of determining the incentive fee payable under Section 5.2(d)(i) below. Capital Losses and Realized Capital Gains shall not be cumulative (i.e., no Capital Losses nor Realized Capital Gains are carried forward into any subsequent fiscal year).

(b) The incentive fee attributable to New Portfolio Companies shall be calculated as follows:

(i) The amount of the fee shall be 20.0% of the Net Capital Gains, before taxes, resulting from the disposition of investments in New Portfolio Companies or resulting from the disposition of other assets or property of the Company acquired after to the Effective Date and managed by Eudaimonia pursuant to the terms hereof.

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(ii) Net Capital Gains, before taxes, shall be calculated annually at the end of each fiscal year for the purpose of determining the earned incentive fee, unless this Agreement is terminated prior to the completion of any fiscal year, then such calculation shall be made at the end of such shorter period. A preliminary calculation shall be made on the last business day of each of the three fiscal quarters preceding the end of each fiscal year for the purpose of determining the incentive fee payable under Section 5.2(d)(i) below. Capital Losses and Realized Capital Gains shall not be cumulative (i.e., no Capital Losses nor Realized Capital Gains are carried forward into any subsequent fiscal year).

(c) Net Capital Gains with respect to Existing Portfolio Companies or resulting from the disposition of other assets or property of the Company acquired prior to the Effective Date under 5.3(a) shall be calculated and paid independently from Net Capital Gains with respect to New Portfolio Companies or resulting from the disposition of other assets or property of the Company acquired after the Effective Date under 5.3(b).

(d) Upon termination of this Agreement, all earned but unpaid incentive fees shall be immediately due and payable.

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(e) Payment of incentive fees shall be made as follows:

(i) To the extent payable, incentive fees shall be paid, in cash, in arrears on the last business day of each fiscal quarter in the fiscal year.

(ii) The incentive fee shall be retroactively adjusted as soon as practicable following completion of the valuations at the end of each fiscal year in which this Agreement is in effect to reflect the actual incentive fee due and owing to Eudaimonia, and if such adjustment reveals that Eudaimonia has received more incentive fee income than it is entitled to hereunder, Eudaimonia shall promptly reimburse the Company for the amount of the excess.

### Section 6. Liability and Indemnification of Eudaimonia.

6.1 Neither Eudaimonia, nor any of its officers, directors, shareholders, employees, agents or Affiliates, whether past, present or future (collectively, the "Indemnified Parties"), shall be liable to the Company, or any of its Affiliates for any error in judgment or mistake of law made by the Indemnified Parties in connection with any investment made by or for the Company, provided such error or mistake was not made in bad faith or as a result of gross negligence or willful misconduct of the Indemnified Parties. The Company confirms that in performing services hereunder, Eudaimonia will be an agent of the Company for the purpose of the indemnification provisions of the Bylaws of the Company subject, however, to the same limitations as though Eudaimonia were a director or officer of the Company. Eudaimonia shall not be liable to the Company, its shareholders or its creditors, except for violations of law or for conduct which would preclude Eudaimonia from being indemnified under such provisions. The provisions of this Section 6.1 shall survive termination of this Agreement.

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6.2 Individuals who are Affiliates of Eudaimonia and are also officers or directors of the Company as well as other Eudaimonia officers performing duties within the scope of this Agreement on behalf of the Company will be covered by any directors and officers insurance policy maintained by the Company.

### Section 7. Shareholder Approval; Term.

This Agreement is subject to approval by the shareholders of the Company in the manner set forth in Section 15(a) of the 1940 Act. The Company represents that this Agreement has been approved by the Company's Board of Directors. This Agreement shall continue in effect for two (2) years from the Effective Date, unless sooner terminated as provided for herein. Thereafter, this Agreement shall continue in effect so long as such continuance is specifically approved at least annually by the Company's Board of Directors, including a majority of its members who are not interested persons of Eudaimonia, or by vote of the holders of a majority, as defined in the 1940 Act, of the Company's outstanding voting securities. The foregoing notwithstanding, this Agreement may be terminated by the Company at any time, without payment of any penalty, on sixty (60) days' written notice to Eudaimonia if the decision to terminate has been made by the Board of Directors or by vote of the holders of a majority, as defined in the 1940 Act, of the Company's outstanding voting securities.

Eudaimonia may also terminate this Agreement on sixty (60) days' written notice to the Company; provided, however, that Eudaimonia may not so terminate

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this Agreement unless another investment advisory agreement has been approved by the vote of a majority, as defined in the 1940 Act, of the Company's outstanding shares and by the Board of Directors, including a majority of members who are not parties to such agreement or interested persons of any such party. Upon receipt of any such notice from Eudaimonia, the Company will in good faith use its best efforts to cause an advisory agreement to be entered into by the Company with a suitable investment adviser.

Section 8. Assignment.

This Agreement may not be assigned by any party without the written consent of the other and any assignment, as defined in the 1940 Act, by Eudaimonia shall automatically terminate this Agreement.

Section 9. Amendments.

This Agreement may be amended only by an instrument in writing executed by all parties and otherwise in accordance with the 1940 Act.

Section 10. Governing Law.

This Agreement shall be construed and enforced in accordance with and governed by the laws of the State of Delaware.

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IN WITNESS WHEREOF, the parties hereto have executed this Agreement to be effective as of the date first above written.

THE COMPANY:  
MACC PRIVATE EQUITIES, INC.  
A Delaware corporation

By: \_\_\_\_\_  
David R. Schroder  
President

By: \_\_\_\_\_  
Robert A. Comey  
Executive Vice President

EUDAMONIA:  
EUDAIMONIA ASSET MANAGEMENT, LLC  
A California limited liability company

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

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**APPENDIX B**

**Subadvisory Agreement**

**INVESTMENT SUBADVISORY  
AGREEMENT**

This INVESTMENT SUBADVISORY AGREEMENT (this "Agreement") is made and entered into by and among MACC PRIVATE EQUITIES INC., a Delaware corporation ("MACC"), EUDAIMONIA ASSET MANAGEMENT, LLC, a California limited liability company ("Eudaimonia") and INVESTAMERICA INVESTMENT ADVISORS, INC., a Delaware corporation ("InvestAmerica"), dated as of the \_\_\_ day of \_\_\_\_\_, 2008.

**RECITALS**

WHEREAS, MACC is a closed-end management investment company that has elected to be regulated as business development company under the Investment Company Act of 1940, as amended (the "1940 Act");

WHEREAS, MACC is subject to the terms of certain exemptive orders granted by the United States Securities and Exchange Commission ("SEC") which govern, among other things, co-investments by MACC and other investment funds managed by any investment advisor to MACC (the "Exemptive Orders");

WHEREAS, Eudaimonia and InvestAmerica are both registered investment advisors under the Investment Advisers Act of 1940, as amended (the "Advisers Act");

WHEREAS, concurrently with the execution of this Agreement, Eudaimonia has agreed to serve as the investment advisor to MACC pursuant to an Investment Advisory agreement between Eudaimonia and MACC (the "Eudaimonia Advisory Agreement");

WHEREAS, prior to the execution of this Agreement, InvestAmerica was the investment advisor to MACC and its wholly-owned subsidiary, MorAmerica Capital Corporation ("MorAmerica"), with respect to Existing Portfolio Company (as defined below) investments;

WHEREAS, this Agreement is subject to approval by the holders of a majority, as defined in the 1940 Act, of MACC's outstanding voting securities and will become effective as of the date of such approval (the "Effective Date");

WHEREAS, effective on the Effective Date, the investment advisory agreements previously governing the investments in Existing Portfolio Companies

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are terminated;

WHEREAS, Eudaimonia desires to obtain the support and assistance of InvestAmerica in carrying out Eudaimonia's duties and obligations as the investment advisor to MACC, and InvestAmerica desires to provide such support and assistance as sub-advisor on the terms and conditions set forth herein; and

WHEREAS, this Agreement has been approved in accordance with the provisions of the 1940 Act.

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NOW, THEREFORE, in consideration of the mutual agreements and covenants set forth in this Agreement, the parties agree as follows:

1. Existing Portfolio Company, Defined. "Existing Portfolio Company" or "Existing Portfolio Companies" shall mean any entity in which MACC or MorAmerica has made an investment prior to the Effective Date and with respect to which InvestAmerica will be providing services pursuant hereto, which investments may include ownership of capital stock, loans, receivables due from an Existing Portfolio Company or other debtor on sale of assets acquired in liquidation and assets acquired in liquidation of any Existing Portfolio Company.

2. Services.

2.1 Transitional Services. During the first three (3) months of the term of this Agreement (the "Transitional Period"), InvestAmerica will provide those financial, business and investment advisory services specified on Schedule A (collectively referred to as the "Transitional Services") to, or for the benefit of, MACC, subject to the oversight and supervision of Eudaimonia and the direction and control of the Board of Directors of MACC. Notwithstanding the foregoing, Eudaimonia and InvestAmerica may agree to extend the Transitional Period for an additional period of three (3) months.

2.2 Ongoing Services. For the remainder of the term of this Agreement after the Transitional Period (as the same may be extended pursuant to Section 2.1 above), InvestAmerica will provide those financial, business and investment advisory services specified on Schedule B (collectively referred to as the "Ongoing Services" and, together with the Transitional Services, the "Services") to, or for the benefit of, MACC, subject to the oversight and supervision of Eudaimonia and the direction and control of the Board of Directors of MACC.

3. Term. This Agreement shall continue in effect for two (2) years from the Effective Date, unless sooner terminated as provided for herein. Thereafter, this Agreement shall continue in effect so long as such continuance is specifically approved at least annually by Eudaimonia and the Board of Directors of MACC, including a majority of its members who are not interested persons of InvestAmerica or Eudaimonia, or by vote of the holders of a majority, as defined in the 1940 Act, of MACC's outstanding voting securities. The foregoing notwithstanding, this Agreement may be terminated by Eudaimonia or MACC at any time, without payment of any penalty, on sixty (60) days' written notice to InvestAmerica if the decision to terminate has been made by Eudaimonia or by MACC's Board of Directors or by vote of the holders of a majority, as defined in the 1940 Act, of MACC's outstanding voting securities. This Agreement also may be terminated by InvestAmerica at any time, without payment of any penalty, on sixty (60) days' written notice to Eudaimonia and MACC.

4. Portfolio Board Service and Asset Management.

4.1 It is acknowledged that as a part of the Services to be provided by InvestAmerica hereunder, (i) certain of its employees, representatives and agents ("InvestAmerica Representatives") may serve as members of the boards of directors and board committees of individual Portfolio Companies and (ii) InvestAmerica will monitor and manage investments in Existing Portfolio Companies, including exits, preparation of valuations and other portfolio management matters. InvestAmerica and InvestAmerica Representatives serving on the boards of directors and board committees of individual Existing Portfolio Companies shall conduct the Services in accordance with applicable law and all investment policies as set forth in writing by Eudaimonia and the Board of Directors of MACC with respect to such Services, provided that at all times the InvestAmerica Representatives shall act in accordance with their fiduciary duties as members of Existing Portfolio Company boards. In regard to such actions and decisions, MACC hereby appoints InvestAmerica (and such officers, directors, employees, representatives and agents as it shall designate) as its proxy, as a result of which InvestAmerica shall have the authority, in its performance of this Agreement, to make decisions and to take such actions, without specific authority from Eudaimonia or the Board of Directors of MACC, as to all matters which are not hereby restricted.

4.2 All fees, including director's fees that may be paid to InvestAmerica by or for the account of an Existing Portfolio Company shall be paid to MACC. Notwithstanding the foregoing, InvestAmerica will be allowed to be reimbursed by Existing Portfolio Companies for all direct expenses associated with due diligence and management of portfolio investments or investment opportunities, including expenses of attending board and management meetings, and such expenses (travel, meals, lodging, etc.) will not be payable to, or by, Eudaimonia or credited against the Management Fee.

4.3 Except for expense reimbursement provided in Section 4.2 above and 4.4 below, InvestAmerica's sole and exclusive compensation for all of its services to be rendered hereunder will be in the form of a Management Fee and a separate Incentive Fee as provided in Section 5.

4.4 InvestAmerica will be responsible for the following expenses: its staff salaries and fringe benefits, office space, office equipment and furniture, communications, travel, meals and entertainment, conventions, seminars, office supplies, dues and subscriptions, hiring fees, moving expenses, repair and maintenance, employment taxes, in-house accounting expenses and minor miscellaneous expenses. InvestAmerica will pay for its own account all expenses incurred in rendering the services to be rendered hereunder. Without limiting the generality of the foregoing, InvestAmerica will pay the salaries and other employee benefits of the persons in its organization whom it may engage to render such services, including without limitation, persons in its organization who may from time to time agree to act as officers of MACC. Eudaimonia or MACC, however, will be responsible for all reasonable expenses for

travel at the direction of Eudaimonia or MACC, including for board or other management meetings, which expenses shall be reimbursed promptly upon being invoiced therefor by InvestAmerica. Without limiting the foregoing,



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InvestAmerica will not be responsible for any expenses: (i) required to be paid by MACC pursuant to the Eudaimonia Advisory Agreement (including, without limitation, Section 2.3 thereof), (ii) any expenses related to transferring management of MACC to Eudaimonia, including expenses of moving records to the offices of Eudaimonia, (iii) expenses of duplicating files necessary for performance of the Services; or (iv) any other expenses incurred in connection with the services that are not expressly payable by InvestAmerica under this Agreement.

4.5 The obligations of InvestAmerica to Eudaimonia and MACC are not exclusive.

(a) InvestAmerica and its affiliates may, in their discretion, manage other venture capital funds and render the same or similar services to any other person or persons who may be making the same or similar investments. Neither InvestAmerica nor any of its affiliates shall in any manner be liable to Eudaimonia, MACC or their affiliates by reason of the activities of InvestAmerica or its affiliates on behalf of other persons and funds as described in this paragraph and any conflict of interest arising therefrom is hereby expressly waived.

(b) The scope of the Services does not include presentation of investment opportunities to MACC or making new investments for MACC, but rather is limited to management of the Existing Portfolio Companies. Accordingly, InvestAmerica is not required to present to MACC investments being considered by other funds managed by InvestAmerica or its affiliates.

(c) With respect to follow-on investments made by InvestAmerica pursuant to this Agreement, any such investment management services and all co-investments shall at all times be provided in strict accordance with rules and regulations under the 1940 Act and the Exemptive Orders.

### 5. Management and Incentive Fees.

5.1 During the Transitional Period, Eudaimonia will pay InvestAmerica monthly in arrears a management fee (the "Transitional Management Fee") equal to seventy-five percent (75%) of the management fee actually paid by MACC to Eudaimonia pursuant to the Eudaimonia Advisory Agreement attributable to Existing Portfolio Companies as of the Effective Date. For the remainder of the term of this Agreement and to the extent the Agreement is extended pursuant to the terms of this Agreement and the terms of the 1940 Act, Eudaimonia will pay InvestAmerica monthly in arrears a management fee (the "Management Fee") equal to fifty percent (50%) of the management fee actually paid by MACC to Eudaimonia pursuant to the Eudaimonia Advisory Agreement attributable to Existing Portfolio Companies as of the Effective Date.

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Eudaimonia shall arrange for the Transitional Management Fee or the Management Fee, as applicable, to be paid to InvestAmerica directly by MACC on the same day as MACC pays Eudaimonia its management fee under the Eudaimonia Advisory Agreement, provided that Eudaimonia has received payment of its management fee from MACC pursuant to the terms of the Eudaimonia Advisory Agreement. Payments of Transitional Management Fees or Management Fees that are delayed because of failure of MACC to pay a management fee to Eudaimonia for the corresponding period shall be made promptly upon Eudaimonia receiving such management fee from MACC. The

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Transitional Management Fee shall stop accruing as of the last day of the Transitional Period. The Management Fee shall stop accruing on the date that this Agreement expires or is terminated. Upon expiration or termination of this Agreement, all earned but unpaid Transitional Management Fees and Management Fees shall be immediately due and payable.

5.2 During the term of this Agreement Eudaimonia shall pay to InvestAmerica an incentive fee determined as specified in this Section 5.2 (the "Incentive Fee").

(a) The Incentive Fee to be paid to InvestAmerica shall consist of one hundred percent (100%) of the incentive fee actually paid by MACC to Eudaimonia pursuant to the Eudaimonia Advisory Agreement attributable to Existing Portfolio Companies as of the Effective Date.

(b) Upon termination of this Agreement, all earned but unpaid Incentive Fees shall be immediately due and payable.

(c) Payment of Incentive Fees shall be made as follows:

(i) To the extent payable, Incentive Fees shall be paid, in cash, in arrears on the last business day of each fiscal quarter in the fiscal year.

(ii) The Incentive Fee shall be retroactively adjusted as soon as practicable following completion of the valuations at the end of each fiscal year in which this Agreement is in effect to reflect the actual Incentive Fee due and owing to InvestAmerica, and if such adjustment reveals that InvestAmerica has received more Incentive Fee income than it is entitled to hereunder, InvestAmerica shall promptly reimburse Eudaimonia for the amount of the excess.

(d) The Incentive Fee shall stop accruing effective as of the date of the expiration (subject, however, to annual continuance as provided in Section 3 above) or termination of this Agreement. Upon the expiration or termination of this Agreement, all earned but unpaid Incentive Fees shall be immediately due and payable; provided, however, that Incentive Fees earned with respect to non-cash Realized Capital Gains (as

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defined in the Eudaimonia Advisory Agreement) shall not be due and payable to InvestAmerica until the cash is received by MACC.

(e) To the extent payable, Eudaimonia shall arrange for the Incentive Fee to be paid to InvestAmerica directly by MACC, on the same date as MACC pays Eudaimonia its incentive fee under the Eudaimonia Advisory Agreement, and in no event less than annually.

6. Personnel. All employee wages, benefits and other related costs for employees and personnel of InvestAmerica shall be the sole responsibility of InvestAmerica, and InvestAmerica shall have sole control of the payment of wages and benefits to such employees. The individuals providing the Services shall at all times be considered to be in the employ of InvestAmerica and under the direction and control of InvestAmerica, and they shall not be considered to be in the employ of Eudaimonia. No InvestAmerica personnel shall be required to relocate. Without the prior written consent of InvestAmerica (which consent InvestAmerica may grant or withhold in its sole and absolute discretion),

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Eudaimonia agrees that it shall not, for a period of three (3) years from the date of termination of this Agreement, either alone or in conjunction with any other person, or directly or indirectly through its present or future affiliates, employ, engage or seek to employ or engage any person who is an employee of InvestAmerica.

7. Accounts and Records. InvestAmerica will maintain books of account and other records and files with respect to the Services provided hereunder. InvestAmerica shall make such records available for inspection by Eudaimonia upon reasonable notice at mutually convenient times at the place where such records are kept in the ordinary course of business.

8. Confidentiality. InvestAmerica agrees that it will come into possession of information regarding the Portfolio Companies and information regarding other companies, the securities of which are owned by other funds managed by one of the parties ("Confidential Portfolio Information"), and information concerning the business of the other parties to this Agreement ("Confidential Business Information") (collectively, the Confidential Portfolio Information and Confidential Business Information are referred to herein as "Confidential Information"). Confidential Information shall not include information independently developed by a party without reliance on the Confidential Information of the other party, information obtained from a third party, which third party is under no restriction with respect to the use and disclosure of such information, or information approved for unrestricted release by a party without violating a provision of this agreement.

InvestAmerica agrees that the Confidential Information is highly confidential, private and of a sensitive nature. Eudaimonia and InvestAmerica agree that each will handle the Confidential Information of the other with the same degree of care that it uses to handle its own Confidential Information, and will, at all times, handle the Confidential Information of the other in a manner reasonably calculated to maintain its confidentiality. Each party understands that the other may disclose Confidential Information as reasonably necessary: (i) in the normal course of managing existing portfolios, (ii) in performing the Services, (iii) in the performance of tasks by InvestAmerica as requested by Eudaimonia and (iv) in communicating with shareholders,

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investors, and regulatory agencies, including the SEC. Eudaimonia and InvestAmerica also agree that the parties may disclose Confidential Portfolio Information to banks, financing sources, investment banks, brokers, auditors, law firms and other service providers (i) as reasonably necessary in connection with the management of an investment in a Portfolio Company, (ii) at the request of the Portfolio Company who directs disclosure to third parties and (iii) as reasonably necessary in connection with service as a director of a Portfolio Company. InvestAmerica may also use and disclose information regarding IRR, cash flow and other performance data for the Existing Portfolio and all other historical performance data relating to the Existing Portfolio and prior investments during the time InvestAmerica managed MACC. In addition, a party may use and disclose the Confidential Information of the other party where required by law, provided that it shall first notify the other party in writing of such requirement and cooperate with respect to any reasonable steps available for the further protection of such Confidential Information.

Except as otherwise provided herein, InvestAmerica agrees that it will use the Confidential Information solely in the management of MACC or the management of other funds that have co-investments with MACC.

InvestAmerica agrees that, in the event of any breach of any provision

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hereof, the aggrieved party will not have an adequate remedy in money or damages and that, in such event, the aggrieved party shall be entitled to obtain injunctive relief against such breach in any court of competent jurisdiction, without the necessity of posting a bond even if otherwise normally required. Such injunctive relief will in no way limit the aggrieved party's right to obtain other remedies available under applicable law.

### 9. Compliance with Laws; Cooperation.

9.1 InvestAmerica shall use diligent effort to cause all Services to be performed in strict compliance with all laws, regulations and requirements of any federal, state, municipal or other governmental entity having jurisdiction respecting either of the parties and/or the Services being rendered, including the 1940 Act, the Advisers Act and all Exemptive Orders.

9.2 Eudaimonia shall cooperate fully with InvestAmerica's efforts to perform the Services effectively and in compliance with applicable law, including providing InvestAmerica with files and records necessary for the performance of the Services.

### 10. Indemnification; Fidelity Bond, Directors and Officers Insurance.

10.1 Eudaimonia shall not be liable or responsible for any action or omission on the part of InvestAmerica or its employees, representatives or agents arising out of their respective service on the board of directors of individual Portfolio Companies or provision of other Services pursuant to this Agreement, except to the extent that such action or omission was specifically directed by Eudaimonia, in writing. InvestAmerica shall indemnify and hold Eudaimonia harmless from any claims or liabilities arising out

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of the service of InvestAmerica and its employees, representatives and agents on the boards of directors of individual Portfolio Companies or the provision of other Services pursuant to this Agreement, except to the extent that InvestAmerica or its employees, representatives or agents were carrying out the express written instructions of Eudaimonia in connection with the action or omission complained of.

10.2 InvestAmerica shall not be liable or responsible for any action or omission on the part of Eudaimonia or its employees, representatives or agents arising out of this Agreement or the Eudaimonia Advisory Agreement. Eudaimonia shall indemnify and hold InvestAmerica harmless from any claims or liabilities arising out of Eudaimonia's actions or omissions with respect to this Agreement or the Eudaimonia Advisory Agreement.

10.3 During the term of this Agreement, InvestAmerica and its officers, directors and employees, with respect to performance of the Services under this Agreement and as officers or employees of MACC, if applicable, shall be covered at all times by a (i) directors and officers insurance policy and (ii) a joint fidelity bond, in each case at least as extensive in amount, scope and coverage as required by law and as presently in force (as long as reasonable commercially available), and at no cost to InvestAmerica.

10.4 Neither InvestAmerica, nor any of its officers, directors, shareholders, employees, agents or Affiliates, whether past, present or future (collectively, the "Indemnified Parties"), shall be liable to

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Eudaimonia or MACC, or any of their affiliates for any error in judgment or mistake of law made by the Indemnified Parties in connection with any investment made by or for MACC, provided such error or mistake was not made in bad faith or as a result of gross negligence or willful misconduct of the Indemnified Parties. MACC confirms that in performing services hereunder Eudaimonia will be an agent of MACC for the purpose of the indemnification provisions of the Bylaws of MACC subject, however, to the same limitations as though the Indemnified Parties were a director or officer of MACC. InvestAmerica shall not be liable to Eudaimonia, MACC, their shareholders or their creditors, except for violations of law or for conduct which would preclude the Indemnified Parties from being indemnified under such Bylaw provisions. The indemnification provisions of this Section 9 are applicable to the entire period for which InvestAmerica has provided advisory services to MACC or its predecessors, beginning in 1985. The provisions of this Section 9(d) shall survive termination of this Agreement.

11. Notices. All notices or other communications given pursuant to this Agreement shall be in writing and shall be given by personal delivery, by United States mail or an established, commercial express delivery service (such as Federal Express), postage or delivery charge prepaid, return receipt requested, addressed to the person and address designated below:

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InvestAmerica: InvestAmerica Investment Advisors, Inc.  
101 Second Street S.E., Suite 800  
Cedar Rapids IA 52401  
Fax (319) 363-9683  
Attn: David R. Schroder, President

Eudaimonia: Eudaimonia Asset Management, LLC  
580 2nd Street, Suite 102  
Encinitas, California 92024  
Attn: Travis Prentice, President

A notice or other communication shall be deemed received on the earliest of the following: (i) the date of its delivery to the address specified above, (ii) the date of its actual receipt by the person or entity specified above, or (iii) in the case of refusal to accept or inability to deliver the notice or other communication, the earliest of (a) the date of the attempted delivery or refusal to accept delivery, (b) the date of the postmark on the return receipt, or (c) the date of receipt of notice of refusal or notice of non-delivery by the sending party.

Either party may designate any other address in substitution of the foregoing address(es) at any time by giving the other party ten (10) days written notice, as provided herein, of the new address.

12. Severability. If any term, covenant or condition of this Agreement or the application thereof to any person or circumstance shall be invalid or unenforceable, the remainder of this Agreement or such other documents, or the application of such term, covenant or condition to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each term, covenant or condition of this Agreement or such other documents shall be valid and shall be enforced.

13. No Joint Venture, Partnership or Alter Ego; Independent Contractor. Nothing contained in this Agreement, any document executed in connection herewith or any other agreement with any other party shall be construed as

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making InvestAmerica and Eudaimonia partners, joint venturers or alter egos of each other or of any other entity. InvestAmerica shall at all times remain an independent contractor of Eudaimonia with respect to the Services.

14. Additional Documents. The parties hereby agree to execute and deliver such other documents and instruments as may be necessary or desirable to give effect to the terms and intent of this Agreement.

15. Waiver. The failure of any party to insist upon strict performance of any of the provisions contained herein shall not be deemed a waiver of any rights or remedies that such party may have, and shall not be deemed a waiver of any subsequent breach or default.

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16. Captions and Headings. The captions and headings in this Agreement are for ease of reference only and shall not be deemed to define or limit the scope or intent of any of the terms, covenants, conditions or agreements contained herein.

17. Entire Agreement. This Agreement contains the entire agreement between and among the parties hereto and supersedes all prior negotiations and agreements, oral or written, with respect to the subject matter hereof or with respect to any of the Services.

18. Arm's-Length Agreement; Construction. The parties mutually acknowledge that the provisions of this Agreement are the product of arm's-length negotiations with parties having essentially equal bargaining strength, legal representation and opportunity to determine the language used herein. Therefore, the provisions of this Agreement shall not be construed for or against any party.

19. No Third-Party Beneficiary Rights. This Agreement is not intended to create, nor shall it be in any way construed to create any third-party beneficiary rights in any person not a party hereto.

20. Successors and Assigns. This Agreement shall inure to the benefit of and bind the respective parties' successors and assigns.

21. Applicable Law. This Agreement is made and delivered in, and shall be construed and interpreted in accordance with the laws (without reference to the choice-of-law provisions) of, the State of Delaware.

22. Amendment. This Agreement may be amended only in writing executed by all parties.

*[signature page immediately follows]*

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IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

EUDAIMONIA:  
EUDAIMONIA ASSET MANAGEMENT, LLC  
A California limited liability company

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

INVESTAMERICA:  
INVESTAMERICA INVESTMENT ADVISORS, INC.  
A Delaware corporation

By: \_\_\_\_\_  
David R. Schroder  
President

By: \_\_\_\_\_  
Robert A. Comey  
Executive Vice President

MACC:  
MACC PRIVATE EQUITIES, INC.  
A Delaware corporation

By: \_\_\_\_\_  
David R. Schroder  
President

By: \_\_\_\_\_  
Robert A. Comey  
Executive Vice President

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**Schedule A**  
**TRANSITIONAL SERVICES**  
**To Be Provided by InvestAmerica and by Eudaimonia**

I. EXISTING PORTFOLIO COMPANY MANAGEMENT TASKS

1. Gather, review, file, summarize monthly financials relating to portfolio investments existing as of the Existing Date (the "Existing Portfolio").
2. Report sales, pre tax, EBITDA actual vs. budget monthly.
3. Attend Existing Portfolio company board meetings.
4. Review and file projections.
5. Review and file annual audits.
6. Review covenant compliance.
7. Explore ways to add value i.e. explore growth and acquisition opportunities and plans, assess management and new management candidates.

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8. Work to execute exit projections.
9. Communicate and work with co-investors to assess and add value.
10. Analyze and recommend investment opportunities for the Existing Portfolio companies.
11. Support senior capital and venture capital acquisition as required for Existing Portfolio companies.
12. File all company monitoring information.
13. File all investment documentation.
14. In Existing Portfolio board roles, act in accord with proper corporate governance guidelines, all in the interest of the Existing Portfolio company and its shareholders.
15. Make available and, if requested by Existing Portfolio companies, render managerial assistance to, and exercise management rights in, Existing Portfolio companies and entities as appropriate to maximize return for MACC and to comply with applicable SEC regulations.

### II. SEC EXAMINATIONS; SECURITIES CUSTODY

1. Eudaimonia is responsible as investment advisor of MACC; InvestAmerica provides SEC exam assistance on any inquiries related to pre-Effective Date or Existing Portfolio activities.
  2. Eudaimonia is responsible for custody of all assets (cash, securities, et al) which are subject to SEC custody rules under the 1940 Act and the Advisers Act. InvestAmerica to provide custody support as long as assets are held at CRBT.
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### III. ACCOUNTING FOR MACC

1. Prepare monthly financial statements and quarterly report for MACC and MorAmerica during the Transition Period.
2. Eudaimonia will be responsible for controls, check writing, wire instructions and approval of expenses. These tasks will be transitioned by InvestAmerica to Eudaimonia over the Transition Period.
3. Prepare quarterly and annual valuation reports, provide valuation analysis and support to MACC board of directors.
4. Monthly Existing Portfolio accounting and bookkeeping records.
5. Audit support for the Existing Portfolio records and for pre-Effective Date Activities.
6. Prepare quarterly management letter on Existing Portfolio.
7. Prepare monthly performance report with respect to Existing Portfolio.
8. Prepare cashflows projection (1 year out) for Existing Portfolio

### IV. SHAREHOLDER RELATIONS / ANNUAL REPORT

1. Eudaimonia responsible for all shareholder relations, communications and inquiries.
2. Eudaimonia will prepare Annual Reports, with Existing Portfolio financial input from InvestAmerica.

### V. EXISTING PORTFOLIO FOLLOW-ON INVESTMENTS

1. InvestAmerica responsible for analysis, presentation, proposal, gathering, filing investment documentation.
2. Eudaimonia responsible for investment decisions.
3. MACC Board responsible for any co-investment split decisions.

### VI. BOARD MEETINGS



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1. Eudaimonia responsible.
2. InvestAmerica will provide Existing Portfolio;
  - o Quarterly Management Letter
  - o Monthly Portfolio Performance Report
  - o Quarterly Valuations

InvestAmerica is not responsible for out-of-pocket expenses (travel, meals, etc.) associated with the administration of this Agreement that are not associated with managing the Existing Portfolio. InvestAmerica is not responsible for the cost of travel to the offices of Eudamonia required under the Agreement.

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### VII. FINANCIAL PROJECTIONS

1. InvestAmerica responsible for annual projection inputs with regard to the Existing Portfolio and expenses under its control and for interim projection inputs as reasonably required.
2. Eudaimonia responsible for MACC financial projections.

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### **Schedule B ONGOING SERVICES To Be Provided by InvestAmerica and by Eudaimonia**

#### I. EXISTING PORTFOLIO COMPANY MANAGEMENT TASKS

1. Gather, review, file, summarize monthly financials relating to portfolio investments existing as of the Existing Date (the "Existing Portfolio").
2. Report sales, pre tax, EBITDA actual vs. budget monthly.
3. Attend Existing Portfolio company board meetings.
4. Review and file projections.
5. Review and file annual audits.
6. Review covenant compliance.
7. Explore ways to add value i.e. explore growth and acquisition opportunities and plans, assess management and new management candidates.
8. Work to execute exit projections.
9. Communicate and work with co-investors to assess and add value.
10. Analyze and recommend investment opportunities for the Existing Portfolio companies.
11. Support senior capital and venture capital acquisition as required for Existing Portfolio companies.
12. File all company monitoring information.
13. File all investment documentation.
14. In Existing Portfolio board roles, act in accord with proper corporate governance guidelines, all in the interest of the Existing Portfolio

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company and its shareholders.

15. Make available and, if requested by Existing Portfolio companies, render managerial assistance to, and exercise management rights in, Existing Portfolio companies and entities as appropriate to maximize return for MACC and to comply with applicable SEC regulations.

### II. SEC EXAMINATIONS; SECURITIES CUSTODY

1. Eudaimonia is responsible as investment advisor of MACC; InvestAmerica provides SEC exam assistance on any inquiries related to pre-Effective Date or Existing Portfolio activities.
2. Eudaimonia responsible for custody of all assets (cash, securities, et al) which are subject to SEC custody rules under the 1940 Act and the Advisers Act. InvestAmerica to provide custody support as long as assets are held at CRBT.

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### III. ACCOUNTING FOR MACC

1. Eudaimonia will be responsible for controls, check writing, wire instructions and approval of expenses. These tasks will be transitioned by InvestAmerica to Eudaimonia over the Transition Period.
2. Prepare quarterly and annual valuation reports, provide valuation analysis and support to MACC board of directors.
3. Monthly Existing Portfolio accounting and bookkeeping records.
4. Audit support for the Existing Portfolio records and for pre-Effective Date Activities.

### IV. SHAREHOLDER RELATIONS / ANNUAL REPORT

1. Eudaimonia responsible for all shareholder relations, communications and inquiries.
2. Eudaimonia will prepare Annual Reports, with Existing Portfolio financial input from InvestAmerica.

### V. EXISTING PORTFOLIO FOLLOW-ON INVESTMENTS

1. InvestAmerica responsible for analysis, presentation, proposal, gathering, filing investment documentation.
2. Eudaimonia responsible for investment decisions.
3. MACC Board responsible for any co-investment split decisions.

### VI. BOARD MEETINGS

1. Eudaimonia responsible.
2. InvestAmerica will provide Existing Portfolio;
  - o Quarterly Management Letter
  - o Monthly Portfolio Performance Report
  - o Quarterly Valuations

InvestAmerica is not responsible for out-of-pocket expenses (travel, meals, etc.) associated with the administration of this Agreement that are not associated with managing the Existing Portfolio. InvestAmerica is not responsible for the cost of travel to the offices of Eudamonia required under the Agreement.

### VII. FINANCIAL PROJECTIONS

1. InvestAmerica responsible for annual projection inputs with regard to the Existing Portfolio and expenses under its control and for interim

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- projection inputs as reasonably required.
- 2. Eudaimonia responsible for MACC financial projections.

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PRELIMINARY COPY  
PROXY CARD

**MACC Private Equities Inc.  
Proxy Solicited on Behalf of the Board of Directors  
for Annual Meeting of Shareholders  
March 25, 2008**

The undersigned hereby appoints Geoffrey T. Woolley, David R. Schroder and Robert A. Comey and each of them, with full power of substitution, and hereby authorizes them to represent the undersigned and to vote all of the shares of Common Stock of MACC PRIVATE EQUITIES INC. (the "Corporation") held of record by the undersigned on January 31, 2008, at the Annual Meeting of Shareholders of the Corporation to be held on March 25, 2008 and any adjournment(s) thereof.

The proxy when properly executed will be voted as directed by the undersigned shareholder. If directors are not indicated, the proxy will be voted to elect the nominees described in item 1 and for the proposals described in item 2, item 3, item 4 and item 5. The proxies, in their discretion, are further authorized to vote (a) on matters which the Board of Directors did not know would be presented at the Annual Meeting within the time period specified in the Corporation's Amended and Restated Bylaws; and (b) on other matters which may properly come before the Annual Meeting and any adjournments or postponements thereof.

(continued, and to be signed on reverse side)

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- Address Change/Comments (Mark the corresponding box on the reverse side) -  
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1. To elect five Directors to serve until the 2009 Annual Meeting of Shareholders or until their respective successors shall be elected and qualified;

Director Nominees:	FOR	WITHHOLD Authority
	all nominees	for all nominees
01 Michael W. Dunn	__	__
02 James W. Eiler		
03 Benjamin Jiaravanon		
04 Gordon J. Roth		
05 Geoffrey T. Woolley		

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

2. To approve an Investment Advisory Agreement between the Corporation and Eudaimonia Asset Management, LLC;

3. To approve an Investment Subadvisory Agreement among the Corporation, Eudaimonia and InvestAmerica Investment Advisors Inc.;

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4. To authorize the Corporation to issue rights to acquire any authorized shares of Common Stock of the Corporation;

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

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

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

**Signature** \_\_\_\_\_

**Signature** \_\_\_\_\_

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

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