SIENA TECHNOLOGIES, INC.
Form 10-Q
May 15, 2008

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

FORM 10-Q

(Mark One)

þ **QUARTERLY REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2008

OR

o **TRANSITION REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________

Commission file number 000-25499

SIENA TECHNOLOGIES, INC.
(Exact name of small business issuer as specified in its charter)

Nevada State or other jurisdiction of Incorporation or organization	88-0390360 (IRS Employer Identification Number)
5625 South Arville Street, Suite E, Las Vegas Nevada (Address of principal executive offices)	89118 (Zip Code)

(702) 889-8777
(Issuer's telephone number, including area code)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the Issuer was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No þ

As of May 9, 2008 there were 42,163,691 shares of common stock issued and outstanding, $0.001 par value.

Transitional Small Business Disclosure Format (check one) Yes o No þ

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PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

SIENA TECHNOLOGIES, INC.
CONSOLIDATED BALANCE SHEETS

	March 31, 2008 (Unaudited)	December 31, 2007 (Restated)
ASSETS:		
CURRENT ASSETS		
Cash	$ 1,835	$ 1,835
Current Assets of Discontinued Operations (Note 6)	3,541,004	2,850,238
Prepaid Expenses	26,540	-
Total Current Assets	3,569,379	2,852,073
TOTAL ASSETS	$ 3,569,379	$ 2,852,073
LIABILITIES & STOCKHOLDERS' DEFICIT:		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	$ 109,362	$ 124,411
Current Liabilities of Discontinued Operations (Note 6)	6,085,546	4,996,036
Current Portion of Notes Payable	3,747	9,747
Current Portion of Related Party Notes Payable (Note 5)	360,000	-
Fair Market Value of Derivative Liabilities (Note 4)	8,532	8,124
Total Current Liabilities	6,567,187	5,138,318
NONCURRENT LIABILITIES		
Notes Payable	377,727	377,727
Related Party Notes Payable (Note 5)	8,422,570	8,422,570
Total Noncurrent Liabilities	8,800,297	8,800,297
TOTAL LIABILITIES	15,367,484	13,938,615
COMMITMENTS & CONTINGENCIES (Note 7)		
STOCKHOLDERS' DEFICIT:		
Common Stock, $.001 par value; 100,000,000 shares authorized 42,163,691 shares issued and outstanding at March 31, 2008 and December 31, 2007, respectively	42,163	42,163
Additional Paid-in Capital	29,623,891	29,605,537
Shares to be Issued	163	163
Accumulated Deficit	(41,464,322)	(40,734,405)
Total Stockholders' Deficit	(11,798,105)	(11,086,542)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$ 3,569,379	$ 2,852,073

The accompanying notes are an integral part of these consolidated financial statements.

SIENA TECHNOLOGIES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended March 31, 2008	Three Months Ended March 31, 2007 As Restated
REVENUE		
Sales	$ -	$ -
Cost of Goods Sold	-	-
GROSS PROFIT	-	-
OPERATING EXPENSES		
Investor Relations	19,935	71,692
Stock Option Expense	18,354	81,137
Other Operating Expenses	107,153	21,393
Total Operating Expenses	145,442	174,222
LOSS FROM CONTINUING OPERATIONS	(145,442)	(174,222)
OTHER INCOME AND EXPENSE		
Interest Expense	(67,068)	(119,756)
Change in Fair Value of Derivatives	(408)	1,865,372
Total Other Income and Expenses	(67,476)	1,745,616
LOSS FROM DISCONTINUED OPERATIONS	(516,999)	(1,136,240)
Net Income	$ (729,917)	$ 435,154
Basic Earnings Per Common Share	$ (0.02)	$ 0.01
Diluted Earnings Per Common Share	$ (0.02)	$ 0.01
Weighted Average Shares Used to Compute Basic Earnings Per Common Share	42,163,691	39,071,211
Weighted Average Shares Used to Compute Diluted Earnings Per Common Share	42,163,691	46,455,168

The accompanying notes are an integral part of these consolidated financial statements.

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SIENA TECHNOLOGIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended March 31, 2008		Three Months Ended March 31, 2007 As Restated	
CASH USED IN OPERATING ACTIVITIES:				
Net loss (income)	$	(729,917)	$	435,154
Adjustments to reconcile net income to net cash used in operating activities				
Stock issued for services		-		30,000
Amortization of debt discount		60,000		—
Change in fair value of derivative liabilities		408		(1,865,372)
Stock option expense		18,354		81,137
Accretion of notes payable balances		-		21,973
Changes in operating assets and liabilities				
Decrease (increase) in assets of discontinued operations		(690,766)		712,026
(Increase) decrease in prepaid expenses		(26,540)		-
(Decrease) increase in accounts payable		(15,049)		(636,872)
Increase (decrease) in liabilities of discontinued operations, net		1,089,510		(1,061,048)
NET CASH USED IN OPERATING ACTIVITIES		(294,000)		(2,283,002)
CASH PROVIDED BY FINANCING ACTIVITIES:				
Proceeds from related party debt		300,000		—
Payments on related party debt		-		(30,000)
Net proceeds from issuance of stock		-		1,132,000
Proceeds from note payable		-		6,576
Payments of notes payable		(6,000)		(6,000)
NET CASH PROVIDED BY FINANCING ACTIVITIES		294,000		1,102,576
NET DECREASE IN CASH & CASH EQUIVALENTS		-		(1,180,426)
BEGINNING CASH & CASH EQUIVALENTS		1,835		1,211,789
ENDING CASH & CASH EQUIVALENTS	$	1,835	$	31,363
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION				
Cash paid for interest	$	12,188	$	15,099
Cash paid for income taxes	$	—	$	—
SUPPLEMENTAL DISCLOSURES OF NON-CASH TRANSACTIONS				
Accrued commissions in connection with private placement	$	-	$	10,000

Issuance of warrants in connection with private placement	$	-	$	1,045,182

The accompanying notes are an integral part of these consolidated financial statements.

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SIENA TECHNOLOGIES, INC.
CONSOLIDATED FOOTNOTES TO THE FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007
(Unaudited)

NOTE 1 - DESCRIPTION OF BUSINESS

On October 25, 2006, Network Installation Corp. ("NIC") changed its name to Siena Technologies, Inc. (the "Company"). The Company was incorporated on March 24, 1998 under the laws of the state of Nevada. The Company has three wholly owned subsidiaries, Kelley Communication Company, Inc. ("Kelley"), Com Services, Inc. ("COM") and Network Installation Corporation ("Network"), all of which have been discontinued.

ACQUISITION OF KELLEY COMMUNICATION COMPANY, INC.

Pursuant to an acquisition agreement, the Company acquired 100% of the outstanding common stock of Kelley Communication Company, Inc., a Nevada corporation, on September 22, 2005, in exchange for common stock. The results of Kelley's operations have been included in the accompanying consolidated financial statements since that date. Kelley is a Las Vegas, Nevada-based business focused on the design, project management, installation and deployment of data, voice, video, audio/visual, security and surveillance systems, entertainment and special effects, and telecom systems.

The aggregate purchase price was $10,232,101, all of which was paid by issuing 14,016,577 shares of the Company's common stock. The value of the shares of common stock was determined based on the average market price of the Company's common stock on the ten trading days prior to September 22, 2005. The purchase price was determined by taking into account many factors including the reputation that Kelley had amassed in its industry over the preceding 18 years, the reputation of Kelley's founder, James Michael Kelley, having been in the business for over 40 years, Kelley's estimate of 2005 projected revenues, and Kelley's debt obligations at the time of closing.

The audit of Kelley as of September 22, 2005 has not been completed. However, the Company's preliminary financial analysis and due diligence related to the acquisition is complete. Kelley's unaudited balance sheet as of the date of the acquisition is as follows:

Cash	$ 177,495
Accounts receivable	1,234,668
Inventory	965,927
Costs in excess of billings	488,370
Other assets	5,599
Fixed assets	713,220
Accumulated depreciation	(407,534)
Goodwill	11,144,216
Accounts payable	(879,995)
Notes payable	(2,297,227)
Billings in excess of earnings	(912,638)
Total	$ 10,232,101

At December 31, 2007, upon the completion of an impairment review of the Goodwill related to the acquisition of Kelley, management decided to write down goodwill by $7,344,216, resulting primarily from lower than expected gross margins and the continued significant cash flow challenges faced by Kelley. The Company had recorded a $3,700,000 impairment losss on the goodwill recorded for the Kelley acquisition in 2005 and therefore will no longer carry goodwill relating to Kelly as the Company is unable to support the opinion that operations and cashflow will

improve at Kelly.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES PRINCIPLES OF CONSOLIDATION

The accompanying consolidated financial statements include the accounts of the Company and its 100% owned subsidiaries. All significant inter-company accounts and transactions have been eliminated in consolidation. The results of each of the company's subsidiaries have been included in Loss from Discontinued Operations in the Company's accompanying consolidated financial statements.

These condensed interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("US GAAP").

The interim results of operations are not necessarily indicative of the results to be expected for the fiscal year ending December 31, 2008. The Company's financial statements contained herein are unaudited and, in the opinion of management, contain all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of financial position, results of operations and cash flows for the period presented. The Company's accounting policies and certain other disclosures are set forth in the notes to the consolidated financial statements contained in the Company's Annual Report on Form 10-KSB for the year ended December 31, 2007. These financial statements should be read in conjunction with the Company's audited consolidated financial statements and notes thereto. The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

USE OF ESTIMATES

The preparation of financial statements, in conformity with US GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates made in preparing these financial statements include analysis of the value of goodwill, the fair value of derivative financial instruments such as warrants, the issuance of common stock for services, and useful lives for depreciable and amortizable assets. Actual results could differ from those estimates.

STOCK-BASED COMPENSATION

In December 2004, the FASB issued SFAS No. 123 (Revised), "Share-Based Payment" ("SFAS 123(R)"). SFAS 123(R) replaces SFAS 123 and supersedes APB 25. SFAS 123(R) is effective as of the beginning of the first interim period or annual reporting period that begins after December 15, 2005. SFAS 123(R) requires that the costs resulting from all share-based payments transactions be recognized in the financial statements. SFAS 123(R) applied to all awards granted after the required effective date and shall not apply to awards granted in periods before the required effective date, except if prior awards are modified, repurchased, or cancelled after the effective date.

The following table sets forth the Company's stock option grants, exercise prices, stock option grants forfeited and certain vesting periods and amounts vested at March 31, 2008.

Date(s) of Grant	Stock Options Granted	Exercise Price	Stock Options Forfeited	Stock Options Remaining	Cliff Vesting Period
10/20/2005	972,500	0.79	535,000	437,500	23 months
3/30/2006	1,347,500	0.42	1,192,500	155,000	33 months
6/2/2006	600,000	0.41	0	600,000	33 months
8/8/2006	192,500	0.21	80,000	112,500	33 months
9/1/2006	350,000	0.42	0	350,000	33 months
9/21/2006	750,000	0.39	750,000	0	27 months
9/25/06 to 2/1/2007	200,000	0.27 to 0.42	125,000	75,000	33 months

Balance at March 31, 2008	4,412,500		2,682,500	1,730,000

NOTE 3 - GOING CONCERN

The accompanying consolidated financial statements have been prepared in conformity with generally accepted accounting principles in the United States of America, which contemplates continuation of the Company as a going concern. However, the Company has an accumulated deficit of ($41,464,322), and is generating losses from operations. The continuing losses have adversely affected the liquidity of the Company. The Company faces continuing significant business risks, including, but not limited, to its ability to maintain vendor and supplier relationships by making timely payments when due.

In view of the matters described in the preceding paragraph, recoverability of a major portion of the recorded asset amounts shown in the accompanying balance sheet is dependent upon continued operations of the Company, which in turn is dependent upon the Company's ability to raise additional capital, obtain financing and to succeed in its future operations. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. In the past twelve months, management has taken the following steps to improve its results of operations and financial condition, which include: (i) completed the discontinuance of operations of Network and COM, (ii) completed a second restructuring of all of the Company's outstanding debt with more cashflow-sensitive payment terms, (iii) reduced head count (iv) raised an additional $2.36 million in promissory note advances (v) sold our investment in Tuscany Broadband for proceeds of approximately $775,000, reached agreement in principle on the sale of Kelley, which will include the disposition of approximately $2.5 million in net liabilities.

NOTE 4 - DERIVATIVE LIABILITIES

The fair market value of derivative liabilities consisted of the following:

	March 31, 2008	December 31, 2007
Derivative liability, warrants exchanged for common stock on March 10, 2007, initial value	$ 1,497,416	$ 1,497,416
Cumulative adjustments to record fair market value of derivative liability	(1,497,416)	(1,497,657)
Subtotal	-	5,759
Derivative liability, warrants related to private placement on November 13, 2006, initial value	729,820	729,820
Cumulative adjustments to record fair market value of derivative liability	(728,933)	(729,098)
Subtotal	887	722
Derivative liability, warrants related to private placement on January 23, 2007, initial value	1,045,182	1,045,182
Cumulative adjustment to record fair market value of derivative liability	(1,043,189)	(1,043,539)
Subtotal	1,993	1,643
Derivative liability, warrants related to Dutchess debt financing on July 17, 2007, initial value	30,000	30,000
Adjustment to record fair market value of derivative liability	(24,348)	(30,000)
Subtotal	5,652	-
Total	$ 8,532	$ 8,124

NOTE 5 - RELATED PARTY TRANSACTIONS

On July 17, 2007, the Company entered into an Agreement with Dutchess (the “July 2007 Agreement”), providing for, among other things, additional funding from Dutchess in the amount of $2,000,000 (the “Additional Financing”). The Additional Financing shall be added to the then outstanding principal amount of the Note and such Note shall be modified to reflect all appropriate increases in the Company’s monthly payments to Dutchess. Further, pursuant to the July 2007 Agreement, Dutchess shall have the right to appoint three (3) members to the Company’s Board of Directors, whose total number shall remain at five (5), and such appointments shall continue until the New Note is repaid in full; during such time that the New Note is outstanding, Dutchess may remove and replace any of its appointed members. The July 2007 Agreement further provided for certain conditions to closing, all of which have been satisfied.

Pursuant to the July 2007 Agreement, the Company and Dutchess executed an Addendum to Note, dated July 17, 2007 (the “Addendum”) modifying the Note such that the Additional Financing shall be added to the principal amount of the Note, totaling in the aggregate approximately $8,384,726 (the “New Note”). As provided in the Note, the New Note bears interest at a rate of seven percent (7%) per annum and is secured by all the assets of the Company, as evidenced by that certain Amended and Restated Security Agreement between the Company and Dutchess, dated July 17, 2007 (“Amended Security Agreement”). The New Note is due and payable on or before January 1, 2012. The Company also issued Dutchess a five year warrant to purchase 3,000,000 shares of the Company’s common stock at four cent ($0.04) per share (the “Warrant”). The Warrant provides for certain anti-dilution provisions and cashless exercise in the event that the Company does not have an effective registration statement covering the shares of common stock underlying the Warrant on or before one year from the date of issuance of the Warrant. The Company also entered into a Negative Pledge, dated July 17, 2007 (the “Negative Pledge”), providing that the Company will not

grant, any lien, charge, security interest, hypothec, mortgage or encumbrance of any nature or kind over any of the property stated in the Amended Security Agreement.

In connection with the Agreement, the Company paid Dutchess closing costs of $50,000.

The Company is obligated to make the following principal and interest payments for the years ended March 31 :

2008	$ 840,000
2009	1,800,000
2010	2,400,000
2011	3,000,000
January 1, 2012	2,195,738
Total	$ 10,235,738

In the event of a default on the new promissory note, Dutchess has the right to declare the full and unpaid balance of the new note due and payable, and enforce each of its rights under the convertible debentures and warrants previously retired as of June 30, 2006, including conversion into and/or purchase of shares of the Company’s common stock.

NOTE 6 - DISCONTINUED OPERATIONS

On March 17, 2008, the Company determined it would dispose or sell the assets and liabilities associated with Kelley. The business was underperforming and consistent profits derived from the business model did not appear possible under the operating structure in place. In conjunction with this decision, the company has accrued approximately $100,000 to cover the costs of disposing of the Kelley subsidiary.

In the second quarter of 2006, the Company finalized its plans to shut down its operations at its Network and COM subsidiaries. The Company decided to close down these operations primarily because they were incurring operating losses, had low gross margins and were experiencing cash flow shortages, in addition to the fact that these businesses were not consistent with the core business of the Company's subsidiary, Kelley. In conjunction with this decision, the Company accrued $150,000 to cover the costs of closing network and com. The net assets and liabilities of the discontinued operations at March 31, 2008 and December 31, 2007 consists of the following;

		March 31, 2008		December 31, 2007
Assets of discontinued operations				
Cash	$	306,788	$	375,959
Accounts receivable, net		1,459,205		1,207,544
Inventory		1,522,710		903,196
Fixed assets, net		148,741		167,660
Other Assets		103,561		195,879
Total assets	$	3,541,005	$	2,850,238
Liabilities of discontinued operations				
Accounts payable and accrued expenses	$	1,840,062	$	1,787,965
Notes Payable		1,978,419		1,795,171
Billings in excess of costs		2,267,065		1,412,900
Total liabilities		6,085,546		4,996,036
Net liabilities of discontinued operations	$	2,544,541	$	2,145,798

The Company ceased all depreciation of Kelley fixed assets as of March 17, 2008, in accordance with Financial Accounting Standards Board No.144. ("FASB 144")

Loss from discontinued operations in the Company's Statements of Operations consists of:

	Year Ended ended December 31	
	2008	2007 As Restated
Sales	$ 1,853,011	$ 1,261,416
Cost of Goods sold	1,710,817,	961,042
Gross Profit	142,194	300,374
Salaries	389,657	961,736
Rent	54,953	48,248
Contingency accrual	100,000	150,000
Interest expense	26,062	42,754
Other	88,521	233,876
Loss from Discontinued Operations	$ (516,999)	$ (1,136,240)

FOOTNOTE 7 - COMMITMENTS & CONTINGENCIES

Siena may be involved in litigation, negotiation and settlement matters that may occur in the day-to-day operations of the Company and its subsidiaries. Management is not aware of any current pending litigation.

OTHER COMMITMENTS

Kelley is obligated to pay rent amounts as follows:

For the 12 months ended March 31:

2009	$ 67,500

Kelley is obligated to pay $10,000 per month through December 31, 2010 related to an exclusive reseller agreement with a software company.

The Company is obligated to pay its former Chief Executive Officer and its former Chief Financial Officer the remaining balance of $39,000 as of March 31, 2008 as a result of separation agreements dated May 25, 2007.

FOOTNOTE 8 - BASIC AND DILUTED NET INCOME (LOSS) PER SHARE

Net loss per share is calculated in accordance with the Statement of Financial Accounting Standards No. 128 (SFAS No. 128), "Earnings Per Share". Basic net loss per share is based upon the weighted average number of common shares outstanding. For all periods, all common stock equivalents were excluded from the calculation of diluted loss per common share because they were anti-dilutive, due to our net losses.

Stock options, which would have had an anti-dilutive effect on the net loss per common share once exercised, to purchase 1,730,000 and 3,685,000 shares of common stock remained outstanding as of March 31, 2008 and 2007, respectively. These stock options have various vesting periods between two and three years from the date of grant.

Warrants, which would have an anti-dilutive effect on the net loss per common share once exercised, to purchase 23,942,145 and 16,710,895 shares of common stock remained outstanding as of March 31, 2008 and 2007, respectively, at strike prices that vary from $0.01 to $0.79 and $0.01 to $0.88 per share, respectively.

Certain debts which were restructured by the Company during 2008 and 2007, remained outstanding as of December 31, 2008 and 2007, respectively. These debts carry certain provisions allowing for the lenders, namely Dutchess, to void the restructuring transactions in the event of default by the Company. In the event of default and the removal of the restructured terms of the debts, the debts would become convertible at the lender's option at any time, at a conversion price which would be approximately 75% of the fair market value of the Company's common stock. The Company currently estimates the shares these debts would potentially be convertible into would be approximately 731,000,000 shares of the Company's common stock using the fair market value of the Company's common stock as of December 31, 2008. There are other restrictions within the terms of the agreements with these lenders which might limit the amount of shares the debts were convertible into, in this scenario, but the Company cannot be sure those terms would limit a conversion into a significant number of shares of the Company's common stock.

FOOTNOTE 9 - SUBSEQUENT EVENTS

On March 17, 2008, the Board of Directors, believing it to be in the best interests of the Company and its shareholders, approved the sale of the assets (the "Asset Sale") of the Company's wholly owned subsidiary, Kelley Communication Company, Inc., a Nevada corporation ("Kelley Communication") pursuant to the terms of a certain Asset Purchase Agreement by and among our Company, Kelley Communication, Mr. James Michael Kelley, and Kelley II, LLC, a newly formed Nevada limited liability company ("Kelley II").

Mr. Kelley owns 100% of the limited liability company membership interests of Kelley II, and is its sole managing member. Additionally, he may be deemed to be the beneficial owner of approximately 13,816,577 shares of Siena's capital stock owned by Kelley II (the "Kelley Shares"). He is also a former director, who served on our Board from September 22, 2005 until January 2008. Mr. Kelley transferred the Kelley Shares to Kelley II for purposes of consummating the transactions contemplated by the Asset Purchase Agreement.

On April 7, 2008, we entered into the Asset Purchase Agreement with Mr. Kelley, Kelley II and Kelley Communication, pursuant to which we have agreed to sell certain of Kelley Communication's assets to Kelley II. Such tangible and intangible assets of Kelley Communication, include, but are not limited to, all equipment, all rights of the Kelly Communication against vendors, all customer lists, files and related information, all inventory, all rights of the Kelly Communication under certain contracts, all permits, all intellectual property of Kelly Communication, including trademarks, service marks, trade names, domain names, web sites, phone, fax and email addresses, all rights or choses in action following the closing of the acquisition related to Kelly Communication's business, all books and records, all computer software, hardware, data rights and documentation, all cash and cash equivalents, and all goodwill related to these assets. A complete description of the assets sold is set forth in the Asset Purchase Agreement.

In exchange for the sale of the assets, Kelley II assumed certain liabilities of Kelley Communication, which include, but are not limited to, the liabilities, if any, relating to the Obligations and Liabilities (each as defined in the Asset Purchase Agreement) of Kelly Communication and Siena with respect to the sale of Tuscany Services, LLC, with respect to that certain Settlement Agreement dated January 31, 2008, by and between Kelly Communication, Kelley Technologies, LLC, Michael Kelley, Siena, Lisa Cox, individually and as Special Administratrix of the Estate of Stephen L. Cox, and with respect to that certain Confession of Judgment entered into by the District Court, Clark County, Nevada, dated December 1, 2008, in favor of Technology In Practice, LLC against Kelly Communication. A complete description of the liabilities assumed is set forth in the Asset Purchase Agreement.

Additionally, in exchange for the acquired assets, Kelley II assigned and transferred to Siena all of the Kelley Shares.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION.

The discussion and financial statements contained herein are for the three months ended March 31, 2008 and March 31, 2007. The following discussion should be read in conjunction with our financial statements and notes included herewith.

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements that involve risks and uncertainties. We generally use words such as "believe," "may," "could," "will," "intend," "expect," "anticipate," "plan," and similar expressions to identify forward-looking statements, including statements regarding our ability to continue to create innovative technology products, our ability to continue to generate new business based on our sales and marketing efforts, referrals and existing relationships, our financing strategy and ability to access the capital markets and other risks discussed in our Risk Factor section included in our Form 10-KSB at and for the year ended December 31, 2007. Although we believe the expectations expressed in the forward-looking statements included in this Form 10-Q are based on reasonable assumptions within the bounds of our knowledge of our business, a number of factors could cause our actual results to differ materially from those expressed in any forward-looking statements. We cannot assure you that the results or developments expected or anticipated by us will be realized or, even if substantially realized, that those results or developments will result in the expected consequences for us or affect us, our business or our operations in the way we expect. We caution readers not to place undue reliance on these forward-looking statements, which speak only as of their dates. We do not intend to update any of the forward-looking statements after the date of this document to conform these statements to actual results or to changes in our expectations, except as required by law.

THREE MONTH PERIOD ENDED MARCH 31, 2008 AS COMPARED TO THE THREE MONTH PERIOD ENDED MARCH 31, 2007, AS RESTATED

RESULTS OF OPERATIONS

SALES

Sales for the three months ended March 31, 2008 were $0 compared to $0 for the three months ended March 31, 2007. All operations at Kelley, COM and Network have been discontinued. Therefore, no revenues are presented for the three months ended March 31, 2008 and 2007. The Company had no operating entities that were continuing to generate revenues.

COST OF GOODS SOLD

Cost of goods sold for the three months ended March 31, 2008 were $0 compared to $0 for the three months ended March 31, 2007. All operations at Kelley, COM and Network have been discontinued. Therefore, no costs of goods sold are presented for the three months ended March 31, 2008 and 2007. The Company had no operating entities that were continuing to generate revenues and costs of goods sold.

GROSS PROFITS

Gross profits for the three months ended March 31, 2008 were $0 compared to $0 for the three months ended March 31, 2007. All operations at Kelley, COM and Network have been discontinued. Therefore, no costs of goods sold are presented for the three months ended March 31, 2008 and 2007. The Company had no operating entities that were continuing to generate gross profits.

OPERATING EXPENSES

Operating expenses for the three months ended March 31, 2008 amounted to $145,442 compared to $174,222 for the three months ended March 31, 2007. The decrease was primarily due to a decrease in stock option expense for the three months ended March 31, 2008 of $62,783 as compared to the three months ended March 31, 2007. The Company's former executives held a significant number of stock options which were no longer being amortized in 2008.

OTHER INCOME (EXPENSE)

Other income for the three months ended March 31, 2008 was $(67,476) compared to $1,745,616 for the three months ended March 31, 2007. The decrease in other income is primarily due to decrease in the change in fair market value of derivatives from $1,865,372 to $(408) for the three months ended March 31, 2008.

NET INCOME

Net Income for the three months ended March 31, 2008 was $(729,917) compared to $435,154 for the three months ended March 31, 2007 due to the reasons set forth above.

BASIC AND DILUTED INCOME PER SHARE

Our basic and diluted net income per share for the three months ended March 31, 2008 and March 31, 2007 was $(0.02) and $(0.01), respectively.

LIQUIDITY AND CAPITAL RESOURCES

As of March 31, 2008, our current assets were $3,569,379 and current liabilities were $6,567,187. Cash and cash equivalents were $1,835. Our stockholders' deficit at March 31, 2008 was ($41,464,322). We had a net usage of cash from operating activities for the three months ended March 31, 2008 and 2007 of ($294,000) and ($2,283,002), respectively. We had a net usage of cash from investing activities for the three months ended March 31, 2008 and 2007 of $0 and $0, respectively. We had net cash provided by financing activities of $294,000 and $1,102,576 for the three months ended March 31, 2008 and 2007, respectively.

Historically, we have operated from a cash flow deficit funded by outside debt and equity capital raised including funds provided by Dutchess and Preston Capital Partners, Inc. without the continued availability of external funding, we would have to materially curtail our operations and plans for expansion. Our plan to continue operations in relation to our going concern opinion is to continue to secure additional equity or debt capital although there can be no guarantee that we will be successful in our efforts.

FINANCING ACTIVITIES

On January 7, 2008, January 30, 2008 and March 20, 2008, Siena issued Dutchess promissory notes in the face amount of $126,000, $120,000 and $120,000 for gross proceeds of $105,000, $100,000 and $100,000. The promissory notes bear interest at 12% per annum and mature on March 19, 2008, July 20, 2008 and September 20, 2008.

In the event of a default on the promissory notes issued by the Company in 2008 and for those promissory notes issued in 2007, the holder has the right to declare the full and unpaid balance of the new note due and payable, and enforce each of its rights to convert the promissory notes into the Company's common stock at a discounted rate.

MATERIAL TRENDS AND UNCERTAINTIES

The Company expects to become a shell company once the divestive of Kelley is completed and has ceased operations at Kelley.Should our cash flow shortfalls continue, and should we be unsuccessful in raising capital, it will have an adverse impact on our relationships with our vendors and may impact our ability to service our clients and deliver our projects on time and on budget, which will have an adverse impact on our financial condition and results of operations. While we are actively assessing our cash flow needs and pursuing multiple avenues of financing and cash flow generation, there can be no assurance that our activities will be successful. If our fundraising efforts are not successful, it is likely that we will not be able to meet our obligations as they come due and we will then seek to scale back operations, including reductions in head count and other general and administrative expenses, which may have a detrimental impact on our ability to continue as a going concern.

Additionally, if our fundraising efforts are unsuccessful, we may default under the terms of all of our loan agreements. If we default under the terms of our loan agreements with Dutchess, James Michael Kelley or Robert Unger, the other party to such agreement has the right to reinstate the previous terms of our loans with that party prior to the debt restructuring. Therefore, if we default under the terms of our Debt Restructuring agreements with Dutchess, James Michael Kelley or Robert Unger, the 5,954,000 warrants that were cancelled will be reissued, which, if exercised could cause substantial dilution to our other shareholders. Additionally, our Loan Restructure Agreement with Dutchess and our Loan Restructure Agreement with Preston cancelled an aggregate of $7,675,000 face amount of convertible debentures that had been issued to Dutchess and Preston. If we default under the terms of these Debt Restructuring agreements, the other party to such agreement has the right to reinstate the terms of our loans with that party prior to the Debt Restructuring. Therefore, if we default under our Debt Restructuring agreements with Dutchess or Preston, the convertible debentures could be reissued, which could create substantial dilution to our shareholders.

It is our intention to continue to focus our sales and marketing efforts on our core competencies in the design and build of low voltage systems and deploy our expertise in hi-end design, build and project management for our hotel and casino customers, our high rise MDU customers as well as other commercial and residential buildings that are using “smart building technologies” similar to those that we provide. In addition, we will continue to focus our sales efforts on exploiting our exclusive rights to sell Techcierge™, a building amenity and management software and our reseller rights to sell building security hardware and software to building owners, developers and management companies. However, there can be no assurance that we will be successful in our sales efforts, nor can there be any assurance given that even if we are successful in attracting new customers, that we will be able to finance our short term capital needs or that we will be able to deliver our services with sufficient gross margins and profits.

SUBSIDIARIES

As of March 31, 2008, we had three wholly-owned subsidiaries, Kelley Communication Company, Inc., Com Services, Inc. and Network Installation Corporation, all of which have been discontinued.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable

ITEM 4. CONTROLS AND PROCEDURES.

As of May 15, 2008, management, including the Interim Chief Executive Officer, conducted an evaluation of disclosure controls and procedures (as defined in Exchange Act Rule 13a-15 (e)) pursuant to Exchange Act Rules 13a-14 and 13a-15 as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that such disclosure controls and procedures are effective. During the three months ended March 31, 2008, there have been no changes in internal controls, or in factors that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

We may be involved in litigation, negotiation and settlement matters that may occur in our day-to-day operations. Management does not believe the implication of this type of litigation willhave a material impact on our financial statements.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

NONE.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

NONE.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

NONE.

ITEM 5. OTHER INFORMATION.

NONE.

ITEM 6. EXHIBITS.

Exhibits. No.	Description
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.
32.1	Certification of Officers pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith.

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SIGNATURE

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

	SIENA TECHNOLOGIES, INC. (Registrant)	
Date: May 15, 2008	By:	/s/ Anthony Delise Anthony Delise Interim Chief Executive Officer