

Atlas Holdings LLC 1Q 2009 Report to Our Partners, Investors, Employees and Friends

Despite the continuing global economic crisis, there were some positive surprises for Atlas Holdings LLC in the first quarter of 2009. Several of our businesses — in steel mill services, packaging and fine paper — posted stronger than expected performances, as a result of cost reductions and productivity improvements, aggressive sales focus and better than expected market conditions.

Among our businesses where market conditions were more challenging than anticipated, our managers and employees pressed forward with structural and strategic improvements that will position our businesses to be leaner and more agile competitors for the long run.

As anticipated, in the first quarter, we saw a significant increase in the flow of interesting investment opportunities that are tuned to our skill set of purchasing businesses facing challenges in market sectors in which we have operating expertise. As economic conditions have deteriorated, companies that are overleveraged are seeking to sell business lines or attract investment capital to restructure their balance sheets and operations. We are also seeing opportunities to purchase underperforming business divisions of large, public companies that are reshuffling their portfolios to improve liquidity and to focus on their core business.

Our excitement about investment opportunities to grow the Atlas family of companies notwithstanding, we remain committed first and foremost to achieving the objectives we set for ourselves at our January planning sessions.

Safety First, Last and Always. Across all of our businesses, our emphasis on making every work place safer continues to produce dramatic results. We view safety as the most fundamental step we can take to retain great people and create a preferred work place. Our safety record has substantially improved across most of our companies. For example, at Chester Wood Products, a manufacturer of plywood in Chester, SC, lost-time incidents dropped 18 percent last year. Chester achieved a world-class safety record of .72 incidents per 100,000 employee hours, which is among the best of the best industrial companies, earning it the Atlas Chairman's Safety Award.

Solid, Attentive Stewardship for All of Our Existing Businesses. Throughout this economic crisis, we continue to support our managers and employees, and will invest as necessary to protect and strengthen the long-term competitive positions of each of our businesses. Despite the downturn, we are continuing to invest capital in our businesses to position them to prosper as the economy recovers. We are also very selectively considering strategic purchases of weakened competitors or complementary businesses.

Cost Reduction and Continuous Improvement. In the first quarter, most of our businesses were forced to take decisive action to reduce costs as they faced declining sales. Unfortunately, in many cases, this involved reductions in our work force. While these actions are difficult, our managers are doing what is necessary to preserve jobs and their business. In addition, in Q1, many Atlas businesses focused intensively on continuous improvement programs to drive enhanced operational and financial performance. At the core of these programs is engaging all of our employees in fully understanding their unique ability to improve the business. Innovation can also play a central role in driving continuous improvement throughout our businesses.

Improved Communications. Especially in these challenging times, we remain committed to the goal of improving communications within our businesses. We are encouraging the leaders of our businesses to engage in frequent, candid, two-way communication with all of our employees. To make sure, steady progress, the whole team must be on the same page, sharing the same commitment to achieving safety, quality, customer-service and financial performance goals.

ATLAS INDUSTRIAL SERVICES LLC

Phoenix Services LLC

Doug Lane, President and Chief Executive



Atlas Industrial Services (AIS), through its subsidiary Phoenix Services LLC, experienced a rapid expansion by securing major contracts with some of the world's largest steel producers during the first three quarters of 2008. Then, in November and December, steel demand collapsed and customers curtailed operations.

In the first quarter of 2009, global steel demand improved modestly as inventory destocking moderated. As a result, our customers resumed operations and Phoenix's financial performance improved significantly. In addition, Phoenix landed an important new contract with Severstal for its Sparrows Point Scrap Yard Maintenance Services.

CAPITAL EQUIPMENT RESOURCES LLC

Pangborn Corporation

Ken Dickson, President and Chief Executive



The metal fabrication and foundry markets have slowed considerably as the industrial production sector — and particularly auto manufacturers — have substantially reduced operations amid the global economic meltdown. As a result, Pangborn's business has slowed, and the company has focused intently on cutting costs, including reducing its work force.

Pangborn is positioning itself during this downturn to garner more market share through the acquisition of weakened competitors, and has developed and introduced a new blast wheel capable of foundry applications. It moved its headquarters from Maryland to Georgia where it is establishing a technology alliance with Georgia Tech. It strengthened its sales management, captured the Pangborn brand in Europe and added distributors in the Midwest and Northeast.

It will be well prepared to benefit as the automotive and structural steel industries benefit from the federal stimulus program.

Northern Pulp Nova Scotia Corporation
Wayne Gosse, Chief Operating Officer



Atlas completed its acquisition of NPNS in June 2008 and, to strengthen the business' long-term prospects, our management team went to work immediately to capture \$20 million-plus in annual operating savings, more than half of which was achieved by year end. Unfortunately, an unprecedented drop in global pulp prices from \$885 per ton (August 2008) to \$650 per ton (March 2009) will force NPNS to reduce costs beyond its original goal to survive the pulp market downturn. Pulp pricing at this low level is forcing many of our competitors to close their mills, which eventually will restore market equilibrium and improve pricing.

NPNS, a major employer and contributor to the Nova Scotia economy for 40 years, has continued to operate at full production. It supplies 40 percent of the wood requirements of sawmills in Central Nova Scotia and purchases as much as 90 percent of their residual bark and chips. It generates more than CAD\$200 million in annual economic activity.

Because of its critical importance to the regional economy, in March, Northern Pulp received a CAD\$15 million interest-bearing loan through the Province's Economic and Rural Development Office's Industrial Expansion Fund to finance maintenance and capital expenditures and other initiatives.

The mill has also been working collaboratively with its unionized and non-unionized employees to continue to reduce costs and improve its long-term competitiveness.

Finch Paper LLC
Joseph F. Raccuia, President and Chief Executive



Even though industry-wide demand for uncoated free sheet paper is down by nearly 20 percent in Q1 compared with Q1 2008, Finch Paper continues to operate at full capacity and ship paper to customers in record volumes. In February, Richard J. Carota, president and chief executive officer of Finch Paper, retired after a 51-year career with this leading manufacturer of uncoated premium paper. Joseph F. Raccuia, former president of SCA Tissue North America, was named to succeed Mr. Carota.

Finch Paper continues to reduce its wood, purchased pulp, fuel, chemical and other materials costs and drive out less efficient manufacturing practices through a mill-wide continuous improvement program. It has increased its sales and marketing efforts and introduced lower-cost alternative products to continue running at full capacity. Finch's customer-focused go-to-market strategy, along with adopting a low-cost manufacturing platform, has positioned it to take advantage of the economic recovery, whenever it arrives.

Wood Resources LLC
Richard Yarbrough, President and Chief Executive



With its customers in the residential and commercial construction and furniture industries in deep distress, Wood Resources LLC and its businesses — Olympic Panel Products in Shelton, WA, Moncure Plywood in Moncure, NC, and Chester Wood Products in Chester, SC — are struggling. But the three businesses turned in better-than-expected financial performance for the first quarter.

Chester built on the best-in-industry safety, cost, quality and earnings marks it earned last year. Olympic achieved the coveted Forest Stewardship Council certification for its products and managed to almost break-even at approximately 40% capacity utilization, which is a heroic achievement. And Moncure reached agreement on a new, three-year labor contract with the International Association of Machinists and Aerospace Workers that provides for greater work-scheduling flexibility to meet customer orders and for a sharing of health insurance premiums.

With no immediate recovery in demand in sight, all three businesses will continue to focus on reducing raw materials costs through integrated sourcing, streamlining manufacturing processes to take out cost, and expanding our product lines to strengthen our long-term competitiveness.

Forest Resources LLC
Larry Richard, President and Chief Executive



Forest Resources LLC

Forest Resources' containerboard packaging businesses — Hartford City Paper, Shillington Box, Ivex Packaging Paper and Ivex Specialty Paper — felt the decline in shipments of durable goods in the U.S. during the first quarter. Fortunately, with raw material costs, particularly waste paper and natural gas, dropping more rapidly than product prices, the industrial packaging business generated significant profits in Q1.

Our Canadian subsidiary Canampac, through its Boehmer Box and Strathcona Paper units, generated record profits in Q1. We attribute the business improvement to the concerted efforts of our managers and employees and benevolent market conditions. Across the business, we experienced declining raw material costs and an improvement in demand. Unlike many of our other businesses, Canampac saw demand improve as consumers stayed home for more meals, driving up demand for food packaging.

Boehmer Box's "Life Smart" popcorn and spaghetti boxes and its "School Smart" product boxes were chosen for national honors by the Packaging Association of Canada. Its Concord Premium Meats Ltd. package, Sleeve for MarcAngelo™, was honored for sustainable packaging.

New Operating Partners

One of Atlas' greatest strengths is the breadth and depth of our management teams and operating partners. During the last six months, we have attracted some of the best and brightest executives in the building products and distribution industries to pursue exceptional opportunities in this currently distressed space.

Bill Corbin, the former Executive Vice President of Weyerhaeuser Company's Wood Products business, joined the Board of Managers of Wood Resources LLC in 2008. Bill has 35 years of expertise in wood products manufacturing and timberlands management, and has served in a number of key positions with Weyerhaeuser.

Tom Costello, the former Chief Executive Officer of International Paper Company's xpedx unit, joined Atlas as an Operating Partner. Tom has four decades of expertise in the distribution industry.

Tom Denig, the former President of Trus Joist, a Weyerhaeuser business, joined Atlas as an Operating Partner. Tom's expertise in building materials distribution spans 30 years, including having served as President and CEO of TJ International, Inc.

Kurt Liebich, a former Vice President of Trus Joist, a Weyerhaeuser business, joined Atlas as an Operating Partner. Kurt has 20 years of expertise in building materials distribution and manufacturing.

Manco Snapp, a former Senior Vice President of International Paper's Building Materials and Specialty Businesses, joined the Board of Managers of Wood Resources LLC in 2008. During a 40-year career, Manco has served as President of Masonite Corporation and President and CEO of Arizona Chemical Company.

What's Ahead

Atlas' businesses are well prepared for 2009. We are continuing to reduce costs and drive continuous improvement in the face of very challenging times. We are driving out waste and inefficiency in our operations. We are championing safety and employee communication. And we are positioning ourselves for the economic recovery that will come. Many of our businesses are cautiously optimistic about the prospect of modest improvements in customer demand in the second half of the year, but we do not expect a broader recovery until 2010.

The fear and uncertainty that have driven many investors out of the market are creating opportunities for Atlas. Over the course of this year, we expect that we will be adding to our family of companies by acquiring businesses that are challenged in markets we know and applying our capital and our expertise to drive success.

We appreciate all that you do for Atlas, as an employee of one of the Atlas companies, as an investor or operating partner, or just as a friend interested in our activities.

If at any time you have a question, an idea, or just want to chat, please feel free to drop us a note at the e-mail addresses below.

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