

October 24, 1996

Investigation finds Diana's rebuttals to be completely untrue.

James J. Fiedler, Sattel's Chairman and Chief Executive Officer, has stated that Asensio & Company's report "did not contemplate the use of multiple frames". Mr. Fiedler also stated: "our line cards use Motorola single-chip processors" and that certain Sattel customers are switching SS7 calls with a DSS. These are the only Company statements that attempt to address our report and they are false and untrue. Diana has also made certain statements about Asensio & Company and its personnel, which are not related to the facts of the report.

The above statements are not the first or only false statements Diana has made in its product documentation, SEC filings, promotional internet home page, and press releases. The Company has repeatedly amended these documents, including its Form 10K and 10Q, as their contents have been shown to be blatantly false. We have chosen to respond to these statements because they are the only attempts the Company has made to rebut our report. We believe that the facts clearly show the extent of Sattel's misrepresentations and the accuracy of the report's findings.

Our report considers in great detail the use of multiple frames. We correctly calculated the maximum line side port capacity of a single frame and the number of frames required to reach Sattel's stated maximum scale claims. These calculations are clearly illustrated. We also discuss Sattel's attempts to connect two frames together, give an in-depth analysis of the linking problems and the reasons why the DSS can not reach the claimed maximum port size. Finally, we compare the scaling methods used by competing switches and discuss how it is impossible for Sattel to achieve their results. Mr. Fiedler's misrepresentation of Sattel's line card processing capability is just as blatantly false. The DSS switch only contains a DSP (Digital Signal Processing) card that uses processors to translate in-bound audio tones to digital signals, it does not have an on-board processor on each or any of its line cards. (See report for details on the importance of this issue.)

Sattel has claimed that its customers Light Communications and Data Communications are switching SS7 calls with a Sattel switch. We have investigated and found this to be false. We made this determination by demanding the name of the carrier providing the STP connection, the customer's point code address, and the point code addresses of the carriers and STPs connected to the customers DSS. Sattel and its customers have failed to provide this information, which if provided can be used to verify if in fact SS7 call are being received and switched. The truth exactly as described in our report. Sattel is telling their customers that the DSS has a communications board with an RS-232 port that can be used with an adjunct SS7 server. We believe it is impossible for any SS7 product to communicate with the DSS.

Sattel has no competitive product. Yet just as they did at Timeplex and Summa Four, Sattel's Mr. Fiedler, Mel R. Ethem and Tony Squeglia (with the help of others) have created an absurdity. Asensio & Company, Inc.'s Diana report is available to be viewed and down loaded on the internet at <http://www.popdata.com/Asensio/>

The Diana Corporation (NYSE Symbol: DNA) (Price: \$30.50)

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.