SIENA HOLDINGS INC
Form 10-Q
November 07, 2002

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

FORM 10-Q

|X| QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT TO 1934

For the quarterly period ended September 30, 2002

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 1-6868

SIENA HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

Delaware	75-1043392
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification no.)
5068 West Plano Parkway, Suite 300, Plano, Texas	75093
(Address of principal executive offices)	(Zip code)

(972) 381-4255
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES |X| NO |_|

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

YES |X| NO |_|

On October 10, 1995, the Registrant and certain of its subsidiaries filed bankruptcy proceedings under Chapter 11 of the Federal Bankruptcy Code in the District of Delaware. The Registrant's plan of reorganization was effective in March 1997.

APPLICABLE ONLY TO CORPORATE ISSUERS:

The number of shares outstanding of each of the issuer's classes of common stock as of November 1, 2002: Common Stock, $.10 par value -- 6,000,000 shares.

SIENA HOLDINGS, INC. AND SUBSIDIARIES

FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 30, 2002

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PART I -- FINANCIAL INFORMATION

Item 1. Financial Statements.

CONSOLIDATED BALANCE SHEETS

SIENA HOLDINGS, INC. AND SUBSIDIARIES
(in thousands, except par value)

	September 30, 2002	June 30, 2
ASSETS	(unaudited)	
Current Assets:		
Cash and cash equivalents	$ 5,673	$ 5,711
Investments in equity securities	140	197

Receivables	98	93
Prepaid expenses	--	28
	5,911	6,029
Long Term Assets:		
Investment in real estate	4,659	4,656
Deferred tax assets - net	1,908	1,908
	6,567	6,564
Total Assets	$ 12,478	$ 12,593
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued expenses	$ 160	$ 160
Unearned income	--	125
Deferred tax liabilities	--	7
	160	292
Long Term Liabilities:		
Accrued medical insurance premiums	378	392
Deferred compensation and fees	458	444
	836	836
	996	1,128
Stockholders' Equity:		
Preferred stock--($1.00 par value, 1,000 shares authorized, 0 shares issued and outstanding)	--	--
Common stock--($.10 par value, 15,000 shares authorized, 6,000 shares issued and outstanding)	600	600
Additional paid-in capital	10,214	10,188
Retained earnings	705	664
Accumulated other comprehensive income (loss), net of tax	(37)	13
	11,482	11,465
Total Liabilities and Stockholders' Equity	$ 12,478	$ 12,593

See notes to consolidated financial statements.

STATEMENTS OF CONSOLIDATED OPERATIONS
AND COMPREHENSIVE INCOME (LOSS) (Unaudited)

SIENA HOLDINGS, INC. AND SUBSIDIARIES
(in thousands, except net earnings per share amounts)

Quarter Ended Septe

	2002	
Revenues:		
Commissions and fees	$ 80	$
Interest	21	
Trust expense reimbursement	36	
Other real estate income	125	
Other	--	
	262	
Expenses:		
Personnel	105	
Other operating	94	
	199	
Income (loss) before federal income taxes	63	
Federal income tax benefit (expense)	(22)	
Net income (loss)	41	
Other comprehensive loss, net of tax:		
Unrealized losses on equity securities:		
Unrealized holding losses arising during period, net of tax	(50)	
Other comprehensive loss, net of tax	(50)	
Comprehensive loss	$ (9)	$
Basic earnings (loss) per share:		
Net income (loss)	$ 0.01	$
Average number of shares	6,000	
Diluted earnings (loss) per share:		
Net income (loss)	$ 0.01	$
Weighted average number of shares	6,168	

See notes to consolidated financial statements.

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STATEMENTS OF CONSOLIDATED CASH FLOWS (Unaudited)

SIENA HOLDINGS, INC. AND SUBSIDIARIES
(in thousands)

	Q
Operating activities:	
Net income (loss)	$
Adjustments to reconcile net income (loss) to net cash used by operating	

activities:	
Federal income tax expense credited to additional paid-in capital due to the utilization of pre-reorganization tax attributes	
Federal income tax benefit charged to additional paid-in-capital due to increase in valuation allowance for pre-reorganization deferred tax assets	
Compensation expense for stock options	
Decrease in current receivables and prepaid expenses	
Decrease in current accounts payable and accrued expenses	
Decrease in unearned income	
Decrease in long term accrued medical insurance premiums	
Increase in long term deferred compensation and fees	

Net cash used by operating activities	

Investing activities:	
Purchases of equity securities	
Increase in investment in real estate	

Net cash used by investing activities	

Net decrease in cash and cash equivalents	
Cash and cash equivalents at beginning of period	

Cash and cash equivalents at end of period	$
	===
Cash payments for:	
Interest	$
Federal income tax	$
Non-cash transactions:	
Changes to additional paid-in-capital:	
Federal income tax benefit charged to additional paid-in-capital due to an increase in valuation allowance for pre-reorganization deferred tax assets ..	$
Compensation expense related to stock options	
Federal income tax expense credited to additional paid-in-capital due to the utilization of pre-reorganization tax attributes	
Other	

Net increase (decrease) in additional paid-in-capital	$
	===

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

SIENA HOLDINGS, INC. AND SUBSIDIARIES

SEPTEMBER 30, 2002

NOTE A -- BASIS OF FINANCIAL STATEMENT PRESENTATION

The accompanying unaudited consolidated financial statements include the accounts of Siena Holdings, Inc. ("SHI"), formerly Lomas Financial Corporation ("LFC"), and its subsidiaries (collectively, the "Company"). SHI's wholly-owned, principal subsidiaries are Siena Housing Management Corp. and LLG Lands, Inc. Prior to October 1, 1996, SHI's wholly-owned principal subsidiary was Lomas Mortgage USA, Inc. ("LMUSA"), now known as Nomas Corp.("Nomas"). As a result of the confirmation of LMUSA's Chapter 11 reorganization plan, the Company's interest in LMUSA was extinguished effective October 1, 1996. LFC's plan of reorganization was confirmed on October 4, 1996, but not effective until March 1997.

In accordance with the American Institute of Certified Public Accountants' Statement of Position 90-7, "Financial Reporting by Entities in Reorganization Under the Bankruptcy Code", the Company adopted fresh-start accounting as of March 31, 1997, after all material conditions required by the Plan were satisfied. Since April 1, 1997, the Company's financial statements have been prepared as if it was a new reporting entity. Under fresh-start accounting, all assets and liabilities were restated to reflect their reorganization value, which approximated fair value at the date of reorganization. The Company's management and representatives of the creditors' committee concluded that, based on the fact that the Company has historically incurred losses from operations and has projected minimal future operating profits, the reorganization value of the Company (the fair value of the Company before considering liabilities) was equivalent to the fair value of the Company's tangible assets and that no other intrinsic value existed. As a result, all assets and liabilities were stated at their fair value.

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. They do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Certain reclassifications have been made to prior quarters' financial statements to conform to the current presentation. Operating results for the quarter are not necessarily indicative of the results that may be expected for the fiscal year. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the year ended June 30, 2002.

NOTE B -- REORGANIZATION

On October 10, 1995, LFC, two subsidiaries of LFC and LMUSA (collectively the "Debtor Corporations") filed separate voluntary petitions for reorganization under Chapter 11 of the Federal Bankruptcy Code in the District of Delaware. The petitioning subsidiaries were Lomas Information Systems, Inc. ("LIS") and Lomas Administrative Services, Inc. ("LAS"). The Debtor Corporations filed two separate plans of reorganization with the Bankruptcy Court. An order confirming the second amended joint plan of reorganization filed on October 4, 1996 for LFC, LIS and LAS (the "Joint Debtors") and a stipulation and order among the Joint Debtors and the appointed statutory committee of unsecured creditors of LFC (the "LFC Creditors' Committee") regarding technical modifications to the plan of reorganization and confirmation order filed on January 27, 1997 together with the second amended joint plan of reorganization filed on July 3, 1996 are collectively referred to herein as the "Joint Plan". The Joint Plan was confirmed on October 4, 1996, but not effective until March 7, 1997, after certain conditions were either met or waived by the LFC Creditors' Committee.

The Joint Plan provided for a transfer by the Company of $3 million in cash to partially fund a litigation trust to pursue third-party claims pursuant to the LFC/LMUSA joint litigation trust agreement among LFC and its subsidiaries and LMUSA, dated March 6, 1997 (the "LFC/LMUSA Litigation Trust"). Subject to certain exceptions, the LFC Creditors' Trust (as defined herein) and the creditors' trust established pursuant to the LMUSA Plan will receive sixty and forty percent, respectively, of net proceeds from litigation. In March 2000, the LFC Creditors' Trust received $7.1 million of net proceeds from the LFC/LMUSA Litigation Trust resulting from litigation.

The Class 3 general unsecured creditors were to receive a combination of cash and new common stock as settlement of their allowed claim, pursuant to the Joint Plan. On August 30, 2002, the remaining assets of the Creditors' Trust were liquidated and contingent liabilities were reserved for, resulting in a final net distribution of $1.7 million. The total of cash distributions through September 30, 2002 was $34 million. As provided for in the Joint Plan and a decision of the LFC Creditors' Committee, 4,000,000 shares of the new common stock were issued by the stock transfer agent on the initial distribution date of November 12, 1997. For balance sheet presentation and earnings (loss) per share, the 4,000,000 shares were considered issued as of April 1, 1997. The process by the stock distribution agent resulted in 3,822,121 shares of common stock actually distributed to former creditors through March 7, 1999, the deadline for exchanging predecessor company bonds for common stock. In the second quarter of fiscal year 2000, the stock distribution agent distributed the final 177,879 shares, including shares held for disputed claims, to all allowed creditors that had received prior stock distributions.

The amounts ultimately distributed to the former creditors will be solely dependent on the success of the Company, the amounts realized from the collection of assets and the settlement of liabilities for both the Creditors' Trust and the LFC/LMUSA Litigation Trust. It is expected that the Creditors' Trust will be terminated with Bankruptcy Court approval in November 2002.

On November 5, 1998, the Company received $2.2 million from the Company's Chairman of the Board ($2.102 million net of stock offering expenses) in exchange for 2 million shares of the Company's common stock, as approved by the Company's Board of Directors on September 23, 1998. This transaction increased the number of outstanding shares of common stock to 6 million. THE 6,000,000 SHARES OF THE NEW COMMON STOCK ARE RESTRICTED IF THE EFFECT OF A TRANSFER WOULD RESULT IN AN OWNERSHIP INCREASE TO 4.5 PERCENT OR ABOVE OF THE TOTAL OUTSTANDING SHARES OR FROM 4.5 PERCENT TO A GREATER PERCENTAGE OF THE TOTAL OUTSTANDING SHARES, WITHOUT PRIOR APPROVAL BY THE BOARD OF DIRECTORS AS DESCRIBED IN THE RESTATED CERTIFICATE OF INCORPORATION.

THE LFC CREDITORS TRUST AND ANY PROCEEDS FROM THE LFC/LMUSA LITIGATION TRUST ARE SOLELY FOR THE BENEFIT OF THE FORMER CREDITORS OF THE JOINT DEBTORS. STOCKHOLDERS WILL NOT BENEFIT FROM THESE TRUSTS UNLESS THEY HELD CLASS 3 - GENERAL UNSECURED CLAIMS AS DEFINED IN THE JOINT PLAN. SEE "NOTE C--CREDITORS' TRUST".

NOTE C -- CREDITORS' TRUST

The Joint Plan established a creditors' trust (the "Creditors' Trust") in which the Company serves as trustee. The Creditors' Trust held the non-reorganized assets of the Company in trust pending their disposition and/or distribution to the creditors in accordance with the terms of the Joint Plan. The Creditors' Trust was organized for the sole purpose of liquidating the non-reorganized assets including proceeds, if any from the LFC/LMUSA Litigation Trust. The original termination date was March 7, 2002, however, through a series of extensions, the original termination date was extended until September 3, 2002, and the Company has requested the Bankruptcy Court to extend the termination date through December 31, 2002. On August 30, 2002, the remaining assets of the Creditors' Trust were liquidated and contingent liabilities were reserved for, resulting in a final net distribution to trust beneficiaries of $1.7 million. It is expected that the Creditors' Trust will be terminated with Bankruptcy Court approval in November 2002.

The assets and liabilities of the Creditors' Trust are not reflected in the accompanying Consolidated Balance Sheets as the Company is not the beneficiary of the Trust. Accordingly, revenues and expenses related to the Creditors' Trust assets and liabilities since April 1, 1997, are not reflected in the accompanying Statements of Consolidated

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Operations and Comprehensive Income (Loss). The allocation of costs between the Creditors' Trust and the Company is based on management's estimate of each entity's proportional share of costs. Gains and losses from the Creditors' Trust are solely for the former creditors' benefit and the Company has no risk of loss on the assets or liabilities. The amounts ultimately distributed to the former creditors will be solely dependent on the success of the Company, the amounts realized from the collection of assets and settlement of liabilities for both the Creditors' Trust and the LFC/LMUSA Litigation Trust. Stockholders who are not former creditors of the Joint Debtors are not beneficiaries of the Creditors' Trust.

The Company charged to the Creditors' Trust expenses of $36,000 and $33,000 for the quarters ended September 30, 2002 and 2001, respectively, reported as trust expense reimbursement on the Company's Statements of Consolidated Operations and Comprehensive Income (Loss). The expenses consisted of an overhead allocation from the Company, based upon management's estimate of resources used by the Creditors' Trust. The allocation of overhead to the Creditors' Trust will cease whenever the Creditors' Trust is completely terminated.

THE LFC CREDITORS TRUST AND ANY PROCEEDS FROM THE LFC/LMUSA LITIGATION TRUST ARE SOLELY FOR THE BENEFIT OF THE FORMER CREDITORS OF THE JOINT DEBTORS. STOCKHOLDERS WILL NOT BENEFIT FROM THESE TRUSTS UNLESS THEY HELD CLASS 3 - GENERAL UNSECURED CLAIMS AS DEFINED IN THE JOINT PLAN.

NOTE D -- INVESTMENT IN REAL ESTATE

The Company's investment in real estate, owned by LLG, consists of 162.1 acres (approximately 138.0 acres net of flood plain) of unimproved land in Allen, Texas (the "Allen property") as of September 30, 2002. The southern boundary of the Allen property is the Exchange Parkway, which provides access to the property from Central Expressway on the west and from Highway 5 on the east. As of September 30, 2002, the Allen property included five tracts of land: one tract of approximately 31.9 net acres zoned multi-family, one tract of approximately 77.2 net acres zoned light industrial (formerly single-family), two tracts of approximately 24.2 net acres zoned commercial and one tract of 4.6 net acres zoned residential. With a continuing view towards maximizing shareholder value, management is attempting to have the one residential tract re-zoned as commercial.

The acreage was increased by a total of 5.7 gross acres and 13.7 net acres in fiscal year 2000 due to management's decision to reclaim a portion of the flood plain acreage and the results of a new land survey that redefined the boundaries. The Company was successful in fiscal year 1999 in re-zoning and relocation of zoning in certain tracts. In the fourth quarter of fiscal year 2001, five acres of the multi-family property were successfully re-zoned as light industrial. As disclosed in prior filings, the Company, with a continuing view towards maximizing shareholder value, has undertaken an on-going program involving the possible sale of all or part of the Allen property or its continued development.

On October 30, 2000, the Company completed the sale of approximately 5.6 acres of one of the commercial properties to 75 Exchange Partners, LP, an unaffiliated partnership. Net cash proceeds from the sale totaled $1.204 million and the Company recorded a gain on sale of real estate of $828,000 in the second quarter of fiscal year 2001, as previously reported in the Company's Consolidated Financial Statements.

On February 23, 2001, the Company completed the sale of approximately 17.3 acres of property zoned light industrial to Crow Family Holdings Industrial Texas, LP ("Crow Family Holdings"), an unaffiliated partnership. Net cash proceeds from the sale totaled $1.251 million and the Company recorded a gain on sale of real estate of $945,000 in the quarter ended March 31, 2001, as previously reported in the Company's Consolidated Financial Statements. In addition, Crow Family Holdings acquired outstanding options, which expire 18 months from the original sale date, to purchase substantially all the remaining light industrial property (approximately 77.2 net acres). On January 16, 2002, the Company received additional cash proceeds of $36,000 from the real estate sale in February 2001, representing the final settlement and proration of rollback taxes, reported as additional gain on the sale of real estate in the Company's Consolidated Financial Statements.

On February 22, 2002, the Company and Crow Family Holdings agreed to the First Amendment to Sale Contract (the "First Amendment") which extended the closing date on the sale of 14.25 acres of property zoned light industrial to on or before August 22, 2002. In addition, the First Amendment extended the option period to August 22, 2002, on all outstanding options. The Company received a $125,000 non-refundable deposit, which was included in unearned income on the Company's Consolidated Balance Sheets as of June 30, 2002. On August 23, 2002, the Company was informed that Crow Family Holdings would not close on the transaction or exercise their options. Therefore, the Company recognized the $125,000 as other real

estate income reported in the Company's Statements of Consolidated Operations and Comprehensive Income (Loss) for the quarter ended September 30, 2002.

NOTE E -- ASSISTED CARE FACILITY MANAGEMENT

Siena Housing Management, Inc. ("SHM") manages and maintains an assisted care facility in Houston, Texas under a management agreement into which it entered on June 27, 1977 (the "Management Agreement") with Treemont, Inc. ("Treemont"). Under this agreement, SHM receives a fee based on gross revenues and net income of Treemont. Refer to the Company's annual report on Form 10-K for the fiscal year ended June 30, 2002, for more information on the Company's assisted care business and management contract.

On January 4, 2001, the Company agreed to the First Amendment to Management Agreement (the "First Amendment") with Treemont which specifies the terms for a potential sale of the Treemont facility. SHM consented that the owners of Treemont may sell the facility with absolute discretion and terminate the Management Agreement in exchange for a graduated percentage of the net proceeds (as defined) from the sale of the facility. The owners of Treemont agreed to provide written notice of the commencement of any negotiations. During the second quarter of fiscal year 2002, SHM was notified of the commencement of negotiations by the Treemont owners with a prospective buyer. In the first quarter of fiscal year 2003, SHM was informed that the owners of Treemont had signed an agreement to sell the property. If a sale transaction is ultimately concluded, SHM shall not be obligated to terminate the Management Agreement if SHM does not receive at least $2 million as its share of the proceeds. Based upon the terms of the sale agreement, the payment to SHM could be as much as $2.5 million, if current costs of sale estimates are correct. The sales agreement has certain significant due diligence, financing and insurance requirements. As a result of these significant requirements, there can be no assurance that the sale transaction will, in fact, close.

NOTE F -- INVESTMENTS IN EQUITY SECURITIES

Investments in equity securities are classified as available-for-sale and are held by the Company's real estate subsidiary, LLG. The fair value of the securities based on quoted market prices was $140,000 and $197,000 as of September 30 and June 30, 2002, respectively. The cost basis of the securities as of September 30 and June 30, 2002, was reported as $176,000 and $176,000, respectively. The cost basis was reduced by $41,000 during fiscal year 2002 for realized losses from other than a temporary decline in the value of the securities. Unrealized gains and losses are included, net of tax, in accumulated other comprehensive loss, a component of stockholders' equity as reported on the Company's Consolidated Balance Sheets. Realized gains and losses are reported in revenue on the Company's Statements of Consolidated Operations and Comprehensive Income (Loss). Realized losses from other than temporary decline in value of the securities are reported as expense on the Company's Statements of Consolidated Operations and Comprehensive Income (Loss).

NOTE G -- STOCKHOLDERS' EQUITY

As of September 30 and June 30, 2002, the Company had 15,000,000 shares of $.10 par value common stock authorized, with 6,000,000 shares issued and outstanding. Pursuant to the Joint Plan and a decision by the LFC Creditors' Committee, 4,000,000 shares of common stock were reserved for issuance on April 1, 1997 and ultimately issued by the stock transfer agent on November 12, 1997. For balance sheet presentation and earnings (loss) per share, the 4,000,000 shares were considered issued as of April 1, 1997. The process by the stock distribution agent resulted in 3,822,121 shares of common stock actually distributed to former creditors through March 7, 1999, the deadline for exchanging predecessor company bonds for common stock. In the second quarter of fiscal year 2000, the stock distribution agent distributed the final 177,879 shares, including shares held for disputed claims, to all allowed creditors that had received prior stock distributions. The common stock has no preemptive or other subscription rights and there are no conversion rights, redemption or sinking fund provisions with respect to such shares.

For the quarter ended September 30, 2002, the Company reported $22,000 of federal income tax expense which also increased additional paid-in-capital, resulting from the utilization of a portion of the Company's pre-reorganization net operating loss carryforwards and deductible timing differences. The Company also recorded $4,000 in compensation expense related to stock options which also increase additional paid-in-capital by $4,000, resulting in a total increase to additional paid-in-capital of $26,000 for the quarter ended September 30, 2002. SHI and its subsidiaries increased the post-reorganization deferred tax assets by $15,000 as a result of the federal income tax benefit reported for the quarter ended September 30, 2001,and unrealized loss on investments in equity securities. In addition, the Company increased the

valuation allowance for pre-reorganization deferred tax assets by $15,000 resulting in a decrease to additional paid-in-capital of $15,000 also for the quarter ended September 30, 2001. The Company also recorded $4,000 in compensation expense in the quarter ended September 30, 2001, related to stock options which increased additional paid-in-capital by $4,000, resulting in a net decrease to additional paid-in-capital of $11,000 for the quarter ended September 30, 2001. Future utilization of these pre-reorganization tax attributes on a consolidated basis will result in adjustments to additional paid-in capital.

The Company, as of September 30 and June 30, 2002, had 1,000,000 shares of $1.00 par value preferred stock authorized, with 0 shares issued and outstanding.

NOTE H -- DEFERRED TAX ASSETS

SHI and its subsidiaries had no gross deferred tax liabilities and approximately $95 million in gross deferred tax assets as of September 30 and June 30, 2002, subject to an offsetting valuation allowance of approximately $93.0 million. Essentially all of this valuation allowance is considered to be attributable to pre-reorganization tax attributes. Accordingly, future utilization of these pre-reorganization tax attributes on a consolidated basis will result in adjustments to additional paid-in capital. The Company reported gross deferred tax liabilities of $0 and $7,000 as of September 30 and June 30, 2002, respectively.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which these temporary differences become deductible. Management considers the reversal of any deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. Management believes that it is more likely than not that the Company will realize the benefit of these deferred tax assets, net of the existing valuation allowance as of September 30, 2002. Therefore, the Company reported a net deferred tax asset balance of $1.908 million as of September 30 and June 30, 2002, included in long term assets on the Company's Consolidated Balance Sheets. Refer to the "Federal Income Taxes" footnote as reported in the annual report on Form 10-K for the year ended June 30, 2002, for more information.

NOTE I -- EARNINGS (LOSS) PER SHARE

Earnings (loss) per common share were determined using the weighted average shares issued or reserved for issuance. The effects of outstanding options are included in the calculation of diluted earnings (loss) per common share to the extent that they are dilutive to earnings or not antidilutive to losses. Therefore, the effect of the 119,000 options are not included in the calculation of diluted loss per common share for the quarter ended September 30, 2001, as they are anti-dilutive.

NOTE J -- RECENT ACCOUNTING PRONOUNCEMENTS

Statement of Financial Accounting Standards (SFAS) No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, addresses the financial accounting and reporting for the impairment of long-lived assets and for long-lived assets to be disposed of. This statement supersedes SFAS No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed of. SFAS No. 144 requires, among other things, that impairment losses resulting from the initial application of its provision for long-lived assets to be held and used be reported in the period in which the recognition criteria are initially applied and met based on the facts and circumstances existing at that date. This statement, like SFAS No. 121, requires consideration of the continuing effect of events or changes in circumstances that occurred prior to initial application of SFAS No. 144. The Company adopted SFAS No. 144 on July 1, 2002, and there was no impact on its consolidated financial statements.

NOTE K -- INDUSTRY SEGMENT DATA OF OPERATIONS

The Company has two reportable segments: (1) assisted care management, which receives a fee for managing and maintaining an assisted care facility in Houston, Texas, and (2) real estate investment and development. The accounting policies of the segments are the same as those of the Company. Refer to the "Significant Accounting Policies" footnote as reported in the annual report on Form 10-K for the year ended June 30, 2002, for more information. The Company's management evaluates performance of each segment based on profit and loss from operations excluding allocation of corporate overhead expenses and interest income.

The following table summarizes the Company's identifiable assets by segment as of September 30 and June 30, 2002 (in thousands):

	September 30, 2002
Identifiable assets:	
Assisted care facility management (including receivable from Parent company eliminated in consolidation)	$ 489
Real estate	6,747
	7,236
Reconciling items:	
Corporate cash, receivables and prepaid expenses (including receivable from subsidiary eliminated in consolidation) .	3,696
Deferred tax assets--net	1,908
Elimination of intercompany receivables	(362)
Total assets per Consolidated Balance Sheet	$ 12,478

(remainder of page intentionally left blank)

The following table summarizes the Company's segment data of operations for the quarters ended September 30, 2002 and 2001 (in thousands):

	Quarter Ended Se
	2002

Revenues:	
Assisted care management	$ 80
Real estate	132
	212
Other operations:	
Corporate interest income	14
Trust expense reimbursement	36
Other corporate revenue	--
	50
Total revenues per Statements of Consolidated Operations and Comprehensive Income (Loss)	$ 262
Operating income:	
Assisted care management	$ 52
Real estate	132
	184
Other operations:	
Corporate interest income	14
Trust expense reimbursement	36
Unallocated corporate expenses	(171)
Other	--
	(121)
Income (loss) before federal income taxes per Statements of Consolidated Operations and Comprehensive Income (Loss)	$ 63

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Results of Operations

Statements contained herein that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, including but not limited to statements regarding the Company's expectations, hopes, beliefs, intentions or strategies regarding the future. Actual results could differ materially from those projected in any forward-looking statements as a result of a number of factors, including those detailed in this Management's Discussion and Analysis of Financial Condition and Results of Operations, as well as those set forth elsewhere herein. The forward-looking statements are made as of the date of these financial statements and the Company undertakes no obligation to update or revise the forward-looking statements, or to update the reasons why actual results could differ materially from those projected in the forward-looking statements.

The operating results of the Company during the quarters ended September 30, 2002 and 2001 were as follows (in thousands):

	Quarter Ended September 30	
	2002	2001
Operating income:		
Assisted care management	$ 52	$ 53
Real estate	132	11
Other	50	66
	234	130
Expenses:		
General and administrative	(171)	(140)
Income (loss) before federal income taxes ..	63	(10)
Federal income tax benefit (expense)	(22)	4
Net income (loss)	$ 41	$ (6)

Assisted Care Management. The Company's operating income of the assisted care management operations for the quarter ended September 30, 2002 is consistent with the same period in the prior year. SHM manages and maintains an assisted care facility in Houston, Texas under a management agreement into which it entered on June 27, 1977 with Treemont, Inc. ("Treemont"). Under this agreement, SHM receives a fee based on gross revenues and net income of Treemont. Refer to the Company's annual report on Form 10-K for the fiscal year ended June 30, 2002, for more information on the Company's assisted care business and management contract. The management fee received by Siena Housing Management, Inc. ("SHM"), a wholly-owned subsidiary of the Company, was also consistent each period at $80,000 and $79,000 for the first quarter of fiscal year 2003 and 2002, respectively.

On January 4, 2001, the Company agreed to the First Amendment to Management Agreement (the "First Amendment") with Treemont which specifies the terms for a potential sale of the Treemont facility. SHM consented that the owners of Treemont may sell the facility with absolute discretion and terminate the Management Agreement in exchange for a graduated percentage of the net proceeds (as defined) from the sale of the facility. The owners of Treemont agreed to provide written notice of the commencement of any negotiations. During the second quarter of fiscal year 2002, SHM was notified of the commencement of negotiations by the Treemont owners with a prospective buyer. In the first quarter of fiscal year 2002, SHM was informed that the owners of Treemont had signed an agreement to sell the property. If a sale transaction is ultimately concluded, SHM shall not be obligated to terminate the Management Agreement if SHM does not receive at least $2 million as its share of the proceeds. Based upon the terms of the sale agreement, the payment to SHM could be as much as $2.5 million, if current costs of sale estimates are correct. The sales agreement has certain significant due diligence, financing and insurance requirements. As a result of these significant requirements, there can be no assurance that the sale transaction will, in fact, close.

Real Estate. The Company's investment in real estate, owned by LLG, consists of 162.1 acres (approximately 138.0 acres net of flood plain) of unimproved land in Allen, Texas (the "Allen property") as of September 30, 2002. The southern boundary of the Allen property is the Exchange Parkway, which provides access to the property from Central Expressway on the west and from Highway 5 on the east. As of September 30, 2002, the Allen property included five tracts of land: one tract of approximately 31.9 net acres zoned multi-family, one tract of approximately 77.2 net acres zoned light industrial (formerly single-family), two tracts of approximately 24.2 net acres zoned commercial and one tract of 4.6 net acres zoned residential. With a continuing view towards maximizing shareholder value, management is attempting to have the one residential tract re-zoned as commercial.

On October 30, 2000, the Company completed the sale of approximately 5.6 acres of one of the commercial properties to 75 Exchange Partners, LP, an unaffiliated partnership. Net cash proceeds from the sale totaled $1.204 million and the Company recorded a gain on sale of real estate of $828,000 in the second quarter of fiscal year 2001, as previously reported in the Company's Consolidated Financial Statements.

On February 23, 2001, the Company completed the sale of approximately 17.3 acres of property zoned light industrial to Crow Family Holdings Industrial Texas, LP ("Crow Family Holdings"), an unaffiliated partnership. Net cash proceeds from the sale totaled $1.251 million and the Company recorded a gain on sale of real estate of $945,000 in the quarter ended March 31, 2001, as previously reported in the Company's Consolidated Financial Statements. In addition, Crow Family Holdings acquired outstanding options, which expire 18 months from the original sale date, to purchase substantially all the remaining light industrial property (approximately 77.2 acres). On January 16, 2002, the Company received additional cash proceeds of $36,000 from the real estate sale in February 2001, representing the final settlement and proration of rollback taxes, reported as additional gain on the sale of real estate in the Company's Consolidated Financial Statements.

On February 22, 2002, the Company and Crow Family Holdings agreed to the First Amendment to Sale Contract (the "First Amendment") which extended the closing date on the sale of 14.25 acres of property zoned light industrial to on or before August 22, 2002. In addition, the First Amendment extended the option period to August 22, 2002, on all outstanding options. The Company received a $125,000 non-refundable deposit, which was included in unearned income on the Company's Consolidated Balance Sheets as of June 30, 2002. On August 23, 2002, the Company was informed that Crow Family Holdings would not close on the transaction or exercise their options. Therefore, the Company recognized the $125,000 as other real estate income reported in the Company's Statements of Consolidated Operations and Comprehensive Income (Loss) for the quarter ended September 30, 2002.

Based on the property sales described above, continuing negotiations on other parcels and improved market conditions, management believes that the Company would be able to sell the remaining Allen property for a value in excess of the tax basis. As a result, the Company reported a net deferred tax asset balance of $1.908 million as of September 30 and June 30, 2002, included in long term assets on the Company's Consolidated Balance Sheets. Any tax benefits recognized related to the valuation allowance for pre-reorganization deferred tax assets as of September 30, 2002 will be allocated to additional paid-in capital.

The Company is involved in discussions to sell certain parcels of land, which it, in its best judgment, considers to be reasonable and in the interests of its shareholders. However, there can be no assurance that these or any future discussions and or tentative agreements may lead to any real estate transactions, and when such transactions might occur. Any sales that might result from these discussions would result in a gain on sale for financial reporting purposes.

The real estate operating results for the first quarter in fiscal year 2002 were significantly higher than the same quarter in fiscal year 2001, due to the recognition of $125,000 as other real estate income in August 2002. In the quarter ended September 30, 2001, improvement costs of $3,000 related to developing the property were capitalized in accordance with the Company's capitalization policy, as compared to $7,000 of costs that were capitalized during the quarter ended September 30, 2001. Costs related to the re-zoning, marketing and developing the property will continue, some of which may be capitalized.

Other Operations. The Company reported other operating income of $50,000 and $66,000 for the quarters ended September 30, 2002 and 2001, respectively. This included an overhead allocation based upon management's estimate of resources used by the Creditors' Trust and charged to the Creditors' Trust of $36,000 and $33,000 for the quarters ended September 30, 2002 and 2001, respectively. The allocation of overhead to the Creditors' Trust will cease when the Creditors' Trust is completely terminated.

The remaining income consisted primarily of interest income of $14,000 and $26,000 for the quarters ended September 30, 2002 and 2001, respectively, which is lower than the prior year as a result of lower interest rates.

Expenses. General and administrative expenses were slightly higher at $171,000 for the quarter ended September 30, 2002 as compared to $140,000 for the quarter ended September 30, 2001. The increase is primarily attributable to: (1) incentive bonuses totaling $15,000 paid to directors and officers pursuant to existing compensation plans; (2) professional legal and accounting fees were $14,000 higher than the same period in the prior year; and (3) directors' fees were $5,000 higher due to an additional meeting held in the first quarter of this fiscal year.

Accrued Medical Insurance Premiums. In connection with the reorganization in March 1997, the Company agreed to assume the pre-petition liability to provide certain employees of a former subsidiary and their spouses with medical insurance. The total amount of the liability was estimated using a life expectancy age of 90, an annual health care cost increase rate of approximately 5% and a discount rate of approximately 6.5%. As of September 30 and June 30, 2002, the Company had an accrued liability established for payments to be made to 27 people to be used toward the payment of insurance. As of September 30 and June 30, 2002, the current portion of the accrual for medical insurance premiums is $93,000 and $81,000, respectively, and the long term liability amount, included in long term liabilities on the Company's Consolidated Balance Sheets, is $378,000 and $392,000, respectively. Medical insurance premium payments have not been made since December 2001, but are included in current liabilities on the Company's Consolidated Balance Sheets.

Liquidity and Capital Resources

As of September 30, 2002, the only liabilities of the Company were accounts payable and accrued expenses which will be paid from current operating cash available as of September 30, 2002.

Critical Accounting Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Some of the assets and liabilities by their nature are more subject to estimates and assumptions. For the Company, the amount of the net deferred tax asset balance reported on the Company's Consolidated Balance Sheets is based on management's most recent estimated value of the investment in real estate in excess of the related tax basis. Such estimate could change in the future based on the occurrence of one or more future events.

The Company's liability for accrued medical insurance premiums was estimated using a life expectancy age of 90, an annual health cost care increase rate of approximately 5% and a discount rate of approximately 6.5%. Such estimate could change in the future based on the occurrence of one or more future events

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company is subject to potential fluctuations in operations and the fair value of certain of its assets, as well as variations in expected cash flows due to changes in market interest rates and equity prices. On December 15, 2000, the Company's board of directors authorized the use of up to 20% of the Company's cash for the investment in equity securities, with no more than 50% invested in any one company. The investment in equity securities exposes the Company to general market risks. The investments had a fair market value of $140,000 and $197,000 as of September 30 and June 30, 2002, respectively, with an adjusted cost basis of $176,000 for both periods. The securities are classified as available-for-sale and reported on the Company's Consolidated Balance Sheets at fair market value with the unrealized holding (gain) loss included, net of tax, in accumulated other comprehensive (income) loss, a component of stockholders' equity. Realized gains (losses) are reported as revenue in the Company's Consolidated Statements of Consolidated Operations and Comprehensive Income (Loss). Realized losses for other than temporary decline in value are reported in the Company's Statements of Consolidated Operations and Comprehensive Income (Loss).

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures. The Company's Chief Executive Officer and Chief Financial Officer have reviewed and evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Exchange Act Rules 240.13a - 14 (C) and 15d - 14 (C)) as of a date within 90 days before the filing date of this quarterly report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's current disclosure controls and procedures are effective and timely, providing them with material information relating to us required to be disclosed in the reports we file or submit under the Exchange Act.

Changes in Internal Controls. There have not been any significant changes in our internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation. We are not aware of any significant deficiencies or material weaknesses, therefore no corrective actions were taken.

PART II -- OTHER INFORMATION

Item 3. Defaults Upon Senior Securities.

Refer to the Company's annual report on Form 10-K for the year ended June 30, 2002, for information regarding defaults by the Company relating to the debt obligations of the Predecessor Company.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits:

Exhibit Number	
(99.1)	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(99.2)	Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(b) Reports on Form 8-K:

On September 11, 2002, the Company filed with the Commission a current report on Form 8-K relating to the sale of property that is managed by the Company's subsidiary, Siena Housing Management, Inc., resulting in the possible termination of the management agreement which is discussed in greater detail under "Note E--Assisted Care Facility Management" in this report.

SIGNATURES

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 thereunto duly authorized.

SIENA HOLDINGS, INC.
(Registrant)

Date: November 6 , 2002 By: /S/ W. JOSEPH DRYER
President

Date: November 6, 2002 By: /S/ W. JOSEPH DRYER
Principal Accounting Officer

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002
BY THE CHIEF EXECUTIVE OFFICER

I, John P. Kneafsey, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Siena Holdings,

Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact, necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present, in all material respects, the financial condition, results of operations and cash flows of the registrant as of and for the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a - 14 and 15d - 14) for the registrant and we have:

   a. Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b. Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c. Presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

   a. all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

November 6, 2002

By: /S/ JOHN P. KNEAFSEY

John P. Kneafsey
Chief Executive Officer

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002
BY THE CHIEF FINANCIAL OFFICER

I, W. Joseph Dryer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Siena Holdings, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact, necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present, in all material respects, the financial condition, results of operations and cash flows of the registrant as of and for the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a - 14 and 15d - 14) for the registrant and we have:

   a. Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b. Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c. Presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

   a. all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

November 6, 2002

By /S/ W. JOSEPH DRYER

W. Joseph Dryer
Chief Financial Officer