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MACC PRIVATE EQUITIES INC

Form 8-K

May 03, 2005

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

FORM 8-K

CURRENT REPORT

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

Date of report (Date of earliest event reported) May 3, 2005

MACC PRIVATE EQUITIES INC.

(Exact Name of Registrant as Specified in Its Charter)

DELAWARE

0-24412

42-1421406

(State or Other Jurisdiction  
of Incorporation)

(Commission  
File Number)

(IRS Employer  
Identification No.)

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

52401

(Address of Principal Executive Offices)

(Zip Code)

(319) 363-8249

(Registrant's Telephone Number, Including Area Code)

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

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

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

**Item 1.01 Entry into a Material Definitive Agreement.**

As discussed a press release dated May 3, 2005 issued by the Registrant, on April 29, 2005, the Registrant's board of directors approved the terms of an Interim Investment Advisory Agreement (the "MACC Agreement") with InvestAmerica Investment Advisors, Inc. (the "InvestAmerica"). The MACC Agreement is effective as of April 30, 2005 pursuant to Rule 15a-4 adopted under the Investment Company Act of 1940 (the "ICA").

As discussed below in Item 1.02, the MACC Agreement temporarily replaces that Investment Advisory Agreement dated March 1, 2004 (the "Atlas MACC Agreement") between the Registrant and Atlas Management Partners, LLC ("Atlas"). Under the MACC Agreement, the Registrant will pay InvestAmerica a management fee of 1.5% of its Assets Under Management (as defined in the MACC Agreement), as opposed to its payment of 2.5% of Assets Under Management to Atlas under the Atlas MACC Agreement. Additionally, the MACC Agreement provides that the Registrant will pay InvestAmerica an incentive fee of 13.4% of the Registrant's Net Capital Gains (as defined in the MACC Agreement), as opposed to its payment of 20.0% of its Net Capital Gains to Atlas under the Atlas MACC Agreement. InvestAmerica had served as sole investment advisor to Registrant from 1995 through February, 2004, and has been subadvisor to Registrant since March 1, 2004.

A copy of the MACC Agreement has been filed with this Current Report on Form 8-K as Exhibit 10.1, and is incorporated herein by reference. Further, additional information respecting the MACC Agreement is provided in the press release dated May 3, 2005 of the Registrant, which has been filed with this Current Report on Form 8-K as Exhibit 99.1, and is incorporated herein by reference.

As discussed in a press release dated May 3, 2005 issued by the Registrant, on April 29, 2005, the board of directors of the Registrant's wholly-owned subsidiary, MorAmerica Capital Corporation ("MorAmerica") approved the terms of an Interim Investment Advisory Agreement (the "MorAmerica Agreement") with InvestAmerica. The MorAmerica Agreement is effective as of April 30, 2005 pursuant to Rule 15a-4 adopted under the ICA.

As discussed below in Item 1.02, the MorAmerica Agreement temporarily replaces that Investment Advisory Agreement dated March 1, 2004 (the "Atlas MorAmerica Agreement") between MorAmerica and Atlas. Under the MorAmerica Agreement, MorAmerica will pay InvestAmerica a management fee of the lesser of 1.5% of (i) its Combined Capital (as defined in the MorAmerica Agreement) or (ii) its Assets Under Management (as defined in the MorAmerica Agreement); as opposed to its payment of 2.5% of Capital Under Management (as defined in the Atlas MorAmerica Agreement) to Atlas under the Atlas MorAmerica Agreement. Additionally, the MorAmerica Agreement provides that MorAmerica will pay InvestAmerica an incentive fee of 13.4% of MorAmerica's Net Capital Gains (as defined in the MorAmerica Agreement), as opposed to its payment of 20.0% of its Net Capital Gains to Atlas under the Atlas MorAmerica Agreement. InvestAmerica had served as sole investment advisor to MorAmerica from 1995 through February, 2004, and has been subadvisor to MorAmerica since March 1, 2004.

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A copy of the MorAmerica Agreement has been filed with this Current Report on Form 8-K as Exhibit 10.2, and is incorporated herein by reference. Further,

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additional information respecting the MorAmerica Agreement is provided in the press release dated May 3, 2005 of the Registrant, which has been filed with this Current Report on Form 8-K as Exhibit 99.1, and is incorporated herein by reference.

As part of its review of the MorAmerica Agreement, the SBA has directed that InvestAmerica's incentive fee must be subordinated to repayment by MorAmerica of all its obligations to SBA. A draft subordination agreement has been submitted to SBA for this purpose, but has not yet been executed.

As discussed below in Item 5.02, principals and employees of InvestAmerica have been officers of the Registrant and MorAmerica and, in conjunction with the new advisory agreements, will continue to service as officers of both MACC and MorAmerica in the capacities noted below.

### **Item 1.02 Termination of a Material Definitive Agreement.**

As discussed in a press release dated May 3, 2005 issued by the Registrant, on April 29, 2005, the Registrant's board of directors accepted the resignation of Atlas as the Registrant's investment adviser and thus the Atlas MACC Agreement was terminated as of April 29, 2005.

Both the Registrant's Board of Directors and Atlas agreed to waive any notice provisions under the Atlas MACC Agreement, and the Registrant incurred no penalties resulting from the termination of the Atlas MACC Agreement.

Additional information respecting the termination of the Atlas MACC Agreement is provided in a press release dated May 3, 2005 of the Registrant, which has been filed with this Current Report on Form 8-K as Exhibit 99.1, and is incorporated herein by reference.

Both of MorAmerica's Board of Directors and Atlas agreed to waive any notice provisions under the Atlas MorAmerica Agreement, and MorAmerica incurred no penalties resulting from the termination of the Atlas MorAmerica Agreement.

Additional information respecting the termination of the Atlas MorAmerica Agreement is provided in a press release dated May 3, 2005 of the Registrant, which has been filed with this Current Report on Form 8-K as Exhibit 99.1, and is incorporated herein by reference.

### **Item 5.02 Departure of Directors of Principal Officers; Election of Directors; Appointment of Principal Officers.**

As discussed in more detail in a press release dated May 3, 2005 issued by the Registrant, on April 29, 2005, the boards of directors of the Registrant and of MorAmerica appointed Mr. David R. Schroder as President and Secretary of the Registrant and of MorAmerica. Mr. Schroder, age 62, served as President, Secretary and a Director of the

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Registrant and of MorAmerica from 1994 through 2004. From 2004 to the present, Mr. Schroder was the Treasurer and CFO of the Registrant, and the Treasurer of MorAmerica. Since 1985, Mr. Schroder has been a principal of InvestAmerica Venture Group, Inc. and is presently President, Secretary and a Director. From 1985 to 1994, InvestAmerica Venture Group, Inc. provided management and investment services to MorAmerica. Venture Group presently provides management and investment services to a private investment partnership, the Iowa Venture Capital Fund, L.P. Mr. Schroder is also President, Secretary and a Director of InvestAmerica N.D. Management, Inc., which provides management and investment

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services to NDSBIC, L.P. Mr. Schroder is also President, Secretary and a Director of InvestAmerica ND, L.L.C., the general partner of NDSBIC, L.P. Since 2002 Mr. Schroder is also President and Secretary of InvestAmerica L&C Management, Inc. and InvestAmerica L&C, LLC, respectively the Manager and General Partner of Lewis and Clark Private Equities, LP, a licensed Small Business Investment Company ("SBIC"). Since August, 2004, Mr. Schroder is also President and Secretary of InvestAmerica NW Management, Inc. and InvestAmerica NW, LLC, respectively the Manager and General Partner of Invest Northwest, LP, a private venture capital limited partnership. As a representative of InvestAmerica and affiliates, Mr. Schroder also serves on the boards of directors of several of the Registrant's portfolio companies and the portfolio companies of other managed funds. Mr. Schroder received a B.S.F.S. from Georgetown University and an M.B.A. from the University of Wisconsin.

On April 29, 2005, the boards of directors of the Registrant and of MorAmerica appointed Mr. Robert A. Comey as Executive Vice President, Chief Financial Officer, Chief Compliance Officer, Treasurer and Assistant Secretary of the Registrant and of MorAmerica. Mr. Comey, age 59, was Executive Vice President, Treasurer and a Director of the Registrant 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 the present, and was Chief Financial Officer of MorAmerica from 2004 until the present. Since 1986, Mr. Comey has been a principal of InvestAmerica Venture Group, Inc. and is presently Executive Vice President, Treasurer and a Director. Since 1996, Mr. Comey has also been Executive Vice President, Treasurer and a Director of InvestAmerica N.D. Management, Inc. Mr. Comey is also Executive Vice President, Treasurer, and a Director of InvestAmerica ND, L.L.C., the general partner of NDSBIC. Since 2002 Mr. Comey is also Executive Vice President of InvestAmerica L&C Management, Inc. and InvestAmerica L&C, LLC, respectively the Manager and General Partner of Lewis and Clark Private Equities, LP, an SBIC. Since August, 2004, Mr. Comey is also Executive Vice President of InvestAmerica NW Management, Inc. and InvestAmerica NW, LLC, respectively the Manager and General Partner of Invest Northwest, LP, a private venture capital limited partnership. As a representative of InvestAmerica and affiliates, Mr. Comey also serves on the boards of directors of several of the Registrant's portfolio companies and the portfolio companies of other managed funds. Mr. Comey received an A.B. in Economics from Brown University and an M.B.A. from Fordham University.

On April 29, 2005, the boards of directors of the Registrant and of MorAmerica appointed Mr. Kevin F. Mullane as Senior Vice President of the Registrant and of MorAmerica. Mr. Mullane was a Vice President of the Registrant from 1994 through 1999, a Vice President of MorAmerica from 1994 through 1998, a Senior Vice President of the Registrant from 2000

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through 2004, and a Senior Vice President of MorAmerica from 1999 through 2004. Mr. Mullane, age 49, has been a principal of InvestAmerica Venture Group, Inc. since 1985, and is presently Senior Vice President and a Director. Since 1996, Mr. Mullane has also been Senior Vice President and a Director of InvestAmerica ND Management, Inc. Mr. Mullane is also Senior Vice President and a Director of InvestAmerica N.D., L.L.C. Since 2002 Mr. Mullane is also Senior Vice President of InvestAmerica L&C Management, Inc. and InvestAmerica L&C, LLC. Since August, 2004, Mr. Mullane is also Senior Vice President of InvestAmerica NW Management, Inc. and InvestAmerica NW, LLC. As a representative of InvestAmerica and affiliates, Mr. Mullane also serves on the boards of directors of several of the Registrant's portfolio companies and the portfolio companies of other managed funds. Mr. Mullane received an M.B.A. and an M.S. in Business Administration, Emphasis in Accounting, from Rockhurst Jesuit University.

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On April 29, 2005, the board of directors of the Registrant appointed Mr. Michael H. Reynoldson as Vice President of the Registrant. Mr. Reynoldson, age 40, was Vice President of the Registrant from 2002 through 2004, and has been the Vice President of MorAmerica since 2002. He is Vice President of InvestAmerica L&C, LLC since 2002. Since August, 2004, Mr. Reynoldson is also Vice President of InvestAmerica NW, LLC. As a representative of InvestAmerica and affiliates, Mr. Reynoldson also serves on the boards of directors of several of the Registrant's portfolio companies and the portfolio companies of other managed funds. From 1999 to 2000, Mr. Reynoldson was a Managing Director of AAVIN, LLC, a venture capital and private equity fund. Mr. Reynoldson received an M.B.A. from the University of Iowa and a B.A. in Business Administration from Washington State University.

These officers were appointed to replace Mr. Kent I. Madsen as President and Secretary of the Registrant and of MorAmerica; Mr. Timothy Bridgewater, as Vice President and Assistant Secretary of the Registrant and of MorAmerica; and of Mr. Nick Efstratis, as Vice President and Chief Compliance Officer of the Registrant and of MorAmerica.

Additional information respecting the appointment of the above officers is provided in the press release dated May 3, 2005 of the Registrant, which has been filed with this Current Report on Form 8-K as Exhibit 99.1, and is incorporated herein by reference.

### **Item 8.01 Other Events.**

The Registrant issued a press release on May 3, 2005 regarding the rescheduling of its 2005 Annual Shareholders Meeting, recent directives of the United States Small Business Administration, the effectiveness of an interim investment advisory agreement with its new investment adviser, and the appointment of new officers.

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

### **Item 9.01. Financial Statements and Exhibits.**

(c) Exhibits

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10.1 Interim Investment Advisory Agreement dated April 30, 2005 between MACC Private Equities Inc. and InvestAmerica Investment Advisors, Inc.

10.2 Interim Investment Advisory Agreement dated April 30, 2005 between MorAmerica Capital Corporation and InvestAmerica Investment Advisors, Inc.

99.1 Press Release dated May 3, 2005

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**SIGNATURES**

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

Date: May 3, 2005

MACC PRIVATE EQUITIES INC.

By: /s/ David R. Schroder

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David R. Schroder  
President and Secretary

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### Exhibit Index

<u>Exhibit Number</u>	<u>Description</u>
10.1	Interim Investment Advisory Agreement dated April 30, 2005 between MACC Private Equities Inc. and InvestAmerica Investment Advisors, Inc.
10.2	Interim Investment Advisory Agreement dated April 30, 2005 between MorAmerica Capital Corporation and InvestAmerica Investment Advisors, Inc.
99.1	Press Release dated May 3, 2005