

June 25, 1996

***Many of Diana's DataNet product claims are false. DNA shares remain grossly overvalued.***

Contrary to Diana's claims, DataNet does not eliminate the need for either a CSU/DSU or a modem pool. Diana has simply imbedded widely available CSU/DSUs and modems into their old telephone switch, which provides no enhancements or new features over existing products. Most of DataNet's features are of no use to ISPs and, despite the added cost, a terminal server is still required. Furthermore, the markets for both DataNet and the DSS switch are highly competitive and controlled by well managed technology based manufacturing companies. Diana possesses no technology or manufacturing capacity. We see no possible legitimate reason for DNA's current stock price and believe the stock will give back most or all of its 52 week gain.

While DNA shares have fallen sharply they still do not reflect the true unsophisticated nature of Diana's products. All of DataNet's features are widely available in other products at equal and lower prices. All of DataNet's features are widely available in other products at equal and lower prices. However, DataNet does not provide TCP-IP conversion and many other important features that are required by ISP's and that are commonly offered by terminal server products. DataNet's ability to utilize one circuit to carry transmissions from multiple circuits ("multiplexing") and to use the last expensive local signal ("flexible interface"), which form the basis for all its cost reduction claims, does not require any advanced technology. Diana's DataNet product offers no cost savings or feature enhancements that are not standard from other equipment manufacturers.

Diana has announced that Concentric Network Corp. plans to use its DataNet Switch as part of a scheme to back-haul subscribers. We do not see ISP resource sharing as a viable alternative to existing strong competition from long distance carriers who desire to utilize spare bandwidth by providing internet access or ISPs with widely distributed direct local point of presence ("POP") internet access. Furthermore, we do not believe any possible Concentric deal can be of any material significance to Diana. Since DataNet offers no new features, but has several key disadvantages, Diana can only compete on price. But Diana has no manufacturing capacity and must purchase DataNet's most critical components. Therefore, Diana's DataNet profits can only be lower than its historical results.

The Diana Corporation (NYSE Symbol: DNA) (Price: \$56.25)

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.