SEMELE GROUP INC
Form 10KSB/A
August 24, 2004

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-KSB/A

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2003

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____.

Commission File Number 0-16886

Semele Group Inc.
(Name of Small Business Issuer in its charter)

Delaware	36-3465422
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
200 Nyala Farms, Westport, Connecticut (Address of principal executive offices)	06880 (Zip Code)
Issuer s telephone number	(203) 341-0555

Securities registered under Section 12(b) of the Exchange Act:

Title of each class	Name of each exchange on which registered
None	None

Securities registered under Section 12(g) of the Exchange Act:

5,000,000 Shares of Common Stock
(Title of Class)

Check whether the Issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the Issuer was required to file such reports), and (2) has been subject to such filing re−quirements for the past 90 days. YES _X_ NO __

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of Issuer's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. [X]

The Issuer s revenues for the fiscal year ended December 31, 2003 were $13,305,000. Shares of common stock outstanding as of March 15, 2004: 2,099,687. Market value of shares held by non-affiliates as of March 15, 2004: $983,890.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant s Annual Report to security holders for the year ended December 31, 2003 (Part I and II)

Transitional Small Business Disclosure Format: YES . NO X .

EXPLANATORY NOTE

We are filing this Form 10-KSB/A in order to reflect the restatement of the audited consolidated financial statement for the year ended December 31, 2003. All financial data in this report reflects the effects of the restatement. See Note 2 to the Consolidated Financial Statements as well as (Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations) for details relating to this restatement. As a result of this restatement, investors should not rely upon these Items previously filed with the Securities and Exchange Commission in the Company s Form 10-KSB filed on April 8, 2004.

SEMELE GROUP INC.

Form 10-KSB/A

For the year ended December 31, 2003

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PART I

ITEM 1. DESCRIPTION OF BUSINESS

(a) Business Development.

Semele Group Inc. and subsidiaries (Semele or the Company) is a Delaware corporation organized in April 1987 as Banyan Strategic Land Fund II to invest primarily in short-term, junior, pre-development, and construction mortgage loans. Subsequently, the Company became owner of various real estate assets through foreclosure proceedings in connection with its mortgages. For the years 1987 though 1995, the Company elected to be treated as a real estate investment trust (REIT) for income tax purposes. Effective January 1, 1996, the Company revoked its REIT status and became a taxable C corporation. Since then, the Company has evaluated alternative ways to maximize shareholder value and take advantage of investment opportunities where its significant loss carryforwards for federal income tax purposes (approximately $107.1 million at December 31, 2003) could make it a value-added buyer. In recent years, the Company has made certain investments with affiliated parties where its income tax loss carryforwards could be utilized and which permitted the Company to diversify its asset mix. Currently, the Company is engaged in various real estate activities, including a minority interest in residential property development located in Malibu, California, buildings located in Sydney, Australia and Washington DC and minority interest investments in two ski resorts and a residential development community company located in Canada. The Company also holds investments in other companies operating in niche financial markets, principally involving equipment management and equipment leasing.

Semele is a highly leveraged company and an investment in Semele common stock involves a high degree of risk to the investor.

Proposed equity transaction with affiliates

In December 2003, a special committee of the Company s Board of Directors recommended the shareholders approve a proposal from Mr. Engle and Mr. Coyne, CEO and President respectively, to make a voluntary tender offer at $1.40 per share for the acquisition of substantially all of the outstanding shares of common stock of Semele not already owned by Management after the Company has completed a 1 for 4,001 reverse stock split in which stockholders owning fewer than 1,000 shares will receive $1.40 per pre-split share for their shares followed by a 4,001 to 1 forward split.

(b) Business Activities.

General

The Company has 17 employees that are employed by MILPI Holdings, LLC (MILPI), or other subsidiaries of the Company. Equis Financial Group L.P. (EFG) is a Massachusetts limited partnership and serves as advisor to AFG Investment Trust C and D (the Trusts), subsidiaries of the Company. EFG is controlled by the Company s Chairman and Chief Executive Officer, Gary D. Engle. EFG and its subsidiaries are engaged in various aspects of the equipment leasing business, including EFG s role as manager or advisor to several direct-participation equipment leasing programs in addition to the Trusts and MILPI. EFG arranges to originate equipment leases, acts as remarketing agent and asset manager and provides leasing support services, such as billings, collections, and asset tracking.

At December 31, 2003, the Company was actively engaged in three industry segments: i) real estate ownership, development and management, ii) equipment leasing and iii) equipment management.

The Company considers affiliates to be person(s) and/or entities that directly, or indirectly through one or more intermediaries, manage or are managed by, or are under common management of or with, the Company. All other entities are considered to be non-affiliates.

Real Estate

The Company owns interests in companies that are engaged in real estate leasing or development activities, as well as winter resorts. These interests consist of the following:

Rancho Malibu

The Company has an indirect investment in a partnership, which owns 274 acres of undeveloped land north of Malibu, California in a development company called Rancho Malibu or the Malibu property . Forty acres of the property are zoned for development of a 46-unit

residential community. The remainder is divided as follows: (i) 167 acres are dedicated to a public agency, (ii) 47 acres are deed restricted within privately-owned lots, and (iii) 20 acres are preserved as private open space.

In the first quarter of 2003, Semele transferred its interest in Rancho Malibu to RMLP, Inc., a wholly-owned subsidiary of MILPI, for $5.5 million in cash, a $2.5 million promissory note and 182 shares (15%) interest in RMLP, Inc. Because the property was transferred to a wholly-owned subsidiary of MILPI, the $2.5 million promissory note and related accrued interest and loss on transfer of property to RMLP, Inc. have been eliminated in consolidation.

On June 23, 2003, Rancho Malibu amended its partnership agreement to include an additional unrelated investor for the purpose of completing the development of the property. The third party investor contributed $2.0 million to Rancho Malibu and is the development general partner. In accordance with the amended partnership agreement, decisions require a unanimous consent by both partners and each owner has the ability to veto a proposal by the other partner. Therefore, the Company s interest in Rancho Malibu was accounted for under the equity method of accounting beginning June 23, 2003. Prior to June 23, 2003, the Company consolidated Rancho Malibu s balance sheet and statement of operations. At December 31, 2003, Rancho Malibu remains under development and all costs have been capitalized to the development.

AFG International

The Company has ownership interests in two commercial properties, consisting of land and buildings, which are leased to a major university. The buildings are used in connection with the university s international education programs and include both classroom and dormitory space. One building is located in Washington, D.C. and the other is located in Sydney, Australia. The lessee of the Sydney, Australia building vacated the establishment and terminated the lease in the fourth quarter of 2003 prior to the termination date of the lease on January 15, 2005. The Company has not decided whether to market the property for lease or for sale.

The Company is actively marketing the building and land located in Washington, DC for sale. There can be no assurance that a sale will be completed.

EFG Kirkwood LLC

The Company owns 100% of the Class B membership interests of EFG Kirkwood LLC (EFG Kirkwood). The Trusts and Equis II Corporation, all of which consolidate into Semele, collectively own 100% of the Class A membership interests of EFG Kirkwood. EFG Kirkwood is a minority member in two joint ventures, Mountain Resort Holdings LLC (Mountain Resort) and Mountain Springs Resorts LLC (Mountain Springs).

Mountain Resort, through four wholly-owned subsidiaries, owns and operates Kirkwood Mountain Resort, a ski resort located in northern California, a public utility that services the local community and land that is held for residential and commercial development. Mountain Springs, through a wholly-owned subsidiary, owns a controlling interest in the Purgatory Ski Resort in Durango, Colorado. Mountain Springs also owns Durango Mountain Land Company, which owns 500 acres of real estate to be developed for commercial and residential use.

EFG/Kettle Development LLC

The Company has an indirect ownership interest in EFG/Kettle Development LLC, which is owned 100% by the Trusts. EFG/Kettle Development LLC s subsidiaries have a 49.9% limited partner ownership interest in Kettle Valley Development Limited Partnership (KVD LP). An unaffiliated third party owns the remaining 50.1% of KVP LP. KVD LP owns a real estate development in Kelowna, British Columbia Canada, called Kettle Valley. Kettle Valley is comprised of approximately 270 acres of land zoned for 1,120 residential units in addition to commercial space. The Company also has a 100% controlling and ownership interest in Kelowna Projects, Inc., which is the sole general partner, with a .01% ownership interest, of KVD LP.

In accordance with the ownership agreements, decisions require unanimous consent by both the limited partners and the general partner and each owner has the ability to veto a proposal by the other partner. Therefore, the Company s interest in KVD LP was accounted for under the equity method of accounting.

Business risk- Real Estate

The Company s minority interests in two ski resorts are subject to the risks of the tourism industry.

In addition, the resorts are also subject to a number of other risks, including weather-related risks. The ski resort business is seasonal in nature and insufficient snow during the winter season can adversely affect the profitability of a given resort. Many operators of ski resorts have greater resources and experience in the industry than the Company, its affiliates and its joint venture partners.

The Company also has a minority interest in several real estate development companies, some of which are located at the resorts. The risks generally associated with real estate development include the existence of senior financing or other liens on the properties, general or local economic conditions, property values, the sale of properties, interest rates, real estate taxes, other operating expenses, the supply and demand for properties involved, zoning and environmental laws and regulations, and other governmental rules.

The Company s investments in real estate development companies have experienced an increase in residential sales as a result of interest rates currently being at historical lows. There is a risk that residential sales could materially decline if interest rates increase.

The Company's involvement in real estate development also introduces financial risks, including the potential need to borrow funds to develop the real estate projects. While the Company's management presently does not foresee any unusual risks in this regard, it is possible that factors beyond the control of the Company, its affiliates and joint venture partners, such as a tightening credit environment, could limit or reduce its ability to secure adequate credit facilities at a time when they might be needed in the future. Alternatively, the Company could establish joint ventures with other parties to share participation in its development projects.

Because the investments in the ski resorts include real estate development companies, the risks and uncertainties associated with the tourism industry can adversely affect the value of the real estate development companies associated with these investments. Decrease in tourism, weather-related conditions or other risks discussed above can permanently decrease the value of the investment and future operations.

The Company does not anticipate receiving dividend distributions from the real estate investments in the near future due as cash generated from these projects will be used for further development.

Equipment Leasing

The Trusts/ Liquidating Trusts

The Company, through Equis II s Class B interests and AFG ASIT Corporation s Managing Trustee Interest, controls the voting interest in the Trusts. However, on certain voting matters, principally involving transactions with related parties, Equis II is obligated to vote its Class B interests consistent with the majority of unaffiliated investors. AFG ASIT Corporation, a wholly-owned subsidiary of the Company, is managing trustee of the Trusts. The Trusts have a portfolio of equipment leasing assets and several minority interest investments, which include real estate companies and an equipment management company. The Company s economic interest in the Trusts ranges from 26% to 28% per Trust, which includes its Managing Trustee interest, Class B interest and Special Beneficiary interests.

The remaining Trusts are limited-life entities having the following scheduled dissolution dates:

AFG Investment Trust C December 31, 2004

AFG Investment Trust D December 31, 2006

AFG Investment Trust C and D are scheduled to terminate on December 31, 2004 and December 31, 2006, respectively. In 2004, the managing trustee began the process of liquidating AFG Investment Trust C and expects to do so by December 31, 2004. In 2004, the beneficiaries of AFG Investment Trust D approved the liquidation of the trust prior to December 31, 2006 and the managing Trustee expects to commence liquidating its assets and to complete its liquidation prior to that date. Any remaining assets will be placed in a liquidating trust.

AFG Investment Trusts A and B s assets were transferred to AFG Investment Trust A Liquidating Trust and AFG Investment Trust B Liquidating Trust (collectively the Liquidating Trusts), respectively, on December 31, 2002. In furtherance of the Plan of Liquidation and Dissolution, the Liquidating Trusts entered into a Liquidating Trust Agreement with an independent third party as trustee of the Liquidating Trusts. The trustee has control over the dissolution of the Liquidating Trusts assets. In conjunction with the liquidation, the trustee engaged the Managing Trustee, AFG ASIT Corporation (a wholly-owned subsidiary of the Company), and EFG, an affiliated entity, as agents in order to manage the daily operations until liquidation is complete. Accordingly, Semele no longer has a controlling interest in these assets but has the ability to exercise significant influence over the daily operations. Therefore, the Company used the equity method of accounting for the investments in the Liquidating Trusts in the accompanying balance sheet as of December 31, 2002 and throughout 2003. Prior to the liquidation date, the Company consolidated the Trusts balance sheet and statement of operations. The statements of operations for AFG Investment Trusts A and B are consolidated into the Company s 2002 financial statements since the entities were controlled throughout 2002.

During 2003, the Liquidating Trusts were dissolved in accordance with their respective plans of liquidation. As a result, the Company received the following amount for its Managing Trustee and Class B interest: $0.5 million in cash, $1.1 million in a in-kind distribution of the Liquidating Trusts ownership interest in EFG Kirkwood, a consolidated entity which was previously recorded as minority interest in the Company s consolidated financial statements, and $0.1 million in a in-kind distribution of the Liquidating Trusts ownership interest in Kirkwood Palisades

LLC, a real estate development company. In addition to the Managing Trustee and Class B distributions discussed above, the Company received $0.7 million in cash associated with its Special Beneficiary Interest SB Interest in the Liquidating Trusts. The cash received was used to pay the accrued interest associated with the Company s non-recourse note issued in consideration for acquiring the SB Interest.

AFG Investment Trust A, and its successor AFG Investment Trust A Liquidating Trust, owned 20,969 shares of Semele s common stock prior to the liquidation in the fourth quarter of 2003. As of December 31, 2002, the ownership of the 20,969 shares of stock was eliminated in the Company s consolidated financial statements.

Rail Investors I, LLC

Rail Investors I, LLC was formed in 2002 and is a wholly-owned subsidiary of Semele Group Inc. Rail Investors I, LLC was formed for the sole purpose of leasing railcars under an operating lease that is non-recourse to Semele Group Inc. and re-leasing the equipment to unrelated third parties.

Liquidating Partnerships

The Company had an ownership interest in eleven limited partnerships engaged primarily in the equipment leasing business. In July 2002, the partnerships each adopted a formal plan of liquidation and transferred its assets and liabilities to eleven respective liquidating partnership trusts (Liquidating Partnerships) for the sole purpose of liquidating the assets and liabilities. In accordance with the Plans of Liquidation and Dissolution for each of the Liquidating Partnerships dated July 18, 2002, all of the net cash proceeds from the sale of the assets of the Liquidating Partnerships and cash, less reserves for any liabilities, were distributed to the Liquidating Partnerships interest holders by December 31, 2003 and the Liquidating Partnerships were dissolved.

Business Risks- Equipment Leasing

The Company's investment in equipment is, and will continue to be, subject to various risks, including physical deterioration, technological obsolescence, and credit quality of and defaults by lessees. A principal business risk of owning and leasing equipment is the possibility that aggregate lease revenues and equipment sale proceeds will be insufficient to provide an acceptable rate of return on invested capital after payment of all debt service costs and operating expenses. Another risk is that the credit quality of the lease may deteriorate after a lease is made. In addition, the leasing industry is very competitive. The Company is subject to considerable competition when equipment is re-leased or sold at the expiration of primary lease terms. The Company must compete with lease programs offered directly by manufacturers and other equipment leasing companies, many of which have greater resources, including business trusts and limited partnerships organized and managed similarly to the Company. In addition, default by a lessee under a lease agreement may cause equipment to be returned to the Company at a time when the Company or its advisors is unable to arrange the sale or re-lease of such equipment. This could result in the loss of a portion of potential lease revenues and weaken the Company s ability to repay related indebtedness. In addition, a significant portion of the Company s equipment portfolio consists of used jet aircraft. Aircraft condition, age, passenger capacity, distance capability, fuel efficiency, and other factors influence market demand and market values for passenger jet aircraft. The Company does not anticipate aircraft values returning to their pre- September 11, 2001 values.

The Company has an aircraft, which, based on original equipment cost, accounts for approximately 64% of the Company's equipment portfolio cost at December 31, 2003. This aircraft currently operates in an international market and is stage three compliant. All rents due under the aircraft s lease are denominated in U.S. dollars. However, the operation of this aircraft in an international market exposes the Company to certain political, credit and economic risks. Regulatory requirements of other countries governing aircraft registration, maintenance, liability of lessors and other matters may apply. Political instability, changes in national policy, competitive pressures, fuel shortages, recessions and other political and economic events adversely affecting world or regional trading markets or a particular foreign lessee could also create the risk that a foreign lessee would be unable to perform its obligations to the Trust. The recognition in foreign courts of judgments obtained in United States courts may be difficult or impossible to obtain and foreign procedural rules may otherwise delay such recognition. It may be difficult for the Company to obtain possession of an aircraft used outside the United States in the event or default by the lessee or to enforce its rights under the related lease. Moreover, foreign jurisdictions may confiscate or expropriate aircraft without paying adequate compensation.

The ultimate realization of residual value for any type of equipment is dependent upon many factors, including the Company s ability to sell and re-lease equipment. Changing market conditions, industry trends, technological advances, political stability and many other events can converge to enhance or detract from asset values at any given time. The Company attempts to monitor these changes in order to identify opportunities which may be advantageous and which will maximize total cash returns for each asset.

In addition to the aircraft discussed above, the Company has leased 487 railcars under a ten-year operating lease through its wholly-owned subsidiary Rail Investors I, LLC. To date, the Company has not experienced any material collection problems and has not considered it necessary to provide an allowance for doubtful accounts. Notwithstanding a positive collection history, there is no assurance that all future contracted rents will be collected or that the credit quality of the Company s leases will be maintained. The credit quality of an individual lease may deteriorate after the lease is entered into. Collection risk could increase in the future, particularly as the Company remarkets its equipment

and enters re-lease agreements with different lessees. The Managing Trustee will continue to evaluate and monitor the Company s experience in collecting accounts receivable to determine whether a future allowance for doubtful accounts may become appropriate

Equipment Management

MILPI Holdings, LLC and EGF Programs

The Trusts formed MILPI for the purpose of acquiring PLM International, Inc. (PLM). In February 2001, MILPI acquired approximately 83% of PLM s outstanding common stock for a total purchase price of approximately $21.8 million. In February 2002, MILPI completed the acquisition of the remaining 17% of the outstanding PLM common stock, at a purchase price of approximately $4.4 million.

PLM Financial Services, Inc. (FSI), a wholly-owned subsidiary of PLM, provides management services to investment programs, including a limited liability company, a limited partnership and private placement programs, which acquire and lease primarily used transportation and related equipment. FSI has entered into management agreements with these programs.

From 1986 through 1995, FSI offered the PLM Equipment Growth Fund investment series (EGF Funds or EGF Programs). From 1995 through 1996, FSI offered the Professional Lease Management Income Fund I, a limited liability company (Fund I) with a no front-end fee structure. The Fund I program and the EGF Funds were designed to invest primarily in used transportation and related equipment for lease in order to generate current operating cash flow for distribution to investors and for reinvestment into additional transportation and related equipment.

Management fees are earned by FSI for managing the equipment portfolios and administering the EGF Funds as provided for in the various agreements, and are recognized as revenue as they are earned. FSI is also entitled to reimbursement for providing certain administrative services. Acquisition and lease fees are earned by FSI by purchasing equipment for the EGF Programs.

PLM holds an interest (between 1% and 15%) in the earnings and cash distributions of the programs, in which FSI is the General Partner. PLM recognizes as partnership interests its equity interest in the earnings of the EGF Programs.

The affiliated investment programs, lease transportation equipment primarily on mid-term operating leases and short-term rentals. Leases of aircraft are net operating leases. In net operating leases, expenses such as insurance, taxes, and maintenance are the responsibility of the lessees. The effect of entering into net operating leases is to reduce lease rates, compared to full-service lease rates for comparable lease terms. Railcar leases are full-services leases. Trailers are leased on a per diem bases. Marine containers are leased either on a fixed rate or utilization basis. Marine vessel leases are full-service leases. In both a full-service lease and a per diem rental, the lessor absorbs the maintenance costs, which allows PLM to insure proper maintenance of the equipment.

Business risk- Equipment Management

Lessees of the investment programs' equipment range from Fortune 500 companies to small, privately held corporations and entities. Deposits, prepaid rents, corporate and personal guarantees, and letters of credit are utilized, when necessary, to provide credit support for lessees who do not satisfy the underwriting.

When marketing operating leases for transportation assets owned by the Company, the Company encounters considerable competition from lessors offering full payout leases on new equipment. In comparing lease terms for the same equipment, full payout leases provide longer lease periods and lower monthly rents than PLM offers. In comparison, the shorter length of operating leases provides lessees with flexibility in their equipment and capital commitments. The Company competes with transportation equipment manufacturers who offer operating leases and full payout leases. Manufacturers may provide ancillary services that the Company cannot offer such as specialized maintenance services (including possible substitution of equipment), warranty services, spare parts, training, and trade-in privileges. The Company competes with many transportation equipment lessors, including GE Capital Railcar Services, Inc., GATX, GE Capital Aviation Services, Inc., International Lease Finance Corporation, Union Tank Car Company, international banks, and certain limited partnerships.

The transportation industry, in which the majority of the equipment managed by the Company operates, is subject to substantial regulation by various federal, state, local, and foreign government authorities. It is not possible to predict the positive or negative effects of future regulatory changes in the transportation industry.

The ultimate realization of revenues for managed equipment is subject to economic risks related to many changing factors, including the ability of the Company to realize acceptable lease rates on its equipment in the different equipment markets. Lease rates are contingent on many factors, such as specific market conditions and economic activity, technological obsolescence, and government or other regulations. The unpredictability of some of these factors, or of their occurrence, makes it difficult for the Company to clearly define trends or influences that may impact the performance of the equipment programs. The Company continually monitors both the equipment markets and the performance of the equipment programs in these markets. The Company may decide to reduce the equipment program's exposure to equipment markets in which it determines

it cannot operate equipment to achieve acceptable rates of return. Alternatively, the Company may make a determination to enter equipment markets in which it perceives opportunities to profit from supply/demand instabilities or other market imperfections

The Company s asset base consists of its ownership interests in the management in several equipment programs with limited lives and railcars held for lease. The Company s revenue base consists primarily of management fees earned from the equipment programs. If the Company does not find new sources of capital and revenue, its source of revenues and asset base will decrease and eventually terminate as the equipment programs reach the end of their legal lives.

Acquisitions

In May of 2003, the Company, through its subsidiary MILPI, purchased the existing minority interest in MILPI owned by AFG Investment Trust A Liquidating Trust and AFG Investment Trust B Liquidating Trust for $5.4 million, which is now held by MILPI as treasury stock. The acquisition was financed through MILPI s existing cash reserves and cash flows generated from the sale of railcars. Prior to the acquisition, MILPI was owned as follows: AFG Investment Trust A Liquidating Trust 8%; AFG Investment Trust B Liquidating Trust 17%; AFG Investment Trust C 37.5% and AFG Investment Trust D 37.5%. Subsequent to the acquisition, AFG Investment Trust C and AFG Investment Trust D, which are consolidated into the Company s financial statements, collectively own 100% of MILPI, with each trust owning 50%.

Investment Company Act of 1940

The Securities Exchange Commission (SEC) staff has informed the Company that it believes the Trusts may be unregistered investment companies within the meaning of the Investment Company Act of 1940 (the Act). The Company, after consulting with counsel, does not believe that they are unregistered investment companies. However, it is possible that one or more of the Trusts may have unintentionally engaged in an activity or activities that may be construed to fall within the scope of the Act. If necessary, AFG Investment Trust C and AFG Investment Trust D intend to avoid being deemed investment companies by means that may include disposing assets that they might not otherwise dispose of.

The SEC commenced an informal inquiry in June 2003 to determine if there have been violations of the federal securities laws. The SEC, among other things, asked the Company to voluntarily provide information and documents relating to any possible or proposed restatements of the Company s financial statements. The Company has provided the information and documents requested. The Company is cooperating fully with the SEC informal inquiry.

Small Business Issuer

The Company s consolidated financial statements contained in the 2003 annual report have been prepared in accordance with the requirements for a Small Business Issuer as prescribed by Regulation S-B under the Securities Exchange Act of 1934. Generally, a Small Business Issuer cannot file under Regulation S-B if its annual revenues or public float exceed $25.0 million for two consecutive years. The Company qualifies as a Regulation S-B filer since both its 2002 and 2001 annual revenues were less than $25.0 million and its public float has not exceeded $25.0 million. The Company will continue to qualify as an S-B filer through at least 2005, as its revenues for the year ended December 31, 2003 are also less than $25.0 million.

PART II

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Incorporated herein by reference from the section entitled Management s Discussion and Analysis of Financial Condition and Results of Operations in the 2003 annual report.

ITEM 7. FINANCIAL STATEMENTS

Incorporated herein by reference as an exhibit to the December 31, 2003 Form 10-KSB/A from the Company s consolidated financial statements included in the 2003 annual report.

PART III

ITEM 13. EXHIBITS AND REPORTS ON FORM 8-K

(a) **Exhibits**

A list of exhibits filed or incorporated by reference is as follows:

2.1 Agreement and Plan of Merger dated December 22, 2000 between MILPI Acquisition Corp. and PLM International, Inc. (filed with the Securities and Exchange Commission as Exhibit 2.1 to the Registrant s Report on Form 8-K dated December 22, 2000 is incorporated herein by reference).

2.2 Operating Agreement of MILPI Holdings, LLC dated as of December 13, 2000 by and among the persons identified on Schedule A thereto was filed in the Registrant's Amendment No. 1 as Schedule TO dated January 29, 2001 ("Schedule TO/A No. 1") as Exhibit (b)(1) and is incorporated herein by reference.

2. 3 Subscription Agreement dated as of December 15, 2000 by and among MILPI Holdings, LLC and MILPI Acquisition Corp. was filed in the Registrant's Schedule TO/A No. 1 as Exhibit (b)(2) and is incorporated herein by reference.

2.5 Form 8-K filed by AFG Investment Trust A announcing the completion of its liquidation and dissolution in accordance with a proxy solicitation statement dated as of November 25, 2002 (filed with the Securities and Exchange Commission as a Form 8-K by AFG Investment Trust A dated December 31, 2002 is incorporated herein by reference)

2.6 Form 8-K filed by AFG Investment Trust B announcing the completion of its liquidation and dissolution in accordance with a proxy solicitation statement dated as of November 25, 2002 (filed with the Securities and Exchange Commission as a Form 8-K by AFG Investment Trust B dated December 31, 2002 is incorporated herein by reference)

2.7 Form 8-K filed by AFG Investment Trusts C announcing the approval by its shareholders on its proxy voting in accordance with the proxy solicitation statement dated as of February 11, 2003 (filed with the Securities and Exchange Commission as a Form 8-K by AFG Investment Trust C dated March 31, 2003 is incorporated herein by reference)

2.8 Form 8-K filed by AFG Investment Trusts D announcing the approval by its shareholders on its proxy voting in accordance with the proxy solicitation statement dated as of February 11, 2003 (filed with the Securities and Exchange Commission as a Form 8-K by AFG Investment Trust D dated March 31, 2003 is incorporated herein by reference)

2.9 Text of Letter dated May 5, 2003 to the Directors of Semele referencing the Proposed Acquisition of Semele Group Inc. (filed with the Securities and Exchange Commission to the Registrant s Report on Form 8-K dated May 5, 2003 is incorporated herein by reference).

2.10 Text of press release dated May 5, 2003 titled Management Proposes Offer to Acquire Semele Group Inc. Common Stock (filed with the Securities and Exchange Commission to the Registrant s Report on Form 8-K dated May 5, 2003 is incorporated herein by reference).

2.11 Agreement to Split and Tender, dated January 14, 2003 by and between Semele Group Inc. on one hand and James A. Coyne and Gary D. Engle on the other hand (filed with the Securitiesand Exchange Commission as an exhibit to the Registrant s Report on Form 8-K dated January 15, 2004 is incorporated herein by reference).

3.1 Restated Certificate of Incorporation (filed with the Securities and Exchange Commission as Exhibit (3)(i) to the Registrant s Report on Form 8-K dated October 21, 1997 is incorporated herein by reference).

3.2 Amended and Restated Bylaws (filed with the Securities and Exchange Commission as Exhibit (3)(ii) to the Registrant s Report on Form 8-K dated October 21, 1997 is incorporated herein by reference).

4 Form of new stock certificate (filed with the Securities and Exchange Commission as Exhibit (4) to the Registrant s Quarterly Report on Form 10-QSB for the quarter ended September 30, 1997 is incorporated herein by reference).

4.1 Amended and Restated Voting and Tender Agreement dated December 22, 2000 between MILPI Acquisition Corp., PLM International, Inc. and other parties thereto (filed with the Securities and Exchange Commission as Exhibit 4.1 to the Registrant s Report on Form 8-K dated December 22, 2000 is incorporated herein by reference)

4.2 Second Amended and Restated Declaration of Trust dated July 18, 2003 for AFG Investment Trust C (filed with the Securities and Exchange Commission as Exhibit 4.2 to AFG Investment Trust C s Quarterly Report on Form 10-QSB for the quarter ended June 30, 2003 is incorporated herein by reference).

4.3 Second Amended and Restated Declaration of Trust dated July 18, 2003 for AFG Investment Trust D (filed with the Securities and Exchange Commission as Exhibit 4.2 to AFG Investment Trust D s Quarterly Report on Form 10-QSB for the quarter ended June 30, 2003 is incorporated herein by reference).

4.4 Operating Agreement of EFG Kirkwood LLC, dated May 1, 1999 (filed with the Securities and exchange Commission as Exhibit No. 99(k`) to AFG Investment Trust D s Report on Form 10-KSB for the year ended December 31, 2002 is incorporated herein by reference).

4.5 Amended and Restated Operating Agreement of Mountain Springs, LLC, dated October 24, 2002 (filed with the Securities and Exchange Commission to AFG Investment Trust D s Report on Form 10-KSB for the year ended December 31, 2002 is incorporated herein by reference).

10.1 Executive Employment Agreement for Gary D. Engle (filed with the Securities and Exchange Commission as Exhibit 10.1 to the Registrant s Annual Report on Form 10-KSB for the year ended December 31, 1997 is incorporated herein by reference).

10.2 Executive Employment Agreement for James A. Coyne (filed with the Securities and Exchange Commission as Exhibit 10.2 to the Registrant s Annual Report on Form 10-KSB for the year ended December 31, 1997 is incorporated herein by reference).

10.3 Amended 1994 Executive and Director Stock Option Plan (filed with the Securities and Exchange Commission as Exhibit 10.3 to the Registrant s Annual Report on Form 10-KSB for the year ended December 31, 1997 is incorporated herein by reference).

10.4 Incentive Compensation Plan (filed with the Securities and Exchange Commission as Exhibit 10.4 to the Registrant s Annual Report on Form 10-KSB for the year ended December 31, 1997 is incorporated herein by reference).

10.5 Trust under Semele Group Inc. Incentive Compensation Plan (filed with the Securities and Exchange Commission as Exhibit 10.5 to the Registrant s Annual Report on Form 10-KSB for the year ended December 31, 1997 is incorporated herein by reference).

10.6 Director Stock Option Agreement, Director Option Grant Program (filed with the Securities and Exchange Commission as Exhibit 10.8 to the Registrant s Annual Report on Form 10-KSB for the year ended December 31, 1997 is incorporated herein by reference).

10.7 Amendment to Director Stock Option Agreement, Director Option Grant Program dated December 30, 1997 between Semele Group Inc. and Robert M. Ungerleider (filed with the Securities and Exchange Commission as Exhibit 10.10 to the Registrant s Annual Report on Form 10-KSB for the year ended December 31, 1997 is incorporated herein by reference).

10.8 Amendment to Director Stock Option Agreement, Director Option Grant Program dated December 30, 1997 between Semele Group Inc. and Walter E. Auch (filed with the Securities and Exchange Commission as Exhibit 10.11 to the Registrant s Annual Report on Form 10-KSB for the year ended December 31, 1997 is incorporated herein by reference).

10.9 Amendment No. 1 to Exchange Agreement dated August 7, 1997 (filed with the Securities and Exchange Commission as Exhibit (10)(ii) to the Registrant s Quarterly Report on Form 10-QSB for the quarter ended June 30, 1997 is incorporated herein by reference).

10.10 Exchange Agreement dated April 30, 1997 by and among AFG Hato Arrow Limited Partnership, AFG Dove Arrow Limited Partnership, AIP/Larkfield Limited Partnership, Equis Exchange LLC, Equis Financial Group Limited Partnership and the Registrant and related exhibits (filed with the Securities and Exchange Commission as Exhibit (10)(i) to the Registrant s Quarterly Report on Form 10-QSB for the quarter ended March 31, 1997 is incorporated herein by reference).

10.11 Stock Purchase Agreement dated December 16, 1999 between the Registrant, Gary D. Engle, James A. Coyne and four trusts established for the benefit of Mr. Engle s children (filed with the Securities and Exchange Commission as Exhibit No. 2 to the Registrant s Report on Form 8-K dated January 6, 2000 is incorporated herein by reference).

10.12 Agreement for Purchase and Sale of Special Beneficiary Interests dated November 18, 1999 between the Registrant and Equis Financial Group Limited Partnership (filed with the Securities and Exchange Commission as Exhibit 10.18 to the Registrant s Annual Report on Form 10-KSB dated March 30, 1999 is incorporated herein by reference).

10.13 Registration Rights Agreement dated December 22, 1999 between the Registrant, Gary D. Engle, James A. Coyne, and four trusts established for the benefit of Mr. Engle s children (filed with the Securities and Exchange Commission as Exhibit 10.19 to the Registrant s Annual Report on Form 10-KSB dated March 30, 1999 is incorporated herein by reference).

10.14 Security Agreement and Collateral Agency Agreement dated December 22, 1999 between the Registrant, Gary D. Engle, James A. Coyne, and four trusts established for the benefit of Mr. Engle s children (filed with the Securities and Exchange Commission as Exhibit 10.20 to the Registrant s Annual Report on Form 10-KSB dated March 30, 1999 is incorporated herein by reference).

10.15 Security Agreement regarding the purchase and sale of Special Beneficiary Interests dated January 20, 2000 between the Registrant and Equis Financial Group Limited Partnership (filed with the Securities and Exchange Commission as Exhibit 10.21 to the Registrant s Annual Report on Form 10-KSB dated March 30, 1999 is incorporated herein by reference).

10.16 Lease agreement with Scandinavian Airlines System (filed with the Securities and Exchange Commission as Exhibit 10.16 to the Registrant s Annual Report on Form 10-KSB for the year ended December 31, 2000 is incorporated herein by reference).

10.17 Promissory Note and Security Agreement between the Registrant and Equis Financial Group Limited Partnership dated August 31, 1998 regarding purchase of Ariston Corporation (filed with the Securities and Exchange Commission as Exhibit 10.17 to the Registrant s Annual Report on Form 10-KSB for the year ended December 31, 2000 is incorporated herein by reference)

10.18 Malibu Incentive Bonus Agreement (filed with the Securities and Exchange Commission as Exhibit 10.18 to the Registrant s Annual Report on Form 10-KSB for the year ended December 31, 2000 is incorporated herein by reference)

10.19 Operating and Joint Venture Agreement between AFG Investment Trust C and AFG Investment Trust D dated March 1st, 2002 (filed with the Securities and Exchange Commission as Exhibit 10.20 to the Registrant s Quarterly Report on Form 10-QSB for the quarter ended June 30, 2002 is incorporated herein by reference).

10.20 Amendment to partnership agreement of BMIF/BSLF II Rancho Malibu Limited Partnership dated March 5th, 2002 (filed with the Securities and Exchange Commission as Exhibit 10.21 to the Registrant s Quarterly Report on Form 10-QSB for the quarter ended June 30, 2002 is incorporated herein by reference)..

10.21 Warehousing Credit Agreement among PLM International, Inc., PLM Equipment Growth Fund VI, PLM Equipment Growth & Income Fund VII, Professional Lease Management Income Fund I, LLC, and Imperial Bank and PFF Bank and Trust dated April 13, 2001 (filed with the Securities and Exchange Commission as Exhibit No. 10.1 to PLM Equipment Growth Fund V s Report on Form 10-Q dated May 8, 2002 is incorporated herein by reference).

10.22 First amendment to the Warehousing Credit Agreement dated December 21, 2001 (filed with the Securities and Exchange Commission as Exhibit No. 10.2 to PLM Equipment Growth Fund V s Report on Form 10-Q dated May 8, 2002 is incorporated herein by reference).

10.23 Second amendment to the Warehousing Credit Agreement dated April 12th, 2001 (filed with the Securities and Exchange Commission as Exhibit No. 10.3 to PLM Equipment Growth Fund V s Report on Form 10-Q dated May 8, 2002 is incorporated herein by reference).

10.24 Third amendment to the Warehousing Credit Agreement dated July 11, 2002 (filed with the Securities and Exchange Commission as Exhibit 10.25 to the Registrant s Quarterly Report on Form 10-QSB for the quarter ended June 30, 2002 is incorporated herein by reference). .

10.25 Fourth amendment to the Warehouse Credit Agreement, dated March 3, 2003. (filed with the Securities and Exchange Commission as Exhibit 10.10 to PLM Equipment Growth Fund V s Report on Form 10-K for the year ended December 31, 2003 and is incorporated herein by reference).

10.26 Loan Agreement among AFG International Partners Limited Partnership, AFG Realty Corporation, as Trustee on behalf of AFG Washington Owner's Trust and Bank of America, N.A., dated December 27, 2002 (filed with the Securities and Exchange Commission as Exhibit 10.26 to the Registrant s Annual Report on Form 10-KSB for the year ended December 31, 2002 is incorporated herein by reference).

10.27 Contribution, Assignment, Assumption and Acknowledgement Agreement by and among RMLP, Inc., BMIF/BSLF II Rancho Malibu Limited Partnership, BSLF II Rancho Malibu Corp., C&D IT LLC, and Semele Group Inc. dated March 14, 2003 (filed with the Securities and Exchange Commission as Exhibit 10.27 to the Registrant s Annual Report on Form 10-KSB for the year ended December 31, 2002 is incorporated herein by reference).

10.28 First Amended and Restated Limited Partnership Agreement of BMIF/BSLF II Rancho Malibu Limited Partnership dated June 23, 3003 (filed with the Securities and Exchange Commission as Exhibit 10.28 to the Registrant s Annual Report on Form 10-KSB for the year ended December 31, 2002 is incorporated herein by reference).

10.29 Fifth amendment to the Warehousing Credit Agreement dated April 12th, 2001 (filed with the Securities and Exchange Commission as Exhibit No. 10.1 to PLM Equipment Growth Fund V s Report on Form 10-Q for the quarter ended September 30, 2003 is incorporated herein by reference).

10.30 Sixth amendment to the Warehousing Credit Agreement dated April 12th, 2001 (filed with the Securities and Exchange Commission as Exhibit No. 10.1 to PLM Equipment Growth Fund V s Report on Form 10-Q for the quarter ended September 30, 2003 is incorporated herein by reference)**.**

10.31 Seventh amendment to the Warehousing Credit Agreement dated April 12th, 2001 (filed with the Securities and Exchange Commission as Exhibit No. 10.13 to PLM Equipment Growth Fund V s Report on Form 10-KSB for the year ended December 31, 2003 is incorporated herein by reference)**.**

10.32 Eighth amendment to the Warehousing Credit Agreement dated March 17, 2004 (filed with the Securities and Exchange Commission as Exhibit No. 10.14 to PLM Equipment Growth Fund V s Report on Form 10-KSB for the year ended December 31, 2003 is incorporated herein by reference)**.**

10.33. Amended and Restated Warehousing Credit Agreement dated March 17, 2004 (filed with the Securities and Exchange Commission as Exhibit No. 10.15 to PLM Equipment Growth Fund V s Report on Form 10-KSB for the year ended December 31, 2003 is incorporated herein by reference).

13 The Company s Annual Report to Stockholders for the year ended December 31, 2003.

14 Code of Ethics

21 Subsidiaries of the Company

31.1 Certification of Chief Executive Officer Pursuant to Exchange Act Rules 13a-15(e) and 15d-15(e), As Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.2 Certification of Chief Financial Officer Pursuant to Exchange Act Rules 13a-15(e) and 15d-15(e), As Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32.1 Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

32.2 Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(b) Reports on Form 8-K

The Company filed a Form 8-K with the SEC on November 12, 2003 reporting under Item 5 (other events and regulation FD disclosures) reporting that Semele had received a revised proposal from Gary Engle and James Coyne, respectively Semele s CEO and President (Management). The revised proposal supersedes their previous offer made on May 5, 2003. The revised proposal is an offer from Management to make a voluntary tender offer for the acquisition of substantially all of the outstanding shares of Semele stock not already owned by Management after the Company has completed a 1 for 1,000 reverse stock split with stockholders owning less than 1,000 shares, receiving $1.20 per pre-split share in cash for their shares. The tender offer price would be $1.20 per pre-split share.

The Company filed a Form 8-K with the SEC on January 15, 2004 reporting under Item 5 (other events and regulation FD disclosures) reporting that Semele announced that it has entered into an agreement with Gary Engle and James Coyne, respectively Semele s CEO and President ("Management") that will have the effect of taking Semele private. Management has agreed to make a voluntary tender offer for the acquisition of all of the outstanding shares of common stock of Semele not already owned by them for $1.40 per share, subject to Semele first completing a 1-for-4,001 reverse stock split (the "Reverse Split") followed immediately by a 4,001-for-1 forward stock split (together with the Reverse Split, the "Split"). As a result of the Reverse Split, each share of common stock held by a shareholder owning 4,001 shares or less immediately before the effective time of the Reverse Split will be converted into the right to receive from Semele $1.40 per share in cash on a pre-split basis, without interest. Shareholders owning more than 4,001 shares prior to the Reverse Split will own the same number of shares of common stock after completion of the Split. The agreement was unanimously approved by Semele s special committee.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SEMELE GROUP INC.

By: /s/Gary D. Engle
Gary D. Engle, Chairman, Chief Executive Officer and Director
Date: August 23, 2004

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/Gary D. Engle
Gary D. Engle, Chairman, Chief Executive Officer and Director
Date: August 23, 2004

By: /s/James A. Coyne
James A. Coyne, President, Chief Operating Officer and Director
Date: August 23, 2004

By: /s/Richard K Brock
Richard K Brock, Vice President and Chief Financial Officer
Date: August 23, 2004

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Certification of Chief Financial Officer Pursuant to Exchange Act Rules 13a-15(e) and 15d-15(e), As Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	31.2
Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	32.1
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