

EXHIBIT 3

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Your movie may come to you over the phone and 'compressed'

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So you want to watch the latest Rambo movie but the video store has a waiting list 10,000 deep?

One day, you may be able to burn your video-store membership cards and simply order any movie you want and have it transmitted across phone lines, cable wire or satellite, and land in a receiver in your home. Once there, the movie would be stored until you got around to watch-

ing it. And then it would self-destruct.

This "video-library-on-demand" may sound far-fetched and futuristic, but some experts say it's plausible, particularly with the advent of technology patented by Explore Technology Inc., a small start-up company in Scottsdale, Ariz.

Explore got a U.S. patent in October on its technology that "compresses" video so that it can be transmitted from one location to another in one

quick "burst" of digitized information that doesn't tie up phone lines indefinitely.

Before, video could only be transmitted in "real time" — meaning that a two-hour movie would take two hours to transmit.

Explore says its technology reduces transmission time on high-capacity phone lines by a factor of 480 — enough to allow a two-hour movie to be transmitted in 15 seconds. The

(See VIDEO on 2-G)



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The latest video could be phoned right to your den

VIDEO, from 1-G
quality of what is received at the other end would be slightly higher than tapes sold in video stores, says Richard Lang, Explore's president.

"Any time there is delivery of programming, whether it's business to business, or library to consumer, or satellite ... to receiver, there's an opportunity to do it more cost-effectively," Lang said.

"I think it's viable," said Stephen Voran, an electrical engineer at the Institute for Telecommunication Sciences, an agency of the U.S. Commerce Department. But it will be a while before it takes off, he said.

"My feeling is, this is new, and it may change the way video signals are transmitted, but it won't change it overnight," Voran said.

For example, he said, to make the most of Explore's technology might require large investments in methods of transmitting the signals, such as fiber-optic telephone lines.

"You can drive 53 m.p.h. in three hours or 100 m.p.h. and get there in 1.65 hours," but you wear out your car and get a speeding ticket," Voran said. "So there's a trade-off."

Andy Lippman, associate director of the Media Laboratory at Massachusetts Institute of Technology, agreed with Voran that heavy investments might be needed before Explore's technology could become widely available in homes.

"It's like trying to squeeze a river through a straw. You've got to do something to make the river smaller or the straw bigger," Lippman said.

Scott Pool, director of strategic assessment at Southwestern Bell, the regional phone company based in St. Louis, said he was impressed with Explore's technology and its potential. He said that video could be transmitted over ordinary copper phone lines with excellent results.

"The copper wires in our homes could be conditioned in relatively inexpensive ways. It wouldn't involve replacing them ... that's what excites me about the technology," Pool said.

"They have an absolute breakthrough in compression technology," he said. "If that technology can be packaged ... if you can take it and download it in 10 seconds, man, there has to be a pony in all that pile."

While the video-on-demand concept has a long way to go before it becomes reality, the transmission capability has immediate applications. Television broadcasters could beam programs to affiliates via satellite in seconds. Businesses could send vast amounts of information to other businesses.

But the largest market, the consumer, is still at least a few years

Before, a two-hour video could be transmitted by phone in two hours. Explore Technology Inc. has found a way to do it in 15 seconds.

away. Before movies could be ordered on demand, several entities would have to cooperate.

Movie makers or distributors would have to provide the movies for someone to establish a video library. The movies would have to be converted to digital form and stored; perhaps on computer discs or tapes. Transmission companies — either satellite, cable-television or phone companies — would have to be recruited to send movies requested by consumers. And someone would have to make the mechanism that would enable homes to receive and store the video.

Explore has developed a prototype of a receiver. To prevent "piracy" of movies, the receiver would be set up so the video can be played only once and could not be copied.

After it demonstrated the system at the Consumer Electronics Show this month in Las Vegas, Nev., Explore said it got 400 inquiries from potential partners in its quest to bring such a system to market.

"We accomplished our goal of bringing everybody to the table," Lang said. "We're now establishing discussions with major companies in hopes of finding the right combinations to bring it to market."

Pool said Southwestern Bell is considering getting involved in the project. Telephone companies could serve as transmitters, he said. Under existing court prohibitions that keep phone companies out of the business of providing information services, he said, the company probably could not operate a video library.

Lang said the cost of video-by-demand to consumers would depend on how it ends up in the home. If the phone companies or cable companies are used for transmitting the video, he said, monthly fees might be about the same as cable companies charge for movie services.

"The advantage to the consumer is you don't have to wait to watch something, or go to the video store and see that a new release is out of stock," he said. "Movies will never be out of stock."