

June 04, 1996

Strong Sell Recommendation- The Diana Corporation (NYSE Symbol "DNA"). Diana possesses no valuable technology. Its stock is grossly over inflated.

Investors may be buying Diana's shares believing it will become an essential or dominant supplier to Internet Service Providers ("ISPs"). This is a misperception, which has been purposely cultivated by management. In fact, all of the Company's products are easily duplicated and readily available from other more established competitors. Sattel, the subsidiary that has caused DNA's \$600 million stock rise, was purchased for \$200,000 and has \$43,962 invested in equipment. Diana, which has never reported any research and development expenditures, "developed" DataNet, its so-called ISP product, for \$93,151 in less than four months. We found no legitimate reason for the stock's rise.

Asensio & Company, Inc. issued a Strong Sell recommendation on The Diana Corporation citing a discrepancy between the Company's seemingly and apparently profitable internet relationship and the weak profit potential of its actual mundane business. This situation has been exacerbated by Company misstatements. Diana describes itself as a "leading provider" and "manufacturer of technologically advanced telephone equipment" and claims to be "investing a great deal" in telecommunications. In fact, DNA possesses no technical research or manufacturing capability. Diana is one of hundreds of small businesses that distribute computerized switching equipment.

At \$84 Diana's stock is almost 20 times higher than it was a year ago. This move was propelled by Diana's investment in Sattel Communications Corporation ("Sattel"), an 80% owned subsidiary. The Company claims Sattel owns a significantly improved telephone switch for ISPs. In fact, Sattel merely reconfigured another company's very old product. Sattel's products are based on dated military technology and have long been used in remote areas of the third world. Furthermore, the products are subject to severe price competition and offer no exclusive performance or price advantages.

The ISP market is highly fragmented exactly because the business does not require special equipment. Diana has heavily promoted its stock on the internet based on possible sales of its low-tech products to MCI and Concentric Network Corporation. These orders, like its tangential internet relationship, are of little or no value. We believe that DNA shares will ultimately give back most or all of their 52 week gain.

The Diana Corporation (NYSE Symbol "DNA") (Price: \$84.00)

Short selling involves a risk not associated with the purchase of stock including, but not only limited to, unlimited loss and stock borrowing risks.