

July 17, 1997

Diana will realize no gain from Concentric's offering or lawsuit.

Investors have sharply bid up Diana's shares anticipating that a possible \$29.5 million gain from Concentric Network Corporation's ("Concentric") planned initial public offering ("IPO") may alleviate the Company's "going concern" crisis. However, Diana has failed to disclose that Concentric will effect a 1 for 15 reverse stock split immediately prior to the offering. This makes Diana's Concentric investment immaterial. Based on the expected pricing, Diana will realize no gain from Concentric's IPO. In fact, at the expected price Diana would realize a 50% loss and generate under \$1.3 million.

The confusion arises from Diana's failure to file required financial statements. Diana has been unable to file its annual report because it "is experiencing a significant liquidity shortfall" that has impacted its "ability to continue as a going concern". As a result some investors relying on 6 month old financial statements are claiming Diana owns and can sell 1,890,876 Concentric shares and a warrant to purchase 551,470 additional Concentric shares at \$1.36 per share. This is not true. Adjusted for the 15 to 1 reverse split, Diana will own 126,058 non-registered Concentric shares and a warrant to purchase 36,765 additional Concentric shares at \$20.40 per share. These securities are only worth \$1.3 million, or \$1.2 million less than Diana's cost.

Investors are also fully expecting Diana to collect \$4.4 million in past due receivables from Concentric within two months. Payment is still not assured but Diana long ago accrued \$5.9 million in revenues related to this receivable. As a result, Diana will realize a loss, if it collects, of over \$1.5 million.

Diana is a defendant in nine (9) separate shareholder lawsuits accusing its managers of stock fraud. Diana's nine year old DSS products are obsolete. The company has been delisted, barred from NASDAQ and has no ability to generate profits or cash flow. In fact, Diana has announced fourth quarter sales of only \$1 million and recent quarterly expenses of over \$5.0 million. We believe that Diana has little or no chance of continuing as a going concern. As a result, we believe that Diana shares will give back all of their recent gains and may soon trade well below \$1 per share. We strongly recommend the sale of Diana shares.

The Diana Corporation (Symbol: DNAK) (Price: \$6.75)

Short selling involves a risk not associated with the purchase of stock including, but not only limited to, unlimited loss and stock borrowing risks. Additional information is available upon request.