



August 3, 2020

To: All Customers, Suppliers and Partners of HF Group, LLC

Re: Update regarding business operations status

Greetings all,

Our most recent communication discussed our plans for operations and employment through July 31. As we approach the end of the month, we felt another operational update was in order.

Despite a significant drop off in orders and sales since March 20, we have been able to safely navigate the past five months due to the following factors:

- HF Group was in solid financial condition in March of this year, with no debt and some cash reserves.
- Once the shutdown period began, we had many customers work hard to process payments for worked completed and invoiced prior to the shutdown. We are grateful to those who, shut down themselves and working from home, still worked with their finance staffs to pay outstanding invoices.
- We received and fully used a PPP loan to pay our employees and avoid any layoffs until June 15th. We also used some PPP funds to pay non-payroll, approved expenses.
- Beyond PPP assistance, we also paid a respectable amount bills for materials, supplies and services.

As for ongoing operations, we have had some continuation of business in storage, preservation, printing, and edition work, and gratefully so. This revenue stream (about 25-30% of our normal totals) has helped us maintain full employment for some and partial employment for many others.

As we begin August, we have seasonal work to complete and we have a small backlog of orders in those areas described above. However, library binding, prebinding, school textbooks and some on-demand work remains slow and, at this point, we do not see a rapid return to "pre-Covid" levels. In fact, based on customer feedback, there will be financial stress in the education market, colleges and universities, as well as the K-12 system, for the rest of 2020 and into 2021. We are preparing for reductions in expenditures and budgets.

So, what does the near future hold for HF Group?

We are accepting that this unfortunate turn of events will permanently impact our business. Our plan in the coming 6-12 months is to downsize the company, shrink our footprint, and continue to serve our customers in every way we do so currently. We will have more news about our plans in the weeks and months ahead.

Until then, please know that we are immensely grateful for the relationships we have built over the years and appreciate your support and confidence. We are diligently working to find the very best path to a "new normal" for HF Group and hope to continue to serve, buy from and partner with all of you in the future.

With our ongoing good wishes, and good health to each of you.

Jay Fairfield, CEO and Eric Fairfield, Jim Heckman, Paul Parisi, John Parisi, Damon Osborne
Shareholders of HF Group, LLC