

MACC PRIVATE EQUITIES INC  
Form 40-17F2  
October 20, 2006

**KPMG LLP**  
2500 Ruan Center  
666 Grand Avenue  
Des Moines, IA 50309

**Report of Independent Registered Public Accounting Firm**

The Board of Directors

MACC Private Equities Inc. and subsidiary

and  
The Securities and Exchange Commission:

We have examined management's assertion that MACC Private Equities Inc. and subsidiary (the Company) complied with the provisions of subsections (b) and (c) of Rule 17f-2 under the Investment Company Act of 1940 as of October 6, 2006, and during the period July 14, 2006 (the date of our last similar examination) through October 6, 2006, included in the accompanying Management Assertion Regarding Compliance with Certain Provisions of the Investment Company Act of 1940. The Company's management is responsible for the assertion. Our responsibility is to express an opinion on management's assertion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting management's assertion and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Company's compliance with specified requirements.

Included among our procedures were the following tests performed as of October 6, 2006 and for the period July 14, 2006 through October 6, 2006, with respect to securities of the Company:

- Count and inspection of all securities located in the vault of US Bank in Cedar Rapids, Iowa
- Reconciliation of all such securities to the books and records of the Company
- Confirmation of selected security transactions since the date of our last report
- Vouching of proceeds from certain sales transactions since the date of our last report

In our opinion, management's assertion referred to above is fairly stated, in all material respects, based on the provisions of subsections (b) and (c) of Rule 17f-2 of the Investment Company Act of 1940 as of October 6, 2006 and for the period from July 14, 2006 (the date of our last similar examination) through October 6, 2006.

This report is intended solely for the information and use of management of MACC Private Equities Inc. and subsidiary and the Securities and Exchange Commission and is not intended to be and should not be used by anyone other than these specified parties.

Des Moines, Iowa

October 16, 2006

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**MACC PRIVATE EQUITIES INC.**

October 6, 2006

KPMG LLP

2500 Ruan Center

Des Moines, IA 50309

Ladies and Gentlemen:

RE: Management Assertion Regarding Compliance with  
Certain Provisions of the Investment Company Act of 1940

MACC Private Equities Inc. is responsible for complying with the requirements of subsections (b) and (c) of Rule 17f-2, Custody of Investments by Registered Management Investment Companies, of the Investment Company Act of 1940. It is also responsible for establishing and maintaining an effective internal control structure over compliance with Rule 17f-2 requirements.

MACC Private Equities Inc. has performed an evaluation of its compliance with the requirements of subsections (b) and (c) of Rule 17f-2 as of October 6, 2006 for the period July 14, 2006 through October 6, 2006. Based on this evaluation, it has determined that MACC Private Equities Inc. was in compliance with the requirements of subsections (b) and (c) of Rule 17f-2 of the Investment Company Act of 1940 as of October 6, 2006, with respect to securities reflected in the investment accounts of MACC Private Equities Inc. with the following exception:

A warrant included in the schedule of investments for one portfolio company was not located in the vault. The warrant was misplaced during delivery of the certificate. MACC is planning on waiting until the warrant is exercised to carry out the legal proceedings to replace the warrant. This warrant has a cost and valuation of \$0.

Very truly yours,

MACC PRIVATE EQUITIES INC.

By: /s/ David R. Schroder  
David R. Schroder, President

/s/ Marilyn Benge

Marilyn Benge, Controller

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