



A Report to our Partners, Investors, Employees and Friends

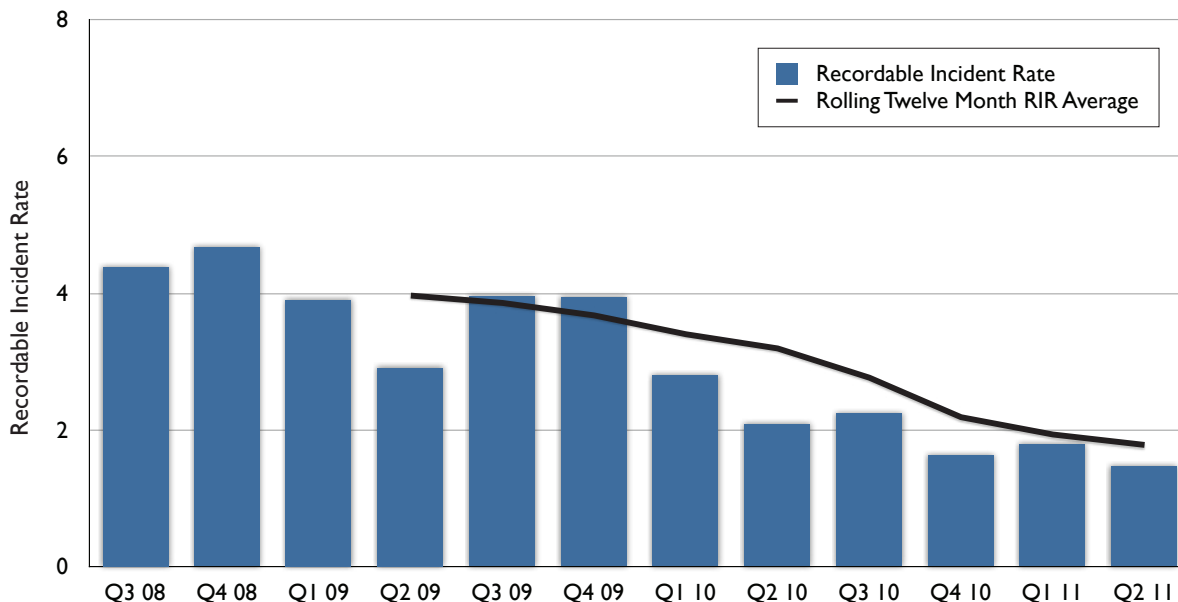
In Q2 2011, macroeconomic headwinds increased in a number of segments in which our businesses participate, leading to mixed financial performance for the Atlas family of companies.

Demand for building materials remained soft because of anemic conditions in the housing market. In addition, demand for industrial and entertainment packaging products and fine paper decelerated in Q2 following inventory replenishment in Q1 that resulted from a better than expected holiday season. This weakened demand profile, coupled with rising input and logistics costs, pressured revenues and margins at RedBuilt, Wood Resources, AGI Media, Forest Resources' industrial packaging unit, certain business lines of Bridgewell and Finch Paper.

On the flip side, demand for steel and metals-based goods and for products in the energy supply chain continued to expand aggressively in Q2, driving significant profit improvement for the Pangborn Group, Phoenix Services and the Crane Mat division of Bridgewell. In addition, demand for food packaging remained robust and, as a result, Canampac's business performance was solid in the face of a very strong Canadian dollar. Detroit Renewable Energy (DRE) is largely immunized from the impact of the economic cycle, given the fundamental nature of its services.

In this environment, our management teams and employees kept a vigilant focus on operations. We are pleased to report that, in Q2 2011, the Atlas family of companies achieved record safety performance with a total RIR of 1.47. Notably, Bridgewell, three of Forest Resources' companies (Strathcona Paper, Ivex Specialty Paper and Shillington Box) and the Pangborn Group operated

Atlas Aggregate Safety Performance — Recordable Incident Rate



throughout Q2 without a recordable incident. In addition to improved employee morale and tighter operations, safety performance is having a direct financial impact on our businesses. In Q2, our workers compensation costs were less than \$200,000 across all of the Atlas companies. By comparison, prior to our collective, intensive focus on employee safety, workers compensation costs were as high as \$800,000 per quarter.

From an investment point-of-view, the mixed economic picture following a deep recession is a fine formulation for continued opportunity. The quality and quantity of investment prospects remain high. As of this writing, we are in exclusive negotiations to acquire two businesses and we continue to review a significant number of proprietary transactions. Equally important, the ongoing flow of opportunities and our relatively skeptical view of the pace of recovery encourage the maintenance of strong investing discipline, a hallmark of Atlas through many investment cycles.

To highlight our sense of discipline, we killed three potential investments by quarter's end. In each case, we were well-positioned, either with a formal exclusivity arrangement or as the sole bidder for the subject business. In each case, we discovered issues that we believed created inadequately protected "capital at risk" or other uncertainty for which the proposed transaction did not provide satisfactory compensation. While it may be uncommon for a private equity manager to consider the "ones that got away" as investment highlights, particularly in a world where proprietary deal flow is a scarce commodity, we are as proud of the focused and exacting diligence efforts that take us to a "no" as the ones that enable us to transact. In our business, the willingness to pass on transactions that are teed up and ready but ultimately don't meet a disciplined risk-adjusted return threshold is an important determinant of long-term success.

In terms of investment focus, we are broadly looking for distressed or challenged manufacturing and distribution businesses in our growing areas of competence, including food and agriculture, aerospace and defense, energy, pulp and paper, packaging, steel/metals and related products, wood products, building materials and capital equipment. In addition, we are aggressively seeking "add-on" acquisitions for our existing businesses. In particular, we would like to find wholesale distribution/brokerage businesses that we can fold into Bridgewell. And we would like to find additional distressed infrastructure investments similar to DRE. If you are aware of any opportunities along these lines, please contact us.

As we look forward, we believe that the combination of high domestic unemployment, investment caution on the part of corporations, uncertainty regarding Washington's next moves (both regarding the deficit as well as the Treasury's posture on undoing QE), concern about the "China Effect" as it relates to driving global growth and commodity inflation as well as fears of contagion in Europe will make economic forecasting as challenging as weather forecasting (and about as reliable). Amid this uncertainty, we will continue to remain focused on continuous improvement and efficiency — things our managers and employees can control to drive our businesses forward and create lasting competitive advantage.

We appreciate your continued support.

Sincerely,

Andrew Bursky
Managing Partner
To contact Andy by e-mail, please [click here](#)

Timothy Fazio
Managing Partner
To contact Tim by e-mail, please [click here](#)

AGI Media

Tony Garnish, Chief Executive, AGI Europe
Mark Caines, Chief Executive, AGI North America



AGI Media (“AGI” or the “Company”) is a leading global creative services and packaging provider to the filmed entertainment, video game, music, technology, telecom and personal care industries. The Company operates through a network of seven print facilities, five plastics facilities and six Creative Service Division offices located throughout the U.S., Europe and Australia. We formed AGI by acquiring the AGI Media packaging businesses of MeadWestvaco Corporation in September 2010.

AGI’s plastics businesses, Amaray and Amaray U.S., had a very solid quarter despite an environment of volatile resin costs. AGI’s print businesses, both in the U.S. and Europe, suffered during the second quarter as a result of weak market conditions and excessive costs due to restructuring efforts on both sides of the Atlantic. During the quarter, AGI’s U.S. print business achieved a number of important milestones in its major restructuring initiatives. The most significant event was the closure of the Jacksonville, Ill., facility in June and consolidation of that business into the Melrose Park, Ill., plant.

Amaray U.S., the U.S. plastics business, also demonstrated important progress during the second quarter. Amaray U.S. consolidated its footprint in Pittsfield, Mass., by combining operations from two buildings into one. The business’ strong results during the quarter were especially impressive in light of the volatility in resin costs, a result attributable to the Amaray U.S. team aggressively managing their business.

The story in Europe during the second quarter was similar to that in the U.S. A highlight for the quarter was the announcement that AGI won the prestigious Excellence in Safety Management award from the British Printing Industries Federation.

Bridgewell Resources LLC

James Toya, Chairman
Kyle Burdick, President



Bridgewell Resources LLC (“Bridgewell” or the “Company”) supplies a variety of construction products, utility supplies, wood products, food ingredients and crop inputs, together with logistics services, to suppliers and customers globally. Bridgewell commenced operations in March 2010.

As we have previously communicated, upon acquisition we set out to address the challenges facing Bridgewell in a systematic fashion. We are pleased to report that the Company is nearing the end of its stabilization phase and is about to embark on the next phase of its recovery — accelerated growth and driving excellence in operations to become a Performance Organization. During Q2 2011, the Company saw its revenue in backlog KPI (sales commitments that have not yet shipped) grow sequentially by 28.5% from the end of Q1 to the end of Q2.

As a key enabler of its growth strategy, Bridgwell successfully closed on a new working capital facility, providing the Company with ample additional liquidity to fund business expansion. We believe Bridgwell is well-positioned to take advantage of growth prospects in both domestic and international markets.

Capital Equipment Resources LLC

Henrik Jensen, President and Chief Executive



Capital Equipment Resources LLC, d/b/a The Pangborn Group, had zero lost-time injuries in Q2 2011 and one lost-time injury YTD through June 2011.

Market conditions in all major regions were favorable in Q2. High production levels at its customers resulted in high order intake on aftermarket parts and services. In Q2 2011, aftermarket sales were 30% higher than Q2 2010. The Pangborn Group's backlog of machine orders is healthy, and inquiries continue at a high rate.

In addition, the Chinese market is becoming increasingly fruitful for the Pangborn Group as its activities there yield more equipment projects and orders. In order to better support its China growth opportunities, the Company has established the Pangborn Group China, working in close conjunction with our local agents and representatives.

Detroit Renewable Energy LLC

Steven White, Chairman



Detroit Renewable Energy LLC ("DRE") is committed to providing the City of Detroit and surrounding municipalities with safe, reliable and cost-effective solutions for clean energy and waste disposal. DRE owns a group of assets critical to the supply and distribution of renewable energy: (i) Detroit Thermal, LLC ("Detroit Thermal"), a district energy business that provides efficient heat to most of the buildings in downtown Detroit and the Woodward Avenue corridor; (ii) Detroit Renewable Power LLC ("DRP"), an energy-from-waste facility that processes and combusts municipal solid waste into electricity and steam that is sold to Detroit Thermal; and (iii) Hamtramck Energy Services, which provides operating and maintenance services to several GM plants. DRE was formed in November 2010.

At this point, we have experienced elements of both the challenge and the opportunity embodied in the DRE investment. As we have brought the DRP facility to longer stretches of improved operability, we have seen evidence of the efficiencies and financial performance that can provide DRE with attractive, long-term returns. On the other hand, while significant progress has been made, the DRP facility will continue to consume capital as our management team puts in place

the necessary capital improvements. We understood the magnitude of deferred maintenance at the DRP facility at the point of acquisition. Restoring and operating the facility at the standards necessary for success remains the challenge ahead of us.

We are proud to announce that Detroit Thermal was recognized for its business development activities at the 102nd International District Energy Association conference held in Toronto, Canada, receiving a Bronze award for the volume of additional square feet commitments achieved by Detroit Thermal in 2011. Congratulations to the team at Detroit Thermal, as we placed ahead of more than 200 other district energy systems.

Last but most importantly, we made significant progress in regard to employee safety during the quarter. In Q2, DRE's recordable incident rate dropped to 2.72 from the 3.76 realized in Q1. Our managers continue to emphasize the Atlas safety culture as we strive to achieve world-class safety performance.

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



Finch Paper LLC ("Finch" or the "Company") is a leading producer of premium uncoated printing papers. Finch is an integrated mill utilizing on-site sustainable energy sources, including biomass and hydroelectric power. Finch also manages more than 160,000 acres of Adirondack forests for The Nature Conservancy.

With the ongoing focus of all Finch employees, the Company has seen strong improvements in safety metrics during Q2 2011. It continues to engage in procedures to achieve its five-year plan for world-class safety performance.

Finch volume remained strong despite the continued weakness in the uncoated free sheet market. However, the soft market environment and escalating raw material costs placed pressure on margins throughout the quarter. This pressure was exacerbated by a short-term increase in fixed costs necessary to support key initiatives at Finch: our manufacturing information system migration and our transition to high-performance work systems. We have confidence that these expenditures are positioning Finch for increased profitability in future quarters.

In addition to process standardization (high-performance work systems) and continuous improvement efforts, Finch has implemented a companywide cost reduction program. We anticipate significant reductions to Finch's fixed and variable costs during the remainder of 2011. Finch also will continue to focus on safety improvements, increased productivity and strategic sourcing initiatives during the second half of 2011.

Forest Resources LLC

Larry Richard, President and Chief Executive



Forest Resources LLC

Forest Resources LLC (“Forest”), which includes our majority interest in CanAmPac, had one lost-time incident and four total recordable incidents during Q2 2011. Forest’s TRR (Total Recordable Rate) for the 12 months ended Q2 2011 was 2.8 compared to the 3.2 industry average rate. Boehmer Box achieved 46 consecutive months without a lost-time injury as of the end of Q2 2011.

Forest experienced weather-related power interruptions, resultant equipment failures and the continuing market challenges driven by higher fiber costs in Q2. Fiber costs remain well above 2010 levels and increased again in July 2011 due to low domestic generation of wastepaper and strong overseas demand for fiber.

Sales at CanAmPac (Strathcona Paper and Boehmer Box) remained strong. However, CanAmPac is under the same fiber cost pressures as the Mill Division. The coated recycled board market in Canada is sensitive to the strong Canadian dollar, which increases the competitiveness of U.S. manufacturers.

Margins remained below “cycle average” levels during the first half of 2011, and this trend is expected to continue forward into Q3. Consolidations and permanent mill closures are continuing as the market adjusts to the slowly recovering overall economy. Waste reduction initiatives and improved production efficiency initiatives remain the top priorities.

Phoenix Services International LLC

Doug Lane, President and Chief Executive



Phoenix Services International LLC (“Phoenix Services” or the “Company”) reported an OSHA recordable rate of 3.0 for the 12 months ended June 2011, compared to the national slag industry standard of 5.0. The Company reported its most profitable quarter and first half in its 4-plus-year history.

A significant contributor to the record quarterly performance was the restart of the Company’s operations at the Sparrows Point, Md., steel mill in May 2011 following a sale of the mill by Severstal to the Renco Group. Phoenix Services provides slag handling, scrap recovery and scrap yard management at Sparrows Point and views the purchase as a positive development, suggesting a long-term commitment by Renco to the operation of the mill. The Company also commenced operations under its mill services contract at Warren, Ohio, in Q2 2011.

The Company’s operation in Galati, Romania, continues to run at full speed and provide an attractive contribution to the Company’s overall results. Phoenix Services continues to build on its international momentum, having recently been awarded a pair of ArcelorMittal mill services contracts in South Africa.

Domestic steel industry capacity utilization through the first half of the year has averaged 75%, a 5% increase from the same period last year, and a vast improvement from a cyclical low of 34% in December 2008. The current capacity utilization rate remains below the 25-year average of 82%, as well as below the post-consolidation restructured domestic steel industry average of 85% from 2002-08. Increased steel production across our portfolio of steel mill clients will continue to benefit Phoenix Services.

The Company continues to focus on operational excellence and attractive growth opportunities and has the capitalization needed to execute its plans. We remain extremely optimistic about the prospective performance and growth at Phoenix Services.

RedBuilt LLC
Kurt Liebich, President and Chief Executive



RedBuilt continues to have a strong safety record, having achieved a recordable incident rate of 1.9 during the YTD period ending June 30, 2011, a slight improvement over the 2010 recordable incident rate of 2.0.

The U.S. residential and commercial construction markets continued along the bottom of the trough in Q2. With high unemployment, low consumer confidence and difficult financing conditions, the construction market is struggling to gain any signs of life. Despite these difficult operating conditions, RedBuilt's diversification efforts are beginning to pay off.

While the business struggled in the first half of the year, performance indicators are moving in the right direction. As a result, RedBuilt's order file has reached the highest level since its formation in the fall of 2009. Also, over the last 18 months, RedBuilt has been working to diversify its business, so that it is not dependent on a recovery in the U.S. commercial construction market.

While we do not expect to see a significant improvement in RedBuilt's core commercial business for quite some time, we are encouraged by the level of current activity and we look forward to reporting improved results in the second half of 2011.

Wood Resources LLC
Bill Corbin, Chairman
Richard Yarbrough, President and Chief Executive



Wood Resources LLC (the "Company") results in Q2 2011 were softer than expected. Demand for structural panels remains very weak as U.S. domestic demand has remained essentially flat since the middle of 2010.

Safety of associates working within the Company remains a top priority. Safety performance as measured by recordable incidents sequentially improved nearly 60%, from 3.4 in Q1 to 1.4 in Q2.

Moncure Plywood led the Company's financial performance in Q2 and through the first half of 2011. Mill operating performance has been excellent and its increased product offering has allowed Moncure to differentiate itself in the marketplace. Moncure's all-in cash costs per unit were 5% lower than in the same period in 2010, despite glue costs driven higher by increased oil prices.

Chester Wood Products also operated very well for the quarter with significantly improved labor productivity and tight cost controls offsetting higher glue and marginally higher wood fiber costs. Unfortunately, sales prices for the commodity panel products manufactured by Chester were disappointing due to market conditions.

The Company's overlay specialty business, Olympic Panel Products, experienced higher wood fiber costs combined with increased glue and overlay costs due to increased oil prices. On the market side, Olympic's mix of products was forced to shift toward the less specialized, more competitive products due to market constraints. These factors combined to create extremely weak operating results in Q2.

A very challenging picture is likely to exist for the remainder of 2011. On the positive side, oil prices have begun easing and wood fiber prices in the Pacific Northwest are falling. The effect should be reduced operating costs at all of the Company's mills. As a result, we are hopeful to achieve improved results in the second half of 2011.

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