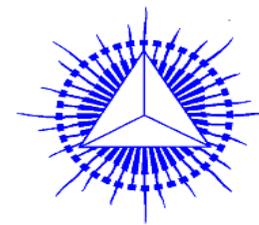


Atlantis Research Summary Report 4Q09

A Service of Atlantis Investment Co., Inc.



Anne K. Anderson
181 New Road, Suite 304
Parsippany, NJ 07054
(973) 263-2333

October 12, 2009

Buy

Apple
Amazon.com
Changyou.com
Express Scripts
Google
Health Net
Netflix
McAfee

Shanda Interactive Entertainment

Sell

Accenture
Aetna
Dendreon
Digital River
Microsoft
Yahoo!

Seeking Enduring Rally for Selected Stocks

Extended rally for certain stock market segments including technology and health care highlights need for investors to divine those stocks still able to maintain momentum. Few can consistently deliver positive earning surprise, but **Apple** appears to be able to do so, with new products driving higher revenues and EPS. Also in rapid growth mode is **Changyou.com**, with online video games driving demand for Chinese Internet entertainment. A recent spinout from Sohu.com, **Changyou.com** is now joined by Shanda Games, a spinout of **Shanda Interactive Entertainment**.

Importance of Internet in the new economy ensures a secure opportunity for **Google**, still dominate in global search. Website popularity is subject to change, making **Yahoo!** a less certain investment than **Google**. **Amazon.com** and **Netflix** have both proven consumer acceptance for online services with new video downloading equipment providing a platform for **Netflix** even if the mail is stopped, while **Amazon.com's** Kindle proved there is still room to define new computer categories, as e-readers attract a loyal and affluent customer base.

Changes in health care regulation should enable **Health Net** to achieve rebounding EPS growth despite loss of the TRICARE contract, as expansion of Medicaid stimulates an important business segment for **Health Net**. **Express Scripts** will become #2 among PBMs on completion of merger with NextRx. **Aetna**, however, appears to be facing an adjustment in investor expectations that will need time to be resolved. Investor enthusiasm for **Dendreon's** new therapy Provenge appears excessive.

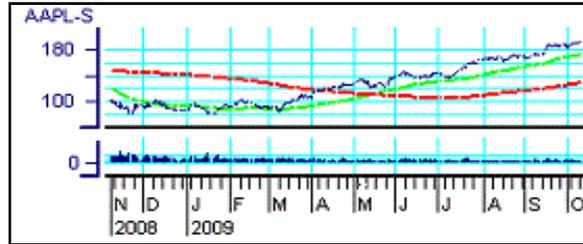
We see shipment of Microsoft's Windows 7 driving demand for new versions of established products, helping **McAfee** to shine. **Digital River's** loss of key customer Symantec impacts ability to deliver similar growth from online sales. **Microsoft**, however, may see lower than normal upgrades, as recession-impacted IT spending is slow to recover, and as market share loss to low end netbooks and to Apple's high end notebooks prevents achievement of profitability targets.

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Apple Inc. (AAPL \$191)**BUY**

09/30/2008	EPS	P/E
09/30/2008	\$7.09	24.5X
09/30/2009	\$9.45	19.3X
09/30/2010	\$11.00	15.9X

Projected Growth Rate:	20%
2009 P/E/Proj. Growth	80%
Market Cap:	\$173,484M
Market Cap/Ann. Rev.	5.2X

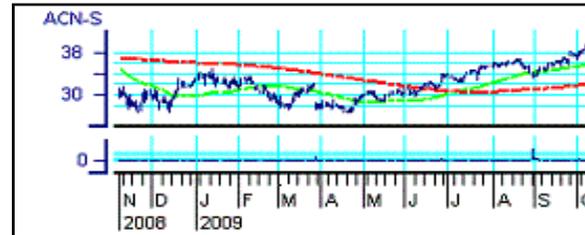


New product potential supports more stock price action for Apple, with recent iPods packing video recording capability for holiday 2009 driving near term sales and new Internet tablet devices to ship during 2010 supporting results for next year. China Unicom's deal to sell iPhone in China drives another year of growth for one of Apple's most successful products ever. Steady market share gains at Microsoft's expense indicate Apple's design superiority is recognized by astute computer users. Long one of the most volatile of large cap tech stocks, Apple is the sizzle in technology investing today.

Accenture Ltd (ACN \$40)**SELL**

08/31/2009	EPS	P/E
08/31/2009	\$2.68	14.2X
08/31/2010	\$2.65	15.3X
08/31/2011	\$2.70	14.7X

Projected Growth Rate:	5%
2009 P/E/Proj. Growth	295%
Market Cap:	\$30,774M
Market Cap/Ann. Rev.	1.5X

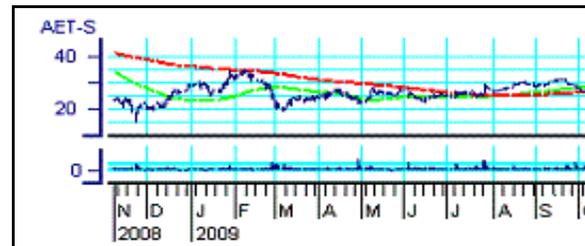


Soft results for August, 2009 quarter and lower than expected guidance for FY 2010 (ending August 2010) should be reflected in a lower share price. Revenues last quarter retreated (14%), with all of the decline due to organic issues, with no currency impact. Guidance for FY 2010 (ending August, 2010) is far more conservative than management's usual optimistic outlook, indicating revenue change in a range of a decline of (3%) to growth of only 1%. Share repurchase is the only significant driver for EPS growth, as recession impacts demand for IT services.

Aetna Inc (AET \$26)**SELL**

12/31/2008	EPS	P/E
12/31/2008	\$3.93	6.7X
12/31/2009	\$2.85	9.3X
12/31/2010	\$3.00	8.8X

Projected Growth Rate:	8%
2009 P/E/Proj. Growth	140%
Market Cap:	\$11,907M
Market Cap/Ann. Rev.	0.3X

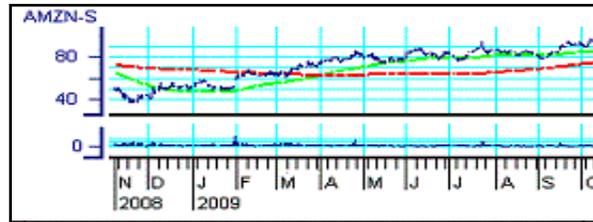


Aetna dumped bad news on investors in reporting results for 2Q 2009 that were sharply below expectations. Trends for Aetna's MLR (medical loss ratio) indicates that new business added over the last year provides inadequate yields. Highlighting unusually high medical expenses, Aetna frightens thoughtful analysts with the thought that new business was added at yields that are too low to maintain long term margins. Aetna's loss of stature as one of the most consistent of managed care companies in delivering EPS growth indicates a long time will be needed to restore investor confidence.

Amazon.com (AMZN \$94)**BUY**

12/31/2008	EPS	P/E
12/31/2008	\$1.91	49.0X
12/31/2009	\$2.37	39.5X
12/31/2010	\$2.70	34.7X

Projected Growth Rate:	18%
2009 P/E/Proj. Growth	193%
Market Cap:	\$41,184M
Market Cap/Ann. Rev.	2.2X

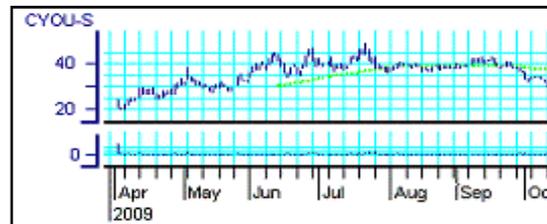


Amazon.com's revenue growth should increase with a rebounding economy. Revenue growth of 14% for 2Q 2009 was impacted by currency, although EPS growth exceeded 40% on international growth. New Kindle devices stimulate purchases from a loyal and affluent customer base. Pending acquisition of web retailer Zappos.com adds a new category for Amazon.com shoppers. While traditional retailers suffer from lower customer traffic, Amazon.com gains market share through expanded product lines and reliable service. Convenience of online retailing increases frequency of spending.

Changyou.com (CYOU \$31)**BUY**

12/31/2008	EPS	P/E
12/31/2008	\$2.27	13.6X
12/31/2009	\$2.94	10.5X
12/31/2010	\$3.50	8.8X

Projected Growth Rate:	25%
2009 P/E/Proj. Growth	35%
Market Cap:	\$1,620M
Market Cap/Ann. Rev.	6.1X

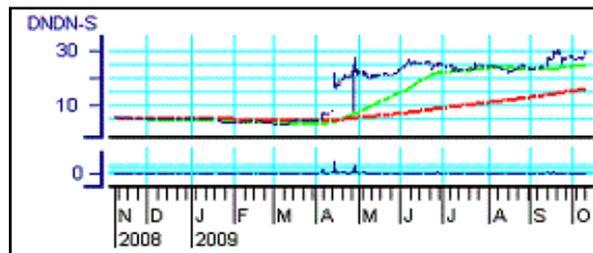


Offering investors an attractive pure play on Chinese online gaming, Changyou.com provides exceptional growth opportunity as an ADS. Changyou.com is an online game developer and operator in China, 68.5% owned by Sohu.com. With a hit game, Tian Long Ba Bu, Changyou.com still sees 32% increase in aggregate quarterly active paying accounts to 2.4 million. Influx of new gamers supports revenue growth of more than 30% for 2009. Revenue momentum drives stock price performance, as stock price doubled from IPO price of \$16 per share in April, 2009.

Dendreon (DNDN \$29)**SELL**

12/31/2008	EPS	P/E
12/31/2008	(\$0.93)	NM
12/31/2009	(\$0.78)	NM
12/31/2010	(\$0.39)	NM

Projected Growth Rate:	NM
2009 P/E/Proj. Growth	NM
Market Cap:	\$2,821M
Market Cap/Ann. Rev.	NM

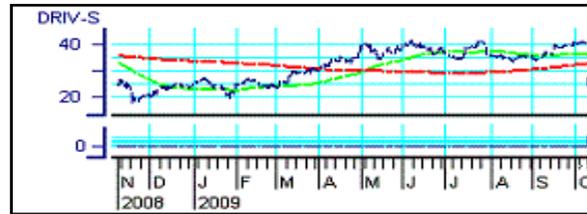


Now that Dendreon presented positive Provenge results and completed a \$221 million stock offering, investors must await FDA action on an amended BLA. IMPACT trial demonstrated that while Provenge may be an important alternative to chemotherapy, Provenge is not a cure for prostate cancer, nor does it shrink tumors or cause prolonged stabilization of disease. FDA will weigh survival benefits of Provenge against open questions including the vaccine's mechanism of action, as well as power of IMPACT's results.

Digital River (DRIV \$26)**SELL**

12/31/2008	EPS	P/E
12/31/2008	\$1.86	14.2X
12/31/2009	\$1.68	15.7X
12/31/2010	\$1.33	19.9X

Projected Growth Rate:	15%
2009 P/E/Proj. Growth	133%
Market Cap:	\$999M
Market Cap/Ann. Rev.	2.6X

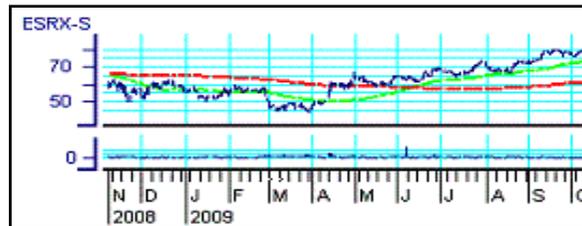


Loss of Symantec as largest customer for Digital River's outsourced management of online software sales causes drastic estimate reduction, with impact as soon as 4Q 2009. Improving sequential revenue growth for non-Symantec revenues cannot make up for the shortfall. Shipment of Microsoft Windows 7, scheduled for October, 2009, should drive demand for new versions of software, videogames, and consumer electronics. Digital River's expertise in outsourced B2B internet services may attract attention from potential acquirors.

Express Scripts (ESRX \$81)**BUY**

12/31/2008	EPS	P/E
12/31/2008	\$3.10	26.1X
12/31/2009	\$3.80	21.3X
12/31/2010	\$4.50	18.0X

Projected Growth Rate:	20%
2009 P/E/Proj. Growth	90%
Market Cap:	\$20,942M
Market Cap/Ann. Rev.	1.0X

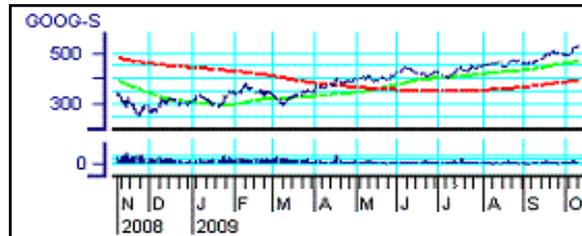


Acquisition of WellPoint's NextRx adds \$1.0 billion to Express Scripts' EBITDA annually, while adding 50% to claims volume and increasing stature to #2 in the PBM industry. We think Express Scripts faces less exposure to recession than Medco Health Solutions, due to Medco's large exposure to the automotive sector, including both Ford and GM. Despite slight revenue decline for 2Q 2009, adjusted EBITDA increased 18% on improved profitability. Strong cash flow provides flexibility for more acquisitions or share repurchase.

Google (GOOG \$524)**BUY**

12/31/2008	EPS	P/E
12/31/2008	\$19.49	26.9X
12/31/2009	\$22.00	23.8X
12/31/2010	\$24.00	21.8X

Projected Growth Rate:	20%
2009 P/E/Proj. Growth	109%
Market Cap:	\$166,645M
Market Cap/Ann. Rev.	10.2X

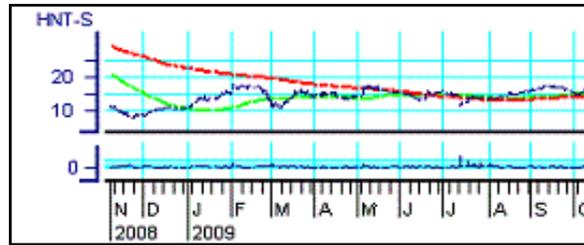


Dominant market share of paid search worldwide drives exceptional financial returns. Leading market share in Internet search (still more than 65% worldwide) gives Google the fastest growth for Internet ad spending, with revenue (excluding TAC) up 5% for 2Q 2009, despite currency impact. Aggregate paid clicks increased 15% from the previous year. Pro forma operating margin exceeding 30% highlights phenomenal profitability of Google's franchise. Announcement of Chrome OS for 2010 delivery places Google as an aggressive competitor to Microsoft at the low end of the PC market.

Health Net Inc (HNT \$17)**BUY**

Date	EPS	P/E
12/31/2008	\$1.85	9.1X
12/31/2009	\$2.25	7.5X
12/31/2010	\$1.80	9.4X

Projected Growth Rate:	8%
2009 P/E/Proj. Growth	117%
Market Cap:	\$1,828M
Market Cap/Ann. Rev.	0.1X

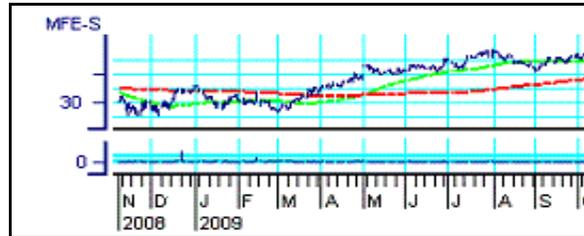


Proposed expansion of Medicaid eligibility should enable Health Net to deliver renewed growth, despite pending loss of TRICARE North contract to Aetna. Health Net is one of the largest Medicaid managed care providers in California, with Medi-Cal coverage for 842,000 Medicaid beneficiaries. Although facing decline in recession-impacted commercial enrollment, a trend that pressures profitability, Health Net appears better positioned than most managed care companies to benefit from health care regulatory change. Higher Medicare deductibles would drive enrollment for Medicare Advantage.

McAfee, Inc. (MFE \$46)**BUY**

Date	EPS	P/E
12/31/2008	\$2.01	22.7X
12/31/2009	\$2.45	18.6X
12/31/2010	\$2.95	15.4X

Projected Growth Rate:	18%
2009 P/E/Proj. Growth	86%
Market Cap:	\$7,209M
Market Cap/Ann. Rev.	3.8X

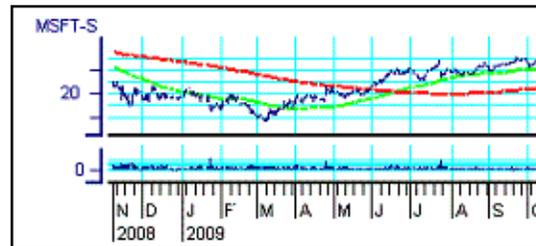


McAfee should benefit from shipment of Windows 7, scheduled for October, 2009, as sale of upgrades and new features drive purchase of application software to run on the new operating system. Divergent stock price performance for McAfee and Symantec indicates investors now appreciate McAfee's success in capturing security software market share from Symantec. Revenue growth of 18% for 2Q 2009 highlights McAfee's ability to build on recurring revenue. Acquisitions drive enterprise growth, supported by powerful marketing.

Microsoft (MSFT \$26)**SELL**

Date	EPS	P/E
06/30/2009	\$1.70	13.7X
06/30/2010	\$1.90	14.7X
06/30/2011	\$2.15	12.9X

Projected Growth Rate:	8%
2009 P/E/Proj. Growth	161%
Market Cap:	\$229,628M
Market Cap/Ann. Rev.	4.4X

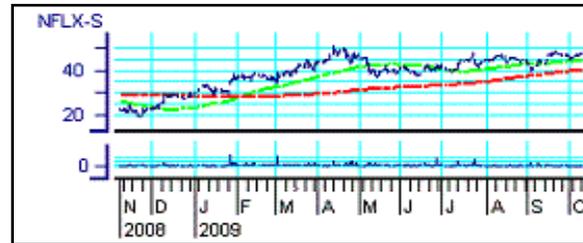


Impact of Windows 7 should help results for the first 6 months of 2010, but consumers and enterprise customers now appear less committed to upgrade than previously. Efforts to compete with Google with new search engine Bing appear less important than loss of revenue momentum due to PC market shift to low end netbooks, where Windows has little advantage. Potential loss of market share to Google Chrome OS, starting in 2010, adds to Microsoft's market share loss to Apple already evident at the high end of PCs, while server virtualization and Linux desktop alternatives provide other alternatives for low end enterprise computing.

Netflix Inc. (NFLX \$46)**BUY**

12/31/2008	EPS	P/E
12/31/2008	\$1.45	31.8X
12/31/2009	\$1.90	24.2X
12/31/2010	\$2.20	20.9X

Projected Growth Rate:	20%
2009 P/E/Proj. Growth	47%
Market Cap:	\$2,750M
Market Cap/Ann. Rev.	1.7X

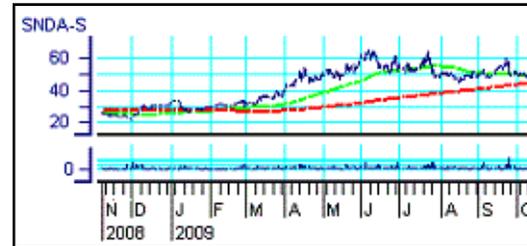


There appears to be no better positioned company than Netflix for video rentals, whether via Internet subscription service or in the emerging market for Internet VOD (video on demand). Bundled service of DVD-by-mail and instant Internet viewing drives penetration despite increased competition from kiosks and positions Netflix for exceptional long term growth. Growth is projected to continue through 2009 with as many as 12 million subscribers generating revenues of \$1.7 billion, up 25% from 2008, with pro forma EPS up 27%. Netflix should gain market share from competitor Blockbuster due to focus on customer satisfaction and service expansion.

Shanda Interactive Entertainment (SNDA \$47)**BUY**

12/31/2008	EPS	P/E
12/31/2008	\$2.52	18.8X
12/31/2009	\$3.55	13.4X
12/31/2010	\$4.20	11.3X

Projected Growth Rate:	15%
2009 P/E/Proj. Growth	75%
Market Cap:	\$3,324M
Market Cap/Ann. Rev.	4.6X

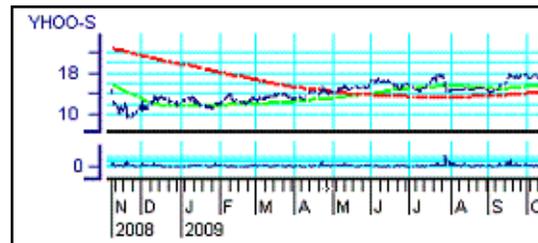


Recent IPO of Shanda Games provides parent Shanda Interactive Entertainment with \$880 million incremental cash to invest in building new entertainment and information Internet franchises. Interest income alone should add \$0.50 per share to EPS for 2010. Valuation of Shanda Interactive Entertainment's holdings of publicly traded Shanda Games exceeds current stock market valuation of the parent, indicating significant appreciation potential.

Yahoo! (YHOO \$17)**SELL**

12/31/2008	EPS	P/E
12/31/2008	\$0.47	35.6X
12/31/2009	\$0.36	46.5X
12/31/2010	\$0.40	41.9X

Projected Growth Rate:	8%
2009 P/E/Proj. Growth	523%
Market Cap:	\$23,618M
Market Cap/Ann. Rev.	5.2X



Slower revenue growth concerns investors, impacting stock price. New CEO fails to restore investor confidence after loss of Microsoft's takeover offer. Icahn's representation by board members ensures additional unrest. While Yahoo! leads in developing media and wireless alliances to provide new markets for online advertising, we expect the stock to trade lower on disappointing online advertising revenues, as key segments, including finance, auto and travel, decline further.