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President

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China

Alibaba link pays off

Yahoo stock climbed to its highest price since July 2006 after American Technology Research said the initial public offering of Alibaba.com will boost shares of the Sunnyvale Internet company. Yahoo owns 39 percent of Alibaba.com, China's largest trading website for companies. The IPO is a "tremendous value creation opportunity,"

Rob Sanderson wrote in a research note. Alibaba.com, which started trading in Hong Kong on Nov. 6, will add \$2.50 a share to Yahoo's stock, the San Francisco-based analyst said. Yahoo shares rose \$1.35, or 4.3 percent, to \$32.69 in late Nasdaq trading.

YAHOO!

Netgear: Earnings boost stock

Netgear, the Santa Clara's maker of network equipment for homes and small businesses, gained in Nasdaq trading after orders in China and India helped sales and profit exceed analysts' estimates. Third-quarter profits, excluding costs for items such as options, climbed to 44 cents a share from 35 cents. That beat the 41-cent average of estimates compiled by Bloomberg. Netgear shares

rose \$2.16, or 6.9 percent, to \$33.65. The stock has gained 28 percent this year.



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Asia

Rep. Lantos scolds Yahoo over its role in imprisonment of Chinese man

Under scorching criticism for Yahoo's role in handing over e-mail records to Chinese authorities that led to the imprisonment of journalist Shi Tao, Chief Executive Jerry Yang and General Counsel Michael Callahan rose from behind the witness table at the congressional hearing and bowed to Shi's mother.

Gao Qinsheng, sitting directly behind them, bowed in return. Then she began to sob.

The stunning moment of apparent contribution from two powerful Silicon Valley executives punctuated a day of verbal fireworks as the House Foreign Affairs Committee berated Yahoo for giving up the identity of dissident Shi, who is now serving a 10-year prison sentence. "While technologically and financially you are giants, morally you are pygmies," scolded committee Chairman Tom Lantos, a San Mateo democrat. The Yahoo executives had again found themselves in the cross hairs of the committee after Lantos charged that Callahan provided false information to Congress in 2006. At that time, Callahan testified that in the case of dissident Shi, Yahoo did not know to whom the e-mail address belonged or why Chinese police were seeking the information.

Callahan since has acknowledged that Yahoo officials had received a subpoena-like document that made reference to suspected "illegal provision of state secrets" – a common charge against political dissidents. Last week, Callahan apologized for not telling Congress that he learned the details of the document months after his February 2006 testimony.

Yang defended the company's commitment to human rights while describing the importance of China's market, which has close to 200 million Internet users, an online population that could soon surpass that of the United States.

Callahan contended that Yahoo employees in China had little choice but to comply with the government's demands. "I cannot ask our local employees to resist lawful demands and put their own freedom at risk, even if, in my personal view, the local laws are overboard," he said. The two executives were subjected to a bipartisan pummeling in which committee member Rep. Chris Smith, R-N.J., compared Yahoo's cooperation with the Chinese government to

companies that cooperated with Nazi Germany during World War II.

The bruising committee hearing, during which Lantos called the Sunnyvale Internet giant "spineless and irresponsible," underscored the ethical shoals Silicon Valley companies must navigate in the global economy.

Even as Yang and Callahan testified, the lure of overseas markets was highlighted as shares of Alibaba.com, which owns China's largest online business-to-business Web site, nearly tripled during its first day of public trading in Hong Kong. In 2005, Yahoo invested \$1 billion to Alibaba and owns about 40 percent of the company. Alibaba now runs Yahoo China.

Companies face numerous challenges in tough markets like China, where the government can be friend and foe, observers say.

Just last month, for instance, search engines operated by Google, Yahoo China and Microsoft were redirected to Baidu, a Chinese-owned search provider, at the same time Tibet's spiritual leader the Dalai Lama, whom China accuses of being a "splitist," met with President Bush and was awarded the highest congressional civilian award. China's government rarely explains such actions, but some experts assume it was a form of retaliation.

"There are in the Internet filtering business all manner of coincidences," observed John Palfrey, executive director of the Berkman Center for the Internet and Society at Harvard University, which closely monitors the Web. "It's hard to know if they are connected, though it sure looks that way."

Executives across the valley winced Tuesday as one of their own was taken to the woodshed by a congressional committee.

Richard Lim, a managing partner with the Mayfield Fund, said that "it is little unpredictable what a company will be criticized for."

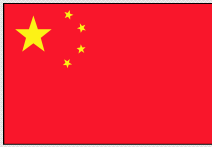
U.S. companies, from multinationals to start-ups, must balance their bottom lines with corporate behavior that could violate American business standards such as selling equipment that can be used to violate civil rights, said Kirk Hanson, executive director of the Markkula Center for Applied Ethics at Santa Clara University.

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Asia

IM in six new languages

Yahoo adapted its instant-messaging service for six Asian languages, expanding it to a total of 25 countries. Instant messaging, which lets users correspond in short burst of text, will work in local languages in the Philippines, Indonesia, Malaysia, Thailand, India and Vietnam, the Sunnyvale-based company said in a statement. Yahoo is competing for advertising revenue with

local Web sites, such as Baidu.com, operator of China’s most popular Internet search engine. Yahoo’s U.S. rival AOL, Time Warner’s Internet unit, also is expanding overseas. AOL started Web sites for Spain and Italy in September and plans seven more in Asia and other regions.

Europe

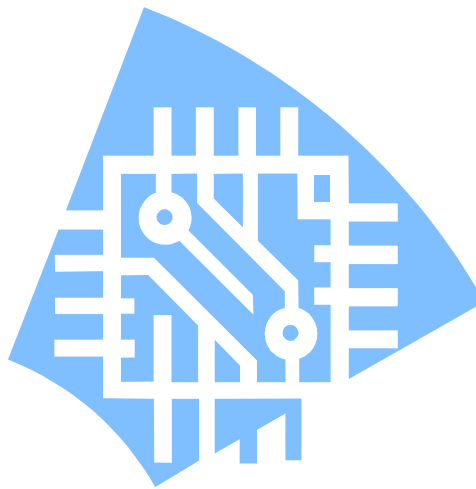
UN telecom panel endorses Intel’s WiMax technology

Intel’s wireless technology WiMax got a boost Friday when a United Nations communications panel approved its use as a third-generation mobile technology. The International Telecommunication Union’s decision could help open the door to the greater use of WiMax – an emerging technology that promises longer range Internet connections than the WiFi in most notebooks – as carriers around the world build faster, more ubiquitous networks in coming years.

Intel for three years has tirelessly championed the technology, and its approval by the ITU could give it a leg up on technologies from Qualcomm and Ericsson.

“There is one big hurdle that just went away,” said Sriram Viswanathan, vice president of Intel Capital and general manager of its WiMax business. “This is a huge, huge testament

to what technology stands for.” WiMax, a name for worldwide interoperability for microwave access, has the potential to operate at higher speeds than many home broadband lines. It



can broadcast up to 40 miles.

However, deployment in the United States is just beginning. Sprint Nextel is starting to roll out a network, and in late 2008, Intel will begin to ship a chip enabling computer makers to put WiMax in laptops.

Perhaps the greatest impact of Friday’s decision will be in Europe, where some countries had restricted wireless spectrum to other third-generation technologies, said Michael Thelander, chief executive of the Oakland-based research firm, Signals Research Group. The United States has no restrictions on the technologies carriers can use, he said.

The ITU endorsement doesn’t mean operators will adopt it, Thelander said, “but it does give WiMax legitimacy.” An Ericsson spokesman had no comment on the ITU move. Qualcomm released a statement saying it participated in a technical evaluation of WiMax that “pointed out certain limitations,” which were brought to the attention of the ITU. It didn’t elaborate.

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Europe

Long lines in Europe for iPhone

Customers in Germany and Britain lined up to buy the iPhone as it debuted there Friday, with Apple looking to replicate the success that the combination cell phone, music player and Web browser has seen in the United States.

Apple hopes to sell 10 million iPhones in 2008, helped by its launch in Asia next year.

In Germany, the phone went on sale at more than 700 T-Mobile shops, including one in Cologne that opened just after midnight with some 350 customers already waiting outside.

By 5 p.m., Deutsche Telekom, which owns T-Mobile, said it sold more than 10,000 iPhones in Germany through its shops and online. O₂, which is providing cell service for iPhones in Britain, said it would not release the number of handsets sold Friday. Johannes Krause, 32, waited for nearly four hours to get into a store in Cologne, saying he wanted to get his hands on an iPhone since June, when Apple launched the device in the United States.

"It's the first mobile Internet device that makes it easy to surf the web," Krause said. Others were drawn by the intense media coverage in the United States.

"I just want to be the first to touch it, play with it and try it," said Reinhold Steinwasser, 54, likening the launch to the appearance of color televisions in Germany in the 1960s, when people would stand in front of the department store

windows marveling at them. In central London, excited shoppers flooded Apple's largest store for the gadget's 6 p.m. launch. The first buyer out of the store was 20-year-old architecture student Tom Jasinski, who said he had been waiting outside for 26 hours. "It was worth the wait," Jasinski said.

France Telecom will sell the iPhone in France through its Orange wireless arm, starting Nov.29.

The iPhone's price tag drew complaints Friday. In Germany, it costs about \$587, on top of a contract through T-Mobile starting at \$72 a month and a \$37 "installation" fee. "It's absurdly expensive," said Christian Kiew, 20, who said the device was aimed more at professionals than young buyers.

Jonathan Arber, an analyst with London-based Ovum, said the costs could put off some would-be buyers. "The relatively expensive contracts on offer with the iPhone

will represent an attractive revenue stream over 24 months, but the high up-front and monthly cost and long lock-in could put off some users in a market where free handsets are the norm," he said.

Consumers in Britain will pay \$566 for the 8-gigabyte model.

Both European price tags include value-added tax. Many iPhones found a back door into Europe before Friday, but it is unclear how many. Programmers around the globe collaborated to "unlock" iPhones to work with SIM cards tied to other carrier networks. Apple officials estimated last month that buyers of 250,000 iPhones sold by then intended to unlock them. Online auction Web site eBay said it would permit people to sell iPhones in Britain, but under certain conditions.

"We're certainly anticipating some heated bidding on these," said Richard Kanareck, an eBay spokesman in Britain.



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