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Diana's new 10K provides straightforward proof of fraud. Sattel technologies, Inc. "washes hands" of DataNet and DSS.

In its form 10K filed on Friday, June 28th, Diana Corp. admitted that Sattel has no manufacturing capacity, "had no significant research and development activities", "generally uses industry standard components", and that its software and hardware are "procured under OEM arrangements". Diana no longer claims its products provide any exclusive feature or cost advantage but did include eight (8) full paragraphs of risk disclaimers related to Sattel. Prior to this filing Diana had claimed to have invested "a great deal of its resources" to become "a leading manufacturer of technologically advantaged" proprietary telecommunication products offering unique cost savings to ISPs. All of Diana's divisions reported poor results highlighted by defaults at its two largest companies and a 28.1% drop in telecommunication sales.

Diana also disclosed that Sattel Technologies, Inc. has refused to make any investment or perform any research on the DataNet or DSS products. Sattel Technologies had earlier transferred its rights to these products to Diana for \$200,000. Furthermore, it was announced that Sattel Technologies, Inc. had reduced its interest from 50% to approximately 4% and is so rushed to sell its Diana shares that it has surrendered 50,000 shares in exchange for permission to sell its DNA shares now.

Diana now acknowledges that it faces severe competition. We believe that it is presumptuous of this company to claim that it is "better" than companies such as "US Robotics and Ascend" as Sattel's CEO claimed on national television. There is no evidence whatsoever that Diana's management or products are in anyway comparable or competitive, much less "better", than those created and made by such highly regarded and well managed industry leaders. Diana's many other false claims are no less egregious.

The Diana Corporation (NYSE Symbol: DNA) (Price: \$41.375)

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.