

Edgar Filing: SIENA HOLDINGS INC - Form 10-K

SIENA HOLDINGS INC  
Form 10-K  
September 28, 2001

=====

FORM 10-K  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

(Mark One)

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

For the fiscal year ended June 30, 2001

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  
(State or Other Jurisdiction of  
Incorporation or Organization)

75-1043392  
(I.R.S. Employer  
Identification No.)

5068 West Plano Parkway, Suite 300, Plano Texas  
(Address of Principal Executive Offices)

75093  
(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class -----	Name of Each Exchange on Which Registered -----
Common Stock, par value \$.10 per share	Not applicable
Preferred Stock, par value \$1.00 per share	

Securities registered pursuant to Section 12(g) of the Act: None.

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  NO

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

At September 24, 2001 the aggregate market value of the registrant's common stock held by non-affiliates: \$3,615,000

# Edgar Filing: SIENA HOLDINGS INC - Form 10-K

## APPLICABLE ONLY TO REGISTRANTS 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 Section 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  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.

### (APPLICABLE ONLY TO CORPORATE REGISTRANTS)

The number of shares outstanding of the registrant's Common Stock, par value \$.10 per share, as of September 24, 2001: Common Stock -- 6,000,000 shares.

=====

## SIENA HOLDINGS, INC.

FORM 10-K FOR THE FISCAL YEAR ENDED JUNE 30, 2001

### Table of Contents

	Page
	----
PART I	
Item 1. BUSINESS .....	3
Item 2. PROPERTIES .....	7
Item 3. LEGAL PROCEEDINGS .....	7
Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS .....	7
PART II	
Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS .....	8
Item 6. SELECTED CONSOLIDATED FINANCIAL DATA .....	9
Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS .....	11
Item 7a. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK .....	14
Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA .....	15
Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE .....	43
PART III	
Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT .....	43
Item 11. EXECUTIVE COMPENSATION .....	43
Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT ...	44
Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS .....	44
PART IV	
Item 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K .	45

# Edgar Filing: SIENA HOLDINGS INC - Form 10-K

-2-

SIENA HOLDINGS, INC.

FORM 10-K FOR THE FISCAL YEAR ENDED JUNE 30, 2001

## PART I

### Item 1. BUSINESS

Siena Holdings, Inc. ("SHI"), formerly Lomas Financial Corporation ("LFC"), was incorporated in Delaware in 1960, and its principal executive offices are located at 5068 West Plano Parkway, Suite 300 in Plano, Texas. Unless the context otherwise requires, the "Company," as used herein, refers to SHI, formerly LFC, and its subsidiaries. The Company is primarily engaged in two businesses through its wholly-owned subsidiaries: assisted care facility management through Siena Housing Management Corp. and real estate development through LLG Lands, Inc. Prior to October 1, 1996, the Company'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 (see "Item 1. Business -- Reorganization"), 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.

#### Financial Information and Narrative Description of Industry Segments

Financial information regarding revenues, operating profit and total assets of the Company are included in "Item 8. Financial Statements and Supplementary Data" within this report.

#### Assisted Care Facility Management

The assisted care facility management subsidiary, Siena Housing Management Corp. ("SHM"), is a wholly-owned subsidiary of the Company, and conducts business in Houston, Texas pursuant to a management agreement. 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"). SHM is entitled to receive a fee under the agreement which, subject to a required annual priority distribution of project net income to Treemont and certain adjustments and expenditures specified by the agreement, is equal to 3% of the facility's gross receipts and 25% of the facility's net income.

SHM may terminate the agreement on six months' written notice; however, the termination date must fall on an anniversary of the date on which the parties entered into the agreement. Treemont can only terminate the agreement for cause or if Treemont fails to receive its required annual priority distribution for two consecutive years. SHM has the right to extend the term of the agreement from year to year in one-year increments until June 30, 2028. Unless the agreement is terminated or its term is extended as described above, the agreement will terminate on June 30, 2003.

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 consents 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 agree to provide written notice of the commencement of any negotiations. SHM has not been notified of any sale negotiations to date. If a sale transaction is

## Edgar Filing: SIENA HOLDINGS INC - Form 10-K

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.

-3-

### 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 June 30, 2001. 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 June 30, 2001, 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. In the fourth quarter of fiscal year 2001, five acres of the multi-family property was successfully re-zoned as light industrial. 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. 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 reported in the Company's Statements of Consolidated Operations and Comprehensive Income.

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 reported in the Company's Statements of Consolidated Operations and Comprehensive Income. In addition, Crow Family Holdings has outstanding options, which expire 18 months from the original sale date, to purchase substantially all the remaining light industrial property. There is no guarantee that any sales will be consummated.

The Company offset a portion of the income tax expense due to the gain on sale of real estate against the existing deferred tax assets, resulting in a decrease in the deferred tax assets. Approximately \$20,000 of alternative minimum tax expense was recorded by the Company for the year ended June 30, 2001. The only portion of federal income tax expense that is owed by the Company is the alternative minimum tax liability as a result of the utilization of a portion of the Company's net operating loss carryforwards and deductible temporary differences.

Based on the property sales described above, continuing negotiations on other parcels and improved market conditions, management believes that the

## Edgar Filing: SIENA HOLDINGS INC - Form 10-K

Company would be able to sell the remaining Allen property for a value in excess of the tax basis. As a result, the Company reduced the valuation allowance for deferred tax assets by \$341,000 and additional paid-in-capital was increased by \$341,000 for the year ended June 30, 2001. Due to the change in zoning received on certain tracts in 1999 and the change in flood plain acreage in 2000, the Company reduced the valuation allowance for deferred tax assets and additional paid in capital was increased by \$249,000 and \$1.148 million for the year ended June 30, 2000 and 1999, respectively. The Company reported a net deferred tax asset balance of \$1.908 million and \$1.441 million as of June 30, 2001 and 2000, respectively, 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 June 30, 2001 will be allocated to additional paid-in capital.

-4-

The Company is involved in discussions and or entered into tentative agreements to sell certain parcels of land, which it, in its best judgement, 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. These tentative agreements may not be completed due to various uncertainties associated with ongoing negotiations and buyer due diligence contingencies. Any sales that might result from these discussions and or tentative agreements as well as options described above would result in a gain on sale for financial reporting purposes.

### Employees

At June 30, 2001, the Company had two executive officers under contract and one full-time employee. One of the Company's subsidiaries, SHM, had 141 full-time and 20 part-time employees who provide services at an assisted care facility in Houston, Texas. The compensation expense and all operating expenses for SHM's employees are funded directly by the assisted care facility owner and are not reflected in the Statements of Consolidated Operations and Comprehensive Income, except indirectly through the management fee income received by SHM based in part on the facility's net income. The exception is the compensation for the operations manager of the facility, including commission and bonus, which is funded directly by SHM and included in personnel expense on the Company's Statements of Consolidated Operations and Comprehensive Income.

### 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

## Edgar Filing: SIENA HOLDINGS INC - Form 10-K

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. There can be no assurance that the LFC/LMUSA Litigation Trust will produce any additional proceeds which will benefit the Creditors Trust and former creditors.

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 November 12, 1997, the initial distribution date (the "Initial Distribution Date"), \$12.5 million was disbursed to the distribution agent for the Class 3 unsecured creditors. Additional cash distributions in the amounts of \$6.2 million, \$4.3 million, \$8.1 million and \$1.2 million were disbursed to the distribution agent for benefit of the Class 3 unsecured creditors on May 11, 1998, April 21, 1999, April 24, 2000 and February 16, 2001, respectively, bringing the total cash distributed through June 30, 2001 to \$32.3 million. 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.

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. As of March 7, 1999, the stock distribution agent had distributed 3,822,121 shares of the new common stock to former

-5-

creditors. In the second quarter of fiscal year 2000, the stock distribution agent distributed the final 177,879 shares to all allowed creditors that had received prior stock distributions.

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. See "Item 8. Financial Statements and Supplementary Data--Stockholders' Equity" footnote.

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. SEE EXHIBITS TO THE COMPANY'S ANNUAL REPORT ON FORM 10-K FOR THE YEAR ENDED JUNE 30, 1997.

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.

Reference is made to "III. Background and General Information -- E. The Chapter 11 Filings" in the Joint Disclosure Statement, a copy of which is filed

## Edgar Filing: SIENA HOLDINGS INC - Form 10-K

as an exhibit to the Company's annual report on Form 10-K for the year ended June 30, 1996, for more information on the Company's reorganization. The principal provisions of the Joint Plan are summarized in the Joint Disclosure Statement. That summary is qualified in its entirety by reference to the Joint Plan, which is attached as Exhibits I and II to the Joint Disclosure Statement.

### Creditors' Trust

The Joint Plan established a creditors' trust (the "Creditors' Trust") for which the Company serves as trustee. The Creditors' Trust holds the non-reorganized assets of the Company in trust pending their disposition and/or distribution to creditors in accordance with the terms of the Joint Plan. The Creditors' Trust is organized for the sole purpose of liquidating the non-reorganized assets and will terminate on March 7, 2002, unless an extension is approved by the Bankruptcy Court. 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 Operations and Comprehensive Income. 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. See "Item 8. Financial Statements and Supplementary Data - Creditors' Trust" for more information. Stockholders who are not former creditors of the Joint Debtors are not beneficiaries of the Creditors' Trust.

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 "Item 1. Business -- Reorganization".

-6-

### Item 2. PROPERTIES

The Company's principal executive offices are located in leased facilities at 5068 West Plano Parkway, Suite 300 in Plano, Texas. The original lease for six months expired on August 15, 1998, after which the Company is operating under a month-to-month lease with a 30-day cancellation notice.

### Item 3. LEGAL PROCEEDINGS

None.

### Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Company held its Annual Meeting of Stockholders on December 15, 2000, in Wilmington, Delaware for the following purposes:

1. To elect five directors (John P. Kneafsey, Eric M. Bodow, James D. Kemp, Matthew S. Metcalfe, and Frank B. Ryan) to serve until the next annual meeting and until their successors are elected and qualified.

## Edgar Filing: SIENA HOLDINGS INC - Form 10-K

### VOTING

Nominees for Director	Number of Shares For	Number of Shares Against	Number of Shares Abstained
John P. Kneafsey	5,339,380	0	2,189
Erik M. Bodow	5,279,653	0	61,916
James D. Kemp	5,279,653	0	61,916
Matthew S. Metcalfe	5,338,955	0	2,614
Frank B. Ryan	5,279,653	0	61,916

2. To approve and authorize the Board of Directors to effect, in its discretion, a reverse stock split followed by a forward split of the Company's Common Stock.

### VOTING

Number of Shares For	Number of Shares Against	Number of Shares Abstained	Number of Broker Non-Votes
5,334,971	2,935	3,663	0

3. To ratify the appointment of KPMG LLP as independent public accountants for the Company for the fiscal year ended June 30, 2001.

### VOTING

Number of Shares For	Number of Shares Against	Number of Shares Abstained	Number of Broker Non-Votes
5,340,151	566	852	0

-7-

## PART II

### Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

As of June 30, 2001 and 2000, 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.

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. See "Item 8. Financial Statements and Supplementary Data--Stockholders' Equity" footnote.



## Edgar Filing: SIENA HOLDINGS INC - Form 10-K

At the annual meeting on December 15, 2000, the stockholders of SHI (the "Stockholders") approved a proposal to amend the Company's certificate of incorporation (a) to effect, as determined by the Board in its sole discretion, a reverse stock split of the outstanding Common Stock on the effective date of the amendment (the "Effective Date"), pursuant to which each 100 shares then outstanding will be converted into one share (the "Reverse Stock Split"), and (b) to effect a forward split of the Common Stock on the day following the effective date of the Reverse Split, pursuant to which Common Stock then outstanding as of such date will be converted into the number of shares of the Common Stock that such shares represented immediately prior to the Effective Date (the "Forward Stock Split"). In lieu of issuing less than one whole share resulting from the proposed stock split to holders of fewer than 100 shares, as the case may be, the Company would make a cash payment based on the higher of either the stated book value of the Company on June 30, 2000, or the closing prices of the Common Stock, as discussed in more detail in the Company's Proxy Statement dated October 30, 2000. The Board is authorized, in its sole discretion, to effect the Reverse Stock Split based on factors existing at the time of determination, including (a) the availability of funds necessary to consummate the Reverse Stock Split and the cost of such funds; (b) the market price of the Common Stock; (c) the Board's determination of whether the Reverse Stock Split will result in a reduction in the Company's administrative expenses; (d) prevailing market conditions; (e) the likely effect on the market price of the Common Stock; and (f) other relevant factors.

Consummation of the proposed Reverse Stock Split / Forward Stock Split will not change the number of shares of Common Stock authorized by the Company's certificate of incorporation, which will remain at 15 million shares. The Board, in its sole discretion, may abandon the proposed stock splits at any time before the Effective Date without further action by the Stockholders. If the Board determines to consummate a Reverse Stock Split / Forward Stock Split, the Company will publicly announce the determination at least 10 days prior to the Effective Date.

SHI's common stock, with a trading symbol of SIEN, is traded in the over the counter market. During the last two fiscal years, the high and low prices and dividends declared on common stock per share have been (in dollars):

	2001		2000		Dividends Declared	
	High	Low	High	Low	2001	2000
First Quarter .....	1.59375	1.03125	1.375	1.03125	--	--
Second Quarter ....	1.625	1.1875	1.75	1.0625	--	--
Third Quarter .....	1.5	1.1875	1.625	1.125	--	--
Fourth Quarter ....	1.5	1.07	1.625	1.15625	--	--

-8-

The Company, as of June 30, 2001 and 2000, had 1,000,000 shares of \$1.00 par value preferred stock authorized, with 0 shares issued and outstanding.

### Item 6. SELECTED CONSOLIDATED FINANCIAL DATA

In accordance with the American Institute of Certified Public Accountants' Statement of Position 90-7, "Financial Reporting by Entities in Reorganization

## Edgar Filing: SIENA HOLDINGS INC - Form 10-K

Under the Bankruptcy Code", the Company adopted fresh-start accounting as of March 31, 1997. Using fresh-start accounting, the gain on discharge of debt resulting from the bankruptcy proceedings was reflected on the predecessor Company's financial statements for the period ended March 31, 1997. In addition, the accumulated deficit of the predecessor Company at March 31, 1997, was eliminated, and, at April 1, 1997, the reorganized Company's financial statements reflected no beginning retained earnings or deficit. Since April 1, 1997, the Company's financial statements have been prepared as if it is a new reporting entity and a vertical black line has been placed to separate the pre-reorganization operating results (the "Predecessor Company") from post-reorganization operating results (the "Reorganized Company"), since they are not prepared on a comparable basis.

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.

(remainder of page intentionally left blank)

-9-

### SIENA HOLDINGS, INC. AND SUBSIDIARIES (Formerly Lomas Financial Corporation and Subsidiaries)

#### SELECTED CONSOLIDATED FINANCIAL DATA

	Reorganized Company			
	Year Ended June 30, 2001	Year Ended June 30, 2000	Year Ended June 30, 1999	Year Ended June 30, 1998
	(in thousands, except per share)			
Statement of Operations Data:				
Revenues from operations .....	\$ 2,701	\$ 872	\$ 1,002	\$ 1,410
Income (loss) from operations before reorganization items and federal income tax	1,437	82	52	72
Reorganization items--net .....	--	--	--	--
Income (loss) from operations before federal income tax .....	1,437	82	52	72
Federal income tax expense .....	503	(29)	(18)	(25)
Income (loss) before extraordinary item .....	934	53	34	47
Extraordinary gain on discharge of debt .....	--	--	--	--
Net income (loss) .....	934	53	34	47
Basic earnings (loss) per share:				
Income (loss) before extraordinary item ...	0.16	0.01	0.01*	0.01
Net income (loss) .....	0.16	0.01	0.01*	0.01
Average number of shares .....	6,000	6,000	5,304*	4,000

Edgar Filing: SIENA HOLDINGS INC - Form 10-K

Diluted earnings (loss) per share:				
Income (loss) before extraordinary item ...	0.15	0.01	0.01*	0.01
Net income (loss) .....	0.15	0.01	0.01*	0.01
Average number of shares .....	6,126	6,106	5,333*	4,044

	Reorganized Company				
	2001	2000	As of June 30 1999	1998	1997
	(in thousands)				
Balance Sheet Data:					
Cash .....	\$ 5,914	\$ 4,088	\$ 4,111	\$ 2,475	\$ 1,941
Investment in real estate ....	4,570	4,949	4,879	4,800	4,800
Deferred tax assets--net .....	1,908	1,441	1,175	--	--
Total assets .....	12,743	10,632	10,420	7,448	7,051
Total liabilities .....	1,011	779	931	1,305	990
Total stockholders' equity ...	11,732	9,853	9,489	6,143	6,061

\* Per share amounts for Reorganized Company are based on shares issued or reserved for issuance to creditors.

\*\* Per share amounts are not meaningful due to reorganization.

-10-

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

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.

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, and since April 1, 1997, the Company's financial statements have been prepared as if it is a new reporting entity. See "Item 8. Financial Statements and Supplementary Data - Accounting Policies" footnote.

The operating results of the Company during the years ended June 30, 2001, 2000, and 1999, were as follows (in thousands):

Edgar Filing: SIENA HOLDINGS INC - Form 10-K

	As of June 30,		
	2001	2000	1999
Operating income (loss):			
Assisted care management .....	\$ 142	\$ 210	\$ 329
Real estate .....	1,815	(12)	(15)
Other .....	633	510	502
	-----	-----	-----
	2,590	708	816
	-----	-----	-----
Expenses:			
General and administrative .....	(1,153)	(626)	(764)
	-----	-----	-----
Income before federal income tax .....	1,437	82	52
Federal income tax expense .....	(503)	(29)	(18)
	-----	-----	-----
Net income .....	\$ 934	\$ 53	\$ 34
	=====	=====	=====

Results of Operations--Year Ended June 30, 2001 Compared with Year Ended June 30, 2000

Assisted Care Management. 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. See "Item 1. Business--Assisted Care Facility Management" for more information on the management agreement. Operating income from the assisted care management operations decreased from \$210,000 for the year ended June 30, 2000 to \$142,000 for the year ended June 30, 2001, primarily due to a decrease in the management fee received by SHM.

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 consents 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 agree to provide written notice of the commencement of any negotiations. SHM has not been notified of any sale negotiations to date. 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.

-11-

Real Estate. The Company's investment in real estate, owned by LLG, consist of 162.1 acres (approximately 138.0 acres net of flood plain) of unimproved land in Allen, Texas (the "Allen property") as of June 30, 2001. 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 June 30, 2001, 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. In the fourth quarter of fiscal year 2001, five acres of the multi-family property was successfully re-zoned as light industrial. With a continuing view towards maximizing shareholder value, management is attempting to have the one residential tract re-zoned as

## Edgar Filing: SIENA HOLDINGS INC - Form 10-K

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. 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 reported in the Company's Statements of Consolidated Operations and Comprehensive Income.

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, 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 reported in the Company's Statements of Consolidated Operations and Comprehensive Income. In addition, Crow Family Holdings has outstanding options, which expire 18 months from the original sale date, to purchase substantially all the remaining light industrial property. There is no guarantee that any sales will be consummated.

The Company offset a portion of the income tax expense due to the gain on sale of real estate against the existing deferred tax assets, resulting in a decrease in the deferred tax assets. Approximately \$20,000 of alternative minimum tax expense was recorded by the Company for the year ended June 30, 2001. The only portion of federal income tax expense that is owed by the Company is the alternative minimum tax liability as a result of the utilization of a portion of the Company's net operating loss carryforwards and deductible temporary differences.

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 reduced the valuation allowance for deferred tax assets by \$341,000 and additional paid-in-capital was increased by \$341,000 for the year ended June 30, 2001. Due to the change in zoning received on certain tracts in 1999 and the change in flood plain acreage in 2000, the Company reduced the valuation allowance for deferred tax assets and additional paid in capital was increased by \$249,000 and \$1.148 million for the year ended June 30, 2000 and 1999, respectively. The Company reported a net deferred tax asset balance of \$1.908 million and \$1.441 million as of June 30, 2001 and 2000, respectively, 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 June 30, 2001 will be allocated to additional paid-in capital.

The Company is involved in discussions and or entered into tentative agreements to sell certain parcels of land, which it, in its best judgement, 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. These tentative agreements may not be completed due to various uncertainties associated with ongoing negotiations and buyer due diligence contingencies. Any sales that might result from these discussions and or tentative agreements as well as options described above would result in a gain

## Edgar Filing: SIENA HOLDINGS INC - Form 10-K

on sale for financial reporting purposes.

The operating income for fiscal year 2001 is significantly higher than the prior fiscal year as a result of the two real estate sales described above accounting for \$1.773 million of the \$1.815 million real estate operating income. During fiscal year 2001, improvement costs of \$303,000 related to developing the property were capitalized during fiscal year 2001 in accordance with the Company's capitalization policy, as compared to \$70,000 of costs that were capitalized during fiscal year 2000. Of the \$303,000 improvement costs in fiscal year 2001, the Company capitalized \$102,000 of

-12-

property taxes paid on a portion of the commercial real estate property. The remainder of the increase over the prior year is due to work performed related to the flood plain recovery project and the re-zoning project. The costs related to the re-zoning, marketing and developing the property will continue, some of which may be capitalized.

Other Income. The Company reported other operating income of \$633,000 for the year ended June 30, 2001, as compared to \$510,000 for the year ended June 30, 2000, including reimbursements from the Creditors' Trust of \$415,000 and \$210,000 for fiscal year 2001 and 2000, respectively, for an overhead allocation based upon management's estimate of resources used by the Creditors' Trust. The trust expense reimbursement income for fiscal year 2001 included \$237,000 for success bonuses paid to the Company pursuant to existing compensation plans for the directors and officers. This amount included \$212,000 paid as a result of the proceeds received by the Creditors' Trust in March 2000 from the LFC/LMUSA Litigation Trust resulting from litigation.

The Company reported an additional \$80,000 of other income in fiscal year 2000 resulting from a decrease in the long term accrued medical insurance premiums liability. 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 June 30, 2001 and 2000, the Company was providing payments to 27 people to be used toward the payment of insurance. During fiscal year end 2000, there was a decrease in the population for whom the Company provides payments to be used for medical insurance and, as a result, released \$80,000 of the long term liability for accrued medical insurance premiums. Management expects this volatility to continue in the future due to the relative small number of people covered by this liability.

The remainder of the other operating income is primarily corporate interest income, including interest related to the directors' deferred compensation plan, of \$203,000 and \$214,000 for fiscal year 2001 and 2000, respectively.

General and Administrative Expenses. The Company reported an increase of \$527,000 in general and administrative expenses from \$626,000 for the year ended June 30, 2000 to \$1.153 million for the year ended June 30, 2001. The increase is primarily attributable to additional compensation expense of \$75,000 and \$375,000 related to success bonuses paid to the directors and officers, respectively, pursuant to existing compensation plans. The Company was reimbursed by the Creditors' Trust for \$238,000 of the total success bonuses earned by the directors and officers. See "Stock and Compensation Plans" footnote for further information. Additionally, the Company reported an increase in corporate insurance expense of \$20,000, an increase in professional, legal

## Edgar Filing: SIENA HOLDINGS INC - Form 10-K

and accounting fees of \$35,000, and a \$9,000 increase in interest expense related to the directors' deferred compensation plan.

Reverse Stock Split / Forward Stock Split. At the annual meeting on December 15, 2000, the stockholders of SHI (the "Stockholders") approved a proposal to amend the Company's certificate of incorporation (a) to effect, as determined by the Board in its sole discretion, a reverse stock split of the outstanding Common Stock on the effective date of the amendment (the "Effective Date"), pursuant to which each 100 shares then outstanding will be converted into one share (the "Reverse Stock Split"), and (b) to effect a forward split of the Common Stock on the day following the effective date of the Reverse Split, pursuant to which Common Stock then outstanding as of such date will be converted into the number of shares of the Common Stock that such shares represented immediately prior to the Effective Date (the "Forward Stock Split"). In lieu of issuing less than one whole share resulting from the proposed stock split to holders of fewer than 100 shares, as the case may be, the Company would make a cash payment based on the higher of either the stated book value of the Company on June 30, 2000, or the closing prices of the Common Stock, as discussed in more detail in the Company's Proxy Statement dated October 30, 2000. The Board is authorized, in its sole discretion, to effect the Reverse Stock Split based on factors existing at the time of determination, including (a) the availability of funds necessary to consummate the Reverse Stock Split and the cost of such funds; (b) the market price of the Common Stock; (c) the Board's determination of whether the Reverse Stock Split will result in a reduction in the Company's administrative expenses; (d) prevailing market conditions; (e) the likely effect on the market price of the Common Stock; and (f) other relevant factors.

Consummation of the proposed Reverse Stock Split / Forward Stock Split will not change the number of shares of Common Stock authorized by the Company's certificate of incorporation, which will remain at 15 million shares. The Board, in its sole discretion, may abandon the proposed stock splits at any time before the Effective Date without further

-13-

action by the Stockholders. If the Board determines to consummate a Reverse Stock Split / Forward Stock Split, the Company will publicly announce the determination at least 10 days prior to the Effective Date.

Results of Operations--Year Ended June 30, 2000 Compared with Year Ended June 30, 1999

Assisted Care Management. Operating income from the assisted care management operations decreased from \$329,000 for the year ended June 30, 1999, to \$210,000 for the year ended June 30, 2000, primarily due to a decrease in the management fee received by SHM. In fiscal year 1999, SHM reported an increase in management fee income of \$61,000 partially offset by a related increase in personnel expense of \$15,000. In addition, SHM reported a \$19,000 decrease in interest income as a result of a decision by management to maintain a smaller cash balance at the subsidiary company, \$22,000 increase in travel expenses and a \$7,000 increase in franchise tax expense over the prior fiscal year.

Real Estate. The real estate operating loss for fiscal year 2000 is consistent with that for fiscal year 1999. Improvement costs of \$70,000 related to developing the property were capitalized during fiscal year 2000 in accordance with the Company's capitalization policy, as compared to \$79,000 of costs that were capitalized during fiscal year 1999.

Other Income. The Company reported other operating income of \$510,000 for

## Edgar Filing: SIENA HOLDINGS INC - Form 10-K

the year ended June 30, 2000, as compared to \$502,000 for the year ended June 30, 1999, including reimbursements from the Creditors' Trust of \$210,000 and \$339,000 for fiscal year 2000 and 1999, respectively, for an overhead allocation based upon management's estimate of resources used by the Creditors' Trust. In addition, the Company reported \$80,000 of other income in fiscal year 2000 resulting from a decrease in the long term accrued medical insurance premiums liability as discussed above.

The remainder of the other operating income is primarily corporate interest income, including interest related to the directors' deferred compensation plan, of \$214,000 and \$155,000 for fiscal year 2000 and 1999, respectively.

General and Administrative Expenses. General and administrative expenses decreased from \$764,000 for the year ended June 30, 1999 to \$626,000 for the year ended June 30, 2000. The decrease is primarily attributable to the directors' additional compensation expense of \$98,000 reported in fiscal year 1999 related to success bonuses paid to the directors. See "Stock and Compensation Plans" footnote for further information. Additionally, the Company reported decreases from the prior year in most general and administrative expense accounts, including decreases totaling \$42,000 reported in consulting, corporate insurance and travel expense.

See "Item 8. Financial Statements and Supplementary Data" for more information.

### Liquidity and Capital Resources

As of June 30, 2001, the only liabilities of the Company were accounts payable and other accrued expenses which will be paid from current operating cash available as of June 30, 2001.

### Item 7a. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is subject to potential fluctuations in earnings 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. As of June 30, 2001, the amount invested in equity securities was \$160,000 with a fair market value of \$139,000. 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 loss included, net of tax, in accumulated other comprehensive loss, a component of stockholders' equity.

-14-

### Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

#### INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders  
Siena Holdings, Inc.:

We have audited the accompanying consolidated balance sheets of Siena Holdings, Inc. and subsidiaries, (the "Company") as of June 30, 2001 and 2000, and the related statements of consolidated operations and comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year



Edgar Filing: SIENA HOLDINGS INC - Form 10-K

period ended June 30, 2001. In connection with our audits of the consolidated financial statements, we have also audited the financial statement schedules, Schedule I -- Condensed Financial Information of Registrant as of June 30, 2001 and 2000 and for each of the years in the three-year period ended June 30, 2001 and Schedule III -- Real Estate and Accumulated Depreciation as of June 30, 2001, 2000 and 1999. These consolidated financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above, present fairly, in all material respects, the financial position of Siena Holdings, Inc. and subsidiaries, as of June 30, 2001 and 2000, and the results of their operations and their cash flows for each of the years in the three-year period ended June 30, 2001, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion the related financial statement schedules when considered in relation to the basic consolidated financial statements taken as a whole, present fairly in all material respects, the information set forth therein.

KPMG LLP

Dallas, Texas  
August 30, 2001

-15-

CONSOLIDATED BALANCE SHEETS

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

	June 30,	
	2001	2000
	-----	-----
ASSETS		
Current Assets:		
Cash and cash equivalents .....	\$ 5,914	\$ 4,088
Investments in equity securities .....	139	--
Receivables .....	73	112
Prepaid expenses .....	139	42
	-----	-----
	6,265	4,242
	-----	-----

Edgar Filing: SIENA HOLDINGS INC - Form 10-K

Long Term Assets:		
Investment in real estate .....	4,570	4,949
Deferred tax assets--net .....	1,908	1,441
	-----	-----
	6,478	6,390
	-----	-----
Total Assets .....	\$ 12,743	\$ 10,632
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued expenses .....	\$ 158	\$ 161
Long Term Liabilities:		
Accrued medical insurance premiums .....	447	516
Deferred compensation and fees .....	406	102
	-----	-----
	853	618
	-----	-----
	1,011	779
	-----	-----
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 .....	10,164	9,205
Retained earnings .....	982	48
Accumulated other comprehensive loss, net of tax .....	(14)	--
	-----	-----
	11,732	9,853
	-----	-----
Total Liabilities and Stockholders' Equity .....	\$ 12,743	\$ 10,632
	=====	=====

See notes to consolidated financial statements.

-16-

STATEMENTS OF CONSOLIDATED OPERATIONS  
AND COMPREHENSIVE INCOME

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

	Years Ended June	
	2001	2000
	-----	-----
Revenues:		
Commissions and fees .....	\$ 250	\$ 360
Interest .....	246	214
Trust expense reimbursement .....	415	210
Gain on sale of real estate .....	1,773	--
Gain on sale of equity securities .....	1	--

Edgar Filing: SIENA HOLDINGS INC - Form 10-K

Other .....	16	88
	-----	-----
	2,701	872
	-----	-----
Expenses:		
Personnel .....	724	382
Other operating .....	540	408
	-----	-----
	1,264	790
	-----	-----
Income from operations before federal income tax .....	1,437	82
Federal income tax expense .....	(503)	(29)
	-----	-----
Net income .....	934	53
	-----	-----
Other comprehensive loss, net of tax:		
Unrealized losses on equity securities:		
Unrealized holding losses arising during period .....	(13)	--
Less: reclassification adjustment for gains included in net income .....	(1)	--
	-----	-----
Other comprehensive loss, net of tax .....	(14)	--
	-----	-----
Comprehensive income .....	\$ 920	\$ 53
	=====	=====
Basic earnings per share:		
Net income .....	\$ 0.16	\$ 0.01
Average number of shares .....	6,000	6,000
Diluted earnings per share:		
Net income .....	\$ 0.15	\$ 0.01
Average number of shares .....	6,126	6,106

\* Average share and per share amounts are based on shares issued or reserved for issuance to creditors.

See notes to consolidated financial statements.

-17-

STATEMENTS OF CONSOLIDATED STOCKHOLDERS' EQUITY

SIENA HOLDINGS, INC. AND SUBSIDIARIES

Years Ended June 30, 2001, 2000, and 1999  
(in thousands)

	Common Shares Outstanding	Common Stock	Additional Paid-in Capital	Retain Earnings (Deficit)
	-----	-----	-----	-----
Balance at June 30, 1998 .....	4,000	\$ 400	\$ 5,782	\$
Net income for the year ended June 30, 1999 .....	--	--	--	
Utilization of tax benefits of pre-reorganization net operating loss carryforwards and				

Edgar Filing: SIENA HOLDINGS INC - Form 10-K

deductible temporary differences .....	--	--	45	
Decrease in valuation allowance attributable to pre-reorganization net operating loss carryforwards .....	--	--	1,148	
Issuance of common stock--net .....	2,000	200	1,902	
Issuance of stock options .....	--	--	17	
	-----	-----	-----	-----
Balance at June 30, 1999 .....	6,000	600	8,894	
Net income for the year ended June 30, 2000 .....	--	--	--	
Utilization of tax benefits of pre-reorganization net operating loss carryforwards and deductible temporary differences .....	--	--	46	
Decrease in valuation allowance attributable to pre-reorganization net operating loss carryforwards .....	--	--	249	
Issuance of stock options .....	--	--	16	
	-----	-----	-----	-----
Balance at June 30, 2000 .....	6,000	600	9,205	
Net income for the year ended June 30, 2001 .....	--	--	--	
Unrealized holding losses on equity securities, net of tax benefits .....	--	--	--	
Reclassification adjustment for gains included in net income .....	--	--	--	
Utilization of tax benefits of pre-reorganization net operating loss carryforwards and deductible temporary differences .....	--	--	602	
Decrease in valuation allowance attributable to pre-reorganization net operating loss carryforwards .....	--	--	341	
Issuance of stock options .....	--	--	16	
	-----	-----	-----	-----
Balance at June 30, 2001 .....	6,000	\$ 600	\$ 10,164	\$
	=====	=====	=====	=====

See notes to consolidated financial statements.

-18-

STATEMENTS OF CONSOLIDATED CASH FLOWS

SIENA HOLDINGS, INC. AND SUBSIDIARIES  
(in thousands)

	Years Ended June 30	
	2001	2000
	-----	-----
Operating activities:		
Net income .....	\$ 934	\$ 53
Adjustments to reconcile net income to cash provided (used) by operations:		
Federal income tax expense charged to additional paid-in capital due to the utilization of pre-reorganization tax attributes .....	602	46
Increase in deferred tax / decrease in federal income tax expense relating to post-reorganization tax attributes .....	(119)	(17)
Compensation expense for stock options .....	16	16

## Edgar Filing: SIENA HOLDINGS INC - Form 10-K

Gain on sale of real estate .....	(1,773)	--
Gain on sale of equity securities .....	(1)	--
(Increase) decrease in current accounts receivable and prepaid expenses .....	(58)	101
Decrease in current accounts payable and accrued expenses .....	(3)	(69)
Decrease in long term accrued medical insurance premiums .....	(69)	(133)
Increase in long term deferred compensation and fees .....	304	50
	-----	-----
Net cash provided (used) by operating activities .....	(167)	47
	-----	-----
Investing activities:		
Purchases of equity securities .....	(166)	--
Sale of equity securities .....	7	--
Sale of real estate .....	2,455	--
Increase in investment in real estate .....	(303)	(70)
	-----	-----
Net cash provided (used) by investing activities .....	1,993	(70)
	-----	-----
Financing activities:		
Issuance of common stock--net .....	--	--
	-----	-----
Net cash provided by financing activities .....	--	--
	-----	-----
Net increase (decrease) in cash and cash equivalents .....	1,826	(23)
Cash and cash equivalents at beginning of year .....	4,088	4,111
	-----	-----
Cash and cash equivalents at end of year .....	\$ 5,914	\$ 4,088
	=====	=====
Cash payments for:		
Interest .....	--	--
Federal income tax .....	--	--
Non-cash transactions:		
Issuance of stock options .....	\$ 16	\$ 16

See notes to consolidated financial statements.

-19-

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### SIENA HOLDINGS, INC. AND SUBSIDIARIES

##### Significant Accounting Policies

Principles of Consolidation and Basis of Presentation. The consolidated financial statements include the accounts of Siena Holdings, Corp. ("SHI"), formerly Lomas Financial Corporation ("LFC"), and its subsidiaries (collectively, the "Company") after elimination of all significant intercompany balances and transactions. SHI's wholly-owned, principal subsidiaries are Siena Housing Management Corp. and LLG Lands, Inc.. Certain prior period amounts have been reclassified to conform to the current period presentation.

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

## Edgar Filing: SIENA HOLDINGS INC - Form 10-K

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 is a new reporting entity.

Under fresh-start accounting, all assets and liabilities were restated to reflect their own 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 historically incurred losses from operations and 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. See the "Reorganization" footnote.

Cash and Cash Equivalents. Cash and cash equivalents include cash on hand and investments with original maturities of three months or less.

Investment in Equity Securities. Investments in equity securities are classified as available-for-sale and are held by the Company's real estate subsidiary, LLG Lands, Inc. 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.

Investment in Real Estate. Real estate is carried at the fresh-start reporting value as of March 31, 1997, adjusted for improvements capitalized in accordance with the Company's capitalization policy. The Company continually monitors the value of the real estate based on estimates of future cash flows. Any amounts deemed to be impaired are charged, in the period in which such impairment is determined. For the years ended June 30, 2001, 2000 and 1999, there were no charges to earnings for impairment of the real estate.

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%. The current portion of the accrued medical insurance premiums is included in accounts payable and accrued expenses and the long term portion of the accrued medical insurance premiums balance is listed under long term liabilities, both on the Company's Consolidated Balance Sheets. The accrual will be reviewed and adjusted, as required, due to either a change in the health care cost factors used in the accrual calculation or a decrease in the number of people in the population.

-20-

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

Assisted Care Facility Management Fee. The Company, through its wholly-owned subsidiary Siena Housing Management Corp. ("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"). SHM is entitled to receive a fee under the agreement which, subject to a required annual priority distribution of project net income to

Edgar Filing: SIENA HOLDINGS INC - Form 10-K

Treemont and certain adjustments and expenditures specified by the agreement, is equal to 3% of the facility's gross receipts and 25% of the facility's net income.

The compensation expense and primarily all operating expenses of SHM's employees who provide services at the assisted care facility are funded directly by the assisted care facility owner and are not reflected in the Statements of Consolidated Operations and Comprehensive Income, except indirectly through the management fee income received by SHM based in part on the facility's net income. The exception is the compensation for the operations manager of the facility which is funded directly by SHM and included in personnel expense on the Company's Statements of Consolidated Operations and Comprehensive Income.

Federal Income Taxes. Income taxes have been provided in accordance with Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes". Under SFAS No. 109, the deferred tax assets and liabilities are determined based on the difference between the financial reporting and tax basis of assets and liabilities and operating loss and tax credit carry forwards and enacted tax rates that will be in effect for the years in which the differences are expected to reverse. Under fresh-start reporting, benefits realized from the utilization of pre-reorganization net operating loss carryforwards and recognition of pre-reorganization deductible temporary differences existing at the date of confirmation of the Joint Plan are reported as direct additions to additional paid-in capital.

Earnings Per Share. Earnings per share were determined using the weighted average shares issued or reserved for issuance. 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. Effective December 1, 1997, the Company granted stock options under the Stock Option Plan and the Directors' Stock Option Plan. The effects of outstanding options are included in the calculation of diluted earnings per common share to the extent that they are dilutive to earnings. The options issued to the Directors of the Company were not included in the calculation of diluted earnings per common share until the second quarter of fiscal year 1999 as they were not approved by the Shareholders until December 16, 1998, with a retroactive effective date of December 1, 1997.

(remainder of page intentionally left blank)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

The following is a reconciliation of net income and weighted average common shares outstanding used to compute basic and diluted earnings per share for the years presented:

	Years Ended June 30		
	2001	2000	1999
	-----	-----	-----
Reconciliation of net income:			
Basic net income:			
Net income .....	\$ 934	\$ 53	\$ 34

Edgar Filing: SIENA HOLDINGS INC - Form 10-K

Diluted net income:	=====	=====	=====
Net income .....	\$ 934	\$ 53	\$ 34
Income effect of assumed conversions .....	--	--	--
	-----	-----	-----
Net income plus assumed conversions .....	\$ 934	\$ 53	\$ 34
	=====	=====	=====
Reconciliation of weighted average common shares outstanding:			
Basic shares of common stock:			
Weighted average common shares outstanding .....	6,000	6,000	5,304*
Diluted shares of common stock:			
Weighted average common shares outstanding .....	6,000	6,000	5,304*
Plus: Dilutive potential common shares			
SHI Non-qualified Stock Option Plans .....	126	106	29*
	-----	-----	-----
Adjusted weighted average shares outstanding ....	6,126	6,106	5,333*
	=====	=====	=====

\* Average shares outstanding are based on shares issued or reserved for issuance to creditors.

Stock-Based Compensation. The Company has adopted the disclosure requirements of SFAS No. 123, "Accounting for Stock-Based Compensation". This statement provides a choice for the accounting of employee stock compensation plans. A company may elect to use a fair-value methodology, under which compensation cost is measured and recognized in the Statements of Consolidated Operations and Comprehensive Income, or continue to account for these plans under Accounting Principles Bulletin ("APB") No. 25, "Accounting for Stock Issued to Employees," and related interpretations. The Company has elected to continue to account for these plans under APB No. 25. The "Stock and Compensation Plans" footnote contains a summary of the pro forma effects to reported net income and earnings per share for the years ended June 30, 2001, 2000 and 1999, as if the Company had elected to account for employee stock compensation plans utilizing the fair value methodology prescribed by SFAS No. 123.

Use of Estimates. 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.

#### 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



## Edgar Filing: SIENA HOLDINGS INC - Form 10-K

"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. There can be no assurance that the LFC/LMUSA Litigation Trust will produce any additional proceeds which will benefit the Creditors Trust and former creditors.

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 November 12, 1997, the initial distribution date (the "Initial Distribution Date"), \$12.5 million was disbursed to the distribution agent for the Class 3 unsecured creditors. Additional cash distributions in the amounts of \$6.2 million, \$4.3 million, \$8.1 million and \$1.2 million were disbursed to the distribution agent for benefit of the Class 3 unsecured creditors on May 11, 1998, April 21, 1999, April 24, 2000, and February 16, 2001, respectively, bringing the total cash distributed through June 30, 2001 to \$32.3 million. In addition, as assets in the Creditors' Trust are liquidated and/or the contingent obligations are favorably resolved, additional distributions will be made to the Class 3 unsecured creditors.

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.

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.

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 million

## Edgar Filing: SIENA HOLDINGS INC - Form 10-K

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.

-23-

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

#### Creditors' Trust

The Joint Plan established a creditors' trust (the "Creditors' Trust") in which the Company serves as trustee. The Creditors' Trust holds the non-reorganized assets of the Company in trust pending their disposition and/or distribution to creditors in accordance with the terms of the Joint Plan. The Creditors' Trust is organized for the sole purpose of liquidating the non-reorganized assets and will terminate on March 7, 2002, unless an extension is approved by the Bankruptcy Court. 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 Operations and Comprehensive Income. 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 the 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. There can be no assurance that the LFC/LMUSA Litigation Trust will produce any proceeds which will benefit the Creditors' Trust and the former creditors.

The Company charged to the Creditors' Trust expenses of \$415,000, \$210,000, and \$339,000 for the years ended June 30, 2001, 2000 and 1999, respectively, reported as trust expense reimbursement on the Company's Statements of Consolidated Operations and Comprehensive Income. The trust expense reimbursement included \$237,000, \$0 and \$98,000 of success bonuses paid to the Company pursuant to compensation plans for the directors and officers (see "Stock and Compensation Plans") for fiscal years 2001, 2000 and 1999, respectively. The remainder of the trust expense reimbursement from the Creditors' Trust consisted of an overhead allocation based upon management's estimate of resources used by the Creditors' Trust.

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 "Reorganization" footnote.

#### Investment in Real Estate

The investment in real estate in the amount of \$4.6 million and \$4.9 million as of June 30, 2001 and 2000, respectively, is owned by LLG Lands, Inc. ("LLG"), a wholly-owned subsidiary of the Company. For fresh-start reporting, the land was valued by an independent third party using a discounted cash flow method of future projected proceeds.

## Edgar Filing: SIENA HOLDINGS INC - Form 10-K

As of June 30, 2001, the Company's investment in real estate consists of 162.1 acres (approximately 138.0 acres net of flood plain) of unimproved land in Allen, Texas (the "Allen property"). 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. The Allen property includes 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. In the fourth quarter of fiscal year 2001, five acres of the multi-family property was successfully re-zoned as light industrial. 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. 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.

-24-

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

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 reported in the Company's Statements of Consolidated Operations and Comprehensive Income.

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 reported in the Company's Statements of Consolidated Operations and Comprehensive Income. In addition, Crow Family Holdings has outstanding options, which expire 18 months from the original sale date, to purchase substantially all the remaining light industrial property. There is no guarantee that any sales will be consummated.

The Company offset a portion of the income tax expense due to the gain on sale of real estate against the existing deferred tax assets, resulting in a decrease in the deferred tax assets. Approximately \$20,000 of alternative minimum tax expense was recorded by the Company for the year ended June 30, 2001. The only portion of federal income tax expense that is owed by the Company is the alternative minimum tax liability as a result of the utilization of a portion of the Company's net operating loss carryforwards and deductible temporary differences.

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 reduced the valuation allowance for deferred tax assets by \$341,000 and additional paid-in-capital was increased by

## Edgar Filing: SIENA HOLDINGS INC - Form 10-K

\$341,000 for the year ended June 30, 2001. Due to the change in zoning received on certain tracts in 1999 and the change in flood plain acreage in 2000, the Company reduced the valuation allowance for deferred tax assets and additional paid in capital was increased by \$249,000 and \$1.148 million for the year ended June 30, 2000 and 1999, respectively. The Company reported a net deferred tax asset balance of \$1.908 million and \$1.441 million as of June 30, 2001 and 2000, respectively, 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 June 30, 2001 will be allocated to additional paid-in capital. See the "Federal Income Taxes" footnote.

The Company is involved in discussions and or entered into tentative agreements to sell certain parcels of land, which it, in its best judgement, 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. These tentative agreements may not be completed due to various uncertainties associated with ongoing negotiations and buyer due diligence contingencies. Any sales that might result from these discussions and or tentative agreements as well as options described above would result in a gain on sale for financial reporting purposes.

### 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. As of June 30, 2001, the cost and fair value of the securities based on quoted market prices were reported as \$160,000 and \$139,000, respectively. 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.

### Receivables

The Company reported receivables of \$73,000 and \$112,000 as of June 30, 2001 and 2000, respectively, consisting primarily of a management fee receivable from the assisted care facility of \$60,000 and \$90,000, respectively, as discussed below. The remainder of the balance as of June 30, 2001 and 2000 included \$13,000 and \$22,000 due from the Creditors' Trust for allocation of expenses (see "Creditors' Trust" footnote).

-25-

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

The Company, through its wholly-owned subsidiary Siena Housing Management Corp. ("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"). SHM is entitled to receive a fee under the agreement which, subject to a required annual priority distribution of project net income to Treemont and certain adjustments and expenditures specified by the agreement, is equal to 3% of the facility's gross receipts and 25% of the facility's net income.

SHM may terminate the agreement on six months' written notice; however, the termination date must fall on an anniversary of the date on which the parties entered into the agreement. Treemont can only terminate the agreement for cause or if Treemont fails to receive its required annual priority distribution for two consecutive years. SHM has the right to extend the term of

## Edgar Filing: SIENA HOLDINGS INC - Form 10-K

the agreement from year to year in one-year increments until June 30, 2028. Unless the agreement is terminated or its term is extended as described above, the agreement will terminate on June 30, 2003.

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 consents 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 agree to provide written notice of the commencement of any negotiations. SHM has not been notified of any sale negotiations to date. 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.

### Current and Long Term Liabilities

Accounts payable and accrued expenses consisted of the following (in thousands):

	June 30,	
	2001	2000
Accrued medical insurance premiums - current portion .....	\$ 54	\$ 56
Accrued professional fees .....	49	47
Accrued compensation - other .....	9	15
Alternative minimum tax payable .....	20	--
Other accounts payable and accrued expenses .....	26	43
	\$158	\$161
	=====	=====

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 June 30, 2001 and 2000, the Company was providing payments to and 27 people, respectively, to be used toward the payment of insurance. As of June 30, 2001 and 2000, the current portion of the accrual for medical insurance premiums is \$54,000 and \$56,000, respectively, and the long term liability amount, included in long term liabilities on the Company's Consolidated Balance Sheets, is \$447,000 and \$516,000, respectively. During fiscal year end 2000, the Company experienced a favorable mortality rate and, as a result, released \$80,000 of the long term liability for accrued medical insurance premiums. Management expects this volatility to continue in the future due to the relative small number of people covered by this liability.

The SHI Deferred Compensation Plan allows the members of the Board of Directors to defer annual director fees, meeting fees, and success bonus payments for a given calendar year. Interest earned on the cash will be accrued and paid to the director. A deferred compensation balance of \$406,000 and \$102,000, including accrued interest, is included in long term liabilities on the Company's Consolidated Balance Sheets as of June 30, 2001 and 2000, respectively. See "Stock and Compensation Plans" footnote.

## Edgar Filing: SIENA HOLDINGS INC - Form 10-K

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

#### Federal Income Taxes

The Company in prior years filed a consolidated federal income tax return as the common parent of a group of corporations which included LFC and its subsidiaries as well as LMUSA and its subsidiaries. The LMUSA Plan of Reorganization was confirmed by the United States Bankruptcy Court on October 1, 1996 and it immediately emerged with a new name, Nomas Corp. (see "Reorganization" footnote). As a result of the LMUSA Plan, the Company ceased to own any common stock of LMUSA and its subsidiaries as of October 1, 1996. Accordingly, SHI and its subsidiaries thereafter no longer file a consolidated federal income tax return with Nomas and its subsidiaries. SHI and its subsidiaries will instead continue to file their own consolidated federal income tax return for the years ended June 30, 2001, 2000 and 1999. Various tax attributes, including net operating loss carryforwards, have been allocated between the SHI consolidated group and the Nomas consolidated group pursuant to Internal Revenue Service consolidated return regulations and based upon the balances calculated as of the date that LMUSA and its subsidiaries were deconsolidated from the Company's consolidated group. All companies included in a consolidated federal income tax return remain jointly and severally liable for any tax assessments based on such consolidated returns.

Fresh-start reporting requires SHI and its subsidiaries to report federal income tax expense when in a taxable position before utilization of any pre-reorganization net operating loss carryforwards and recognition of any pre-reorganization deductible temporary differences. Benefits realized in the consolidated income tax return from utilization of pre-reorganization net operating loss carryforwards and recognition of pre-reorganization deductible temporary differences existing at the date of confirmation of the Plan are reported as direct increases to additional paid-in capital under fresh-start reporting.

SHI and its subsidiaries reported federal income tax expense of \$503,000, \$29,000 and \$18,000 for fiscal years ended June 30, 2001, 2000 and 1999, respectively. The Company reported a tax benefit of \$602,000, \$46,000, and \$45,000 as an increase to additional paid-in capital for fiscal years ended June 30, 2001, 2000 and 1999, respectively, resulting from utilization of a portion of the Company's pre-reorganization net operating loss carryforwards and deductible temporary differences. Approximately \$20,000 of alternative minimum tax expense was recorded by the Company for the year ended June 30, 2001. The only portion of federal income tax expense that is owed by the Company is the alternative minimum tax liability as a result of the utilization of a portion of the Company's net operating loss carryforwards and deductible temporary differences.

SHI and its subsidiaries had no gross deferred tax liabilities and approximately \$95 million and \$95 million in gross deferred tax assets as of June 30, 2001 and 2000, respectively, subject to an offsetting valuation allowance of approximately \$93 million and \$94 million, respectively. 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 a net deferred tax asset balance of \$1.908 million and \$1.441 million as of June 30, 2001 and 2000, respectively, included in long term assets on the Company's Consolidated Balance Sheets. 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 reduced the valuation allowance for deferred tax assets by

## Edgar Filing: SIENA HOLDINGS INC - Form 10-K

\$341,000 and additional paid-in-capital was increased by \$341,000 for the year ended June 30, 2001. Due to the change in zoning received on certain tracts in 1999 and the change in flood plain acreage in 2000, the Company reduced the valuation allowance for deferred tax assets and additional paid in capital was increased by \$249,000 and \$1.148 million for the year ended June 30, 2000 and 1999, respectively. Any tax benefits recognized related to the valuation allowance for pre-reorganization deferred tax assets as of June 30, 2001 will be allocated to additional paid-in capital. In addition, an adjustment of \$1.5 million was made for the year ended June 30, 1999 to decrease the balance of the deferred tax assets with an equal adjustment to the offsetting valuation allowance, to reflect the absorption of a portion of the net operating loss carryforward against cancellation of indebtedness income and an increase in the net operating loss carryforward attributable to the allocation of additional loss carryforwards resulting from the deconsolidation of the former LFC group during the fiscal year ended June 30, 1997.

-27-

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

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 June 30, 2001 and 2000. Any tax benefits recognized related to the valuation allowance for pre-reorganization deferred tax assets as of June 30, 2001 will be allocated to additional paid-in capital.

SHI and its subsidiaries had allocable consolidated tax net operating loss carryforwards at June 30, 2001 totaling approximately \$269 million. These net operating loss carryforwards expire in the years 2003 through 2019. Approximately \$137 million of these net operating losses arose prior to the previous 1991 reorganization of the LFC group and will therefore remain subject to the annual limitations of Internal Revenue Code ("IRC") Section 382. At June 30, 2001, SHI and its subsidiaries had a cumulative unused Section 382 limitation equal to the \$137 million of pre-1991 net operating loss carryforwards; accordingly, such pre-1991 net operating loss carryforwards may be utilized currently by SHI and its subsidiaries under the restrictions of Section 382. The remaining net operating losses of approximately \$132 million arose subsequent to the 1991 reorganization and are considered to come under the "bankruptcy exception" of Section 382(1)(5) and are therefore not subject to the annual limitations provided by Section 382(a).

All of the net operating loss carryforwards are subject to applicable provisions of the IRC, and approximately \$261million of the total of \$269 million of net operating loss carryforwards would be limited to zero if it were determined that SHI underwent an ownership change, within the meaning of Section 382, during the two year period following the October 1, 1996 ownership change resulting from the Plan of Reorganization. The remaining \$8 million of net operating loss will continue to be subject to the annual limitation of IRC Section 382, and could be further limited upon any subsequent ownership change.

The amounts and expiration dates of the regular tax net operating losses of SHI and its subsidiaries at June 30, 2001, are as follows (in thousands):

Edgar Filing: SIENA HOLDINGS INC - Form 10-K

Amount of Net Operating Loss Carryover	Expiration Date as of June 30
\$ 2,464	2003
54,431	2004
27,495	2006
82,943	2007
21,496	2008
22,906	2009
41,080	2010
8,075	2011
1,634	2012
2,526	2013
4,203	2019
----- \$ 269,253 =====	

The Company's alternative minimum tax net operating loss is approximately the same as its regular tax net operating loss.

-28-

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

The difference between actual tax expense and the amount computed by applying the statutory rate to income from operations before federal income tax consisted of the following components (in thousands):

	Years Ended June 30,		
	2001	2000	1999
Tax expense at statutory rate .....	\$ 503	\$ 29	\$ 18
Book/tax difference in loss reserves			
attributable to sale of assets .....	85	--	--
Adjustment to net operating loss carryforward			
to reflect actual allocation of consolidated net			
operating loss to SHI and absorption against			
cancellation of indebtedness income .....	--	--	1,486
Increase in net operating loss (attributable			
to realization of pre-reorganization deductible			
temporary differences, resulting in an increase			
in the pre-reorganization net operating loss			
carryover) .....	(34)	(17)	(1,471)
Pre-reorganization net operating loss utilized .....	537	27	--
Change in valuation allowance for deferred			
tax assets for current year activity and for			
adjustment to net operating loss			
carryforward .....	(484)	7	12
Increase in deferred compensation accruals .....	(113)	(11)	(18)
Increase in accrued stock option accruals .....	(6)	(6)	(9)
Provision to tax return adjustments .....	15	--	--
	-----	-----	-----
Actual tax expense .....	\$ 503	\$ 29	\$ 18
	=====	=====	=====



Edgar Filing: SIENA HOLDINGS INC - Form 10-K

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at June 30, 2001, 2000 and 1999 are presented below (in thousands):

	Years Ended June 30,		
	2001	2000	1999
Deferred tax assets:			
Post-reorganization net operating loss carryover ....	\$ 30	\$ 30	\$ 30
Pre-reorganization net operating loss carryover .....	94,183	94,701	94,711
Loss reserves .....	541	626	626
Deferred compensation .....	142	29	18
Unrealized loss on equity securities .....	7	--	--
Non-qualified stock option expense .....	21	15	9
	-----	-----	-----
Total gross deferred tax assets .....	94,924	95,401	95,394
Less valuation allowance .....	(93,016)	(93,960)	(94,219)
	-----	-----	-----
Net deferred tax assets .....	\$ 1,908	1,441	\$ 1,175
	=====	=====	=====
Deferred tax liabilities:			
Net deferred tax liabilities .....	\$ --	\$ --	\$ --
	=====	=====	=====

-29-

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

Stockholders' Equity

As of June 30, 2001 and 2000, 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.

Recognizing the need of the Company for additional working capital, the Chairman of the Company offered to make a cash investment for a certain number of shares of the Company's common stock. This offer was considered and accepted by the Company's Board of Directors at its regularly scheduled quarterly meeting held in Wilmington, Delaware on September 23, 1998. The Chairman did not participate in the vote of the Board accepting this offer. On November 5, 1998,

## Edgar Filing: SIENA HOLDINGS INC - Form 10-K

the Company received \$2.102 million, net of stock offering expenses of \$98,000, in exchange for 2 million shares of the Company's common stock. This transaction increased the number of outstanding shares of common stock to 6 million.

During the years ended June 30, 2001, 2000 and 1999, the valuation allowance for deferred tax assets was decreased by \$341,000, \$249,000 and \$1.148 million, respectively, and additional paid-in capital was increased by the same amounts. Any tax benefits recognized related to the valuation allowance for pre-reorganization deferred tax assets as of June 30, 2001, will be allocated to additional paid-in capital.

SHI and its subsidiaries reported federal income tax expense of \$503,000, \$29,000 and \$18,000 for fiscal years ended June 30, 2001, 2000 and 1999, respectively. The Company reported a tax benefit of \$602,000, \$46,000, and \$45,000 as an increase to additional paid-in capital for fiscal years ended June 30, 2001, 2000 and 1999, respectively, resulting from utilization of a portion of the Company's pre-reorganization net operating loss carryforwards and deductible temporary differences. Approximately \$20,000 of alternative minimum tax expense was recorded by the Company for the year ended June 30, 2001. The only portion of federal income tax expense that is owed by the Company is the alternative minimum tax liability as a result of the utilization of a portion of the Company's net operating loss carryforwards and deductible temporary differences. See "Federal Income Taxes" footnote.

At the annual meeting on December 13, 1999, the stockholders of SHI (the "Stockholders") approved a proposal to amend the Company's certificate of incorporation (a) to effect, as determined by the Board in its sole discretion, a reverse stock split of the outstanding Common Stock on the effective date of the amendment (the "Effective Date"), pursuant to which each 100 shares then outstanding will be converted into one share (the "Reverse Stock Split"), and (b) to effect a forward split of the Common Stock on the day following the effective date of the Reverse Split, pursuant to which Common Stock then outstanding as of such date will be converted into the number of shares of the Common Stock that such shares represented immediately prior to the Effective Date (the "Forward Stock Split"). In lieu of issuing less than one whole share resulting from the proposed stock split to holders of fewer than 100 shares, as the case may be, the Company would make a cash payment based on the higher of either the stated book value of the Company on June 30, 1999, or the closing prices of the Common Stock, as discussed in more detail in the Company's Proxy Statement dated November 1, 1999. The Board is authorized, in its sole discretion, to effect the Reverse Stock Split based on factors existing at the time of determination, including (a) the availability of funds necessary to consummate the Reverse Stock Split and the cost of such funds; (b) the market price of the Common Stock; (c) the Board's determination of whether the Reverse Stock Split will result in a reduction in the Company's administrative expenses; (d) prevailing market conditions; (e) the likely effect on the market price of the Common Stock; and (f) other relevant factors.

Consummation of the proposed Reverse Stock Split / Forward Stock Split will not change the number of shares of Common Stock authorized by the Company's certificate of incorporation, which will remain at 15 million shares. The Board, in its sole discretion, may abandon the proposed stock splits at any time before the Effective Date without further

-30-

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

action by the Stockholders. If the Board determines to consummate a Reverse Stock Split / Forward Stock Split, the Company will publicly announce the

## Edgar Filing: SIENA HOLDINGS INC - Form 10-K

determination at least 10 days prior to the Effective Date.

The Company, as of June 30, 2001 and 2000, had 1,000,000 shares of \$1.00 par value preferred stock authorized, with 0 shares issued and outstanding.

### Stock and Compensation Plans

Officer's Compensation Plan. Separate retention agreements (the "Retention Agreements") were approved by the Board of Directors effective December 1, 1997, for the Company's two executive officers, John P. Kneafsey - Chief Executive Officer and W. Joseph Dryer - President. The Retention Agreements, with a five year term, provide for the payment of: (1) a monthly retainer, (2) severance upon early termination of the contract by the Company, and (3) a success bonus based upon certain performance criteria of the Company and its subsidiaries and the Company's results as trustee of the Creditors' Trust.

In accordance with the success bonus defined above, the Board of Directors approved bonuses payable to the executive officers of the Company in fiscal year 2001 in the amount of \$375,000, including \$198,000 in success bonuses reimbursed by the Creditors' Trust and included in other income on the Company's Statements of Consolidated Operations and Comprehensive Income. The majority of the bonuses reimbursed by the Creditors' Trust were paid as a result of the proceeds received by the Creditors' Trust in March 2000 from the LFC/LMUSA Litigation Trust resulting from litigation. The remainder of the success bonuses earned resulted from the real estate sales discussed in the "Investment in Real Estate" footnote. One officer deferred all bonuses earned in accordance with the SHI Deferred Compensation Plan as described below.

Officer's Stock Option Plan. The Retention Agreements also awarded stock options to Mr. Kneafsey and Mr. Dryer pursuant to the SHI Non-qualified Stock Option Agreements. The plan according to the SHI Non-qualified Stock Option Agreements (the "Stock Option Plan") granted the officers options to purchase an aggregate of 434,750 shares of the Company's common stock, with an effective date of December 1, 1997 (the "Date of Grant").

The options granted under the Stock Option Plan have an exercise price of \$0.92 per common share and vest at a rate of twenty percent per year for five years on the anniversary of the Date of Grant. The fair market value of the common stock on the Date of Grant was \$1.109. Upon the event of any change-in-control of the Company (as defined) the stock options shall be 100% vested. The stock options resulted in compensation expense of \$16,000, \$16,000 and \$17,000, with a corresponding increase in additional paid-in capital, for the years ended June 30, 2001, 2000 and 1999, respectively. Additional stock options or other forms of long-term incentive compensation arrangements may from time to time be granted by the Board of Directors.

Director's Compensation Plan. At the annual meeting on December 16, 1998, the shareholders of SHI (the "Shareholders") approved additional compensation with a retroactive effective date of December 1, 1997, for the non-officer members of the Board of Directors (the "Directors' Additional Compensation Plan"). The Directors' Additional Compensation Plan, with a five year term, provides for a success bonus for each non-officer director based upon certain performance criteria of the Company and its subsidiaries and the Company's results as trustee of the Creditors' Trust. The approval of the Directors' Additional Compensation Plan authorized success bonuses in the amount of \$98,000 to be paid to the non-officer directors, as a result of transactions that occurred in fiscal year 1998. The expense was included in other operating expenses on the Company's Statements of Consolidated Operations and Comprehensive Income for the year ended June 30, 1999. One director was paid in December 1998, after approval by the Shareholders. Certain non-officer directors elected to defer a portion or all of the payment pursuant to the SHI Deferred Compensation Plan (the "Deferred Compensation Plan"), approved by the Board of

## Edgar Filing: SIENA HOLDINGS INC - Form 10-K

Directors on and effective as of December 16, 1998. The Deferred Compensation Plan allows the members of the Board of Directors to defer annual director fees, meeting fees, and success bonus payments for a given calendar year. Interest earned on the cash will be accrued and paid to the director.

For fiscal year ended June 30, 2001, and in accordance with the success bonus defined above, the directors of the Company collectively earned \$75,000 in success bonuses, including \$40,000 reimbursed by the Creditors' Trust and included in other income on the Company's Statements of Consolidated Operations and Comprehensive Income. The

-31-

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

majority of the bonuses reimbursed by the Creditors' Trust were earned as a result of the proceeds received by the Creditors' Trust in March 2000 from the LFC/LMUSA Litigation Trust resulting from litigation. The remainder of the success bonuses earned by the directors resulted from the real estate sales discussed in the "Investment in Real Estate" footnote. Certain directors elected to defer a portion or all of the payments earned pursuant to the Deferred Compensation Plan. During the year ended June 30, 2001, four of the five directors deferred some or all of directors' fees and success bonuses earned. A deferred compensation balance of \$406,000 and \$102,000, including accrued interest, is included in long term liabilities on the Company's Consolidated Balance Sheets as of June 30, 2001 and 2000, respectively.

Director's Stock Option Plan. The Non-qualified Stock Option Agreements for the Board of Directors (the "Directors' Stock Option Plan") were also approved by the Shareholders on December 16, 1998 (the "Date of Shareholder Approval"). The Directors' Stock Option Plan granted each of the five directors' the option to purchase 40,000 shares of the Company's common stock, with an effective date of December 1, 1997 (the "Date of Grant").

The options granted under the Directors' Stock Option Plan have an exercise price of \$0.92 per common share and vest at a rate of twenty percent per year for five years on the anniversary of the Date of Grant. The fair market value of the common stock on the Date of Shareholder Approval was \$0.84375. Upon the event of any change-in-control of the Company (as defined) the stock options shall be 100% vested.

The following table summarizes data relating to stock options activity for the years ended June 30, 2001, 2000, and 1999:

	Years Ended June 30,		
	2001	2000	1999
Number of shares subject to option:			
Outstanding at beginning of year ...	634,750	634,750	434,750
Granted .....	--	--	200,000
Expired / canceled .....	--	--	--
Exercised .....	--	--	--
Outstanding at end of year ....	634,750	634,750	634,750
Exercisable at end of year .....	380,850	253,900	126,950

## Edgar Filing: SIENA HOLDINGS INC - Form 10-K

All outstanding stock options have an exercise price of \$0.92 per common share.

As allowed under the provisions of SFAS No. 123, the Company applies APB Opinion 25 and related Interpretations in accounting for its stock option plans and, accordingly, does not recognize compensation cost based on fair value as a component of net income. The fair value of each option granted pursuant to the officers' Stock Option Plan was estimated as of the grant date, using the Black-Scholes multiple options approach prescribed by SFAS No. 123, with the following assumptions: expected volatility of 58.58%, risk free interest rate of 6.35%, and an expected life of 10 years. The fair value of each option granted pursuant to the Directors' Stock Option Plan was estimated as of the date of shareholder approval, also using the Black-Scholes multiple options approach prescribed by SFAS No. 123, with the following assumptions: expected volatility of 138.53%, risk free interest rate of 4.58%, and an expected life of 9 years. If the Company had elected to recognize compensation cost based on the fair value of the options as of the grant date, the Company's net income as well as earnings per share would have been reduced by the pro forma amounts (net of income tax effect) indicated in the following table:

(table on following page)

-32-

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

	2001	2002
	-----	-----
Years En		
Reconciliation of net income (loss):		
Basic net income (loss):		
Net income (As reported) .....	\$ 934	
Pro forma compensation expense--net of tax effect .....	(59)	
	-----	-----
Pro forma net income (loss) .....	\$ 875	
	=====	=====
Diluted net income (loss):		
Net income (As reported) .....	\$ 934	
Income effect of assumed conversions .....	--	
	-----	-----
Net income plus assumed conversions (As reported) .....	934	
Pro forma compensation expense--net of tax effect .....	(59)	
	-----	-----
Pro forma net income (loss) plus assumed conversions .....	\$ 875	
	=====	=====
Earnings (loss) per share ("EPS") information:		
Basic net income (loss):		
Net income (As reported) .....	\$ 0.16	
Pro forma compensation expense--net of tax effect .....	(0.01)	
	-----	-----
Pro forma net income (loss) .....	\$ 0.15	
	=====	=====
Common shares used in computing basic EPS: .....	6,000	
	=====	=====
Diluted net income (loss):		
Net income (As reported) .....	\$ 0.15	

## Edgar Filing: SIENA HOLDINGS INC - Form 10-K

Income effect of assumed conversions .....	--	
	-----	
Net income plus assumed conversions (As reported) .....	0.15	
Pro forma compensation expense--net of tax effect .....	(0.01)	
	-----	
Pro forma net income (loss) plus assumed conversions .....	\$ 0.14	
	=====	
Common shares used in computing diluted EPS: .....	6,126	
	=====	

\* Average share and per share amounts are based on shares issued or reserved for issuance to creditors.

### Fair Value of Financial Instruments

SFAS No. 107 requires disclosure of fair value information about financial instruments, whether or not recognized in the balance sheet, for those that it is practicable to estimate fair value. Fair value estimates are made as of a specific point in time based on the characteristics of the financial instruments and the relevant market information. Where available quoted market prices are used, and in other cases, fair values are based on estimates using present value or other valuation techniques. These techniques involve uncertainties and are significantly affected by the assumptions used and the judgments made regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows, future expected loss experience and other factors. Changes in assumptions could significantly affect these estimates and the resulting fair values. The derived fair value estimates cannot be substantiated by comparison to independent markets and could not be realized in an immediate sale of the instruments.

Under SFAS No. 107 fair value estimates are based on existing financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments. The aggregate fair value amounts presented do not represent the underlying market value of the Company.

-33-

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

Described below are the methods and assumptions used by the Company in estimating fair values.

Cash and Cash Equivalents. The carrying amounts reported in the Consolidated Balance Sheets approximate the fair values and maturities are less than three months.

Investment in Equity Securities. The securities are classified as available-for-sale and reported on the Company's Consolidated Balance Sheets at fair market value based on quoted market prices, with any unrealized holding gains (losses) included, net of tax, in accumulated other comprehensive income (loss), a component of stockholders' equity.

The estimated fair values of the Company's financial instruments are as follows (in thousands):

June 30,

Edgar Filing: SIENA HOLDINGS INC - Form 10-K

	2001		2000	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets:				
Cash and cash equivalents .....	\$ 5,914	\$ 5,914	\$ 4,088	\$ 4,088
Investment in equity securities	139	139	--	--

Financial instruments that potentially subject the Company to concentrations of credit risk principally consist of excess cash invested overnight in euro-dollar denominated accounts. As of June 30, 2001, approximately \$5.2 million of the Company's cash and cash equivalents balance of \$5.9 million was invested in euro-dollars. Approximately \$450,000 of the remainder of the Company's cash and cash equivalents was deposited in various accounts at one financial institution and \$250,000 was invested in a money market fund at another institution. Subsequent to June 30, 2001, the Company began investing excess cash in 30 day U. S. Treasury bills which is consistent with the Company's policy for overnight investments.

Leases

The Company incurred rental expense for office space of \$10,000, \$10,000 and \$10,000 for the years ended June 30, 2001, 2000, and 1999, respectively, and had no future minimum rental commitments at June 30, 2001 for noncancellable leases.

The Company also incurred expense of \$18,000, \$18,000 and \$19,000 for the years ended June 30, 2001, 2000, and 1999, respectively, for the reimbursement of office space and expenses in Maryland utilized by the Chairman and Chief Executive Officer of the Company, and is included in other operating expenses on the Company's Statements of Consolidated Operations and Comprehensive Income. The Company is not a party to the lease.

(remainder of page intentionally left blank)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

Quarterly Results (Unaudited)

The following is a summary of the unaudited quarterly results of operations for the year ended June 30, 2001 (in dollars, except per share amounts):

	Year Ended June 30, 2001			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenues .....	\$ 178	\$ 1,239	\$ 1,132	\$ 152
Income (loss) before federal income tax .	14	699	821	(97)
Federal income tax (expense) benefit ....	(5)	(245)	(287)	34

Edgar Filing: SIENA HOLDINGS INC - Form 10-K

Net income (loss) .....	9	454	534	(63)
Basic earnings (loss) per common share:				
Net income (loss) .....	0.00	0.08	0.09	(0.01)
Diluted earnings (loss) per common share:				
Net income (loss) .....	0.00	0.07	0.09	(0.01)

Revenues were higher in the second and third quarters as a result of two separate sales of a portion of the Company's real estate investment, resulting in a gain on sale of real estate of \$828,000 and \$945,000 for the second and third quarter, respectively. Refer to the "Investment in Real Estate" footnote for more information on the real estate sales. In accordance with existing compensation plans for the directors and officers, the Company incurred additional compensation expense related to these sales in the amount of \$99,000 and \$113,000 in the second and third quarter, respectively, reported as personnel expense on the Company's Statements of Consolidated Operations and Comprehensive Income. The net gains reported from the sale of the real estate also increased the federal income tax expense for the same two quarters.

Trust expense reimbursement revenue from the Creditors' Trust was reported quarterly by the Company in the amounts of \$61,000, \$265,000, \$34,000 and \$55,000, respectively. The second and fourth quarters included specific reimbursements for bonus payments to the directors and officers in accordance with existing compensation plans in the amounts of \$212,000 and \$25,000, respectively. These amounts were also reported as personnel expense on the Company's Statements of Consolidated Operations and Comprehensive Income for the same periods thereby eliminating a fluctuation in net income. See the "Stock and Compensation Plans" footnote for further information.

The Company reported increased travel expense in the amount of \$10,000 in the second quarter. Professional fees increased slightly by quarter, reported as \$13,000, \$36,000, \$31,000 and \$57,000 for the first through the fourth quarter. The Company incurred additional legal fees in the second quarter and higher accounting fees in the fourth quarter.

-35-

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

The following is a summary of the unaudited quarterly results of operations, as restated, for the year ended June 30, 2000 (in dollars, except per share amounts):

	Year Ended June 30, 2000		
	First Quarter	Second Quarter	Third Quarter
Revenues.....	\$ 224	\$ 223	\$ 19
Income before federal income tax .....	39	12	(
Federal income tax expense .....	(14)	(4)	(
Net income .....	25	8	
Basic earnings per common share:			
Net income .....	0.00	0.00	0.0
Diluted earnings per common share:			



Edgar Filing: SIENA HOLDINGS INC - Form 10-K

Net income ..... 0.00 0.00 0.00

Total revenues were consistent for all quarters in fiscal year 2000, however, there were fluctuations in specific revenue categories during the year. Management fees received by the Company's assisted care management subsidiary, SHM, were \$103,000, \$106,000, \$89,000 and \$60,000 for the four quarters, respectively. The decrease is primarily due to lower occupancy and higher expenses as reported by Treemont, which resulted in a lower management fee to SHM.

The Company reported trust expense reimbursement revenue from the Creditors' Trust of \$62,000, \$64,000, \$51,000 and \$31,000 respectively for the four quarters of fiscal year 2000, representing a decrease in the use of the Company's resources for the Creditors' Trust (see the "Creditors' Trust" footnote).

In the fourth quarter, the Company reported a benefit in the amount of \$80,000 resulting from a decrease in the long term accrued medical premiums liability. As discussed in the "Current and Long Term Liabilities" footnote, the liability was reduced due to a decrease in the population of people for whom the Company provides payments to be used for medical insurance.

Expenses of SHM, primarily personnel and travel expenses, decreased consistent with the decrease in management fee revenue. The Company also experienced higher general and administrative expenses in the fourth quarter, including accounting fees, consulting fees and franchise tax expense.

Industry Segment Data of Operations

In fiscal year 1999, the Company adopted SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information", which requires that companies disclose segment data on a basis that is used internally by management for evaluating segment performance and allocating resources to segments. 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 described in the summary of significant accounting policies. See the "Significant Accounting Policies" footnote 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

The following table summarizes the Company's identifiable assets by segment as of June 30, 2001 and 2000 (in thousands):

	June 30, 2001	June
	-----	-----
Identifiable assets:		
Assisted care facility management (including receivable from parent company eliminated in consolidation) .....	\$ 338	\$
Real estate .....	6,645	---
	-----	-----

Edgar Filing: SIENA HOLDINGS INC - Form 10-K

	6,983	
	-----	
Reconciling items:		
Corporate cash, receivables and prepaid expenses (including receivable from subsidiary eliminated in consolidation) ....	4,147	
Deferred tax assets--net .....	1,908	
Elimination of intercompany receivables .....	(295)	
	-----	
Total assets per the Consolidated Balance Sheets .....	\$ 12,743	\$
	=====	=====

The following tables summarize the Company's segment data of operations for the years ended June 30, 2001, 2000, and 1999 (in thousands):

	Years Ended June 30		
	2001	2000	1999
	-----	-----	-----
Revenues:			
Assisted care management .....	\$ 250	\$ 360	\$ 498
Real estate .....	1,818	2	--
	-----	-----	-----
	2,068	362	498
	-----	-----	-----
Reconciling items:			
Corporate interest income .....	203	214	155
Trust expense reimbursement .....	415	210	339
Other corporate revenue .....	15	86	10
	-----	-----	-----
	633	510	504
	-----	-----	-----
Total revenues per Statements of Consolidated Operations and Comprehensive Income .....	\$ 2,701	\$ 872	\$ 1,002
	=====	=====	=====

	Years Ended June 30		
	2001	2000	1999
	-----	-----	-----
Operating income (loss):			
Assisted care management .....	\$ 142	\$ 210	\$ 329
Real estate .....	1,815	(12)	(15)
	-----	-----	-----
	1,957	198	314
	-----	-----	-----
Reconciling items:			
Corporate interest income .....	203	214	155
Trust expense reimbursement .....	415	210	339
Unallocated corporate expenses .....	(1,153)	(626)	(763)
Other .....	15	86	7
	-----	-----	-----
	(520)	(116)	(262)
	-----	-----	-----
Income from operations before federal income tax per Statements of Consolidated Operations and Comprehensive Income .....	\$ 1,437	\$ 82	\$ 52

=====

-37-

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Recent Accounting Pronouncements

On July 1, 2000, Statement of Financial Accounting Standards No. 133/ 138 "Accounting for Derivative Instruments and Hedging Activities", became effective and requires companies to carry all derivative instruments on the balance sheet at fair value. Since the Company has no derivative instruments, the adoption had no effect on the accompanying financial statements.

-38-

SCHEDULE I - CONDENSED FINANCIAL INFORMATION OF REGISTRANT

SIENA HOLDINGS, INC.

CONDENSED BALANCE SHEETS  
(in thousands)

	June 30,	
	2001	2000
	-----	-----
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents .....	\$ 3,975	\$ 4,147
Receivables (including \$20 and \$80, respectively, receivables from subsidiaries eliminated in consolidation) .....	33	4
Prepaid expenses .....	139	4
	-----	-----
	4,147	4
	-----	-----
Long Term Assets:		
Investments (including \$8,844 and \$6,509, respectively, investments in subsidiaries eliminated in consolidation) .....	8,844	6,509
	-----	-----
	8,844	6,509
	-----	-----
Total Assets .....	\$ 12,991	\$ 10,656
	=====	=====
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities:		
Accounts payable and accrued expenses (including \$275 and \$154, respectively, payables to subsidiaries eliminated in consolidation) ...	\$ 406	\$ 406
Long Term Liabilities:		
Accrued medical insurance premiums .....	447	406
Deferred compensation and fees .....	406	406
	-----	-----

Edgar Filing: SIENA HOLDINGS INC - Form 10-K

	853	-----
	1,259	-----
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	
Additional paid-in capital .....	10,164	9
Retained earnings .....	982	
Accumulated other comprehensive loss (including \$14 and \$0, respectively, accumulated other comprehensive loss from subsidiaries), net of tax .....	(14)	
	-----	-----
	11,732	9
	-----	-----
Total Liabilities and Stockholders' Equity .....	\$ 12,991	\$ 10
	=====	=====

Note: Certain reclassifications have been made to prior years' financial statement schedule to conform to the 2001 presentation.

-39-

SCHEDULE I--CONDENSED FINANCIAL INFORMATION OF REGISTRANT--(Continued)

SIENA HOLDINGS, INC.

CONDENSED STATEMENTS OF OPERATIONS  
AND COMPREHENSIVE INCOME  
(in thousands, except par values)

	Years Ended June 30,		
	2001	2000	1999
	-----	-----	-----
Revenues:			
Interest .....	\$ 203	\$ 214	\$ 155
Trust expense reimbursement .....	415	210	339
Other .....	15	86	11
	-----	-----	-----
	633	510	505
	-----	-----	-----
Expenses:			
Personnel .....	663	288	288
Other operating .....	491	338	476
	-----	-----	-----
	1,154	626	764
	-----	-----	-----
Loss from operations before income from subsidiaries and federal income tax .....	(521)	(116)	(259)
Equity in income of subsidiaries .....	1,274	126	311
Income from subsidiaries - federal tax share ....	684	72	--
	-----	-----	-----
Income before federal income tax .....	1,437	82	52

Edgar Filing: SIENA HOLDINGS INC - Form 10-K

Federal income tax expense .....	(503)	(29)	(18)
	-----	-----	-----
Net income .....	934	53	34
	-----	-----	-----
Other comprehensive loss, net of tax:			
Other comprehensive loss from subsidiaries ....	(14)	--	--
	-----	-----	-----
Other comprehensive loss .....	(14)	--	--
	-----	-----	-----
Comprehensive income .....	\$ 920	\$ 53	\$ 34
	=====	=====	=====

Note: Pursuant to an existing tax sharing agreement, the Company began allocating federal income tax expense to one of its subsidiaries, Siena Housing Management, on January, 1, 2000.

-40-

SCHEDULE I--CONDENSED FINANCIAL INFORMATION OF REGISTRANT--(Continued)

SIENA HOLDINGS, INC.

CONDENSED STATEMENTS OF CASH FLOWS  
(in thousands)

	Years Ended June 30	
	2001	2000
	-----	-----
Operating activities:		
Net income .....	\$ 934	\$ 53
Adjustments to reconcile net income to cash used by operations:		
Federal income tax utilization of pre-reorganization tax attributes .....	602	46
Increase in deferred tax / decrease in federal income tax expense relating to post-reorganization tax attributes .....	(119)	(17)
Compensation expense for stock options .....	16	16
Equity in income of subsidiaries .....	(1,274)	(126)
Income from subsidiaries - federal tax share .....	(664)	(72)
(Increase) decrease in current assets and prepaid expenses - excluding receivables from subsidiaries .....	(88)	53
Increase (decrease) in current accounts payable and accrued expenses - excluding payables to subsidiaries .....	18	(69)
Net (decrease) increase in receivables from and payables to subsidiaries - net of federal tax share .....	230	(435)
Decrease in long term accrued medical insurance premiums .....	(69)	(133)
Increase in long term deferred compensation and fees .....	304	50
	-----	-----
Net cash used by operating activities .....	(110)	(634)
	-----	-----

Edgar Filing: SIENA HOLDINGS INC - Form 10-K

Investing activities:			
Return of capital from investments in subsidiaries .....	--	615	
	-----	-----	
Net cash provided by investing activities .....	--	615	
	-----	-----	
Financing activities:			
Issuance of common stock--net .....	--	--	
	-----	-----	
Net cash provided by financing activities .....	--	--	
	-----	-----	
Net increase (decrease) in cash and cash equivalents .....	(110)	(19)	
Cash and cash equivalents at beginning of year .....	4,085	4,104	
	-----	-----	
Cash and cash equivalents at end of year .....	\$ 3,975	\$ 4,085	\$
	=====	=====	
Non-cash transactions:			
Issuance of stock options .....	\$ 16	\$ 16	\$

Note: Pursuant to an existing tax sharing agreement, the Company began allocating federal income tax expense to one of its subsidiaries, Siena Housing Management, on January, 1, 2000.

-41-

SCHEDULE III--REAL ESTATE AND ACCUMULATED DEPRECIATION

SIENA HOLDINGS, INC. AND SUBSIDIARIES  
(in thousands)

Description	Encumbrances	Initial cost to Company		Cost capitalized	
		Land	Buildings and improvements	Improvements	
185.1 gross acres of unimproved land in Allen, Texas (the "Allen property").....	--	\$ 4,800*	\$ --	\$ 451	\$

Gross amount at which carried at close of June 30, 2001 (\*\*)

Description	Land	Buildings and improvements	Total	Accumulated depreciation	D
185.1 gross acres of					cons

Edgar Filing: SIENA HOLDINGS INC - Form 10-K

unimproved land in Allen,  
Texas (the "Allen  
property")..... \$ 4,570            \$            --            4,570            \$            --            N/

---

The changes in the investment in real estate is as follows (in thousands):

	Years Ended June 30		
	2001	2000	1999
	\$ 4,949	\$ 4,879	\$ 4,800
Additions during the year:			
Improvements, etc .....	303	70	79
	303	70	79
Deductions during the year:			
Cost of real estate sold ...	(682)	--	--
	(682)	--	--
	\$ 4,570	\$ 4,949	\$ 4,879

\* The fair market value of the property on the date the Company adopted fresh-start accounting (see "Item 8. Financial Statements and Supplementary Data--Significant Accounting Policies" footnote).

\*\* The aggregate cost for Federal income tax purposes of the Allen property at June 30, 2001, 2000 and 1999 is \$6.15 million, \$6.74 million and \$6.67 million, respectively.

-42-

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Directors of the Registrant

The Company held its Annual Meeting of Stockholders on December 15, 2000, and elected the following five directors to serve until the next annual meeting and until their successors are elected and qualified:

JOHN P. KNEAFSEY -- Chairman and Chief Executive Officer of the Company, since October 1996; President, Pathfinder Advisory Services, Inc., since 1997; Senior Vice President - Investments, Prudential Securities, Inc., from 1980 to 1997. Age 54.

## Edgar Filing: SIENA HOLDINGS INC - Form 10-K

ERIC M. BODOW-- Chief Administrative Officer, GEM Capital Management, Inc., since 1998; Senior Vice President, Sagner/Marks, Inc., from 1992 to 1998; Vice President, First National Bank of Chicago, from 1985 to 1992. Age 57.

JAMES D. KEMP-- Principal, Antaeon Solutions, LLC, since 1997; President and Chief Executive Officer, The Trust Company, N.A., from 1996 to 1997; President and Chief Executive Officer, Kemp Consulting, from 1992 to 1997; President, Ameritrust Texas, N.A., from 1980 to 1992. Age 54.

MATTHEW S. METCALFE -- Chairman and President, Airland Corporation; Director Emeritus, Amsouth Bancorporation; Member, State of Alabama Oil and Gas Board; Chairman, Mobile Airport Authority. Age 70.

FRANK B. RYAN-- Professor of Mathematics at Rice University (currently on leave); Director, Danielson Holding Corporation; Director, Texas Micro, Inc.; Director, America West Airlines, Inc. Age 65.

### Executive Officers of the Registrant

The following two executive officers were approved by the Board of Directors and given separate five year retention agreements effective December 1, 1997:

JOHN P. KNEAFSEY-- Chief Executive Officer of the Company. See information under "Directors of the Registrant" above.

W. JOSEPH DRYER-- President and Chief Accounting Officer of the Company since October 4, 1996, prior thereto, Senior Vice President from January 1995; President and Director of Russian River Energy Co. from 1992 to 1994; President and Director of Geothermal Resources International, Inc. since 1994, prior thereto, an officer since 1984; and President of Worldcorp, Inc. since May, 2000. Age 46.

### Item 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated herein by reference to the information contained in the Proxy Statement relating to the Company's fiscal year 2001 Annual Meeting of Stockholders which will be filed with the SEC no later than 120 days after the close of the fiscal year ended June 30, 2001.

-43-

### Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this Item is incorporated herein by reference to the information contained in the Proxy Statement relating to the Company's fiscal year 2001 Annual Meeting of Stockholders which will be filed with the SEC no later than 120 days after the close of the fiscal year ended June 30, 2001.

### Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

None.

-44-

PART IV



**Edgar Filing: SIENA HOLDINGS INC - Form 10-K**

Item 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) Documents filed as part of this report:

(i) The following consolidated financial statements are included in Item 8.

	Pages
	-----
Consolidated Balance Sheets--June 30, 2001 and 2000.....	16
Statements of Consolidated Operations and Comprehensive Income--Years Ended June 30, 2001, 2000 and 1999.....	17
Statements of Consolidated Stockholders' Equity--Years Ended June 30, 2001, 2000 and 1999.....	18
Statements of Consolidated Cash Flows--Years Ended June 30, 2001, 2000 and 1999.....	19
Notes to Consolidated Financial Statements.....	20

(ii) The following financial statement schedules are included in Item 8:

Schedule I--Condensed Financial Information of Registrant.....	39
Schedule III--Real Estate and Accumulated Depreciation.....	42

All other schedules are omitted as the required information is inapplicable or the information is presented in the Consolidated Financial Statements or related notes.

Financial statements (and summarized financial information) of unconsolidated subsidiaries and 50- Percent-or-Less-Owned Persons accounted for by the equity method are not presented because they do not, individually or in aggregate, constitute a significant subsidiary.

(b) Exhibits:

Exhibit  
Number  
-----

(21) List of subsidiaries of Registrant.

(c) Reports on Form 8-K:

On October 30, 2000, the Company filed with the Commission a current report on Form 8-K relating to the sale of real estate property, which is discussed in greater detail under the "Investment in Real Estate" footnote in this report.

On February 27, 2001, the Company filed with the Commission a current report on Form 8-K relating to the sale of real estate property, which is discussed in greater detail under the "Investment in Real Estate" footnote in this report.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

Edgar Filing: SIENA HOLDINGS INC - Form 10-K

SIENA HOLDINGS, INC.  
Registrant

Date: September 26, 2001

/S/ W. JOSEPH DRYER

-----  
W. Joseph Dryer  
Principal Accounting Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date: September 26, 2001

/S/ W. JOSEPH DRYER

-----  
W. Joseph Dryer  
President

Pursuant to the requirements of the Securities Exchange Act of 1934 and in response to General Instruction D to Form 10-K, this report has been signed below on behalf of the registrant by the following directors on the dates indicated.

Date: September 26, 2001

By /S/ JOHN P. KNEAFSEY

-----  
(John P. Kneafsey, Chairman)

Date: September 26, 2001

By /S/ ERIC M. BODOW

-----  
(Eric M. Bodow)

Date: September 26, 2001

By /S/ JAMES D. KEMP

-----  
(James D. Kemp)

Date: September 26, 2001

By /S/ MATTHEW S. METCALFE

-----  
(Matthew S. Metcalfe)

Date: September 26, 2001

By /S/ FRANK RYAN

-----  
(Frank Ryan)