



A Report to our Partners, Investors, Employees and Friends

Investor and public confidence in the recovery of the U.S. and global economies rebounded significantly in the third quarter. Overnight, many media accounts seemed to change from “doom and gloom” to “declaring victory” over the recession. Fed Chairman Ben Bernanke declared in September that the worst recession since the 1930s is “very likely over at this point.” And investors, hungry for good news, invested in asset classes broadly, resulting in a broad rebound in the global debt and equity markets.

Unfortunately, macroeconomic conditions in the markets that our businesses serve remained soft throughout Q3. From our vantage point, it appears that both investors and the media are out well ahead of the underlying fundamentals. While we did see general demand stabilize and occasional pockets of resurgence in certain segments, we have yet to see evidence of a broad and sustained recovery across the market sectors in which we compete.

Fortunately, the hard work in the first six months of the year — cutting costs, improving efficiencies, and strengthening customer relationships — put our companies on track to achieve improved results in Q3. Notwithstanding generally flat demand in our markets, we are proud to report that most of our companies posted significant improvements in financial performance and cash generation. We attribute this success to the exceptional dedication of our employees and managers, for which we are grateful.

Atlas continued to grow in Q3. After 18 months of intense effort by our team and several Operating Partners in the building materials sector including Bill Corbin, Richard Yarbrough, Bob Berg, Manco Snapp and Richard Gozon, we acquired Weyerhaeuser Co.’s former Trus Joist commercial division on August 14 and renamed it RedBuilt LLC. We welcome the 235 employees of RedBuilt to the Atlas family.

RedBuilt is the leading national provider of engineered wood flooring and roofing structural systems for commercial construction applications. This acquisition provides a strong platform from which to expand our activities in the building materials sector under the exceptional leadership of Chairman Tom Denig, President and CEO Kurt Liebich, and Vice Chairman Bill Walters.

RedBuilt typifies the investment opportunities that Atlas is pursuing in this economic climate: building materials is an area where we have significant operating expertise and experience; the valuation of the business was compelling as a result of deep distress in the commercial construction market; and the complexity of carving the business out of Weyerhaeuser from a systems and back office standpoint created daunting barriers for other potential buyers. We have a strong track record of transforming small divisions of large companies into successful stand-alone businesses, and we look forward to similar success at RedBuilt.

RedBuilt was Atlas' second major acquisition in 2009. In May, Pangborn Corporation, our capital equipment business, purchased the second-largest wheel blast and surface preparation equipment provider in Europe — the Othello Group — from Wheelabrator Group. The acquisition established Pangborn as the third-largest wheel blast company in the world.

As a result of our recent growth, Atlas operations in the United States, Canada and Europe now include more than 40 facilities and 3,200 employees engaged in a broad spectrum of industries, including building materials and wood products, pulp and paper manufacturing, packaging, capital equipment, and industrial services.

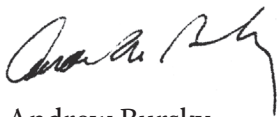
The combination of financial distress, operating challenges, and industries struggling through this prolonged economic downturn is creating an unprecedented environment for us. We continue to see new investment opportunities emerge, and we are closely evaluating a growing number of businesses. When it makes sense, like RedBuilt and Othello Group, we will pursue acquisitions in sectors where we have operating expertise and where the businesses we are buying have viable long-term business models. If you see such opportunities, please let us know.

In the meantime, we continue our relentless focus on continuous improvement and workplace safety. One example of the progress in this area — of which we are particularly proud — is Boehmer Box, a unit of Forest Resources LLC, which earned recognition as the safest paperboard manufacturing facility in Canada and the third best in North America. Boehmer has operated for two years without a lost-time accident.

As Q4 arrives, we remain cautious about the economy and vigilant about preserving cash and liquidity at our companies in order to provide staying power should markets decline further. Cash, rather than reported earnings or EBITDA, is the lifeblood of our businesses; it allows us to pay our lenders, our suppliers and our employees and to provide returns to our investors. Importantly, cash also is needed to reinvest in our businesses in order to maintain and improve our operations. At our board meetings in October, our Operating Partners and directors will painstakingly review each company's capital expenditure plans in light of cash availability. We will then prioritize and approve capital projects for 2010, focusing resources first on projects necessary to maintain a safe working environment, second on projects required to maintain our assets in good working order, and third on projects that generate a high return on investment.

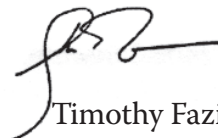
We will continue to ask our managers and employees to find more ways to increase cash and liquidity through cost reduction, careful spending on capital and maintenance projects, and aggressive working capital management. By preserving and improving our cash and liquidity, we will position ourselves with the resources to invest in our future while many of our competitors are resource constrained. In so doing, we believe our companies will be particularly well-positioned not only to weather the current harsh environment, but to prosper as conditions improve.

Thank you for your continued support.



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Atlas Industrial Services LLC
d/b/a Phoenix Services LLC (“Phoenix”)
Doug Lane, President and Chief Executive



In the face of challenging conditions in the steel industry, Phoenix Services continued its strong performance in Q3 based on new contract wins, expanded scope of services at existing sites, aggressive cost management and continued refinement of its world-class operating practices. In addition, Phoenix’s focused efforts to sign contracts with strategically important mills and the unique “take or pay” components of its customer contracts have mitigated some of the impact of the current recessionary climate.

Phoenix began operations in Q3 at the largest steelmaking facility in North America – ArcelorMittal’s Indiana Harbor complex. The Indiana Harbor-East operation is providing strong cash generation as Phoenix’s operations at Harbor-West continue to ramp up. In the meantime, Phoenix’s customers reported modest improvements in demand for automotive-related steel because of the “Cash for Clunkers” program, although it appears that the benefits of this stimulus measure will be short-lived.

The Company’s strong liquidity position as a result of Q2’s \$50 million investment by Olympus Partners has allowed Phoenix to continue to capitalize on incremental contract opportunities, both domestically and internationally. One such international company, ThyssenKrupp, has signed a joint venture with Phoenix to provide services at its Mobile, AL, mill currently under construction. Operation is expected to begin at the mill in Q2 2010.

Capital Equipment Resources LLC
Ken Dickson, President and Chief Executive

The “green shoots” of renewed business activity that seemed to appear in June – in the form of a modest improvement in Pangborn’s order rate for aftermarket parts and increased quoting on new equipment – proved to be short-lived. In July and August, order rates and quoting activity returned to lower levels that were driven in part by annual maintenance outages at foundry customers’ plants.



Demand for basic steel and metal products used across North American industries – including automotive, trucking and construction – remained severely depressed for much of Q3. In September, the Company noticed a modest improvement in order rates for aftermarket parts, particularly in the foundry sector, which may have been driven by the “Cash for Clunkers” program.

In the European market, the Othello Group companies experienced continued challenging conditions through Q3. However, toward the end of the quarter, we began to see some improvement in business sentiment as order rates for both parts and equipment appear to be trending upward.

In response to continuing market challenges, Capital Equipment Resources continued its cost-saving measures both in Europe and in North America, reducing the work force and hours of work, as well as deferring wages for certain senior level employees. We appreciate the measures that management and employees have undertaken to preserve the Company's liquidity position, which remains healthy.

The Company is pleased to welcome Mike Thuon to the Atlas Family. Mike joined Capital Equipment Resources as CFO, following a distinguished career at Ernst & Young, where he served in senior positions in their audit and due diligence practices and as a division controller.

Finch Paper LLC

Joseph F. Raccuia, President and Chief Executive

finch

Despite a 23% drop in shipments of printing and writing paper at North American mills, Finch Paper continues to buck the industry, reporting a 2% increase in shipments year over year through Q3. Finch's sales team concentrated earlier in the year on lining up orders to be delivered in the traditionally slow Q3. As a result, Finch had the best July and the second best August in the 144-year history of the Company, in terms of volume shipped.

Finch Paper's management – led by CEO Joe Raccuia and assisted by Operating Partner Larry Stowell – is fine-tuning Finch's Continuous Improvement Process ("CIP") initiatives. With key performance targets posted throughout the mill, employees and management have a crystal clear understanding of what is expected, and they implement plans each day to meet or exceed those targets. As a result of CIP and the teamwork of employees and management, the Company has reduced all of its cash costs every month since the beginning of 2009.

Finch Paper also expects significantly improved production and efficiency from changes to the Company's onsite pulp mill, which has underperformed throughout 2009. During a recent shutdown, crews located a mechanical problem that they believe was causing the production issues. We are hopeful that the "fix" will drive better performance in the balance of the year.

Consistent with our focus on cash generation, Finch is aggressively managing its inventory levels. Inventory on-hand has been gradually reduced to about 7,500 fewer tons – or about \$7 million – since last year at this time.

Forest Resources LLC

Larry Richard, President and Chief Executive



Forest Resources LLC

Forest Resources' businesses turned in a solid Q3 performance and we are expecting the same or better for Q4, led by strong results from its Canadian subsidiary, CanAmPac.

At CanAmPac's Strathcona operation, management and employees set a production record in July, and continued to deliver high production levels in August and September, resulting in terrific

financial performance. CanAmPac's other business, Boehmer Box, marked a significant milestone – two years without a lost-time accident at its Kitchener, Ontario, plant. The Company's strong safety culture was recently recognized by the Paperboard Packaging Council. Boehmer was named the safest paperboard manufacturing facility in Canada, and the third safest in North America.

Safety is the first priority at all of Atlas' businesses. It's the right thing to do. It helps to retain great people. It helps improve product quality. And it helps create preferred work places where management and employees can work together effectively to improve operating performance. For example, Boehmer Box also exceeded its production plan as manufacturing efficiency gains were matched with an increase in sales orders.

Forest Resources' U.S. industrial packaging businesses – Hartford City Paper, Shillington Box, Ivex Packaging Paper and Ivex Specialty Paper – had profit margins squeezed as weak market conditions resulted in sales price declines. Forest Resources expects that continued soft demand will translate into continued price declines for its industrial products in Q4, though aggressive sales efforts have refilled its order book.

Despite these marketplace challenges, Forest Resources continues to improve its competitive position as a result of Continuous Improvement Process initiatives as well as creative efforts in product development. For example, in September, Hartford City Paper achieved a record production month. In Q3, Ivex Specialty continued to make strides with specialty products, such as new grades of ticket stock and colored papers.

Northern Pulp Nova Scotia Corporation

Wayne Gosse, Chief Executive Officer



As a result of temporary and permanent capacity closures, steady demand from Asia and inventory restocking in Europe and North America, fundamentals in the global pulp market improved dramatically in Q3 from an exceptionally difficult period in the first half of 2009. Northern Bleached Softwood Kraft (NBSK) prices increased from \$635 per metric ton in May to \$730 per metric ton in September. Northern Pulp Nova Scotia broke even in the month of July and showed further profitability improvement in August and September, driven by price increases and importantly, by efficiencies and savings generated by Continuous Improvement Process initiatives.

Q3 was the best production quarter in Northern Pulp Nova Scotia's more than four decades of operation, thanks to a strict focus on improving operating reliability by the employees and management team. In addition, Northern Pulp is beginning to see results from its Continuous Improvement Process initiatives, led by Shane Svendsen with assistance and oversight by Operating Partner Charlie Stinnett. As one important example of the effect of CIP, consumption rates of key raw materials – wood, chemicals and oil – improved in Q3 and exhibited reduced variability.

The Company is pleased to welcome Tim Lowe to the Atlas Family who was named Chief Operating Officer at Northern Pulp, following a distinguished career at Domtar, Inc. Tim was formerly the General Manager of Domtar's Woodland, ME pulp mill.

Northern Pulp is cautious in its expectations for Q4, as the Canadian exchange rate continues to strengthen against the U.S. dollar and idled pulp capacity is restarted. The Company will continue to focus on reducing structural costs and enhancing its competitive positioning, which are the only surefire ways to survive market downturns.

RedBuilt LLC

Kurt Liebich, President and Chief Executive



New to Atlas Holdings, but certainly not new to the market, RedBuilt LLC was formed in Q3 following Atlas' purchase of the Trus Joist Commercial Division from Weyerhaeuser. RedBuilt LLC manufactures and designs joists, beams and wood trusses for commercial, industrial and multifamily residential building applications. The Company, established 50 years ago, has 235 employees. Its headquarters are in Boise, ID and it operates manufacturing and assembly facilities in Chino, CA, Hillsboro and Stayton, OR, Delaware, OH and sales locations throughout the United States.

Before the transaction closed, several steps were taken to position the business for profitability: the management structure was flattened, facilities were consolidated, unneeded leases were eliminated and headcount was reduced to match current demand. These moves are helping RedBuilt get back to its core competencies: innovative product designs and aggressive sales and marketing efforts. In September, the Company brought its sales team together with key engineering and manufacturing team members in a conference to "re-spark" the creative and entrepreneurial atmosphere that brought the business its original enduring success.

RedBuilt experienced a stabilization of the booking activity in late Q2 and Q3, and late in Q3 the Company realized a modest uptick in both booking and sales activity. However, heading into Q4 2009 and Q1 2010, we expect business to soften based on seasonal construction patterns and early indications from the field. The Company is well-positioned in the market, it is well-capitalized, and its sales team is highly motivated to continue to uncover and create new opportunities. Under the guidance of its deeply experienced management team led by CEO Kurt Liebich, RedBuilt is also continuing to focus on cost reductions as well as Continuous Improvement Process and product innovation.

The hard work of transitioning RedBuilt away from a large corporate owner into an entrepreneurial and focused enterprise is ongoing. However, the expected installation of new production equipment (paid for, in part, with Oregon state development financing) will help the Company innovate and diversify its product lines, and the continued movement of accounting and production functions from Weyerhaeuser's legacy systems to a separate environment is expected to result in additional cost savings.

Wood Resources LLC

Richard Yarbrough, President and Chief Executive



While housing starts remained anemic and panel demand from industrial markets remained weak in Q3, Wood Resources LLC's businesses – Olympic Panel Products LLC, Moncure Plywood LLC and Chester Wood Products LLC – are well-positioned to increase their market share. Wood Resources received a major infusion of new capital from its investors in Q3. That investment will

support continuing growth initiatives at all three operations and allow the Company to maintain its capital assets in a responsible fashion.

Olympic Panel Products is benefitting from its Continuous Improvement Process initiatives, showing continued modest profitability for Q3 despite operating at exceptionally low levels of production. Olympic's strong management team has positioned the Company to take market share from its largest competitor, which suspended operations in Q2 and laid off a significant portion of its work force.

Moncure Plywood returned to profitability in the last two months of Q3, an extraordinary achievement considering that the business is operating at 65% of capacity. Through attacking costs and product diversification, the Company – led by Operating Partner Dick Baldwin and his team – continues its expansion into upgraded sanded pine products and other specialty hardwood segments to offset the continued soft upholstered furniture market.

Prices for commodity plywood panels bumped along the market bottom in Q3 with some periods of slight improvement. Nonetheless, Chester Wood Products remained profitable as a result of its world-class cost structure and its focused management team and employees. Chester continues to be a center of manufacturing excellence within Atlas Holdings.

To read more about Atlas Holdings, please visit our [Web site](#).