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MACC PRIVATE EQUITIES INC

Form DEF 14A

June 17, 2005

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:

- Preliminary Proxy Statement
Confidential, for Use of the Commission Only (as permitted by Rule 14A-6(e)(2))
X 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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101 Second Street SE, Suite 800  
Cedar Rapids, Iowa 52401

June 17, 2005

To the Shareholders of MACC Private Equities Inc:

The Annual Meeting of Shareholders of our Corporation will be held on July 19, 2005, at 10:00 a.m. Mountain Standard Time at the Little America Hotel, 500 South Main Street, Salt Lake City, Utah 84101.

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, 2004, 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 July, 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,

/s/ Geoffrey T. Woolley

Geoffrey T. Woolley  
Chairman of the Board

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101 Second Street SE, Suite 800  
Cedar Rapids, Iowa 52401

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS  
TO BE HELD JULY 19, 2005**

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 July 19, 2005, at 10:00 a.m. Mountain Standard Time at the Little America Hotel, 500 South Main Street, Salt Lake City, Utah 84101, for the following purposes:

1. To elect seven directors to serve terms consistent with the classification contemplated below or until their respective successors shall be

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elected and qualified;

2. To approve an amendment to the Corporation's Amended and Restated Bylaws to provide for the classification of the Corporation's Board of Directors;

3. To approve an Investment Advisory Agreement (the "InvestAmerica/MorAmerica Agreement") between the Corporation's wholly-owned subsidiary, MorAmerica Capital Corporation ("MorAmerica") and InvestAmerica Investment Advisors, Inc. ("InvestAmerica");

4. To approve an Investment Advisory Agreement (the "InvestAmerica/MACC Agreement") between the Corporation and InvestAmerica;

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

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

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

Only holders of Common Stock of the Corporation of record at the close of business on May 31, 2005, will be entitled to notice of, and to vote at, the meeting and any adjournment thereof.

By Order of the Board of Directors

/s/ David R. Schroder

David R. Schroder, Secretary

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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 July, 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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101 Second Street SE, Suite 800  
Cedar Rapids, Iowa 52401

## PROXY STATEMENT

### FOR ANNUAL MEETING OF SHAREHOLDERS TO BE HELD JULY 19, 2005

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 July 19, 2005, or any adjournment thereof (the "2005 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 June 17, 2005.

### PURPOSES OF THE MEETING

The 2005 Annual Meeting is to be held for the purposes of:

(1) electing seven persons to serve as Directors of the Corporation for terms consistent with the Classification (defined below), or until their respective successors shall be elected and qualified;

(2) approving an amendment to the Corporation's Amended and Restated Bylaws to provide for the classification of the Corporation's Board of Directors (the "Classification");

(3) approving the Investment Advisory Agreement (the "InvestAmerica/MorAmerica Agreement") between MorAmerica Capital Corporation ("MorAmerica") and InvestAmerica Investment Advisors, Inc. ("InvestAmerica");

(4) approving the Investment Advisory Agreement (the "InvestAmerica/MACC Agreement") between the Corporation and InvestAmerica;

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

(6) ratifying the appointment by the Board of Directors of KPMG LLP as independent auditors; and

(7) 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 amendment to the Corporation's Amended and Restated Bylaws to provide for the classification of the Corporation's Board of Directors, FOR the approval of the InvestAmerica/MorAmerica Agreement, FOR the approval of the InvestAmerica/MACC 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.

### RECENT DEVELOPMENTS--BACKGROUND FOR PROPOSALS 3 & 4

At the Corporation's 2004 Annual Shareholders Meeting held on February 24,

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2004, the shareholders of the Corporation approved investment advisory agreements for the Corporation and MorAmerica with Atlas Management Partners, LLC ("Atlas") and InvestAmerica Investment Advisors, Inc. ("InvestAmerica"), as subadvisor. The agreements approved at the 2004 Annual Shareholders Meeting were (1) the Investment Advisory Agreement between the Corporation and Atlas (the "Atlas/MACC Agreement"), (2) the Investment Advisory Agreement between MorAmerica and Atlas (the "Atlas/MorAmerica Agreement"), and (3) the Investment Advisory Support Services Agreement between the Corporation, MorAmerica, Atlas and InvestAmerica (the "Subadvisory Agreement"). These agreements are collectively referred to as the "Atlas Agreements." Following the shareholder approval, the Atlas Agreements were effective on March 1, 2004 (the "Effective Date").

InvestAmerica had served as the investment adviser to the Corporation and MorAmerica (together, the "Company") since 1995. Along with Atlas's appointment, InvestAmerica remained as subadvisor to the Company to continue to manage MorAmerica's existing portfolio. Under this arrangement, Atlas provided investment advisory services to the Company in connection with portfolio investments made by the Company after the Effective Date. InvestAmerica continued to manage the Company's portfolio investments made before the Effective Date, including exits, preparation of valuations, providing all accounting services for the Company, and other portfolio corporate management matters. Additionally, from the Effective Date until April, 2005, Mr. David Schroder served as Chief Financial Officer of the Corporation, and Mr. Robert A. Comey served as Chief Financial Officer of MorAmerica.

Presently, substantially all of the Corporation's assets are held by MorAmerica Capital Corporation ("MorAmerica"), the Corporation's wholly-owned subsidiary. As a Small Business Investment Company ("SBIC") licensed by the U.S. Small Business Administration (the "SBA"), MorAmerica is subject to oversight by the SBA. The regulations promulgated by the SBA ("SBA Regulations") give SBA the authority to approve or disapprove MorAmerica's investment advisor. Approval of the Atlas Agreements was formally requested from the SBA on January 29, 2004.

On December 22, 2004, the SBA notified the Company that such approval would not be granted. The SBA based its decision on its conclusions that: Atlas' investment experience was primarily in early stage, equity investments (rather than later stage, lower tech mezzanine investments of the type made by the Company); none of the four funds detailed to SBA by Atlas as part of its management team's investment track record placed in the upper half of peer group performance and these funds had experienced limited positive investment exits to date; and two principals of Atlas had not been involved in the track record funds for a sufficient time to demonstrate a proven track record.

Following the SBA's decision and in accord with the SBA's directives, Atlas and the Boards of Directors of both the Corporation and MorAmerica determined that it would be in the best interests of the Company for Atlas to resign as the Company's investment adviser, effective April 29, 2005. On April 30, 2005, the Corporation and MorAmerica entered into Interim Investment Advisory Agreements with InvestAmerica (the "Interim Agreements"). Pursuant to Rule 15a-4 adopted under the Investment Company Act of 1940 (the "Investment Company Act"), InvestAmerica has served as the Company's investment adviser on a temporary basis without shareholder approval since April 30, 2005. The Interim Agreements do not increase the fees payable to InvestAmerica from the fees payable to Atlas under the prior advisory agreements, and the terms of the Interim Agreements do not exceed one hundred fifty days. The Boards of Directors of the Company, including a majority of the Company's directors who are not interested persons

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of the Company, approved the Interim Agreements on April 29, 2005.

The Interim Agreements require the Company to pay InvestAmerica a level of fees lower than that paid to Atlas under the Atlas Agreements. The new investment advisory agreements recommended by the Boards of Directors of the Company under **PROPOSALS 3 & 4** have the same lower fees as the fees payable to InvestAmerica under the Interim Agreements.

The Boards of Directors of the Company at their meeting held on April 29, 2005, approved the termination of the Atlas Agreements and the terms of the Interim Agreements, and recommended that the Company's shareholders approve: (1) the Investment Advisory Agreement between MorAmerica and InvestAmerica under **PROPOSAL 3** (the "InvestAmerica/MorAmerica Agreement") and (2) the Investment Advisory Agreement between the Corporation and InvestAmerica under **PROPOSAL 4** (the "InvestAmerica/MACC Agreement". The InvestAmerica/MorAmerica Agreement and the InvestAmerica/MACC Agreement are referred to together as the "InvestAmerica Agreements." Additionally at the April 29, 2005 meeting of the Boards of Directors of the Company, the Boards appointed the following persons to serve as officers of both the Corporation and of MorAmerica, all of whom are affiliated with InvestAmerica: David R. Schroder was appointed President and Secretary, Robert A. Comey was appointed Executive Vice President, Chief Financial Officer, Chief Compliance Officer, Treasurer and Assistant Secretary, Kevin F. Mullane was appointed Senior Vice President, Michael H. Reynoldson was appointed Vice President, and Marilyn M. Bengel was appointed Assistant Secretary.

### VOTING AT THE MEETING

The record date for holders of Common Stock entitled to notice of, and to vote at, the 2005 Annual Meeting is the close of business on May 31, 2005 (the "Record Date"). As of the Record Date, the Corporation had outstanding and entitled to vote at the 2005 Annual Meeting 2,329,255 shares of Common Stock.

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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 2005 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 2005 Annual Meeting are included in determining the presence of a quorum for the transaction of business at the commencement of the 2005 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 2005 Annual Meeting.

In order to approve the Classification under **PROPOSAL 2**, to authorize the Corporation to issue rights to acquire any authorized shares of Common Stock of the Corporation under **PROPOSAL 5**, and to ratify the appointment of KPMG LLP as independent auditors for the Corporation for the fiscal year ending September 30, 2005 under **PROPOSAL 6**, these proposals must receive the favorable vote of a majority of the outstanding shares of Common Stock entitled to vote at the 2005 Annual Meeting.

In order to approve the InvestAmerica Agreements under **PROPOSAL 3** and **PROPOSAL 4**, such proposals must receive the favorable vote of a majority of the outstanding shares of Common Stock entitled to vote at the 2005 Annual Meeting.

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For purposes of these proposals, Section 2(a)(42) of the Investment Company Act, defines "a majority of the outstanding shares" as (1) 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 (2) 50% of the outstanding voting securities of such company, whichever is less.

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--TO THEIR RESPECTIVE TERMS,**
- >> **FOR** the amendment to the Corporation's Amended and Restated Bylaws under **CLASSIFICATION,**
- >> **FOR** the approval of the InvestAmerica/MorAmerica Agreement described under **APPROVAL OF INVESTAMERICA/MORAMERICA AGREEMENT,**
- >> **FOR** the approval of the InvestAmerica/MACC Agreement described under **APPROVAL OF INVESTAMERICA/MACC AGREEMENT,**

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- >> **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**

The Corporation's Board of Directors formerly served one-year terms. As contemplated in **PROPOSAL 2**, upon shareholder approval, the Corporation's Bylaws will be revised to initiate the classified board structure by providing that the initial term of each newly-elected Class I Director will be one year, the initial term of each newly-elected Class II Director will be two years, and the initial term of each newly-elected Class III Director will be three years. Thereafter, each Director will serve three-year terms upon their election. Accordingly, all Class I Director nominees will be elected at the 2005 Annual Meeting to serve until the 2006 Annual Meeting of shareholders or until their respective successors shall be elected and qualified, all Class II Director nominees will be elected at the 2005 Annual Meeting to serve until the 2007 Annual Meeting of shareholders or until their respective successors shall be elected and qualified, and all Class III Director nominees will be elected at the 2005 Annual Meeting to serve until the 2008 Annual Meeting of shareholders or until their respective successors shall be elected and qualified. If **PROPOSAL**

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2, Classification, does not pass, each person elected to the Board will serve for a one-year term which will expire at the 2006 Annual Meeting.

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 applicable 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 2005 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.

Although the Corporation's Amended and Restated Bylaws provide for nine directors, seven nominees are proposed to be elected as directors at the 2005 Annual Meeting. Mr. Kent

Madsen resigned from the Board on May 24, 2005 and Mr. Robison resigned on April 14, 2005. The Corporate Governance/Nominating Committee of the Corporation's Board of Directors determined, in light of these resignations, that selecting appropriate candidates through the normal procedures of the Corporation's Governance/Nominating Committee in time for the 2005 Annual Meeting is not practical. Under the Corporation's Amended and Restated Bylaws, the Corporation's Board of Directors has the authority to fill the two vacancies if suitable candidates are identified prior to the 2006 Annual Shareholders Meeting.

Proxies may not be voted for more than the seven 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 2005 Annual Meeting. The names of the nominees, along with certain information concerning them, are set forth below.

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

Unless otherwise indicated, the address for all director nominees is 101 Second Street SE, Suite 800, Cedar Rapids, Iowa 52401.

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**Class I Nominees--One-year term ending in 2006**  
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*Interested Directors*

Name, Address and Age	Position(s) Held with the Corporation	Term of Office and Length of Time Served	Principal Occupation(s) During Past 5 Years	Other Holdings
+ Benjamin Jiaravanon, 34	Director	Since February, 2004	Mr. Jiaravanon has served as President of Strategic Planning Group of Charoen Pokphand Indonesia, an agribusiness conglomerate with	Mo Capi Dire



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sales in excess of \$1.5 billion, since 2002. From 1996 to 2002, Mr. Jiaravanon was an Associate in the Direct Investments Group at Merrill Lynch. He was responsible for helping manage Merrill Lynch's capital in a portfolio of companies across Asia including China, Malaysia, Indonesia, Korea, and Singapore. Mr. Jiaravanon received his Bachelor of Science degree in industrial management from Carnegie Mellon University.

+ To the extent that Bridgewater International Group, LLC ("Bridgewater") may be deemed to be a Corporation as a result of its beneficial ownership of the Corporation's Common Stock, Mr. Jiaravanon, as manager of Bridgewater, may be an "interested person" of the Corporation, as that term is defined in Section 303(b) of the Investment Company Act.

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**Independent Directors**

Name, Address and age	Position(s) Held with the Corporation	Term of Office and Length of Time Served	Principal Occupation(s) During Past 5 Years	Other Positions Held by Nominee
Gordon J. Roth, 51	Director	Since 2000	Since June of 2000, Mr. Roth has been Chief Financial Officer and Executive Vice President of Roth Capital Partners, LLC, an independent investment banking firm specializing in small-cap companies, located in Newport Beach, California. For approximately ten years prior to joining Roth Capital Partners, LLC, Mr. Roth was Chairman of Roth & Company, P.C., a public accounting firm located in Des Moines, Iowa. Prior to that, Mr. Roth was a partner at Deloitte & Touche, a public accounting firm, in Des Moines.	MorAmerica Corporation

**Class II Nominees--Two-year term ending in 2007**

**Independent Directors**

Name, Address and Age	Position(s) Held with the Corporation	Term of Office and Length of Time Served	Principal Occupation(s) During Past 5 Years	Other Positions Held by Director
Paul M. Bass, Jr., 70	Director	Since 1994	Mr. Bass was Chairman of the Boards of Directors of the Corporation and of MorAmerica from 1994 to April, 2004. Mr. Bass has served as Vice Chairman of First Southwest Company, a regional investment banking firm, from 1988 to the present. Mr. Bass specializes in corporate finance, investment management and public finance. Mr. Bass holds a B.B.A. in	Keystone Industries (Member of Committee) Comp I Director Management and Compe Member of

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finance from Southern Methodist University. Committee

Jasja Kotterman, 35	Director	Since February, 2004	Ms. Kotterman joined Avon Products as Director of Business Development in February, 2004. Prior to joining Avon, she was Vice President, Strategic Planning and Business Development for Primedia Inc., a diversified media company, from 2003-2004, and Managing Director of Primedia International, the international development group for Primedia, from 2000-2003. Prior to joining Primedia, Ms. Kotterman was Director, Finance and Business Development, at Smartcasual.com, an internet start-up company, from 1999-2000. Prior to this, Ms. Kotterman was an associate with Merrill Lynch's Investment Banking	MorAmer Corporati
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Division from 1998 to 1999, working on corporate finance and M&A transactions for Latin American clients. Ms. Kotterman started her business career at Bain & Company, a strategy-consulting firm, joining its London office, and subsequently moving to its Spanish office in Madrid. Ms. Kotterman holds an M.B.A. from the Wharton School and an M.A. in International Studies from the University of Pennsylvania. Ms. Kotterman is a graduate of Cambridge University in England, where she received an M.A. in Genetics and an M.Phil. in International Development.

**Class III Nominees--Three-year term ending in 2008**

**Interested Directors**

Name, Address and Age	Position(s) Held with the Corporation	Term of Office and Length of Time Served	Principal Occupation(s) During Past 5 Years	Othe Held Dir
+Goeffrey T. Woolley, 46	Director and Chairman of the Board	Director since 2003, elected Chairman April, 2004	Mr. Woolley is currently Executive Chairman of European Venture Partners, a company he founded in 1997 to introduce "venture leasing," an asset-backed debt instrument with equity participation to the European and Israeli markets. He holds an M.B.A. from the University of Utah and a B.S. in Business Management with a Minor in Economics from Brigham Young University.	MorAmer Corporati Dominio Founding Polaris on Board Euclid advisor o Von Bra Private E Board

+ Mr. Woolley, as a former director of Atlas Management Partners, LLC, the Company's former investor, is an "interested person" of the Corporation, as that term is defined in Section 2(a)(19) of the Inv

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*Independent Directors*

Name, Address and Age	Position(s) Held with the Corporation	Term of Office and Length of Time Served	Principal Occupation(s) During Past 5 Years	Other Held b Dire
Michael W. Dunn, 55	Director	Since 1994	Mr. Dunn has also been a Director of MorAmerica since 1994. Mr. Dunn has been C.E.O. since 1980 and President and Director since 1983 of Farmers & Merchants Savings Bank of Manchester, Iowa.	Securit Eagle Gro MorAmer Dunn I holding President
Martin Walton, 41	Director	Since February,	Mr. Walton has served as President of TD Options LLC in Chicago, Illinois, one of	MorAmer Corporati

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2004	the largest equity options market makers, and Global Head of Equity Derivatives for TD Securities, the Investment Bank arm of the Toronto-Dominion Bank since 2000. From 1995 to 2000, he managed a \$240 million hedge fund and later a \$600 million fund of hedge funds until joining TD Securities in 2000. Mr. Walton began his career in capital markets, trading for Canadian Imperial Bank of Commerce (London and Toronto) later becoming VP, Derivatives Trading, at Bank of America in London. Mr. Walton graduated with a B.A. degree (Honours) from Brasenose College, Oxford University in 1985.
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**Corporation Stock Ownership of Director Nominees**

The following table represents, as of March 31, 2005, the dollar range value of equity securities beneficially owned (as that term is defined in Rule 16a-1(a)(2) of the Exchange Act) by each nominee for Director of the Corporation pursuant to this **PROPOSAL 1**. In the table, "Interested Directors" indicate those persons who are "interested persons," as that term is defined in Section 2(a)(19) of the Investment Company Act, of the Corporation, as affiliated persons of the Corporation. In contrast, "Independent Directors" are not "interested persons."

NAME OF INDEPENDENT DIRECTOR NOMINEE	DOLLAR RANGE OF EQUITY SECURITIES IN THE CORPORATION	AGGREGATE DO OF EQUITY SECURITI CORPORATIO
Paul M. Bass, Jr.	\$50,001 - \$100,000	\$50,001 -
Michael W. Dunn	\$50,001 - \$100,000	\$50,001 -
Gordon J. Roth	\$1 - \$10,000	\$1 - \$
Martin C. Walton	None	No
Jasja Kotterman	\$1 - \$10,000	\$1 - \$
NAME OF INTERESTED DIRECTOR	DOLLAR RANGE OF EQUITY SECURITIES	AGGREGATE DO OF EQUITY SECURITI

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NOMINEE  
Geoffrey T. Woolley++

IN THE CORPORATION  
\$10,001 - \$50,000

CORPORATIO  
\$10,001

Benjamin Jiaravanon  
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Over \$100,000

Over \$1

+ There are no other funds in the Corporation's complex.  
++ Mr. Woolley is a party to a line of credit agreement with the Corporation. Under this agreement, amounts loaned by Mr. Woolley to the Corporation may be converted, at his option, into shares of Common Stock of the Corporation. The amount reported here does not include any shares of Common Stock which may be so acquired.

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

As reported in Schedule 13D filed by Atlas Management Partners, LLC ("Atlas") and others on May 3, 2005, pursuant to an agreement dated April 28, 2005 between Atlas, Bridgewater International Group, LLC, Kent I. Madsen, Robert A. Madsen, Todd J. Stevens, Nick Efstratis, Tim Bridgewater, and Geoffrey T. Woolley, Bridgewater International Group, LLC has purchased from Mr. Kent Madsen (the Company's former director, President and Secretary), Mr. Robert Madsen, Mr. Stevens (a former director of the Company), Mr. Efstratis (the former Vice President and Chief Compliance Officer of the Company), and Mr. Woolley (a director of the Company), all of such persons' interests in Atlas, the Company's former investment adviser.

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

**PROPOSAL 2  
CLASSIFICATION**

Under the Corporation's Amended and Restated Bylaws (the "Bylaws"), the Corporation's current Directors were elected to serve for one-year terms at the 2004 Annual Meeting. The Board of Directors has since determined that it would be in the Corporation's best interests to classify the Board of Directors such that three of the nine Directors are elected every year to serve three-year terms.

The Board is proposing the Classification to enhance the continuity of the Corporation's Board leadership. As only one-third of the Board of Directors is elected each year under the Classification, two-thirds of the Board will always (absent events such as resignations) remain on the Board. Classification will also permit the Board and its Corporate Governance/Nominating Committee to effectively evaluate individual Board members as terms expire, rather than evaluating the entire Board membership each year. The Investment Company Act requires at least a majority of the Board to be independent, and the Classification will allow the Corporate Governance/Nominating Committee greater ability to recruit and retain new directors who are

independent. Additionally, the Classification can serve to deter hostile takeovers or proxy contests respecting the composition of the Board of Directors.

Some observers feel that board classification decreases directors' accountability to the shareholders because the directors do not stand for re-election every year. Further, some argue that classification leads to an entrenched board which can hinder management changes. One effect then of the Classification is to make it harder for the Corporation's shareholders to change a majority of the Corporation's directors, even when the only reason for such a change would be the performance of the present directors.

One effect of this **PROPOSAL 2** would be to make it more difficult for the Corporation to accomplish certain transactions requiring a change of control and would hinder the ability of principal stockholders to assume control of the Corporation. This effect would make it more difficult to change the Corporation's management, and could deter transactions which otherwise may maximize shareholder value. Further, the effects of the Classification will not only affect the Corporation immediately upon election of the directors under **PROPOSAL 1**, but will continue to affect the Corporation on a going-forward basis as the Classification will apply to all future Board elections, and will not be triggered by any particular event, such as a hostile takeover.

The Corporation's shareholders may now change the majority of directors in one annual meeting under the Bylaws' current director election system. Under the Classification, the Corporation's shareholders would need two annual meetings to effect such a change.

The Board has not recommended the Classification in any effort to counter a plan by any person to accumulate the Corporation's stock or to obtain control of the Corporation via merger, tender offer, solicitation in opposition to management or otherwise. Similarly, the Board has not recommended the Classification as part of any plan to adopt a series of amendments to the Bylaws to thwart hostile takeover efforts, although there is one existing provision of the Bylaws which can be viewed as an anti-takeover measure: the establishment of a maximum of nine directors. The Board does not anticipate proposing other anti-takeover measures in the future. All of the Directors approved the Classification proposal at the Board's April 29, 2005 meeting. The NASDAQ stock exchange rules do not provide NASDAQ the right to de-list a stock which adopts a classified board structure.

Under the Delaware General Corporation Law, the Classification requires an amendment to the Bylaws. Thus, upon approval by the shareholders of **PROPOSAL 2**, the Bylaws shall be amended through adoption of the Second Amended and Restated Bylaws, to provide that Section 1 of Article II of the Bylaws shall be replaced in its entirety with the following:

Section 1. Number and Term of Office. The number of directors of the Corporation to constitute the Board of Directors shall be nine (9). Each director shall hold office until such director's successor has been elected and has qualified, or until such director's death, retirement, disqualification, resignation or removal. The Board of Directors shall be and is divided into three (3) classes,

of three (3) directors who shall hold office until the annual meeting of the stockholders in 2006. Class II directors shall consist of three (3) directors who shall hold office until the annual meeting of stockholders in 2007. Class III directors shall consist of three (3) directors who shall hold office until the annual meeting of stockholders in 2008. Upon expiration of the terms of the office of directors as classified above, their successors shall be elected for the term of three (3) years each. Each director shall hold office until the annual meeting of the stockholders for the year in which his or her term expires and until his or her successor shall be elected and qualify, subject, however, to prior death, resignation, retirement, disqualification or removal from office.

The nominees for the three classes of Directors are as provided in **PROPOSAL 1**. Pursuant to Section 2 of Article II of the Bylaws, if a Director's office becomes vacant, a majority of the remaining Directors, although less than a quorum, may elect a successor to serve for the remainder of the vacant directorship's term. Thus, if **PROPOSAL 2** is approved at the 2005 Annual Meeting, a majority of the remaining Directors, even if less than a quorum, could elect a successor to serve for the entire remaining term--up to three years--before the shareholders would re-elect a successor.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT THE SHAREHOLDERS VOTE FOR THE AMENDMENT TO THE BYLAWS UNDER "CLASSIFICATION."**

**PROPOSAL 3  
APPROVAL OF INVESTAMERICA/MORAMERICA AGREEMENT**

**Prior Atlas/MorAmerica Investment Advisory Agreement**

MorAmerica was previously a party to the Investment Advisory Agreement between MorAmerica and Atlas Management Partners, LLC ("Atlas") dated March 1, 2004 (the "Atlas/MorAmerica Agreement"). The Atlas/MorAmerica Agreement was approved by the Corporation's shareholders at the 2004 Annual Shareholders Meeting. As discussed above, as required by the SBA, MorAmerica's Board of Directors, on April 29, 2005, approved the termination of Atlas as MorAmerica's investment adviser and approved the terms of the Interim Investment Advisory Agreement between MorAmerica and InvestAmerica, dated April 30, 2005 (the "Interim MorAmerica Agreement").

Under the Atlas/MorAmerica Agreement, the advisory responsibilities of Atlas and InvestAmerica were divided with respect to MorAmerica's assets. Atlas managed all portfolio investments made by MorAmerica after the effective date of the Atlas/MorAmerica Agreement, March 1, 2004 (the "Effective Date"), and InvestAmerica managed all portfolio investments of MorAmerica made prior to the Effective Date. For purposes of comparing the Atlas/MorAmerica Agreement and the InvestAmerica/MorAmerica Agreement, the following are the remaining key provisions of the Atlas/MorAmerica Agreement:

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(1) **Management Responsibilities:** Atlas managed all assets of MorAmerica after the Effective Date and, in conjunction with InvestAmerica pursuant to the Subadvisory Agreement, generally provided all facilities, personnel, and other means necessary for MorAmerica to operate. Except to the extent of acquisitions or dispositions of portfolio securities that, in accordance with MorAmerica's co-investment guidelines require specific board approval, Atlas made decisions regarding all new and follow-on investments, asset dispositions and other investment decisions.

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(2) **Operating Expenses:** Atlas generally was responsible for expenses relating to staff salaries, office space and supplies, and MorAmerica was generally 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 MorAmerica or on its behalf as a result of its investment in any portfolio company.

(3) **Advisory Fees:** MorAmerica paid Atlas a management fee equal to 2.5% of the Capital Under Management (as defined in the Atlas/MorAmerica Agreement) on an annual basis, but in no event more than 2.5% per annum of the Assets Under Management or 7.5% of Regulatory Capital (as defined in the Atlas/MorAmerica Agreement). However, during fiscal 2003 and a portion of fiscal 2004, InvestAmerica, as MorAmerica's investment advisor prior to Atlas, agreed to a voluntary, temporary reduction in management fees from January 1, 2003 through February 29, 2004. This temporary agreement changed the management fee to be \$68,750 per month not to exceed the calculation specified in the Atlas/MorAmerica Agreement. This voluntary, temporary reduction in management fees was terminated on February 29, 2004. In addition, the Atlas/MorAmerica Agreement provided that MorAmerica would pay Atlas an incentive fee in an amount equal to 20.0% of the net capital gains, before taxes, on investments. Net capital gains, as defined in the Atlas/MorAmerica Agreement, were calculated as gross realized gains, minus the sum of capital losses, less any unrealized depreciation, including reversals of previously recorded unrealized depreciation, recorded during the year, and net investment losses, if any. Capital losses and realized capital gains were not cumulative under the incentive fee computation. Payments for incentive fees resulting from noncash gains were deferred until the assets were sold.

Total management fees (net of management fees waived) amounted to \$955,508 for the year ended September 30, 2004. Incentive fees were an expense in determining net realized gain (loss) on investments in the consolidated statement of operations. Incentive fees of \$493,050 were earned for the year ended September 30, 2004. Total incentive fees paid amounted to \$497,517 in fiscal 2004. Approximately \$18,353 of incentive fees related to noncash gains from prior years is being deferred as described above. The incentive fees were paid to InvestAmerica in connection with the termination of its prior agreement effective February 28, 2004.

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

(4) **Termination and Other Matters:** The Atlas/MorAmerica Agreement could be terminated by either party upon sixty days written notice.

Under **PROPOSAL 3**, InvestAmerica will continue its investment advisory services to MorAmerica pursuant to the Investment Advisory Agreement between InvestAmerica and MorAmerica attached hereto as Appendix A (the "InvestAmerica/MorAmerica Agreement"), and the Interim MorAmerica Agreement will

be terminated.

**InvestAmerica/MorAmerica Agreement**

As described above under "RECENT DEVELOPMENTS - BACKGROUND OF PROPOSALS 3 & 4" the Board of Directors of MorAmerica Capital, in response to the SBA's decisions, has recently approved the reinstatement of InvestAmerica as the sole investment adviser to MorAmerica.

Pursuant to the Board's actions on April 29, 2005, the Atlas Agreements were terminated and MorAmerica and InvestAmerica entered into the Interim MorAmerica Agreement pursuant to Rule 15a-4 of the Investment Company Act. Upon shareholder approval at the 2005 Annual Meeting, the Interim MorAmerica Agreement will be terminated. The Corporation proposes that MorAmerica enter into the InvestAmerica/MorAmerica Agreement with InvestAmerica, whose address is 101 Second Street S.E., Suite 800, Cedar Rapids IA 52401. The InvestAmerica/MorAmerica Agreement was approved on April 29, 2005 by the vote of a majority of the members of the Board of Directors of MorAmerica who are not parties to the transaction or "interested persons" within the meaning of Section 2(a)(19) of the Investment Company Act, cast in person at a meeting called for the purpose of voting on such approval, subject to the approval of the shareholders of the Corporation at the 2005 Annual Meeting. Because MorAmerica is licensed as a small business investment company ("SBIC"), applicable SBA Regulations require the approval of the SBA of the InvestAmerica/MorAmerica Agreement, which approval has been granted by the SBA.

Under the InvestAmerica/MorAmerica Agreement, InvestAmerica will manage all portfolio company investments made by MorAmerica. The following are the remaining key provisions of the InvestAmerica/MorAmerica Agreement, which are substantially the same as the provisions of the Interim MorAmerica Agreement (excepting those provisions relating to the

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term, as discussed above in "RECENT DEVELOPMENTS - BACKGROUND OF PROPOSALS 3 & 4"):

(1) **Management Responsibilities:** InvestAmerica will manage all assets of MorAmerica and generally provide all facilities, personnel, and other means necessary for MorAmerica to operate. Except to the extent of acquisitions or dispositions of portfolio securities that, in accordance with MorAmerica's co-investment guidelines require specific board approval, InvestAmerica will make all new and follow-on investments and all asset dispositions and other investment decisions in InvestAmerica's discretion.

(2) **Operating Expenses:** InvestAmerica generally will be responsible for expenses relating to staff salaries, office space and supplies, and MorAmerica 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 MorAmerica or on its behalf as a result of its investment in any portfolio company.

(3) **Advisory Fees:** MorAmerica will pay InvestAmerica, monthly in arrears, a management fee equal to the lesser of 1.5% per annum of the (i) Combined Capital (as defined under the SBA Regulations) or (ii) Assets Under Management (as defined in the InvestAmerica/MorAmerica Agreement). These fees are not based upon any of the Corporation's assets managed by InvestAmerica under the InvestAmerica/MACC Agreement. In addition, the



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InvestAmerica/MorAmerica Agreement provides that MorAmerica will pay InvestAmerica an incentive fee in an amount equal to 13.4% of the net capital gains, before taxes. Net capital gains, as defined in the InvestAmerica/MorAmerica Agreement, are calculated as gross realized gains, minus the sum of capital losses, less any unrealized depreciation, including reversals of previously recorded unrealized depreciation, recorded during the year, and net investment losses, if any. Capital losses and realized capital gains are not cumulative under the incentive fee computation. Payments for incentive fees resulting from noncash gains are deferred until the assets are sold.

The amount of the incentive fee is 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 the Advisers Act. This section provides that the total incentive fees will not exceed 20% of the realized capital gains upon the assets of MorAmerica over a specified period, computed net of all realized capital losses and unrealized capital depreciation. Under Section 5.2(a)(ii) of the InvestAmerica/MorAmerica Agreement, the specified period is one year.

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Finally, pursuant to the SBA's direction, MorAmerica may not pay, and InvestAmerica may not receive, any incentive fee payments unless and until: (i) all of MorAmerica's indebtedness to the SBA, including principal, interest and/or fees, is repaid, and (ii) all funds are paid into the escrow relating to the arbitration settlement reached by MorAmerica and other parties (and most recently discussed in the press release issued by the Company on January 7, 2005) for purposes of securing MorAmerica's (and that of certain other parties to such arbitration) obligations to the SBA in light of such settlement. Any incentive fees earned but not paid to InvestAmerica due to the foregoing will be accrued.

(4) **Term, Termination and Other Matters:** The InvestAmerica/MorAmerica Agreement has a term of two years, unless sooner terminated as described below. After the initial two-year term, the InvestAmerica/MorAmerica Agreement will continue in effect so long as such continuance is specifically approved at least annually by the Board of Directors of MorAmerica, including a majority of its Directors who are not interested persons of InvestAmerica, or by the vote of the holders of a majority, as defined in the Investment Company Act, of the outstanding shares of MorAmerica. The InvestAmerica/MorAmerica Agreement may be terminated by the Corporation or MorAmerica at any time, without payment of any penalty, on 60 days' written notice to InvestAmerica if the decision to terminate has been made by the Board of Directors of MorAmerica or by the vote of a majority, as defined in the Investment Company Act, of the holders of a majority of the outstanding shares of the Corporation or MorAmerica.

InvestAmerica may also terminate the InvestAmerica/MorAmerica Agreement on 60 days' written notice to MorAmerica 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 Investment Company Act, of the outstanding shares of the Corporation and by the Board of Directors of MorAmerica, including a majority of Directors who are not parties to such agreement or interested persons of any such party.

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The terms of the InvestAmerica/MorAmerica Agreement differ from the Atlas/MorAmerica Agreement. Instead of a management fee equal to 2.5% of the Capital Under Management (as defined in the Atlas/MorAmerica Agreement) on an annual basis, but not more than 2.5% per annum of the Assets Under Management or 7.5% of Regulatory Capital (as defined in the Atlas/MorAmerica Agreement), MorAmerica will pay InvestAmerica a management fee equal to the lesser of 1.5% per annum of the (i) Combined Capital (as defined under the SBA Regulations) or (ii) Assets Under Management (as defined in the InvestAmerica/MorAmerica Agreement). Under SBA Regulations, Capital Under Management means MorAmerica's (i) private capital at fiscal year end (paid-in capital and paid-in surplus, excluding unrealized capital gains and losses), plus (ii) fiscal year end SBA leverage (long-term debentures borrowed through SBA's debenture program); plus (iii) fiscal year end undistributed realized earnings. Assets Under Management is the total value of MorAmerica's assets managed by InvestAmerica. The effect of this provision is to pay InvestAmerica a management fee based on the lower of these measures, one based on SBA requirements and one based on Advisers Act requirements. During MorAmerica's fiscal year ended September 30, 2004, for each month the

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calculation based on Assets Under Management resulted in a slightly lower fee than the Capital Under Management calculation.

The incentive fee payable to InvestAmerica would be 13.4%, as opposed to 20% paid to Atlas under the Atlas/MorAmerica Agreement, of the Net Capital Gains (as defined in the InvestAmerica/MorAmerica Agreement), before taxes, on portfolio investments and from the disposition of other assets or property managed by InvestAmerica. As noted above, management and incentive fees of \$1,453,025 were paid in fiscal year 2004, under a previous agreement with InvestAmerica and the Atlas/MorAmerica Agreement. If the Atlas/MorAmerica Agreement had been in effect for the full year 2004 (and without giving effect to the voluntary management fee reduction of InvestAmerica as the prior advisor and the incentive fee payment to InvestAmerica in connection with termination of the prior agreement), Atlas would have earned \$1,042,600.53 in management fees and no incentive fee for fiscal year 2004. Under the terms of the InvestAmerica/MorAmerica Agreement, if that agreement had been in effect for the full year 2004 (and without giving effect to the prior voluntary management fee reduction of InvestAmerica as the prior advisor and the incentive fee payment in connection with termination of the prior agreement), Atlas would have earned \$625,560.33 in management fees in fiscal year 2004, or 60% of the fees paid to Atlas under the terms of the Atlas/MorAmerica Agreement. Additionally, the SBA has directed that the incentive fees, although they may be earned by InvestAmerica, may not be paid to InvestAmerica until those obligations owed by MorAmerica to the SBA are satisfied in full. The proposed InvestAmerica/MorAmerica Agreement is attached hereto as Appendix A.

### **Material Factors Considered by the Boards of Directors of the Corporation and MorAmerica in Selecting InvestAmerica and Approving the InvestAmerica Agreements, and Fees Payable under the InvestAmerica Agreements.**

The decision by the Boards of Directors of MorAmerica and the Corporation (the "Boards") to retain InvestAmerica as the primary investment advisor to MorAmerica and the Corporation was primarily motivated by several factors, some of which were not within the control of the Boards. From 1995 through 2004, MorAmerica pursued a strategy of increasing shareholder value through increasing the amount of MorAmerica's funds available for investment with the proceeds from

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the issuance of SBA-guaranteed debentures, with the intention of reinvesting the proceeds from those portfolio investments as the investments were liquidated. MorAmerica's strategy of using leverage to fund its growth magnified the effects of losses within the MorAmerica portfolio realized over the past few years, resulting in considerable declines in the Corporation's net asset value, and recently, MorAmerica's capital impairment exceeding the levels permitted under applicable SBA Regulations.

In December 2004, the SBA's determination not to approve Atlas as investment advisor to MorAmerica required MorAmerica to terminate its investment advisory relationship with Atlas. The SBA also required that InvestAmerica, as the previously approved investment advisor, should be promptly reinstated as the sole investment advisor of MorAmerica. At about the same time, MorAmerica settled an arbitration claim which required the SBA's approval. As

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a condition to its approval, the SBA required MorAmerica (as well as several other SBICs that were parties to the arbitration and settlement) to indemnify the SBA against any losses the SBA may incur, up to \$7.5 million, relating to the outstanding SBA-guaranteed debentures issued by the SBICs. The occurrence of these events caused MorAmerica's Board to consider the financial terms for the re-appointment of InvestAmerica as successor investment advisor within the larger context of the long-term strategy of MorAmerica. Additionally, because the Corporation's assets are minimal and most of its assets are in MorAmerica, MorAmerica's Board's decisions respecting InvestAmerica are equally applicable to the Corporation's Board's decision to retain InvestAmerica.

Although the Boards intend to continue to consider other long-term strategies to maximize shareholder value, the Boards determined that MorAmerica's immediate plan to preserve its value for the benefit of the Corporation and its stockholders should be to reduce the two largest components of its operating expenses: interest on SBA-guaranteed debentures and management fees. In furtherance of these goals, MorAmerica would need to:

- o limit the amount of new and follow-on investments MorAmerica makes for the foreseeable future;
- o use available cash to reduce its borrowings and to fund an escrow to pay (if necessary) MorAmerica's contingent obligation to the SBA under the settlement agreement described above;
- o negotiate an investment advisory agreement that provides for lower monthly management fees and lower incentive fees than MorAmerica had been paying to Atlas; and
- o negotiate an investment advisory agreement that effectively subordinates MorAmerica's obligation to pay incentive fees to the investment advisor until MorAmerica has fully repaid all of its outstanding SBA-guaranteed debentures and fully funded the escrow.

The Boards determined that InvestAmerica was best suited to serve as investment advisor to MorAmerica and to the Corporation during its implementation of this strategy based on several factors. First, InvestAmerica was more familiar with the Company's existing investment portfolio than any other firm because InvestAmerica has been investment advisor (or a subadvisor) to the Company since 1995. Second, InvestAmerica agreed to financial terms consistent with MorAmerica's strategy, which the Boards believe are considerably less favorable to the investment advisor than customary market terms for this type of service. Third, SBA approved InvestAmerica's reinstatement as investment

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advisor to MorAmerica, both because of MorAmerica's prior experience as MorAmerica's historic manager and the reduced and subordinated fee structure.

Under the regulations of the Securities and Exchange Commission (the "SEC"), the Corporation is required to disclose whether the Boards, in selecting InvestAmerica as the

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investment advisor to MorAmerica and to the Corporation, and in approving the advisory fees payable under the InvestAmerica/MorAmerica Agreement and the InvestAmerica/MACC Agreement and the other terms of the new agreements:

- o compared the services to be provided by InvestAmerica to the services available from other advisors;
- o evaluated the performance of InvestAmerica on a comparative basis;
- o accounted for the costs to InvestAmerica to provide the services contemplated;
- o accounted for the profits to be realized by InvestAmerica in its service as adviser;
- o evaluated the effects, if any, of the economies of scale which could be achieved if MorAmerica or the Corporation achieved a certain rate of growth;
- o compared the fees payable to InvestAmerica to the fees InvestAmerica charges other types of funds (if any); and
- o accounted for any benefits InvestAmerica could receive through its service as adviser, such as brokerage-related soft-dollar arrangements.

The basis for the Boards' selection of InvestAmerica and in approving the advisory fees and other terms under the InvestAmerica/MorAmerica Agreement and the InvestAmerica/MACC Agreement were as set forth above. Accordingly, to the extent that any of the factors required to be disclosed under the SEC regulations involve additional or different considerations, they did not form the basis of the Boards' decisions.

### **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, 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.

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**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT THE SHAREHOLDERS VOTE FOR THE APPROVAL OF THE INVESTAMERICA/MORAMERICA AGREEMENT.**

**PROPOSAL 4  
APPROVAL OF INVESTAMERICA/MACC AGREEMENT**

**Prior Atlas/MACC Investment Advisory Agreement**

The Corporation was previously a party to the Investment Advisory Agreement between the Corporation and Atlas Management Partners, LLC ("Atlas") dated March 1, 2004 (the "Atlas/MACC Agreement"). The Atlas/MACC Agreement was approved by the Corporation's shareholders at the 2004 Annual Shareholders Meeting. As discussed above, at the direction of the SBA, the Corporation's Board of Directors, on April 29, 2005, approved the resignation of Atlas as the Corporation's investment adviser and approved the terms of the Interim Investment Advisory Agreement between the Corporation and InvestAmerica, dated April 30, 2005 (the "Interim MACC Agreement").

Under the Atlas/MACC Agreement, the advisory responsibilities of Atlas and InvestAmerica were divided with respect to the Corporation's assets. Atlas managed all portfolio company investments made by the Corporation after the effective date of the Atlas/ MACC Agreement, March 1, 2004 (the "Effective Date"), and InvestAmerica managed all portfolio company investments of the Corporation made prior to the Effective Date. The following are the remaining key provisions of the Atlas/MACC Agreement:

- (1) **Management Responsibilities:** Atlas managed all assets of the Corporation after the Effective Date and, in conjunction with InvestAmerica pursuant to the Subadvisory Agreement, generally provided all facilities, personnel, and other means necessary for the Corporation to operate. Except to the extent of acquisitions or dispositions of portfolio securities that, in accordance with the Corporation's co-investment guidelines require specific board approval, Atlas made decisions regarding all new and follow-on investments, asset dispositions and other investment decisions.
- (2) **Operating Expenses:** Atlas generally was responsible for expenses relating to staff salaries, office space and supplies, and the Corporation was generally 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 paid Atlas a management fee equal to 2.5% of the Assets Under Management (as defined in the Atlas/MACC Agreement) on an annual basis. In addition, the Atlas/MACC Agreement provided that the Corporation would pay Atlas an incentive fee

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in an amount equal to 20.0% of the net capital gains, before taxes, on investments. Net capital gains, as defined in the Atlas/MACC Agreement,

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were calculated as gross realized gains, minus the sum of capital losses, less any unrealized depreciation, including reversals of previously recorded unrealized depreciation, recorded during the year, and net investment losses. Capital losses and realized capital gains were not cumulative under the incentive fee computation. Payments for incentive fees resulting from noncash gains were deferred until the assets were sold.

Total management fees amounted to \$2,892 for the year ended September 30, 2004, and there were no incentive fees paid in fiscal year 2004.

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 incentive fee will not exceed 20% of the realized capital gains upon the funds computed net of all realized capital losses and unrealized capital depreciation.

(4) **Termination and Other Matters:** The Atlas/MACC Agreement could be terminated by either party upon sixty days written notice.

Under **PROPOSAL 4**, InvestAmerica will continue its investment advisory services to the Corporation pursuant to the Investment Advisory Agreement between InvestAmerica and the Corporation attached hereto as Appendix B (the "InvestAmerica/MACC Agreement"), and the Interim MACC Agreement will be terminated.

### **InvestAmerica/MACC Agreement**

As described above under "RECENT DEVELOPMENTS - BACKGROUND OF PROPOSALS 3 & 4" the Board of Directors of the Corporation, in response to the SBA's decisions, have recently approved the reinstatement of InvestAmerica as the investment adviser to the Corporation.

Pursuant to the Board's actions on April 29, 2005, the Atlas Agreements were terminated and the Corporation and InvestAmerica entered into the Interim MACC Agreement pursuant to Rule 15a-4 of the Investment Company Act. Upon shareholder approval at the 2005 Annual Meeting, the Interim MACC Agreement will be terminated. The Corporation's Board of Directors proposes that the Corporation enter into the InvestAmerica/MACC Agreement with InvestAmerica, whose address is 101 Second Street S.E., Suite 800, Cedar Rapids IA 52401. The InvestAmerica/MACC Agreement was approved on April 29, 2005 by the vote of a majority of the members of the Board of Directors of the Corporation who are not parties to the transaction or "interested persons" within the meaning of Section 2(a)(19) of the Investment Company Act, cast in person at a meeting called for the purpose of voting on such approval, subject to the approval of the shareholders of the Corporation at the 2005 Annual Meeting.

Under the InvestAmerica/MACC Agreement, InvestAmerica will manage all portfolio company investments made by the Corporation. The following are the remaining key provisions

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of the InvestAmerica/MACC Agreement, which are identical to the provisions of the Interim MACC Agreement (excepting those provisions relating to the term, as discussed above in "RECENT DEVELOPMENTS - BACKGROUND OF PROPOSALS 3 & 4"):

(1) **Management Responsibilities:** InvestAmerica will manage all assets of the Corporation and generally provide all facilities, personnel, and other means necessary for the Corporation to operate. Except to the extent of acquisitions or dispositions of portfolio securities that, in accordance with the Corporation's co-investment guidelines require specific board

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approval, InvestAmerica will make all new and follow-on investments and all asset dispositions and other investment decisions in InvestAmerica's discretion.

(2) **Operating Expenses:** InvestAmerica 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 InvestAmerica a management fee equal to 1.5% per annum of the Assets Under Management (as defined in the InvestAmerica/MACC Agreement). These fees are not based upon any of InvestAmerica's assets managed by InvestAmerica under the InvestAmerica/MorAmerica Agreement. In addition, the InvestAmerica/MACC Agreement provides that the Corporation will pay InvestAmerica an incentive fee in an amount equal to 13.4% of the net capital gains, before taxes, on investments. Net capital gains, as defined in the InvestAmerica/MACC Agreement, are calculated as gross realized gains, minus the sum of capital losses, less any unrealized depreciation, including reversals of previously recorded unrealized depreciation, recorded during the year, and net investment losses. 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 InvestAmerica/MACC Agreement, the specified period is one year.

(4) **Term, Termination and Other Matters:** The InvestAmerica/MACC Agreement has a term of two years, unless sooner terminated as described below. After the initial two-year term, the InvestAmerica/MACC Agreement will continue in effect so long as such continuance is specifically approved at least annually by the Board of Directors of the Corporation, including a majority of its Directors who are not interested persons of InvestAmerica, or by the vote of the holders of a majority, as defined in the Investment

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Company Act, of the outstanding shares of the Corporation. The InvestAmerica/MACC Agreement may be terminated by 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 the Board of Directors of the Corporation or by the vote of a majority, as defined in the Investment Company Act, of the holders of a majority of the outstanding shares of the Corporation.

InvestAmerica may also terminate the InvestAmerica/MACC 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 Investment Company Act, of the outstanding shares of the Corporation and by the Board of Directors of the Corporation, including a majority of Directors who are not parties to such agreement or interested persons of any such party.

The terms of the InvestAmerica/MACC Agreement are different from the Atlas/MACC Agreement. The Corporation will pay InvestAmerica a management fee equal to 1.5% (as compared with 2.5% payable under the Atlas/MACC Agreement) of the Assets Under Management (as defined in the InvestAmerica/MACC Agreement). The incentive fee payable to InvestAmerica would be 13.4%, as compared to the 20.0% paid to Atlas under the Atlas/MACC Agreement, of the Net Capital Gains (as defined in the InvestAmerica/MACC Agreement), before taxes, on portfolio investments and from the disposition of other assets or property managed by InvestAmerica. As noted above, management and incentive fees of \$2,892 were paid in fiscal year 2004. Under the terms of the InvestAmerica/MACC Agreement, Atlas would have earned \$1,735.30 in management fees in fiscal year 2004, or 60% of what Atlas was paid pursuant to the Atlas/MACC Agreement in fiscal year 2004. The proposed InvestAmerica/MACC Agreement is attached hereto as Appendix B.

**Please see discussion of the Board's selection of InvestAmerica and approval of advisory fees payable under the InvestAmerica/MACC Agreement under PROPOSAL 3--APPROVAL OF INVESTAMERICA/MORAMERICA AGREEMENT.**

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT THE SHAREHOLDERS VOTE FOR THE APPROVAL OF THE INVESTAMERICA/MACC AGREEMENT.**

**PROPOSAL 5  
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 the required registration statement to effect a rights offering, but the Corporation's Board determined not to pursue that rights offering in fiscal year 2005 in light of the litigation and regulatory issues

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facing the Company in the last year, as previously disclosed. Going forward, the Corporation's Board may decide, with shareholder approval of this **PROPOSAL 5**, to again pursue a rights offering as described below.

**Rights Offering**

The Corporation has elected treatment as a business development company ("BDC") under the Investment Company Act. 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 Investment Company 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 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 5**, the Corporation will be



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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 5**, 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 of the end of the Corporation's second fiscal quarter ended March 31, 2005, assuming that one right is issued for each three outstanding shares, all rights are exercised at an estimated subscription price of \$2.42 per share (or 95% of the price of the Corporation's stock at the close of business), 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 \$4.82 would be reduced by approximately \$.62 per share (or 12.9%) to \$4.20 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

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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.

Shares of the Corporation's stock have historically traded at a substantial discount to net asset value. At March 31, 2005, the end of the second quarter of Fiscal Year 2005, the closing market bid price per share of the Corporation's Common Stock was \$2.55, or 52.91% of the net asset value per share at that date of \$4.82. 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 outstanding but unissued shares.

At this date, 2,329,255 shares are issued and outstanding, and 10,000,000 shares are currently authorized. If the shareholders approve this **PROPOSAL 5**, the Board of Directors will be authorized to conduct rights offerings for up to a maximum of 7,670,745 shares based on the number of currently authorized and unissued shares.

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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.

If the Corporation issues additional securities as contemplated in this **PROPOSAL 5**, those securities would be listed on the NASDAQ.

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

With respect to **PROPOSAL 5**, the Corporation's financial statements and related financial information required by Item 13(a) of Schedule 14A are incorporated hereby by this reference to (i) the Corporation's Annual Report to Shareholders for its fiscal year ended September 30, 2004, included as exhibit 13 to the Corporation's report on Form 10-K/A filed with the Commission on June 16, 2005, and (ii) the Corporation's report on Form 10-Q for its second fiscal quarter ended March 31, 2005 (the "Reports"). The Reports accompany this proxy statement, but are 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**

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**RIGHTS TO ACQUIRE ANY AUTHORIZED SHARES OF COMMON STOCK OF THE CORPORATION.**

### **PROPOSAL 6 RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS**

As recommended by the Audit Committee of the Corporation's Board of Directors, on December 10, 2004, a majority of those members of the Board of Directors of the Corporation who are not "interested persons" of the Corporation (as defined in Section 2(a)(19) of the Investment Company Act) voted in favor of the appointment of KPMG LLP to serve as the Corporation's independent auditors for the fiscal year ending September 30, 2005.

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 all subsidiaries of the Corporation. A representative of KPMG LLP is expected to be present at the 2005 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, 2005, the proposal must receive the favorable vote of a majority of the shares entitled to vote and represented at the 2005 Annual Meeting.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT THE SHAREHOLDERS VOTE FOR THE RATIFICATION OF KPMG LLP AS THE INDEPENDENT AUDITORS FOR THE CORPORATION FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2005.**

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**OTHER BUSINESS**

The Board of Directors knows of no other business to be presented for action at the 2005 Annual Meeting. If any matters do come before the 2005 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 2005 Annual Meeting.

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**ADDITIONAL INFORMATION****Section 16(a) Beneficial Ownership Reporting Compliance**

As of March 31, 2005, there were 2,329,255 shares issued and outstanding. The following table sets forth certain information as of May 5, 2005, with respect to the Common Stock ownership of: (i) those persons or groups (as that term is used in Section 13(d)(3) of the Securities and Exchange Act of 1934, as amended (the "Exchange Act") who beneficially own more than 5% of the Common Stock, (ii) each Director and nominee for Director of the Corporation, and (iii) all Officers and Directors of the Corporation, eleven in number, as a group. Unless otherwise provided, the address of those in the following table is 101 Second Street S.E., Suite 800, Cedar Rapids IA 52401.

Name and Address of Beneficial Owner	Amount and Nature Of Beneficial Ownership	Percent of Cla Common
Atlas Management Partners, LLC(1) One South Main Street, Suite 1660, Salt Lake City, Utah 84133	804, 689 Shares	34.
Bridgewater International Group, LLC(1) 10500 South 1300 West, South Jordan, Utah 84095	804,689 Shares	34.
Timothy A. Bridgewater(2) 10500 South 1300 West South Jordan, Utah 84095	809,689	34.
Geoffrey T. Woolley	15,948 Shares	0.6
Paul M. Bass, Jr.	37,000 Shares	1.5
Michael W. Dunn	28,984 Shares	1.2
Benjamin Jiaravanon(3) Ancol Barat, J1 Ancol VIII, No.1 Jakarta 14430 Indonesia	804,689 Shares	34.
Gordon J. Roth	3,951 Shares	0.1

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David R. Schroder(4)	77,416 Shares	3.3
Kevin F. Mullane(4)	11,264 Shares	0.4

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Martin C. Walton	0 Shares	0.0
Jasja Kotterman	1,000 Shares	.0
Robert A. Comey(4)	57,019 Shares	2.3
Michael Reynoldson	0 Shares	0.0
All Officers and Directors as a Group	1,037,271 Shares	44.3

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(1) Information with respect to Atlas and Bridgewater International Group, LLC ("Bridgewater") is based upon Amendment No. 4 to Schedule 13D, dated May 18, 2005, filed by Atlas, Bridgewater and others with the SEC in which Atlas and Bridgewater disclosed that, pursuant to that Mutual Release and Waiver of Claims and Termination of Shareholder and Voting Agreements dated April 28, 2005 (the "Termination Agreement"), Atlas has the power to vote or to direct the vote and shared power to dispose or to direct the disposition of approximately 804,689 shares of the Corporation's Common Stock previously acquired by Bridgewater under a Shareholder and Voting Agreement entered into between Atlas and Bridgewater, and that because Bridgewater, pursuant to the Termination Agreement, is now the sole member of Atlas, that Bridgewater effectively controls any rights Atlas may have to vote the Corporation's Common Stock owned by Bridgewater.

(2) Information with respect to Mr. Jiaravanon is based upon Amendment No. 4 to Schedule 13D, dated May 18, 2005, filed by Atlas, Bridgewater and others with the SEC, and on Form 3 filed by Mr. Jiaravanon on March 9, 2004 with the SEC. As the sole manager of Bridgewater, which is the sole member of Atlas, Mr. Jiaravanon has shared control over the voting power of Atlas on the 804,689 shares of the Corporation's Common Stock owned by Bridgewater for which Atlas has the right to vote. To the extent that Bridgewater may be deemed to be in control of the Corporation as a result of beneficial ownership of the Corporation's Common Stock, Mr. Jiaravanon, as the sole manager of Bridgewater, may be an "interested person" of the Corporation, as that term is defined in Section 2(a)(19) of the Investment Company Act.

(3) Information with respect to Mr. Bridgewater is based upon Amendment No. 4 to Schedule 13D, dated May 18, 2005, filed by Atlas, Bridgewater International Group, LLC and others with the SEC, and on Form 3 filed by Mr. Bridgewater on February 24, 2004 with the SEC. As the voting manager of Atlas, which has voting power on the 804,689 shares of the Corporation's Common Stock owned by Bridgewater International Group, LLC, Mr. Bridgewater has shared control over such Shares owned by Bridgewater International Group, LLC, and may be deemed to be part of a "group" as that term is used in Section 13(d)(3) of the Exchange

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Act, together with Mr. Jiaravanon. To the extent that Bridgewater International Group, LLC may be deemed to be in control of the Corporation as a result of beneficial ownership of the Corporation's Common Stock, Mr. Bridgewater, as the voting manager of Atlas, may be an "interested person" of the Corporation, as that term is defined in Section 2(a)(19) of the Investment Company Act.

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

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### **Advisory Board**

At its meeting on December 22, 2003, the Boards of Directors of the Corporation and MorAmerica Capital voted to create an Advisory Board to MorAmerica Capital. It was decided that the Advisory Board would include members who are recruited from time to time for specific advice they may provide to MorAmerica Capital. The compensation for service as an Advisory Board member was initially set at \$10,000 per annum. Initially, two former members of the Boards of Directors of the Corporation and MorAmerica Capital, Henry T. Madden and John Wolfe, were appointed to the MorAmerica Capital Advisory Board commencing at the end of the 2004 Annual Meeting of Shareholders. Pursuant to a written agreement, Mr. Madden and Mr. Wolfe have provided consulting services as advisory directors for a two-year term based on their prior experience as members of the Board of Directors with respect to the current investment portfolio. Certain information concerning Mr. Madden and Mr. Wolfe is set forth below.

HENRY T. MADDEN

Mr. Madden, age 75, was a Director of the Corporation and MorAmerica Capital from 1994 to 2004. Mr. Madden is a consultant to development stage companies. Since 1995, Mr. Madden has been an independent trustee of Berthel Growth and Income Trust I, and since 1997, Mr. Madden has served as an independent member of the Management Board of Berthel SBIC, LLC, a wholly-owned subsidiary of Berthel Growth & Income Trust I. In 1986, Mr. Madden organized the Institute for Entrepreneurial Management in the University of Iowa College of Business Administration. As Director of the Institute, Mr. Madden advised potential and new entrepreneurs and taught courses on entrepreneurship in the M.B.A. program. He retired in December, 2000.

JOHN D. WOLFE

Mr. Wolfe, age 79, was a Director of the Corporation from 1994 to 2004 and a Director of MorAmerica Capital from 1989 to 2004. Mr. Wolfe is retired from a career in mortgage lending and retail banking. Mr. Wolfe had been employed for many years by the Morris Plan companies prior to the 1985 bankruptcy of MorAmerica Financial Corporation and Morris Plan Liquidation Company (the "Debtors"), and was President of the Morris Plan Company of Iowa. Following the 1988 reorganization of the Debtors, Mr. Wolfe served as voting trustee for the MorAmerica Financial Corporation stock and President of both Debtors. Following several years of retirement, Mr. Wolfe returned from retirement to serve as voting trustee and President and Director of the Debtors during the Debtors' 1993 bankruptcy case.

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

An Audit Committee, a Corporate Governance/Nominating Committee, the

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Investment Committee and the Valuation Committee operated during Fiscal Year 2004 to assist the Board of Directors in carrying out its duties. During Fiscal Year 2004, nine meetings of the Board of Directors were held. In addition, six meetings of the Audit Committee, two meetings of the Nominating Committee, one meeting of the Investment Committee and one meeting of the Valuation Committee were held. Each of the Directors who are nominated for election at the

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2005 Annual Meeting attended at least 75% of the aggregate meetings of the Board of Directors and the meetings held by the committees of the Board of Directors on which that Director served during his tenure.

### *Audit Committee*

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

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

### *Corporate Governance/Nominating Committee*

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

The Corporate Governance/Nominating Committee may seek input from other Directors or senior management in identifying candidates. Shareholders may propose nominees for Director by following the procedures set forth in the section of this Proxy Statement entitled "**SHAREHOLDER PROPOSALS FOR 2006 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.

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The Corporate Governance/Nominating Committee has approved all of the nominees for Director identified above. Given that six of the seven continuing Board members have served for less than two years, the Corporate Governance/Nominating Committee determined to re-nominate all continuing members. Under the new classification system which will be implemented if approved by the Shareholders, the Corporate Governance/Nominating Committee will evaluate the three Directors whose terms expire each year to determine if re-nomination is appropriate given all of the factors noted above.

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

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

#### *Investment Committee*

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

#### *Valuation Committee*

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

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The Audit Committee of the Board of Directors of the Corporation (the "Audit Committee") is composed of three directors and operates under a written charter originally adopted by the Board of Directors and annually updated by the Audit Committee. The current charter of the Audit Committee was attached to the Proxy Statement for the 2004 Annual Shareholders Meeting. The current members of the Audit Committee are Michael W. Dunn (Chair), Paul M. Bass and Gordon J. Roth. Under the terms of the charter and the listing standards of The NASDAQ Stock Market, Inc., all of the Audit Committee members are considered to be independent.

Management is responsible for the Corporation's internal controls and the 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 2004 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 (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 2004, the following amounts during fiscal year 2004:

Audit Fees (including quarterly reviews, security counts, and audit of Form 468):	\$	58,250
Audit-related services	\$	11,175
Financial Information Systems Design and Implementation:	\$	-0-
Non-Audit Fees:		
Preparation of federal and state income tax returns	\$	23,750
Other tax research, consultation, correspondence and advice	\$	1,150

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The Audit Committee has considered whether KPMG has maintained its independence during Fiscal Year 2004.

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/A for the year ended September 30, 2004, filed with



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the Securities and Exchange Commission.

### AUDIT COMMITTEE:

Michael W. Dunn, Chair  
Paul M. Bass  
Gordon J. Roth

### Independent Auditor Fees and Services

The following table presents fees paid for professional services rendered by KPMG for the Fiscal Year 2004 and the fiscal year ending September 30, 2003 ("Fiscal Year 2003"):

Fee Category	Fiscal Year 2004 Fees	Fiscal Year 2003 Fees
Audit Fees	\$58,250	
Audit-Related Fees	\$11,175	
Tax Fees	\$24,900	
All Other Fees	-0-	
Total Fees	\$94,325	

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

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

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

*All Other Fees* are for services other than the services reported above. The Corporation did not pay any fees for such other services in Fiscal Year 2004 or Fiscal Year 2003.

The Audit Committee has concluded the provision of the non-audit services listed above is compatible with maintaining the independence of KPMG.

### Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit

**Services of Independent Auditors**

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

**Compensation of Directors and Executive Officers**

**Compensation of Directors**

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

committee meeting is scheduled as an in-person meeting and \$100 for each committee meeting attended by telephone if the meeting is scheduled to be held by teleconference. The Directors do not receive separate compensation for serving on the Board of Directors of MorAmerica Capital. The Corporation also reimburses all reasonable expenses of the Directors and the Chairman of the Board in attending Board of Directors and committee meetings. Directors' meetings are normally held on a quarterly basis, with additional meetings held as needed on an interim basis.

**Summary Compensation Table**

The following table sets forth certain details of compensation paid to Directors during Fiscal Year 2004, which includes compensation for serving on the Boards of Directors of the Corporation and MorAmerica Capital (the only wholly owned subsidiary of the Corporation). For purposes of the following table, the Fund Complex (as that term is defined in Item 22(a)(1)(v) of Reg. ss.240.14a-101) consists solely of the Corporation and MorAmerica Capital. The Corporation presently maintains no pension or retirement plans for its Directors.

<u>Name and Position</u>	<u>Aggregate Compensation From Corporation and Fund Complex(1)</u>
Geoffrey T. Woolley Chairman of the Board(2)	\$13,100 (3)

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Paul M. Bass, Jr., Director(4)	\$20,900
David R. Schroder, President and Secretary	-0-
Kent I. Madsen(5)	\$3,900
Benjamin Jiaravanon, Director	\$600
Jasja De Smedt Kotterman, Director	\$7,400
Shane V. Robison(6)	\$6,200
Martin Walton, Director	\$7,300
Michael W. Dunn, Director	\$15,650
Gordon J. Roth	\$14,150
Todd J. Stevens(7)	\$2,800
Henry T. Madden(8)	\$14,083.33

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John D. Wolfe(9)	\$13,533.33
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(1) Consists only of directors' fees and does not include reimbursed expenses. The Corporation presently maintains no pension or retirement plans for its Directors.

(2) Mr. Woolley was elected Chairman of the Board on April 30, 2004.

(3) \$10,800 of this amount was deferred pursuant to the MACC Private Equities Inc. Directors' Deferred Fee Plan effective April 1, 2004.

(4) Mr. Bass served as Chairman of the Board through April 30, 2004.

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

(6) Mr. Robison is not standing for re-election at the 2005 Annual Meeting.

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

(8) Mr. Madden's term as Director expired in February, 2004.

(9) Mr. Wolfe's term as Director expired in February, 2004.

**Compensation of Executive Officers**

The Corporation has no employees and does not pay any compensation to any of its officers. All of the Corporation's officers and staff are employed by InvestAmerica Investment Advisors, Inc., which pays all of their cash compensation.

**Executive Officers of the Corporation**

Unless otherwise indicated, the address for all officers is 101 Second Street S.E., Suite 800, Cedar Rapids IA 52401.

Name, Address and Age	Position(s) Held with the Corporation	Term of Office and Length of Time Served	Principal Occupation(s) During Past 5 Years	Other Position
David R. Schroder, 62	President and Secretary	Since April, 2005	Prior to his current position, Mr. Schroder served as Chief Compliance Officer and Treasurer from March, 2004 through April, 2005, and served as President, Secretary and a Director of the Corporation from 1994 through 2004. Mr. Schroder received a B.S.F.S. from Georgetown University and an M.B.A. from the University of Wisconsin.	InvestAmerica: P Secretary and Dir InvestAmerica Ve ("Venture") +: Pr and a Director. Venture presently management and in to a private inve the Iowa Venture InvestAmerica N. Inc. ("InvestAmer President, Secret InvestAmerica ND and investment se

to NDSBIC, L.P. +  
 InvestAmerica ND  
 President, Secret  
 InvestAmerica ND,  
 general partner o  
 InvestAmerica L&  
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 President and Sec  
 InvestAmerica L&C  
 management and in  
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 and Secretary.  
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InvestAmerica NW  
and Secretary.  
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general partner o  
As a representati  
InvestAmerica and  
Schroder also ser  
on the boards of  
Corporation's por  
and the portfolio  
managed funds.

<p>----- Robert A. Comey, 59 Executive Vice President, Chief Financial Officer, Chief Compliance Officer, Treasurer and Assistant Secretary</p>	<p>----- Since April, 2005</p>	<p>----- Prior to his current position, Mr. Comey served as Executive Vice President, Treasurer and a Director of the Corporation from 1994 through 2004, was a Director of MorAmerica from 1989 through 2004, was Executive Vice President and Assistant Secretary of MorAmerica from 1994 through 2004, was Treasurer of MorAmerica from 1994 through April, 2005, and was Chief Financial Officer of MorAmerica from 2004 until April, 2005. Mr. Comey received an A.B. in Economics from Brown University and an M.B.A. from Fordham University.</p>
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InvestAmerica:  
President, Tr  
Secretary and  
InvestAmerica L&  
President.  
InvestAmerica L&  
Vice President.  
InvestAmerica ND  
Executive Vice Pr  
Treasurer.  
InvestAmerica ND  
Executive Vice Pr  
Treasurer.  
NW: Executive Vi  
InvestAmerica NW  
Executive Vice Pr  
Venture: Directo  
President and Tre  
As a representati  
and affiliates, M  
serves

<p>----- Kevin F. Mullane, 49 Senior Vice President</p>	<p>----- Since April, 2005</p>	<p>----- Prior to his current position, Mr. Mullane served as Vice President of the Corporation from 1994 through 1999, served as Vice President of MorAmerica from 1994 through 1998, served as Senior Vice President of the Corporation from 2000 through 2004, and served as Senior Vice President of MorAmerica from 1999 through 2004. Mr. Mullane received an M.B.A. and an M.S. in Business Administration, Emphasis in Accounting, from Rockhurst Jesuit University.</p>
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several of MorAme  
companies and the  
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InvestAmerica:  
President, Assis  
Director.  
InvestAmerica L&  
Senior Vice Presi  
InvestAmerica L&  
Vice President.  
InvestAmerica ND  
Senior Vice Presi  
InvestAmerica ND  
and Senior Vice P  
NW: Director a  
President.  
InvestAmerica N  
Vice President.  
Venture: Direct  
President.  
As a representat

and affiliates,  
serves on the boar  
several of Mor  
companies and the  
of other managed

Michael H. Reynoldson, 40	Vice President	Since April, 2005	Prior to his current position, Mr. Reynoldson served as Vice President of the Corporation from 2002 through 2004, and has been the Vice President of MorAmerica since 2002. Mr. Reynoldson received an M.B.A. from the University of Iowa and a B.A. in Business Administration from Washington State University.	InvestAmerica: V InvestAmerica L President. InvestAmerica N President. NW: Vice Preside InvestAmerica President. As a representat and affiliates, serves on the boar several of Mor companies and the of other managed
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+ These entities are under common control with InvestAmerica.

**Investment Advisor & Certain Business Relationships**

**MorAmerica.** MorAmerica Capital Corporation ("MorAmerica") is a wholly-owned subsidiary of the Corporation. The current members of the Board of Directors and the nominees for fiscal year 2005 of the Board of Directors of MorAmerica are the same individuals as are nominated for directors of the Corporation's Board of Directors. Mr. Geoffrey Woolley is Chairman of the Board of both the Corporation and of MorAmerica.

**InvestAmerica.** The Corporation and InvestAmerica are parties to that Interim Investment Advisory Agreement dated April 30, 2005, and MorAmerica and InvestAmerica are parties to that Interim Investment Advisory Agreement dated April 30, 2005 (the "Interim Agreements"). As discussed in PROPOSALS 3 & 4, the Boards of Directors of the Corporation and MorAmerica have recommended that the shareholders approve the proposed termination of the Interim Agreements at the 2005 Annual Meeting and the effectiveness of the InvestAmerica/MorAmerica Agreement and the InvestAmerica/MACC Agreement. Mr. David Schroder, President and Secretary of the Corporation and of MorAmerica, is a shareholder of, Director, President and Secretary of InvestAmerica. Mr. Kevin Mullane, Senior Vice President of the Corporation and of MorAmerica, is a shareholder of, and the Senior Vice President and Assistant Secretary of InvestAmerica. Mr. Robert A. Comey, Executive Vice President, Chief Financial Officer, Chief Compliance Officer, Treasurer and Assistant Secretary of the Corporation and of MorAmerica, is the Executive Vice President, Treasurer and Assistant Secretary of InvestAmerica. Mr. Michael H. Reynoldson, Vice President of the Corporation and of MorAmerica, is the Vice President of InvestAmerica. Ms. Marilyn Benge, Assistant Secretary of the Corporation and of MorAmerica, is an employee of InvestAmerica.

**Performance Graph**

The following graph compares the semi-annual percentage change in cumulative stockholder return on the Common Stock of the Corporation since

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September 30, 1998, with the cumulative total return over the same period of (i) the NASDAQ Stock Market Total Return Index (U.S. Companies), and (ii) the Corporation's present peer group selected in good faith by the Corporation composed of the following nine business development companies or other funds known by the Corporation to have similar investment objectives to the Corporation: Allied Capital Corporation (ALD), American Capital Strategies, Ltd. (ACAS), Brantley Capital Corporation (BBDC), Capital Southwest Corp (CSWC), Equus II Inc. (EQS), Harris & Harris Group, Inc. (TINY), Rand Capital Corp (RAND), Waterside Capital Corporation (WSCC) and Winfield Capital Corp (WCAP) (the "Peer Group").

In the graph, the comparison assumes \$100 was invested on October 1, 1999, in shares of the Corporation's Common Stock and in each of the indices. The comparison is based upon the closing market bid price for shares of the Corporation's Common Stock, and assumes the reinvestment of all dividends, if any. The returns of each of the companies in the Peer Group are weighted according to the respective company's stock market capitalization at the beginning of each period for which a return is indicated.

### **COMPARE 5-YEAR CUMULATIVE TOTAL RETURN AMONG MACC PRIVATE EQUITIES INC., NASDAQ MARKET INDEX AND PEER GROUP INDEX**

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

Pursuant to Section 16(a) of the Exchange Act, officers and directors of the Corporation and persons beneficially owning 10% or more of the Corporation's Common Stock (collectively, "reporting persons") must file reports on Forms 3, 4 and 5 regarding changes in their holdings of the Corporation's equity securities with the Securities and Exchange Commission. 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 2004, the Corporation believes that all Forms 3, 4, and 5 required to be filed by all reporting persons have been properly and timely filed with the Securities and Exchange Commission, except that Mr. Walton was to have filed a Form 3 by March 5, 2004, and that form was filed with the SEC on April 29, 2004.

#### **SHAREHOLDER PROPOSALS FOR 2006 ANNUAL MEETING**

Under the rules of the Securities and Exchange Commission, any shareholder proposal to be considered by the Corporation for inclusion in the proxy material for the February, 2006 Annual Meeting of shareholders must be received by the Secretary of the Corporation, 101 Second Street S.E., Suite 800, Cedar Rapids IA 52401, within a reasonable time before the Corporation begins to print and mail its proxy materials. 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.

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In addition, under the Corporation's Amended and Restated Bylaws, due to

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the delay in holding the 2005 Annual Meeting, 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 within a reasonable time prior to the date on which the Corporation first mailed its proxy materials for the annual meeting at which such proposal is to be made. Accordingly, shareholders desiring to submit a proposal for consideration at the 2006 Annual Meeting of shareholders must give written notice of the proposal to the Secretary of the Corporation not earlier than October 30, 2005. Shareholder-nominated candidates for Director are considered by the Corporate Governance/Nominating Committee in the same manner as all other Director candidates. 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 Bylaws. A copy of the Corporation's Amended and Restated Bylaws will be furnished to shareholders without charge upon written request to the Secretary of the Corporation.

### SHAREHOLDER COMMUNICATION

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

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

### EXPENSES OF SOLICITATION OF PROXIES

In addition to the use of the mails, proxies may be solicited by personal interview and telephone by directors, officers and other employees of the Corporation, who will not receive additional compensation for such services. The Corporation has employed Mellon Investor Services, LLC to aid in the solicitation of proxies at an estimated fee of \$6,000. 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 are incorporated herein by this reference to: (i) the Corporation's Annual Report to Shareholders for its fiscal year ended September 30, 2004, included as exhibit 13 to the

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Corporation's report on Form 10-K/A filed with the Commission on June 16, 2005, and (ii) the Corporation's report on Form 10-Q for its second fiscal quarter ended March 31, 2005 (the "Reports"). The Reports accompany this proxy



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statement, but are 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.

Copies of the Fiscal Year 2004 Form 10-K/A report and of the second quarter 2005 Form 10-Q report to the Securities and Exchange Commission, 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 IA 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 March 31, 2005. Exhibits to the Form 10-K/A and the Form 10-Q 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

/s/ David R. Schroder

David R. Schroder,  
Secretary

Cedar Rapids, Iowa  
June 17, 2005

Please  
Mark Here  
for Address   
Change or  
Comments  
SEE REVERSE SIDE

FOR WITHHOLD Authority  
all nominees for all nominees

- 1. To elect two Class I Directors to serve until the 2006 Annual Meeting of Shareholders or until their respective successors shall be elected and qualified; to elect two Class II Directors to serve until the 2007 Annual Meeting of Shareholders or until their respective successors shall be elected and qualified; and to elect three Class III Directors to serve until the 2008 Annual Meeting of Shareholders or until their respective successors shall be elected and qualified;

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NOMINEES:

Class I Director Nominees:

01 Benjamin Jiaravanon; 02 Gordon J. Roth

Class II Director Nominees:

03 Paul M. Bass; 04 Jasja Kotterman;

Class III Director Nominees:

05 Geoffrey T. Woolley; 06 Michael W. Dunn; 07 Martin Walton

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

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2.	To approve amending the Corporation's Amended and Restated Bylaws to classify the Board of Directors such that three directors will be elected each year to serve three-year terms;	_	_	_
		FOR	AGAINST	ABSTAIN
3.	To approve the Investment Advisory Agreement between the Corporation's wholly-owned subsidiary, MorAmerica Capital Corporation, and InvestAmerica Investment Advisors, Inc.;	_	_	_
		FOR	AGAINST	ABSTAIN
4.	To approve the Investment Advisory Agreement between the Corporation and InvestAmerica Investment Advisors, Inc.;	_	_	_
		FOR	AGAINST	ABSTAIN
5.	To authorize the Corporation to issues rights to acquire any authorized shares of Common Stock of the Corporation;	_	_	_
		FOR	AGAINST	ABSTAIN
6.	To ratify the appointment of KPMG LLP as independent auditors; and	_	_	_
7.	To transact such other business as may properly come before the meeting and any adjournment thereof.			

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

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

Please sign your name exactly as it appears hereon. If signing for estates,

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trusts, corporations or partnerships, title or capacity should be stated. If shares are held jointly, each holder should sign.

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^ FOLD AND DETACH HERE ^

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APPENDIX A

INVESTMENT ADVISORY AGREEMENT

MORAMERICA CAPITAL CORPORATION,  
An Iowa Corporation

This INVESTMENT ADVISORY AGREEMENT dated as of July \_\_\_\_\_, 2005 (the "Agreement") by MorAmerica Capital Corporation, a corporation organized under the laws of the State of Iowa ("MACC"), and InvestAmerica Investment Advisors, Inc., a corporation organized under the laws of the State of Delaware ("InvestAmerica").

WHEREAS, MACC is licensed as a small business investment company ("SBIC") under the Small Business Investment Act of 1958, as amended, and operates as a business development company under the Investment Company Act of 1940, as amended (the "ICA");

WHEREAS, InvestAmerica is qualified to provide investment advisory services to MACC, and is registered as an investment advisor under the Investment Advisers Act of 1940, as amended.

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

Section 1. Definitions.

1.1 "Affiliate" shall have the meaning given under Rule 144 of the Securities Act of 1933, as amended.

1.2 "Assets Under Management" shall mean the total value of MACC assets Managed by InvestAmerica under this Agreement.

1.3 "InvestAmerica" shall mean InvestAmerica Investment Advisors, Inc., a Delaware corporation.

1.4 "Capital Losses" are those which are placed, consistent with generally accepted accounting principles, on the books of MACC 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;

(b) The Board of Directors of MACC determines that a loss or depreciation in value from the value on the date of this Agreement should be taken by MACC in accordance with generally accepted accounting principles and SBA accounting regulations and is shown on its books as a part of the periodic valuation of the Portfolio Companies by the Board of Directors; or

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(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 MACC writes down the value of any investment in MACC's portfolio (in accordance with the standards set forth in subsection 1.3(b) above), (i) such reduction in value shall result in a new cost basis for such investment and (ii) the most recent cost basis of such investment shall thereafter be used in the determination of any Realized Capital Gains or Capital Losses in MACC'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 "Capital Under Management" shall mean MACC's (i) fiscal year end Private Capital as defined in the SBA regulations as of the date hereof (which regulations define Private Capital to exclude unrealized capital gains and losses) ("Private Capital"); plus (ii) fiscal year end SBA leverage as defined by SBA regulations as of the date hereof, including participating securities as defined in Section 303(g) of the Small Business Investment Act of 1958, as amended; plus (iii) fiscal year end Undistributed Realized Earnings.

1.6 "Combined Capital" shall mean MACC's Combined Capital as defined in SBA regulations as of the date hereof.

1.7 "ICA" has the meaning set forth in the first recital hereof.

1.8 "MACC" shall mean MorAmerica Capital Corporation, an Iowa corporation that is a wholly owned subsidiary of the Company.

1.9 "Net Capital Gains" shall mean Realized Capital Gains minus the sum of (i) Capital Losses determined in accordance with generally accepted accounting principles; and (ii) net investment losses, if any, as reported on Line 32 of SBA Form 468.

1.10 "Other Venture Capital Funds" has the meaning set forth in subsection 3.2(b).

1.11 "Portfolio Company" or "Portfolio Companies" shall mean any entity in which MACC may make an investment and with respect to which InvestAmerica 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 the sale of assets acquired in liquidation and assets acquired in liquidation of any Portfolio Company.

1.12 "Private Capital" has the meaning set forth in the definition of Capital Under Management in Section 1.5 above.

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:

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capital stock or assets of a Portfolio Company or any other asset or item of property managed by InvestAmerica pursuant to the terms hereof or any Realized Capital Gain has occurred in accordance with GAAP which is not cash as described in Subsection 1.12(b) below; and

(b) 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 MACC.

1.14 "SBA" shall mean the United States Small Business Administration or any successor thereto, which has regulatory authority over SBICs.

1.15 "SBIC" has the meaning set forth in the first recital hereof.

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

1.17 "The Company" shall mean MACC Private Equities Inc. and "the Companies" shall mean MACC Private Equities Inc. and MACC.

Section 2. Investment Advisory Engagement. MACC hereby engages InvestAmerica as its investment advisor.

2.1 As such, InvestAmerica will:

(a) Manage, render advice with respect to, and make decisions regarding the acquisition and disposition of securities in accordance with applicable law and MACC'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 MACC'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, the SBA and its auditors and outside auditors, and the provision of other services appropriate to the management of an SBIC operating as a business development company;

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

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

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

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(e) Report to MACC'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 MACC to determine that investment policies are being observed and implemented and that the obligations of InvestAmerica hereunder are being fulfilled. Any investment program undertaken by InvestAmerica pursuant hereto and any other activities

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

2.2 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, expenses related to developing, investigating and monitoring investments, business development, insurance premiums and fees (including premiums for the fidelity bond, if any, maintained by InvestAmerica pursuant to ICA Section 17 but excluding premiums for directors and officers insurance) 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 act as officers of MACC.

2.3 In connection with the services provided, InvestAmerica will not be responsible for the following expenses which shall be the sole responsibility of MACC and will be paid promptly by MACC: auditing fees; all legal expenses; legal fees normally paid by Portfolio Companies; National Association of Small Business Investment Companies and other appropriate trade association fees; brochures, advertising, marketing and publicity costs; interest on SBA or other debt; fees to MACC directors and board fees; any fees owed or paid to MACC, its Affiliates or fund managers; any and all expenses associated with property of a Portfolio Company taken or received by MACC or on its behalf as a result of its investment in any Portfolio company; all reorganization and registration expenses of MACC; the fees and disbursements of MACC'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 MACC's Board of Directors who are not directors, officers, employees or Affiliates of InvestAmerica or of any entity which is an Affiliate of InvestAmerica; premiums for directors and officers insurance maintained by MACC; and all transaction costs incident to the acquisition, management, protection and disposition of securities by MACC; and any other expenses incurred by or on behalf of MACC that are not expressly payable by InvestAmerica under Section 2.2 above.

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2.4 Neither InvestAmerica nor MACC will enter into any subadvisory agreements without SBA approval, which agreements shall also be subject to approval requirements of the ICA.

### Section 3. Nonexclusive Obligations; Co-investments.

3.1 The obligations of InvestAmerica to MACC are not exclusive. 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. The parties acknowledge that InvestAmerica may offer the same investment opportunities as may be offered to MACC to other persons for whom InvestAmerica is providing

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services. Neither InvestAmerica nor any of its Affiliates shall in any manner be liable to MACC or its Affiliates by reason of the activities of InvestAmerica or its Affiliates on behalf of other persons and funds as described in this paragraph.

3.2 For the benefit of MACC's investment activities, InvestAmerica and its Affiliates intend to maintain various future co-investment relationships involving the Company which may result in MACC being accorded the opportunity in the future to review and to invest in certain investments found by other venture capital funds managed by InvestAmerica and its Affiliates, including NDSBIC, L.P., Lewis and Clark Private Equities, LP, and Invest Northwest, LP (collectively, the "Other Venture Capital Funds").

For purposes of this Section 3.2, where the Companies have an opportunity to co-invest with the Other Venture Capital Funds, investment opportunities shall be offered to the Companies and the Other Venture Capital Funds, as the case may be, (a) in the same proportion as its Private Capital bears to the total Private Capital of the Companies and the Other Venture Capital Funds with which MACC proposes to co-invest, in the aggregate, or (b) in such other manner as is otherwise agreed upon by the Companies and the Other Venture Capital Funds. Notwithstanding anything to the contrary contained in this Section 3.2, the terms of any exemptive order applicable to co-investments between the Other Venture Capital Funds and the Companies will control as to the terms of co-investments among MACC and the Other Capital Venture Funds.

3.3 InvestAmerica will cause to be offered to MACC opportunities to acquire or dispose of securities as provided in the co-investment guidelines summarized in the section of the Company's SEC Registration Statement entitled "Investment Objectives and Policies - Co-Investment Guidelines." Except to the extent of acquisitions and dispositions that, in accordance with such co-investment guidelines, require the specific approval of MACC's Board of Directors, InvestAmerica is authorized to effect acquisitions and dispositions of securities for MACC's account in InvestAmerica's discretion. Where such approval is required, InvestAmerica is authorized to effect acquisitions and dispositions for MACC's account upon and to the extent of such approval. MACC will put InvestAmerica in funds whenever InvestAmerica requires funds for an acquisition of securities in accordance with the foregoing, and MACC will cause to be delivered in accordance with InvestAmerica's instructions any securities disposed of in accordance with the foregoing.

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3.4 Should InvestAmerica or any of its Affiliates agree to perform or undertake any investment management services described in paragraph 3.1 for any funds or persons in addition to Other Venture Capital Funds, InvestAmerica will notify MACC, in writing, not later than the commencement of such agreement or the initial provision of such services.

3.5 Any such investment management services and all co-investments shall at all times be provided in strict accordance with rules and regulations under the ICA, any exemptive order thereunder applicable to the Company and the rules and regulations of the SBA.

### Section 4. Services to Portfolio Companies.

4.1 It is acknowledged that as a part of the services to be provided by InvestAmerica hereunder, certain of its employees, representatives and agents

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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-term and the long-term direction of a Portfolio Company. Unless otherwise restricted hereafter by MACC in writing, 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, without specific authority from 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 by or for the account of an entity in which MACC has invested or in which MACC is proposing to invest in connection with an investment transaction in which MACC participates or provides managerial assistance, will be treated as commitment fees or management fees and will be received by MACC, pro rata to its participation in such transaction. InvestAmerica 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.).

4.3 The sole and exclusive compensation to InvestAmerica 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 InvestAmerica serve as a member of the Board of Directors of MACC, such officer, director, employee or Affiliate of InvestAmerica shall not receive compensation as a member of the Board of Directors of MACC.

### Section 5. Management and Incentive Fees.

5.1 During the term of this Agreement, MACC will pay InvestAmerica monthly in arrears a management fee equal to the lesser of 1.5% per annum of the (i) Combined Capital, or (ii) Assets Under Management.

5.2 During the term of this Agreement, MACC shall pay to InvestAmerica an incentive fee determined as specified in this Section 5.2.

(a) The incentive fee shall be calculated as follows:

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(i) The amount of the fee shall be 13.4% of the Net Capital Gains, before taxes, resulting from the disposition of investments in MACC's Portfolio Companies or resulting from the disposition of other assets or property of MACC managed by InvestAmerica 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(c)(i) below. Capital Losses and Realized Capital Gains shall not be cumulative (i.e., no Capital Losses nor Realized Capital Gains are carried forward for purposes of calculating the incentive fee for any subsequent fiscal year).



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(b) Upon termination of this Agreement, but subject to the other limitations of this Section 5.2, 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 shall not be due and owing to InvestAmerica until the cash is received by MACC. MACC and InvestAmerica are parties to an Interim Investment Advisory Agreement dated as of May 1, 2005, which has been replaced by this Agreement. For purposes of incentive fee calculations, incentive fees shall be calculated under this Agreement taking into account the period beginning with May 1, 2005.

(c) Subject to other limitations of this Section 5.2, payment of incentive fees shall be made as follows:

(i) To the extent payable, the incentive fee shall be paid, in cash, in arrears by the last business day of each fiscal quarter in the fiscal year. The incentive fee shall be retroactively adjusted as soon as practicable following completion of 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 MACC for the amount of such excess.

(ii) In the event InvestAmerica earns any incentive fees, the payment of which would cause MACC's Private Capital to be 25% or more impaired, the portion of such fees which causes the impairment shall be paid by MACC into a trust or escrow account established by MACC for the benefit of InvestAmerica. Fees from such account shall be released to InvestAmerica at such time as, and to the extent that, MACC's Private Capital is no longer so impaired.

(d) The SBA, MACC and certain others SBICs are parties to an SBA Agreement dated as of December 23, 2004 (the "SBA Agreement"). From the effective date of this Agreement, no incentive fee can be paid until (i) all SBA leverage is paid in full (including interest, fees and principal), and (ii) the escrow fund contemplated by the SBA Agreement is

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fully funded, the SBA Agreement is terminated or the SBA approves such payment in writing. In addition, MACC and InvestAmerica shall enter into a subordination agreement with SBA to give further effect to the subordination of the incentive fees to SBA under this Section 5.2(d).

(e) Earned incentive fees the payment of which is deferred pursuant to this Section 5.2 shall be accrued and shall be paid when permitted by this Section 5.2.

(f) The provisions of this Section 5.2 shall survive termination of this Agreement.

5.3 Notwithstanding the foregoing, (i) the management fee contemplated by this Section will not exceed the maximum permitted management fee allowed by SBA rules and regulations and (ii) MACC shall not make any incentive fee payment contemplated by Section 5.2 that is in violation of the rules and regulations of the SBA regarding Retained Earnings Available for Distribution; provided that such payment will be made by MACC to InvestAmerica at such time as MACC has sufficient Retained Earnings Available for Distribution to make such payment.

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

6.1 Article X of the Amended and Restated Bylaws of MACC as in effect on the date hereof (the "Bylaws") is hereby incorporated by reference in and made a part of this Agreement and is hereby referred to for a description of MACC's indemnification obligations in favor of InvestAmerica and its officers, directors, shareholders, employees, agents and Affiliates (collectively, the "Indemnified Parties"). MACC confirms that in performing services hereunder InvestAmerica 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 InvestAmerica were a director or officer of MACC. MACC grants the rights to indemnification contained in Article X of the Bylaws to the other Indemnified Parties and such Indemnified Parties shall be entitled to the same benefits of Article X as if they were a director or officer of MACC. The provisions of this Section 6.1 shall survive termination of this Agreement.

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

### Section 7. Shareholder Approval; Term.

MACC represents that this Agreement has been approved by MACC's Board of Directors. This Agreement shall continue in effect for two (2) years from the date hereof, provided, however, that this Agreement shall not take effect until the date the shareholders of the Company and the Company as the sole shareholder of MACC shall have approved this Agreement in the manner set forth in Section 15(a) of the ICA. After such initial two year period, this Agreement shall continue in effect so long as such continuance is specifically approved at least annually by MACC's Board of Directors, including a majority of its members who are not

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interested persons of InvestAmerica, or by vote of the holders of a majority, as defined in the ICA, of MACC's outstanding voting securities. The foregoing notwithstanding, this Agreement may be terminated by 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 the Board of Directors or by vote of the holders of a majority, as defined in the ICA, of MACC's outstanding voting securities or the holders of a majority, as defined in the ICA, of the Company's outstanding voting securities.

InvestAmerica may also terminate this Agreement on sixty (60) days' written notice to MACC and the Company; provided, however, that InvestAmerica may not so terminate this Agreement unless another investment advisory agreement has been approved by the vote of a majority, as defined in the ICA, of MACC'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 InvestAmerica, MACC will in good faith use its best efforts to cause an advisory agreement to be entered into by MACC with a suitable investment adviser.

### Section 8. Assignment.

This Agreement may not be assigned by any party without the written consent

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of the other and any assignment, as defined in the ICA, by InvestAmerica shall automatically terminate this Agreement.

Section 9. Amendments.

This Agreement may be amended only by an instrument in writing executed by all parties and with the prior approval of the SBA.

Section 10. Governing Law.

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

[Signature page follows]

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

MACC:  
MORAMERICA CAPITAL CORPORATION

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

INVESTAMERICA:  
INVESTAMERICA INVESTMENT  
ADVISORS, INC.  
a Delaware corporation

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

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MACC PRIVATE EQUITIES INC.  
A Delaware Corporation

This INVESTMENT ADVISORY AGREEMENT dated as of July \_\_, 2005 (the "Agreement") by MACC Private Equities Inc., a company organized under the laws of the State of Delaware ("the Company"), and InvestAmerica Investment Advisors, Inc., a corporation organized under the laws of the State of Delaware ("InvestAmerica").

WHEREAS, the Company is a closed-end investment company that may be operated and regulated as a business development company ("Business Development Company") as defined in the Investment Company Act of 1940, as amended (the "ICA");

WHEREAS, the Company is presently receiving investment advisory services from InvestAmerica pursuant to that Interim Investment Advisory Agreement dated April 30, 2005 (the "Interim Agreement");

WHEREAS, the Company desires to terminate the Interim Agreement and enter into this Agreement with InvestAmerica;

WHEREAS, InvestAmerica, 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.

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

## Section 1. Definitions.

1.1 "Affiliate" shall have the meaning given under Rule 144 of the Securities Act of 1933, as amended.

1.2 "Assets Under Management" shall mean the total value of the Company's assets managed by InvestAmerica under this Agreement averaged over the prior one year period, or such shorter period in which such assets were managed by InvestAmerica.

1.3 "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 and SBA accounting regulations 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

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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 1.3(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.)

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

1.5 "ICA" has the meaning set forth in the first recital hereof.

1.6 "Net Capital Gains" shall mean Realized Capital Gains net of Capital Losses determined in accordance with generally accepted accounting principles.

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

1.8 "Portfolio Company" or "Portfolio Companies" shall mean any entity in which the Company may make an investment and with respect to which InvestAmerica 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 liquidation of any Portfolio Company.

1.9 "Private Capital" shall have the meaning ascribed to that term in the SBA regulations in effect as of the date hereof (which regulations define Private Capital to exclude unrealized gains and losses).

1.10 "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 InvestAmerica 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

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of the fee earned on gains other than cash shall be recorded as incentive fees payable on the financial statements of the Company.

1.11 "SBA" shall mean the United States Small Business Administration.

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

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

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2.1 As such, InvestAmerica 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 Business and Development Company;

(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 InvestAmerica 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 InvestAmerica hereunder are being fulfilled. Any investment program undertaken by InvestAmerica pursuant hereto and any other activities undertaken by InvestAmerica 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 InvestAmerica will be responsible for the following expenses: its staff salaries and fringes, office space, office equipment and furniture, communications, travel, meals and

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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 act as officers of the Company.

Notwithstanding the foregoing, InvestAmerica will earn incentive compensation on a quarterly basis, which shall not be deemed part of

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compensation or other employee benefits for the purpose of this paragraph.

2.3 In connection with the services provided, InvestAmerica 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; National Association of Small Business Investment Companies and other appropriate trade association fees; brochures, advertising, marketing and publicity costs; interest on SBA or other debt; fees to the Company and its directors and Board fees; any fees owed or paid to the Company, its Affiliates 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 InvestAmerica or of any entity which is an Affiliate of InvestAmerica; premiums for the fidelity bond, if any, maintained by InvestAmerica pursuant to ICA Section 17; 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 InvestAmerica under Section 2.2. above.

2.4 Subject to approval by the Board of Directors of the Company and in accordance with the ICA, InvestAmerica 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 InvestAmerica to the Company are not exclusive. 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. The parties acknowledge that InvestAmerica may offer the same investment opportunities as may be offered to the Company to other persons for whom

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InvestAmerica is providing services. Neither InvestAmerica nor any of its Affiliates shall in any manner be liable to the Company or its 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.

3.2 For the benefit of the Company's investment activities, InvestAmerica and its Affiliates intend to maintain various future co-investment relationships involving the Company which may result in the Company being accorded the opportunity in the future to review and to invest in certain investments found by other venture capital funds managed by InvestAmerica and its Affiliates, including NDSBIC, L.P., Lewis and Clark Private Equities, LP, and Invest Northwest, LP (collectively, the "Other Venture Capital Funds").

For purposes of this Section 3.2, where the Company has an opportunity to co-invest with the Other Venture Capital Funds, investment opportunities shall

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be offered to the Company and the Other Venture Capital Funds, as the case may be, (a) in the same proportion as its Private Capital bears to the total Private Capital of the Company and the Other Venture Capital Funds with which the Company proposes to co-invest, in the aggregate, or (b) in such other manner as is otherwise agreed upon by the Company and the Other Venture Capital Funds. Notwithstanding anything to the contrary contained in this Section 3.2, the terms of any exemptive order applicable to co-investments between the Other Venture Capital Funds and the Company will control as to the terms of co-investments among the Company and Other Capital Venture Funds.

3.3 InvestAmerica will cause to be offered to the Company opportunities to acquire or dispose of securities as provided in the co-investment guidelines summarized in the section of the Company's SEC Registration Statement entitled "Investment Objectives and Policies -- Co-Investment Guidelines." Except to the extent of acquisitions and dispositions that, in accordance with such co-investment guidelines, require the specific approval of the Company's Board of Directors, InvestAmerica is authorized to effect acquisitions and dispositions of securities for the Company's account in InvestAmerica's discretion. Where such approval is required, InvestAmerica is authorized to effect acquisitions and dispositions for the Company's account upon and to the extent of such approval. The Company will put InvestAmerica in funds whenever InvestAmerica requires funds for an acquisition of securities in accordance with the foregoing, and the Company will cause to be delivered in accordance with InvestAmerica's instructions any securities disposed of in accordance with the foregoing.

3.4 Should InvestAmerica or any of its Affiliates agree to perform or undertake any investment management services described in Section 3.1 for any funds or persons in addition to the Company, InvestAmerica will notify the Company, in writing, not later than the commencement of such agreement or the initial provision of such services.

3.5 Any such investment management services and all co-investments shall at all times be provided in strict accordance with rules and regulations under the ICA, any exemptive order thereunder applicable to the Company and the rules and regulations of the SBA.

### Section 4. Services to Portfolio Companies.

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4.1 It is acknowledged that as a part of the services to be provided by InvestAmerica 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 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 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



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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. InvestAmerica 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.).

4.3 The sole and exclusive compensation to InvestAmerica 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 InvestAmerica serve as a member of the Board of Directors of the Company, such officer, director, employee or Affiliate of InvestAmerica 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 InvestAmerica monthly in arrears a management fee equal to 1.5% per annum of the Assets Under Management. The Management fee shall be calculated on a non-consolidated basis, excluding MorAmerica Capital Corporation.

5.2 During the term of this Agreement the Company shall pay to InvestAmerica an incentive fee determined as specified in this Section 5.2. The incentive fee shall be calculated on a nonconsolidated basis, excluding MorAmerica Capital Corporation.

(a) The incentive fee 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 the Company's Portfolio Companies or resulting from the disposition of other assets or property of the Company managed by InvestAmerica 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(c)(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).

(iii) Notwithstanding anything herein to the contrary, the incentive fee shall not be computed on any assets received by the Company from the Company's predecessors by merger, MorAmerica Financial Corporation and Morris Plan Liquidation Company, and such assets shall not be included in any calculation of Net Capital Gains.

(b) Upon 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 shall not be due and owing to InvestAmerica until the cash is received by the Company. The Company

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and InvestAmerica are parties to the Interim Agreement, which has been replaced by this Agreement. For purposes of incentive fee calculations, incentive fees shall be calculated under this Agreement taking into account the period beginning with April 30, 2005.

(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 the Company for the amount of the excess.

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

6.1 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 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 made in good faith and 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 InvestAmerica 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 InvestAmerica were a director or officer of the Company. InvestAmerica shall not be liable to the Company, its shareholders or its creditors,

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except for violations of law or for conduct which would preclude InvestAmerica from being indemnified under such provisions. The provisions of this Section 6.1 shall survive termination of this Agreement.

6.2 Individuals who are Affiliates of InvestAmerica and are also officers or directors of the Company as well as other InvestAmerica 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.

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 date hereof, unless sooner terminated as provided for herein; provided, however, that this Agreement shall not take effect if as of the date hereof, the shareholders of the Company shall not have approved this Agreement in the manner set forth in Section 15(a) of the ICA. 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 InvestAmerica, or by vote of the

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holders of a majority, as defined in the ICA, 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 InvestAmerica 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 ICA, of the Company's outstanding voting securities.

InvestAmerica may also terminate this Agreement on sixty (60) days' written notice to the Company; provided, however, that InvestAmerica may not so terminate this Agreement unless another investment advisory agreement has been approved by the vote of a majority, as defined in the ICA, 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 InvestAmerica, 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 ICA, by InvestAmerica shall automatically terminate this Agreement.

Section 9. Amendments.

This Agreement may be amended only by an instrument in writing executed by all parties.

Section 10. Governing Law.

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

Section 11. Termination of Prior Agreement.

Upon the approval of this Agreement by the shareholders of the Company pursuant to Section 7, the Interim Agreement shall expire and shall thereupon be of no further force and effect, effective at the close of business on June \_\_\_\_, 2005.

**[Signature page follows.]**

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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 and Secretary

INVESTAMERICA:  
INVESTAMERICA INVESTMENT ADVISORS, INC.  
A Delaware corporation

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