

October 15, 1996

***Engineering study finds important discrepancies in many of Sattel's performance claims and proves that its products are technologically obsolete.***

Asensio & Company, Inc. today released a 16 page report on The Diana Corporation. The report includes a detailed and comprehensive software and hardware engineering study of Sattel's entire product line. Contrary to claims included in Sattel's press releases and product documentation, the study found that Sattel does not have SS7 signaling capabilities, is not capable of handling 375,000 Busy Hour Call Attempts and is not scalable from 96 up to 10,240 line side ports. Furthermore, both Sattel's hardware and software designs are incompatible, and can not in any practically way be made compatible, with modern telecommunications equipment. In fact, Sattel's products lack many features that are today standard to modern programmable, scalable telephone switches. These include a distributed matrix, intelligent line cards, a mass storage device, Ethernet ports and a graphical interface. We believe this makes Sattel's products for most practical purposes, including international sales, entirely obsolete.

Sattel, which reported sales of \$841,000 and a loss in its latest quarter, is believed to have certain technical and competitive advantages that give it tremendous earnings potential. We believe that the report provides conclusive evidence proving that Sattel possesses no such technical or competitive advantages, and has no such earnings potential. At yesterday's closing stock price of \$32.50, Sattel's implied market value was at least \$150 million. All of Diana's other businesses have materially deteriorated since when the stock traded below \$5.00 per share. The stock's rise above \$5 was due exclusively to Sattel's expected future earnings. We believe the report shows that Sattel has very limited, if any, future earnings potential. We believe Diana's stock will soon trade below \$5 per share and see no reason for any investor, particularly investors with a fiduciary duty, to purchase or hold this stock.

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.