

October 15, 1996

Asensio & Company releases summary of Diana engineering study.

Sattel claims that its Digital Switching System ("DSS") telephone switch can handle up to 375,000 Busy Hour Call Attempts ("BHCA") and that the DSS is scalable from 96 line side ports to a maximum line side port capacity of 10,240 ports. Sattel also claims Signal System Seven ("SS7") and ISDN connectivity. The study released earlier today found that none of these claims are correct. In fact, it found inherent limitations in the DSS software and hardware design that make it technologically and economically unfeasible for the DSS to be modified to ever achieve these performance claims.

The DSS is slower, less scalable, more difficult to program and maintain than today's switches, and incompatible with modern peripherals. Sattel uses a centralized matrix, which is an old 1980's design technique that concentrates all switching logic on a single card. Modern products distribute the switching function. Sattel's line cards have no imbedded computing capability. In most current designs line cards have on-board processors that allow for more efficient operations and expansion. The Sattel switch runs on a software language called "Assembly" that today is rarely if ever used in system level designs. (In fact, Assembly software is today relegated for use in household devices such as blenders and microwave ovens.) This makes the DSS hard to maintain, difficult to interface and incompatible with the latest products that all use high level software languages such as C, C++ and Java. The DSS has no mass storage device or graphic user interface. Both of these features are standard today. These and many other serious deficiencies are discussed in detail in the report. We believe that these fundamental problems are insurmountable and that it would be easier to build a new product completely from scratch. We see no significant sales potential in Sattel and no turnaround in Diana's overall deteriorating business. We estimate Diana's value to be at less than \$5 per share.

The Diana Corporation (NYSE Symbol: DNA) (Price: \$32.50)

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.