



A Social Enterprise's Guide to Surviving a Global Pandemic

A Qualitative Study in Leadership



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COVID-19 TIMELINE



MARCH 5TH

First cases of COVID 19 reported in Colorado.



MARCH 9TH

Arc Operations reports sales declines unusual to the season.



MARCH 16TH

Arc Operations reports sales declines that can no longer be denied, COVID is officially having an impact. Lewis begins daily call with his senior staff.

CFO and his team begin building several financial models to predict plausible scenarios for the business going forward.

SUMMARY

Very few living today have ever experienced something like the coronavirus pandemic. 2020 was a year of devastation and great upheaval. Every person, every family, and every business was changed forever.

Survival is dependent on the ability to learn and adapt. This is true for individuals and it is true for organizations. Arc Thrift Stores is no different.

The reflections shared here are only a few of the many that we experienced at arc Thrift Stores during COVID. They are stories of resilience, of devotion, and of great heart, and they are stories that give us hope and remind us of who we are, of our shared humanity, and of our purpose.



MARCH 25TH

Arc Board meeting is called to present financial models and present next steps. Polis announces statewide shut down within minutes of the board meetings conclusion.



MARCH 26-MARCH 31

Arc braces for implementation of a financial model that will eventually furlough over 700 employees. All arc Ambassadors are told they will be paid to stay home, until they can safely return to work. Trucking and telemarketing are stopped. All pickups are canceled indefinitely. Stores are prepped to close indefinitely.

SETTING THE STAGE



In over 50 years of service to Colorado, arc Thrift Stores has seen its share of difficulties. It may be a successful nonprofit with a servant's heart but make no mistake, it is run like any other for-profit business with one man at the helm and six dedicated soldiers that work together to push this well-oiled machine forward; beating and exceeding sales plans and expectations for 16 consecutive years.

The man at the helm? Lloyd M. Lewis, with a background in finance and business, is not your typical nonprofit CEO. His MBA from Chicago business school and his years in finance would suggest his current position is a pit stop on a successful career path, but that is not the case. After his son, Kennedy was born with Down syndrome he made a decision to dedicate his life to ensuring that people like his son have the same opportunities that neuro-typical people take for granted. He became CEO/president of arc Thrift Stores in 2005 at a time when the organization's 17 stores were struggling. Within a year, he put arc Thrift Stores on the Colorado map. He assembled a team, a machine in reality, tasked to regenerate and electrify a collection of thrift stores that would eventually become iconic. Today there are 31 stores across that state that fund 15 Arc Chapters (who provide services and advocacy to people with disabilities) and that support over 1,600 employees, of which almost 350 have intellectual and developmental disabilities. This machine is now one of Colorado's largest employers of people with disabilities, one of Colorado's largest recyclers, and arguably the coolest thrift stores in the state.

In the 14 years prior to the COVID crisis, Lewis and his team achieved record sales numbers and a reputation for excellence in the nonprofit community. Then came the last weeks of March 2020, a time that will live forever in the minds of employees and supporters alike. The COVID pandemic forced Lewis to face decisions that would undoubtedly be the most difficult of his almost 40-year career in business.



MARCH 26-MARCH 31 (CONTINUED)

The Elite 8 employees are determined and ultimately cut down to the Final 4 employees that will remain on payroll at each store location to gather donations and keep the store running until arc can open again.

A small trucking crew remained intact to pick up the donations that came to the stores.



RESPONDING TO THE CRISIS

LLOYD LEWIS, PRESIDENT AND CEO

Lloyd Lewis led a meeting in his large conference room in Lakewood, Colorado the afternoon of March 25th. The room was sanitized and tables were spaced six-feet apart to accommodate the masked team he had assembled to ensure arc Thrift Stores would weather this storm. No one could predict what lay ahead.

A teleconference device sat in the center of the room and the board of directors, chaired by Chuck Sather, would soon join the call to hear updates from Lewis. Less than 15 minutes after this call the Governor of Colorado, Jared Polis, would announce a statewide shut down. The board and senior staff began to discuss worst case scenarios, like the possibilities of cutting expenses in half, immediate and massive layoffs of staff, and the shutting down of all of the stores. Lewis knew instinctually there must be another solution. He reflected on the 1,900 people who would be dramatically affected no matter what the final decision. After working closely with CFO Bruce Stahlman, the board was presented with multiple financial scenarios. Worst case to Best Case and one midpoint case that essentially involved furloughing “C-level employees” and providing some sort of paid leave to “B-level employees” until they could return to work. “A-level employees” would remain at work, doing whatever could be done to ensure stores were not inundated with donations that could cause a fire hazard. A-level, the most necessary; B-level, employees who were important, yes, but the store could still function without them; and C-level employees, those who could potentially be furloughed without the store losing its momentum.

It is important to remember that at this point we had no idea how COVID spread. There were real fears that the virus could live on surfaces for some period of time and could therefore potentially contaminate the donation stream. We were receiving mountains of donations, dumped at all stores and donations stations. The nation was stuck at home and the new national pastime was cleaning out your closet. In the coming months, donations would become one of the biggest challenges of this crisis. It was agreed, on a senior team call in late March, that all remaining salaried store staff and corporate office and support staff would take a 25% pay cut for the time being. Approximately 700 furloughs went into effect March 30. It is important to note that the stores were closed during this period. No actual revenue was being generated. If all staff had been kept on without any furloughs, it would immediately deplete reserves and have long-term effects on the company. Lewis took a 50% pay cut, asking his CFO and vice president of operations to do the same. The store staff was top of mind but Lewis also had to think about the Arc Chapters. He presented them with the mounting sales declines, the impending store closures, and the reality that we were facing an unknown period of thrift stores literally bringing in no money. The Arc Chapters returned to Lewis in the coming days to offer a 25% reduction in their distributions. Unlike the thrift stores that support them, several

Lewis begins reaching out to counties and state officials for guidance and gathering allies to plead his case: arc Thrift Stores is an essential business in the state of Colorado.

Arc Chapters propose a 25% reduction in distributions.

Massive company wide computer virus grips all departments and electronic communication: payroll, data, reports and every computer in the organization.



chapters have small staffs and already operate on small budgets. It was clear that the relationship built by Lewis with the chapters was going to be critical in this moment. Chapter Executive Directors admit that although this period was tremendously worrisome, Lewis' leadership and ability to push away all thoughts of despair filled them with the confidence they needed to lead and endure this period. One chapter representative noted, "Lloyd has the ability to stare danger in the eye without blinking. We knew that there was no better man for the job. "We were willing to sacrifice for the moment to get to better times." – Danielle Angotti, Arc of West Central Colorado.

Lewis reflects on the last few weeks of April with deep emotion. The unknown faced by so many during this crisis comes flooding back whenever he is reminded of that month. All 31 stores shut down, 15 donations stations closed to receiving donations, and a fleet of 52 trucks grounded, unable to do daily pickups of donations. The business ground to a halt.

In Colorado, we refer to April as "fool's spring." It is a time of year when we may have several warm and sunny days and then suddenly the state is pounded with freezing temperatures and snow and we are plunged back into winter. Winter had always been the most unpredictable piece of the thrift business. A deadly virus took its place as the most unpredictable phase of our business' history.

Lewis never closed his corporate office. He showed up every day and was front and center, armed to face the crisis. His constant presence is something many team members point to as a source of strength and inspiration for being able to keep going. Lewis charged into April with a plan of attack that centered around three schools of thought: get arc Thrift Stores designated an Essential Business by the state of Colorado and all surrounding counties where arc had thrift stores, construct a plan for how to safely and securely reopen, and turn the rest of the company's efforts to outside relief of communities in need and hit hardest by the pandemic. At that point, it was unclear what May would bring but the senior team was unified in their mission: Get our thrift store doors open for business by May 1, 2020.



APRIL 1ST

All arc Thrift Stores and donation stations are closed.

All Marketing efforts turn to relief and providing for those in need across the state.

Furlough letters and unemployment resources are provided to over 700 former arc employees.

Global borders began to shut down and ground recycling efforts to a halt.

Doing everything he could to plead his case that thrift stores were essential to the community, Lewis turned to several community contacts. One of his Facebook contacts proved to be invaluable. This person who was a lobbyist and seemed to have a strong relationship with the Governor's office as well as a personal connection to the disability community that could be helpful. The connection eventually led to the state declaration that made arc Thrift Stores an Essential Business. This designation would allow the remaining arc employees to freely travel around the state with proper designation and attend work at our corporate office. This designation allowed Lewis to personally show up at stores struggling with donation dumping and help them clear fire lanes, bring donations into the stores instead of remaining outside and load trucks to get donations to the warehouse. Stores may have been closed to shoppers but arc's backdoors never stopped receiving donations from the public.

Why was it so important to Lewis that arc be designated an Essential Business?

The designation meant that the organization would be able to remain open and that donations of crucial items like food, cotton and soft goods that would help people in need during the crisis would continue to be taken at its 31 store locations and donation stations. Ultimately, Lewis prevailed, and arc was granted

the designation because of its important impact on the community through its support of social service programs and advocacy for individuals with intellectual and developmental disabilities.

The power of the designation was felt state-wide. Since March of 2020, arc has been responsible for over \$50 million in COVID relief efforts. The economic impact that arc Thrift Stores has had on the Colorado community through COVID exceeds \$90 million, and a total of 256,000 pounds of product and food were delivered throughout Colorado to organizations such as Volunteers of America, countless food pantries and rescue missions, and senior centers.

When asked what inspiration he could point to, the thing that may have made him capable of standing up to what everyone else in the room considered a roadblock, Lewis cannot come up with a concrete answer. He could only point to another time in his life that spurred similar action. In 2003, his son was born with Down syndrome; the news came sudden and with no warning. His reaction in that time reminds him of the actions he took during the Covid crisis. When presented with a huge barrier, Lewis does the hard work and he refuses to accept defeat.



LESSON LEARNED: CONNECTIONS

If you have strong relationships, there is nothing that cannot be accomplished.



LESSON LEARNED: NEVER ACCEPT DEFEAT

Training yourself to be unwilling to accept defeat takes years of experience but can be done with perseverance. When faced with a crisis, you get the facts, you do the hard work, and you refuse to accept defeat.



APRIL 3RD

Most Colorado school districts begin remote learning.

All remaining arc salaried employees are asked to take a 25% pay cut.

Paid leave for hourly employees that remain on the payroll begins.

Arc Corporate office stays open; at risk employees begin working from home.

100k sqft arc warehouse was a ghost town, 2 employees remained for security.

Feed Colorado, in its 20th year becomes even more of a priority for growing community needs.



GOVERNMENT RELATIONS

JOYANN RUSCHA, DIRECTOR OF GOVERNMENT RELATIONS

Lloyd Lewis and JoyAnn Ruscha have many people in common. Their shared network includes many highly involved people in the disability advocacy community across the state, from passionate parents and teachers to highly placed influencers in the Governor's office. Lewis first became acquainted with Ruscha as a campaign donor when Ruscha was running for RTD director, a decision he made in part because her campaign was focused on accessibility, a cause near and dear to Lewis.

Lewis hired Ruscha as a consultant in the fall of 2019. Ruscha's responsibilities focused on community outreach and governmental affairs on behalf of arc Thrift Stores. The lobbying really kicked in when COVID hit and right before the Capitol was officially shut down in mid-March of 2020. Lewis quickly realized that the situation was becoming more intense, and that his thrift stores were in danger of being shut down. Ruscha recognized the warning signs, as well, and began monitoring the public health discussions, giving Lewis daily updates. If the state shut down, this dynamic duo knew they would seek Essential Business status.

Meanwhile and unbeknownst to Lewis, Ruscha was suddenly unable to control her asthma. Ruscha recalls her father being diagnosed with SARS disease on a trip to Hong Kong many years ago, so when the pandemic hit she had some fears about what COVID might look like. She was determined to keep her and her son healthy.

Unfortunately, Ruscha ended up in the ER and was eventually diagnosed with COVID at the end of March. Ruscha remembers being so ill that she feared her life might be at risk. Heartbreakingly, she drafted a note for her teenage son and left it under her pillow. When she got to the hospital, she called her mother to make sure she knew where to find the note. She recalls doing a PSA on her Facebook page letting people know how serious the disease was and what she was facing. Ruscha suffered with debilitating effects of COVID for weeks following her diagnosis, including secondary bacterial pneumonia. For 18 days, she was barely able to sit up in bed. Despite the turmoil, Ruscha was still able to do a bit of work and arc Thrift Stores became her only client. Helping Lewis became her work's focus, even though there were times that all she could do was type from her cell phone, sweating in fever. Her son delivered her food to her bedroom and did all he could to avoid getting sick himself, all while navigating remote learning on his own.

Ruscha spent much of her time watching press conferences from the Governor and Metro Denver mayors and reading executive orders to determine what was happening from minute to minute and reporting to Lewis daily from her bedroom.

By the end of March and into early April, social services and health and human services were mainly the only services receiving designations and being allowed to remain open. Most retail stores were shut down, including every thrift operation in the state. Ruscha



APRIL 13TH

Some essential business designations begin to take shape under Lewis' direction.

Lewis directs operations team to begin developing a plan for safety at the stores.

arc gala is officially canceled for 2020.

Lewis does the first COVID TV interview with KKTU, Colorado Springs to discuss essential business designations and relief efforts happening around the state.

had the task of convincing public health authorities that arc was not just another retail or thrift store. Based on the existing public health orders, Ruscha feared they were only going to allow arc to continue food and relief operations, but not open the stores, which would have devastated the company. The Governor's office was receiving requests from every industry to allow exemptions.

After some time educating the Governor's office on the impact arc Thrifts Stores has on the state and its service to people with intellectual and developmental disabilities, including its funding of Arc Chapters and its impact in COVID relief, the Governor's office eventually understood what made arc Thrift Stores special and how important it was to stay open. Arc Thrift Stores was placed on the Essential Business list. Managers and executives across the company placed designation letters on their dashboard just in case they were pulled over by the authorities.

In March of 2021, Lewis asked Ruscha to join arc Thrift Store's executive team in a more formal way as the director of Government Relations. Lewis recounts with fondness that Ruscha was critical to the Essential Business status and she made all the difference despite her being bedridden with COVID symptoms that persist today. Incidentally, Ruscha's hire date was the one-year anniversary of her COVID diagnosis. As well, her young son was able to receive his first vaccine shot the exact same day.



LESSON LEARNED: MAINTAIN FOCUS

"Maintain an attitude of hyper-focus in the face of a challenge. Approach the situation with a mission, and hold fast to the notion that "no" is not an option in a moment of crisis. Hyper-focused on doing what had to be done to make sure arc Thrift Stores could reopen."

"We made a case on the facts and the mission of arc Thrift Stores. You cannot plan for everything, and I did not plan to get sick. But I decided I would not be ignored from my bed, sick with COVID, isolated from my child. Failure was not an option."

JoyAnn Ruscha,
Director of
Government Relations



APRIL 20TH

arc Thrift Stores begins prepping stores to reopen with added safety practices.

All counties and the state came through with essential business designations for thrift across the state, thanks to the tireless efforts of Lewis.

"Friday Feels" weekly conference calls, store-wide kick off to rebuild company morale, unity and culture before we reopened.





FINANCIAL RESPONSIBILITIES

BRUCE STAHLMAN, CHIEF FINANCIAL OFFICER

Bruce Stahlman, arc Thrift Stores' chief financial officer of 14 years, knows a thing or two about perseverance.

Stahlman has three sons and a wonderful wife, Kelly. The Stahlman's twin sons, Mark and Eric, were born with cerebral palsy. Each faced numerous health challenges over the years but were a true blessing to the Stahlman family. Stahlman's relationship with the Arc Chapters began long before his career with arc Thrift Stores as he and his wife looked for advocacy, services, and support for the twins. Very quickly, the disability community became Bruce and Kelly Stahlman's second family. And, when the boys passed away, Mark in 2014 and Eric in 2015, that family held the Stahlmans close.

The fortitude that it took for Bruce and his family to get through those heartbreaking times clearly informed how he faces all things today, and it refined his sense of compassion and optimism, two qualities he brought to the organization to help it navigate through the COVID pandemic.

In early March of 2020, as the virus spread, Stahlman and his team did not skip a beat. They spent countless hours with Lewis building financial models that attempted to predict all possible scenarios. Lewis wanted to understand the worst cases and the most optimistic cases. He and Stahlman ultimately landed on a conservative model that did not completely eliminate reserves and that could keep things moving for up to six months even if stores were forced to close.

Then came the infamous board meeting a few weeks in that Stahlman says was the turning point. Stahlman and Lewis were set to present a conservative financial model

designed to buy arc time in the event of a statewide shut down. Stahlman trusted that Lewis had earned the right to have the board's confidence.

The accounting/finance team led by Stahlman turned its focus inward. At one point, there was hope that perhaps arc Thrift Stores would qualify for potential federal assistance. Ultimately, it became clear that arc Thrift Stores would not qualify for assistance based on its size.

Through it all, Stahlman stayed positive and tapped into his creative, problem-solving skills.

Stahlman was able to collaborate with BOK Financial to put a line of credit in place for \$12.5M. Ultimately, arc drew down \$5.8M.

Paramount to this discussion were also the deferments achieved by Stahlman's team, led by Amy Henderson, arc Thrift Stores' controller. Most property owners were able to defer rent and CAM payments for a period and that garnered roughly \$600K in deferred rents. Once again, the strong relationships arc Thrift Stores had built operating a nonprofit in the state of Colorado for so many years proved more powerful than ever imagined.

Stahlman was clear; arc would be good citizens to our partners. The idea was never to put any of our partners in jeopardy but to do what was best for both parties. He and his team were savvy in their communication and fair in their proposals. At the end of the day, all of arc's relationships with its partners and vendors remain in good standing.



MAY 1ST

Safer-at-home order goes into effect.

31 Best Practices for safety go into effect across arc Thrift Stores.

A and B level team members return to work with abbreviated shifts and mandatory temperature checks.

Mask mandate ensures employees and customers are required to wear masks while at arc Thrift Stores.

Arc Loss Prevention department begins mandatory store visits and video surveillance to ensure safety of employees and compliance of all safety practices.

Stahlman reports that his feelings on the COVID matter were concise. The only way to do this was to stay present and “in the now,” to not to get too far out in front of ones skis, as he says. Stahlman and his team were building from scratch. The mechanics were there because of how Stahlman and Lewis approach business. Stahlman had to be quick and thorough so Lewis had all the tools to engage in decision-making that would help the organization arrive at a way forward that had the highest probability of success. The financial models were used for several iterations and although it was important to be methodical, the time constraints were enormous. Throughout all of this, Stahlman was working from home. He worked from home because he is considered high risk. In 2018, Stahlman was diagnosed with cancer.

As Stahlman battles glioblastoma he has lived a very simple motto: “achieving excellence.” With his power of positivity, the world is literally watching him beat a terminal cancer diagnosis. To say that his presence is anything less than inspirational would be a vast understatement. The man oozes positivity and leaves the biggest cynic a puddle on the floor. He provided a steady dose of “mind over matter” to daily team conversations and as he and Lewis dug into financial models, in every way possible it was clear the company of was in good hands. From the most horrific, financial possibilities to the best-case scenarios, one could peer into the future of arc Thrift Stores and see the rise from the ashes. All possibilities were scary, yet Stahlman managed to bring his poise and positivity wherever he went, leaving everyone feeling hopeful and prepared to face anything. Stahlman’s magic is that he is someone who has seen death yet knows that life is more powerful. Because of these experiences, he gets “IT.” He understands, on a deep level, that time is healing and that together we are more capable than we know, and that as a community, we can accomplish great things. People like Stahlman, who are fighters and believers in the good, have a power that the rest of us can only wish for. It feels good to be near them. Stahlman gives much credence to the power of gratitude. He lives his entire life, grateful for all he has experienced and grateful to be here. Stahlman’s message is one we can

all learn from: “There is positive in everything. Faith and a positive attitude are vital. We control what we can control and find the positives in all scenarios.”



LESSON LEARNED: STAY PRESENT IN THE MOMENT

Arc had a responsibility, a fiduciary responsibility to keep the organization going for the sake of the people who rely on its existence. The Chapters had to be taken care of and our job was to ensure they would survive.

Stores were reconfigured to ensure 6ft spacing and one way aisles at all 31 locations

Some businesses, including arc Thrift Stores, open to limited capacities.

Lewis does a series of television and print interviews to talk about the donations surge, safety practices and relief efforts.

Donations begin to surge at stores and donations stations.

Arc Trucking department employees begin to return for store support.



STORE OPERATIONS

ERICK MARTINEZ, SENIOR VICE PRESIDENT OF STORE OPERATIONS

Erick Martinez is arc's senior vice president of store operations. When Martinez enters a room, you cannot help but smile and enjoy just being near him. He is peaceful and deliberate in his mannerisms. He is direct but deeply thinks before he speaks, and he is accessible to every employee at arc Thrift Stores. His role is rooted in his experience and he knows thrift in a very personal way. His memories from March of 2020 hit at the heart of what our average, minimum wage employee experienced. Martinez prides himself as a man of his people and that is apparent from the bottom to the top of this organization.

Like most people, Martinez will never forget the second week of March 2020. In his almost 25 years at arc, he had experienced his share of sales declines but this was different. Sure, he had seen the reports of COVID and wondered what the chatter would amount to in terms of real impact on the business. He noticed the slowing customer counts and the sales dips that were, at the time, masked by gold payments made for donated jewelry at the store level. However, underneath all that was a growing concern. By the third week of March, the sales dips could no longer be ignored. He and Lewis sat down to discuss.

It was decided in this series of sit-downs that the best way to address the financial models would be to categorize arc's team of almost 1,900 people.

Martinez coined the phrase the "Elite 8" and determined that in a worst case scenario, he could whittle his team down to eight people per store (down from 40 people

before COVID) to handle donations and floor flips in the event we were forced to close. Within a few days, the Elite 8 became the "Final 4," a devastating blow that forced the remaining four employees at each store to do the job of 10 employees. There were long hours and physically demanding work that would keep all arc thrift stores from being completely empty for almost four full weeks. Besides the health fears, there was the fear of fire or vandalism. The younger women who were part of the Final 4 reported fears of walking alone to their cars in the dark or coming to work alone in sometimes less than desirable neighborhoods.

Martinez describes listening to his people at the store level with a heavy heart. He was one man and could not be at every store every day. He took their fears and concerns on in a deep way and he describes this period as being like experiencing a death in the family. He was mourning for his people, what they had lost and the fears they were surely taking home every night. The necessary pay cuts the executive team had to implement were deeply affecting the front line. In most cases, these measures impacted arc's frontline workers, often the primary breadwinners, its most devoted employees. Add to the mix that many had school-aged children who were at home remote learning. But still these arc employees came to work, but now they had to carry with them a document that proved they were designated as an essential worker and there to operate stores that were closed to the public. They faced questions from the community, surprise inspections by the health department, and mountains of donations being dumped

MAY 1ST (CONTINUED)

Trucking started filling trailers with donations from the shutdown (600 trailers were filled).

Blind agents come back to telemarketing to answer inbound calls.

Limited Workman's comp and community service volunteers are allowed to return to the stores.

MAY 18TH

First Zoom calls with the Ambassadors begin to keep their spirits up. The talk of every call is the same "When can I come back to work?"

in the backyards of the stores. Some employees reported fears of fires breaking out in the back of their stores, fears of vandalism and fears of catching the virus from something being donated by the community.

Martinez's daily reports to the senior team painted a picture of what the frontline was experiencing. Through the darkness, however, came a bit of light...a bit of light in the form of what Martinez calls "the donation explosion." This was an element of the shutdown that no one anticipated. The number of people who were now working and schooling their children from home, along with the growing unemployment, left people with nothing to do. Cleaning out their closets became a national past time and even if you were not technically supposed to leave your home for any activity that wasn't deemed essential, people took their chances and loaded up trucks and SUVs with donated items and didn't hesitate to leave the items at every thrift store and donation station in the state. It became obvious that this was happening nationally and arc was no exception.

Every morning, employees would arrive at work to find piles of donations that had been left overnight. Unfortunately, this had a domino effect. The mountains of donations were followed by the arrival of health inspectors who were quick to criticize the employees for the unmanageable piles and for being at the store during a pandemic. The employees were on the front lines, managing the donations and managing the communities that were not happy with the piles and angry that we still had employees in our stores (even though they had been deemed essential by the counties). At that point, the CDC directives required employees to "quarantine" donated items for days, which added a level of confusion to the donation stream that no one was prepared to implement. All donated items were put on pallets, shrink-wrapped, dated, and stored for a full 72 hours before they could be touched. It was four weeks of hell for all arc frontline employees.

When arc Thrift Stores was fully declared essential by each individual county and the state of Colorado, the company breathed a sigh of relief. Martinez and Lewis set out to determine what safety practices could be effectively put into place with the expectation that business would return to some level of normalcy once the doors could reopen for business. Martinez was not totally convinced that people would feel



Feed Colorado campaign continues and becomes more critical to promote food donations at all arc Thrift Stores.

Decision is made to not do our annual Memorial Day Sale; the landscape of arc sale days is changing.

Relief team is in full swing by now; thousands of charities have been served by arc relief team.

comfortable returning to shop, so he remained reserved in his expectations, doing what he could to keep morale up, slowly bringing back A-level employees who had been on paid leave for almost four weeks, and to create a clean and safe environment for his staff.

The stores were retrofit with hand sanitizer machines, one-way aisles and signage at every turn asking people and employees to remain six feet apart. Once the employees began to return and prepare for a reopen of stores on May 1, he discovered something that harken back to his earliest days at arc Thrift Stores: the sense of community among employees. He witnessed women dragging in their old sewing machines and using items like sheets and cloth in donations to make masks and PPE for employees and that would be donated around Colorado for several mask projects. It grew into arc taking surplus donations to state mask projects that would provide masks to hospitals, shelters, and countless charities across the state. To this day Martinez only wears masks that have been hand sewn by employees across the company.

Martinez speaks of some of the brighter moments of the pandemic that were a big part of restoring morale and rebuilding the arc culture that so many have grown to love over the years. He held weekly conference calls with all store managers, district managers, and any other departments that wished to join. These calls were lovingly coined "The Friday Feels." As employees jumped on the calls, a familiar tune played in the background, "Here Comes the Sun" by the Beatles, which quickly became the anthem and the set the tone of positivity. During each call every manager and district manager would share a motivating quote and some best practices they had implemented to make things easier at their store. Each call highlighted a special employee that had gone above and beyond or discovered something inspirational that the group could learn. It was during these calls that the first seeds of the arc culture began

to sprout once again. Lewis periodically jumped on to provide additional words of wisdom or to just listen and gain inspiration from the team that he and Martinez had cultivated through the years.

When stores were reopened to customers, it was a big surprise to hear customers thank employees for their service to the community. Martinez shares stories of kindness that he had not witnessed since 9/11. Customers were also doing something he never expected to see; they were filling carts again. Yes, capacity limits were being observed but the customers were buying almost twice what they had in the past. That is correct, the items per customer was almost 50% higher than before the forced shut down. Those figures have held steady now for almost 10 months. Martinez is hopeful for the future and is comforted by the fact that he and his team have survived, and at this point one might even suggest they thrived during a global pandemic.

Sales are still on the climb and the donation stream remains strong. Thrift is one of those businesses that has a life of its own. The rich history of thrift has global reach and there is no doubt that arc Thrift Stores is here to stay.

"Whether in good times or tough times you can never change the core of who you are. We are a secondhand store, a segunda deeply woven into the fabric of the community over the past 50 years. This pandemic would not stop us from serving our mission and the Colorado community."

Erick Martinez, Senior Vice President
of Store Operations



MAY 25TH

Sales begin to climb; there is a light at the end of the tunnel.



JUNE 1ST

Colorado unemployment soars. Arc Salaried employees receive first 12.5% restorative pay increase.

Relief efforts across the state increase and food pantries are overwhelmed. Donations surge as more people are staying at home and cleaning out their closets.



JUNE 8TH

Arc joins COVID State Feeding Task Force to help with...



FOCUSING ON THE PEOPLE

LOUISE VAUGHN, VICE PRESIDENT HUMAN RESOURCES, IT AND VEHICLES FOR CHARITY

From Louise Vaughn's point of view, the real lesson learned during this crisis was compassion. As arc's HR Director, her approach is always from the heart and focused on the people that come to her with issues or concerns. The COVID crisis brought her skills to the forefront as she and her team stepped in as never before to work with arc employees as they navigated the uncertainty that was affecting all aspects of their lives. It was about listening and compassion and keeping the focus on for each individual person's experience.

The HR team was responsible for sitting down and helping to administer what would eventually amount to over 700 furloughs of arc employees due to COVID. Vaughn's team drafted the letters, created a packet of resources, handled all unemployment claims submitted through United Services Trust, processed 401k loans, and ultimately received over 300 calls from current and past employees who needed everything from basic instruction to detailed advice on how to proceed with their lives. Some just needed to cry and express their concerns for their families and their fears that

they or their loved ones could catch this deadly virus. She grappled with current employees who feared being infected at work while balancing their need to put food on the table. Vaughn describes the last weeks of March and most of April of 2020 as a time of constant crisis and continual chaos. But she reacted with poise and strength. Although, she too was worried for her own family, she remained calm and collected and was...and IS...a true example of grace under pressure.

It's important to know that Vaughn's empathy and compassion for others is not new. Several years ago she donated her kidney to her husband, a selfless act that saved his life. And even though both she and her husband are considered high-risk individuals, during the pandemic she choose not to work from home. She showed up at the office to handle the mounting crises that grew each day. She has been the rock of arc Thrift Stores for almost 20 years and she knew arc before Lewis took over as CEO in 2005. She is steadfast, sophisticated, and dedicated to the details. She is the calm in any storm and that role was even more critical



LESSON LEARNED: COMPASSION

The ability to slow down in a crisis and truly listen and commiserate with what real people are grappling with at work and at home. Real fear deserves real compassion and we were determined to provide this to each of our employees.



JULY

...dwindling food supplies and sets up in store food pantries. Arc joins KMGH to present a check to VOA along with a sizeable load of food to help fill their growing needs.

Mask Mandate goes into effect statewide.

3-5 relief efforts per week by arc Relief team goes into effect.

Arc begins running ads and television for their first big sale since COVID: Children's 99-cent sale.

Recycling department begins to open up. Borders slowly reopen allowing overseas sales to resume.



during the crisis. Throughout it all, she lost many nights of sleep worrying about the hundreds of employees who had to be furloughed and the subsequent needs placed directly at her feet. Her story is one of toughness wrapped in a smart cardigan but one that will never be forgotten. Vaughn brought peace to rough seas and remained a beacon during some of the toughest times of COVID.

But despite it all, Vaughn would tell you that it was worth every minute. She reports the elation she felt as employees slowly returned to work, as sales began to climb, and wages were fully restored by October 2020. After so many years of dedication to the disability community it is her biggest hope that arc employees with disabilities (many of whom are still working from home to this day) are able to safely return to work. She talks of her enormous pride of working for a CEO like Lewis who demanded that every single employee with disabilities, commonly referred to as arc Ambassadors, continue to be paid at the same level as pre-COVID, while staying safer at home. She has tremendous hopes for the efficacy of the vaccine and is confident that once the state of Colorado is mostly vaccinated the entire company will be able to return to some of the events that truly define the arc culture, such as the arc University Ambassador programs and events she loves so much. She spearheaded this initiative many years ago and she is very proud of the program it has become. She points to arc University, a program dedicated to providing classes and learning opportunities to arc's employees with disabilities, as the most rewarding part of her career. Vaughn knows that once these classes return to in person it will truly be the turning point for arc Thrift Stores.

"As a nonprofit thrift store operating in Colorado, we have survived this, this unprecedented situation, and that is something to be celebrated. Our focus now shifts to getting our employees and our Ambassadors vaccinated. We will continue to keep everyone safe with the knowledge we currently have."

Louise Vaughn,
Vice President Human Resources, IT and Vehicles for Charity

JULY (CONTINUED)

Some arc Ambassadors begin returning to work.

AUGUST

Donations continue to surge at stores and donation stations.

Many school districts remain on remote learning and some go to a hybrid school model.

30k less students return to Preschool-12 grade learning in Colorado.

Shipping container shortage stunts arc recycling program, this last almost 3 months.



PIVOTING THE MESSAGE

MAGGIE SCIVICQUE-SPENCER, VICE PRESIDENT MARKETING

Maggie Scivicque has been part of the arc Thrift Stores executive team for almost nine years. She is energetic and loud and you always know when she is coming down the hall. While COVID came as a shock, Scivicque was determined to remain upbeat and enthusiastic for whatever new task came her way.

Her first order of business was to immediately halt marketing expenses and to establish a new tone for the messaging that was going out to the public. Not an easy task as that tone changed daily. One particularly difficult decision Scivicque had to make was to cut back on her budget that funded a long-standing, fully integrated marketing program with Avocet Communications, a Colorado-based agency that had been working with arc for over ten years. Negotiating and navigating a scaled down spend, as well as a change in messaging, was challenging, but because of the deep relationship between arc and Avocet that had been forged over a decade, the two entities worked together for a common purpose. A particularly happy day for Scivicque was when she could call Avocet and start to

phase-in marketing campaigns that addressed the New Normal.

Throughout it all, Lewis was very hands on, assessing every social media post, print piece, and press release that went out. From signage in stores to how the 31 Safety Practices were worded, Lewis reviewed every word. This presented a unique opportunity for Scivicque to take part in a masterclass in leadership from Lewis. As she reflects on the pandemic, she is proud to serve a CEO that cared enough to care about the message.

Scivicque admits that when COVID hit, she was scared; she wanted to help and make sure that the organization, and the people it supported, could weather the storm. But her role almost immediately took a sharp turn; more than all of her other duties, Scivicque was there to support Lewis as he navigated the process of getting Essential Business status in place by the state. Scivicque's Job One was to turn all social media and PR inward and to focus on how the organization could protect those in need across the state.



LESSON LEARNED: COLLABORATION

In a crisis there is no rule book, no pre-determined responsibilities that are set in stone and easily followed. As a team, each of us is called to do all sorts of things that fall outside of our specific job duties. Leadership is exhibited in how we embrace those challenges, and it is life's most challenging moments that we find our humanity. The satisfaction of being part of the collaboration is a great reward.



SEPTEMBER

Fall surge fears begin to make headlines across Colorado.

Arc Production grows and expands to accommodate the increased demand in stores.

Arc salaried employees receive second 12.5% restorative pay increase returning the pre-Covid pay levels.

Telemarketing begins accepting furniture donations for pick up.



OCTOBER

Colorado limits gatherings to no more than 10 people and recommends this be same household members.



Many moments remain ingrained in Scivicque's mind as pivotal but the one that still makes her want to cry is actually a string of many moments. After each daily briefing with the core team, Lewis would take a deep breath. He would slowly call on each of team member and ask how they were doing and how he could help. As CEO and president, but also as a friend, he wanted to make sure the team was okay. Every single day this simple moment of connection and pause would make Scivicque tear up. Not on the call of course. Instead, she would hang up and cry to her husband, overwhelmed with gratitude that she still had the chance to contribute to this great organization if even in the smallest of ways and thankful that she worked for a boss who led from the heart. Yes, it was stressful, yes, there were times of tremendous heartbreak and headache, but Lewis cared. He cared not only for this giant behemoth of an organization that over a thousand people depended on, but also, he cared about her tiny family and how they were weathering this storm. The humanity of this situation and this moment is what truly sticks with Scivicque as she shares this memory about Lewis' leadership during the first weeks of this crisis.

"Staying positive during the COVID crisis was a tall order but worth it. We have built a brand image that resonates across Colorado communities and a legacy that is critical to the disability community. Arc isn't going anywhere and COVID has made that an undeniable fact."

Maggie Scivicque-Spencer,
Vice President Marketing

OCTOBER (CONTINUED)

Arc Halloween sales are decent relative to what had been feared, Coloradans are looking for fun anywhere they can find it.

Donation Stations began to reopen and were manned for the first time in months.

NOVEMBER

Colorado places many counties on the Red level of the COVID dial.

Arc maintains its strict safety practices in the face of this new surge of COVID cases.

Capacity limits remain in place and arc sales remain steady.



MANAGING LOGISTICS

MARTY SCHMITT, VICE PRESIDENT WAREHOUSE & DONATIONS

Marty Schmitt has been with arc Thrift Stores and served in several different roles over the years.

He began in the warehouse and immediately jumped in with his logistics skills to highlight efficiency and simplify the supply chain. Arc's warehouse is located at 58th and Broadway right outside of the city of Denver. It is approximately thirty minutes from the corporate office and Schmitt and his team are the central hub for all storage and recycling efforts made by the stores. Before COVID Schmitt managed a fleet of 52 trucks and drivers as they executed over 10,000 residential curbside pickups of donations initiated by Colorado residents. A team of telemarketing staff and customer service representatives supported this donation pick up process through scheduling and handling inbound calls. Add in the warehouse workers responsible for loading trailers of new product and store storage, and we are talking almost 100 warehouse staff in approximately 100,000 square feet of space filled to the brim with pallets of store storage, donation station product, and recycling. The warehouse was a bustling city of activity and each year the numbers

grew with the addition of new stores and growing recycling goals.

Recycling is a large revenue stream for arc Thrift Stores. Items that are deemed unsellable at the store (after being on the arc sales floors for five weeks) are then sent to the arc warehouse for recycling. When COVID hit, Schmitt immediately started seeing changes in the overseas market. Borders began to close and fears of COVID contamination brought exports to a grinding halt. Those changes were Schmitt's first indication that things were going to change quickly, and he had to be ready for action. He had to adapt.

Schmitt and Lewis determined that shutting down all donation pickups had to be the first order of business. This meant he had to furlough all of the telemarketing customer service teams, as well as most of his truck drivers. The warehouse workers were kept to small numbers to accommodate the vast amount of donations the remaining truckers were bringing in from the store collections but with the dwindling number of staff still left in the warehouse, this seemed like a nearly



LESSON LEARNED: ADAPTATION

The team had to adapt to a completely new scenario. It was clear that nothing like this had ever been faced before and a completely new set of rules was going to apply. Arc had no choice but to adapt and respond.

DECEMBER

Colorado receives its first vaccine shipments.

Arc Sales remain steady and staff counts climb, hiring continues.

More volunteers are allowed to return to our stores, marking an increase in labor that is desperately needed.

JANUARY 2021

Most Colorado counties move to lower levels on the COVID dial, Purple.

Vaccines begin to be distributed to more groups of people.

Support staff increase store visits weekly to ensure safety practices are being followed.



impossible feat. Schmitt kept people who could do multiple jobs, those that understood the urgency, and a crew he could trust to get the job done no matter what it looked like from day to day. Almost 60 individuals were furloughed in late March of 2020. Today only, a handful have been able to return, and donation pickups statewide have only opened up to large furniture pickups across the state.

Schmitt's tough exterior was a plus during this crisis but that does not mean he was not deeply affected by what happened in March of 2020. Creativity and adaptation by a man that, from the outside, may appear to be a certain way and proved to be a unique and clever individual. He rose to the occasion and made lifelong friends and supporters in the process. Schmitt's story is one of tenacity and dedication. However, he too experienced a crisis and reports that his ability to remain a realist got him through the most difficult of times.

Today Schmitt is doing what most department heads are doing. He is rebuilding a trailer program of storing product for the future. He is looking toward a future that may never again include a program of donation pickups that is anything like it once was. He is facing a new normal where recycling overseas looks completely different than it did twelve months ago. He's adapting and he strongly suggests that the rest of the company do the same thing. Pressure affects people differently but Schmitt's ability to remain calm in times of stress is a gift. He focuses on solutions and he claims that is the key.

"Teamwork was essential during this crisis. Nothing truly effective could be achieved with one mind during COVID. It was a pleasure to serve during this most trying of times and I was proud to be part of the arc Thrift Stores team."

Marty Schmitt,
Vice President Warehouse & Donations

FEBRUARY 2021

Most Colorado counties move to lower levels on the COVID dial, Orange.

Arc holds its annual 99 Cent Sweater Sale with huge results.

Lewis begins efforts to move people with IDD up on the list of for early vaccination.

MARCH 2021

Lewis wins efforts to move people with IDD up on the list for early vaccination.

Arc Chapter distribution restored.

Sales Year over Year 90% of last year actuals.

LOOKING BACK

Lewis called a meeting for his senior team in March of 2021; a full year since the pandemic's true effects set in. Fittingly, he called the meeting to be held in the same large conference room of the arc Thrift Stores corporate office that they had sat at 12 months earlier to grapple with potential closures and furloughs.

Tables faced the center and Lewis began pacing the room asking his team about their feelings and to revisit the hardest moments of the crisis. He dug deep, asking participants to revisit the most difficult decisions, probing for regrets and feedback on what the company should have done differently. Martinez described the meeting as therapeutic and Stahlman reminded each of us about the importance of gratitude for what we had survived.

A leader that takes the time to tie up loose ends is a leader we can all learn from. A team that actively seeks to revisit old feelings, reflect on their significance, to and see the light at the end of the tunnel afterwards is a team worth learning from. Clear-headed and solid decision-making; communication, collaboration, compassion, staying resilient, positive, and present in the moment; adaptability; and teamwork are all lessons learned and reinforced by this team of retailers.

Today arc Thrift Stores is stronger for having faced these trials and tribulations. Lewis sums it up perfectly:

"The lesson is simple. A good leader surrounds himself with a good team. Wise is the leader who embraces that logic."

**Lloyd Lewis,
President and CEO of arc Thrift Stores**

Lewis made decisions that allowed the company to survive. It was not about individual egos or short-term decisions, it was a view on long-term survivability. Now, this nonprofit thrift store continues its climb to normalcy, forecasting another record breaking year, stronger for having lived through it and wiser for the experience.



APRIL 2021

The sky is the limit for the future of arc Thrift Stores!

Number of employees back at work 1,600 (pre-pandemic 1,900).

250 Ambassadors return to work, 100 remain at home.

Recycling is about 80% of what it was. Canadian borders still closed.

2-3 new stores are slated for opening in 2021.

Approximately 50% of employees will be vaccinated by end of next month.





