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**Annual Benefit Report
of
Spokengear, GBC**
a Minnesota Public Benefit Corporation

Submitted, with \$35.00 to
Office of the Minnesota Secretary of State - Business Services
Retirement Systems of Minnesota Building
60 Empire Drive, Suite 100
St Paul, MN 55103

Date March 28, 2017

History of Spokengear GBC

Spokengear GBC (Spokengear) was incorporated on April 30, 2014, by Daniel and Kirsten Cruikshank. The Articles of Incorporation were amended in January 2015 to state the purpose of pursuing general public benefit status for the company.

Daniel Cruikshank is one of the co-founders of Granite Gear, Inc. a company that manufactures backpacks and other sewn outdoor products. Granite Gear was founded in 1986 and focused on innovation and leadership in the outdoor industry. Cruikshank and his partner Jeff Knight sold the company in 2013. With the sale of the company, Cruikshank decided to form a new company focused on bicycle sales, rentals and repairs and formed Spokengear. The concept for the new business is the result of Cruikshank's passion for bicycling and quality outdoor gear, and the Cruikshanks' combined passion for a strong community. Spokengear will operate three brands under one roof: Spokengear Cyclery and Outdoor, Cedar Coffee Company and Cedaero.

When the store opened on May 30, 2016, Spokengear began offering quality products and services for residents of the north shore, as well as tourists. The new store encourages people to lead active lifestyles and enjoy the great outdoors. Spokengear Cyclery offers bicycle sales, rentals and repairs by a trained bike mechanic. Spokengear also offers quality apparel, accessories and lightweight camping gear for bike packers and hikers.

Spokengear is gathering place for a growing community of cyclists and outdoor enthusiasts on the north shore. The building includes a coffee shop called Cedar Coffee Company, offering a full menu of espresso drinks made with locally roasted beans, and healthy breakfasts and lunches - with indoor and outdoor seating.

Cedaero Bicycle Bags, is a maker of innovative and custom bicycle bags for bicycle commuters and bike packers. Bags are produced on-site by trained sewers.

Spokengear Cyclery and Outdoor is located in a beautiful setting - a six-acre cedar grove in the city of Two Harbors, MN, just off the North Shore Scenic Drive that follows the Lake Superior Coastline. With plenty of parking, the store is at the intersection of two bicycle trails, and near a busy grocery store, box retail store and bank. The address is 1130 11th Street, Two Harbors, MN 55616.

The business has a commitment to source locally for equipment, food and supplies whenever possible. The bike shop works closely with QBP, a Minnesota Company. The coffee shop buys beans weekly from Duluth Coffee Company, Sysco foods of MN and local suppliers whenever possible. Cedaero bags are made with fabrics sourced from companies in the United States.

Why made in the USA? - because of our commitment to the local economy. Purchasing materials produced locally and providing employment for people in our depressed geographic area that has been traditionally dependent on mining and lumber will help sustain the local economy. Buying locally as much as possible, and using local contractors, also saves on fossil fuels by eliminating transportation costs.

Spokengear's number one corporate value is authenticity. Owners, Dan and Kirsten Cruikshank, are family-oriented and focused on offering the finest products and services to our customers; as well as being responsible to the environment, the community and to our employees.

Key Management

Spokengear currently employs twelve people (up from five at this time in 2016):

- Dan Cruikshank is a co-founder of Granite Gear Inc. At Granite Gear Cruikshank worked in a variety of roles over 27 years. He was CFO, Designer, Marketing, Graphic Design, Operations, and presently his role with the company under the new owners is “Brand Ambassador”. Granite Gear began on a shoestring and grew to have \$6 million in annual sales. Currently Dan is President and CEO of Spokengear GBC.
- Kirsten Cruikshank has a Masters in Social Work and worked for 27 years in Human Services Planning and Nonprofit Management. Her most recent employment was with Community Partners (15 years), a small nonprofit that helps older adults live independently in the Two Harbors area. Cruikshank grew Community Partners from its beginning in the year 2000 to a sustainable annual budget of \$125,000, raising grants and donations in order to serve 275 people per year with approximately 90 volunteers and a staff of three professionals. Kirsten is VP of Spokengear GBC, and works on overall operations management and planning, and works approximately 20 hours a week in the coffee shop.
- Mark Alsum has a BA in Fine Art and has worked in a variety of settings from contract painting to carpentry to Cirrus Aircraft. Alsum attended Barnett Bicycle Institute in August 2015, and was hired in September of 2015. Mark was involved in development of Spokengear, including planning of the repair shop, painting and preparations, bag manufacturing and design, and now as Service Manager.
- Erin Currier has a Master of Science Degree in Health and Nutrition Education, and has worked for one year as Kitchen Manager for Cedar Coffee Company. She is involved in ordering equipment and supplies, menu planning, special events, and ongoing training and operations in the kitchen.
- Brian Moriarty has a Masters Degree in Student Affairs Administration in Higher Education. He has Management and Leadership experience, as well as experience as a Barista and Coffee Shop General Manager. He recently has now worked in the role of Coffee Service Manager for one year.
- Josh Kowaleski joined the staff as the full time Sales Manager in the Bike shop in July of 2016. Josh served as the membership director of Cyclists of Gitchee Gumees Shores(COGS), and as a volunteer with International Mountain Bike Association (IMBA) chapter in Duluth. has a bachelor’s degree in psychology and seven years experience working in retail and seven years experience working with youth at Northwood Children’s Services in Duluth.
- The company has five additional part time workers in the coffee shop, one bookkeeper, and is seeking one additional part time worker in the bike shop for the summer of 2017. We are also in the process of hiring a Cedaero Production Manager, and have one part time sewer.

Highlights of the Year 2016

- Jan - March - Construction of the building was complete, paying prevailing wage to all contractors.
- March 1 - Hired Erin Currier as Kitchen Manager and Brian Moriarty as Coffee Service Manager to set up and run their respective departments. Erin and Brian worked together (with owners) to set up the menu, create the website, hire and train staff, order all equipment and supplies, and open the cafe.
- April - Moving in process took place, including ordering all the specialized equipment for the bike shop service area, retail displays, espresso machine and coffee grinders, and all kitchen equipment.
- Received the Lake County Health Department Food License, and licenses for Strong Beer and Wine.

- April - Hired and trained Coffee Shop Part time Staff
- Placed ads and launched social media campaign to get the word out that we were opening May 30.
- On May 30, 2016, we opened our doors for business. Hours are 8:00 to 5:30 Monday through Saturday and 10 to 2 on Sunday.
- In June we hired Josh Kowaleski as Sales Manager in the Bike Shop. Also hired Eric Helgeson to work part time in the bike shop. Owen Cruikshank helped set up video cameras, computer systems, sound system and other technical details around the shop.
- In October 2016 we hosted a Grand Opening and Fall celebration. We had local vendors on-site, including Castle Danger Brewery, Never Summer Sugarbush, Rebecca's pies, and Duluth Coffee Company.
- December 2016 Cruikshank set up a design and sewing workshop in the workspace and began manufacturing Cedaero Bicycle Bags. Cruikshank works with suppliers and other manufacturers to purchase equipment and materials that are used and or underused to save resources.

Third Party Standard

Spokengear Board of Directors has selected B Lab as its third party standard. B Lab is an independent nonprofit organization that serves a global movement of people using business as a force for good. Its vision is that one day all companies compete not only to be the best in the world, but the Best for the World® and as a result society will enjoy a more shared and durable prosperity. B Lab drives this systemic change by:

- 1) Building a global community of **Certified B Corporations™** who meet the highest standards of verified, overall social and environmental performance, public transparency, and legal accountability;
- 2) Promoting **Mission Alignment** using innovative corporate structures like the benefit corporation to align the interests of business with those of society and to help high impact businesses be built to last;
- 3) Helping tens of thousands of businesses, investors, and institutions **Measure What Matters**, by using the B Impact Assessment and B Analytics to manage their impact—and the impact of the businesses with whom they work—with as much rigor as their profits;
- 4) Inspiring millions to join the movement through story-telling by B the Change Media.

Since Spokengear is still in its first year of operations, we have not completed the full certification process with B lab. We have, however, registered with B lab, and completed the initial Impact Assessment. Our results of the impact assessment were as follows: 18 above average responses, 1 average response, and 32 below average responses. Of those questions with the below average result, most of them ask about policies and procedures that we still have under development, or they are questions that we cannot answer yet.

According to B-Lab, "The Assessment is a measurement of current and recent past performance on different dimensions of impact. The Assessment is not aimed at rewarding future intentions (e.g. the company plans to give away 5% of its profits to charity), as these items would be difficult to verify. As a result, many startups find the Assessment is useful as a learning tool to help shape policies or flag practices to incorporate into their company in the future. We encourage companies to begin assessing their impact from day one, and find that those companies that do experience significant score improvements over time."

In May of 2017 we will celebrate one year in operation. We plan to complete the B labs full self-assessment and certification process to mark our anniversary.

With regard to the period covered by this report, January 1, 2016 to December 31, 2016, Spokengear was in full operation beginning May 30, 2016. The business, including its owners and board of directors, Dan Cruikshank and Kirsten Cruikshank, pursued social purpose and public benefit, as stated in its Articles of Incorporation, in the following ways:

- Ongoing collaboration with all local partners including the City of Two Harbors, Lake County Land Commissioner, Lake County Soil and Water, Levy Tree Service, ICECOR, and others to be a good steward of the land, and plan for proper wetlands management of the 6-acre site we purchased from the City of Two Harbors.
- Worked with the architect and contractors to make the building as energy efficient as possible so as to minimize our footprint on the earth. We made choices to insulate the building, use natural light, use energy efficient appliances and LED lighting.
- Worked with the Lake County Land Use Commissioner, Nate Eide, to participate in the development of mountain bike trails near split rock in Lake County. We also worked with Eide and volunteers to groom trails at the Lake County Demonstration Forest for Fat Bike use. We promoted use of the public trail on our Facebook page, and by sharing maps, information and rental bikes in the shop.
- In 2016 we became the second “home” of the Gitchi Gami Trail Association (GGTA), the group promoting expansion and use of the bike trail along the North Shore of Lake Superior. We store their supplies at our shop, offer them meeting space and provide a bike mechanic at their annual fundraiser in August. We also offered a bike for a GGTA raffle fundraiser at our annual meeting in October that raised \$350.00. The GGTA also recruited new members at the event.
- Dan Cruikshank made a presentation about Bicycling and the Minnesota Economy at the “Bikes Biz and Beer” DRAFT event, a People for Bikes Meet up in October 2016. Presented by Duluth Bikes and PeopleForBikes.org, DRAFT brings riders, brands, advocates, bike industry and policy makers together and gives them a venue for bike news and networking!
- Met with the Two Harbors area Chamber of Commerce for an update on the Spokengear and Cedar Coffee Annual Membership, the “Bicycle Friendly Community” application, and the Chamber’s work in advocating for trails on the north shore. The upcoming “Lake County Days” at the MN State Legislature will focus on trail advocacy and we provided the chamber with statistical information about bicycling in MN. Membership in this nonprofit is \$265 annually.
- Contributed \$250 for sponsorship of the 2016 “Heck of the North” Gravel Bike Race in August, and donated \$250.00 in gift certificate prizes for winners. Volunteered at a checkpoint, assisting racers as needed along the course. Participated in the “Heck Epic” event in October by sharing information about Spokengear and Cedaero at the race registration, and by riding in the 200 mile race from Two Harbors to Ely and Back in two days.
- Contributed financially and/or in-kind to the following non profit organizations and educational institutions: Minnehaha Elementary School; Silver Bay PTSO; Northshore Community School; French River Lutheran Church; Lake County Sex Trafficking Task Force; KTWL Community Radio; MN Adult and Teen Challenge; Lake County DAC, Larsmont School; Brimson Area Volunteer Fire

Department; North shore Area Partners; Community Partners; Chalk a Lot; YMCA of Duluth Youth Programs; COGGS (Cyclists of Gitchee Gumees Shores).

- Provided trail maintenance as volunteers on a designated section of the Superior Hiking Trail.
- Participated as a Mentor in Rock Solid Robotics, a FIRST Robotics program promoting STEM Education at the Two Harbors High School. As a business that owns sewing manufacturing equipment, an important part of Cruikshank's mentorship is to teach students how to cut and sew the fabric bumpers needed for the robot. Supplies for the bumpers were provided by Spokengear.
- Kirsten Cruikshank and Josh Kowaleski collaborate with the the Statewide Health Improvement Program (SHIP), to promote healthy eating and active living in Lake County. For example Spokengear will host a "Yard Sale" Bike and Gear Swap on May 20, 2017, to help people "recycle" their gear, and to help make bikes and gear more affordable for individuals and families that may not be able to pay full price for new gear.
- Spokengear and Cedar Coffee participate in the Adopt A Highway Program.

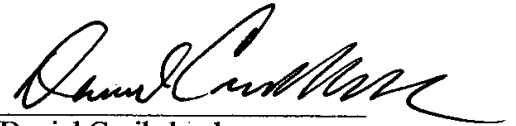
The following is a description of how we believe we succeeded in achieving the goals of our specific benefit purpose.

- **Community Collaboration:** Continue to collaborate with fourteen local partners to be a good steward of the land and minimize the footprint of our business on the earth. (See detail above)
- **Financial Donations:** Contributed cash and in-kind donations to outdoor related and non profit organizations (see above).
- **Employment:** Provided a living wage for four employees in 2016. Provided on the job training and part time employment to all employees. Benefits include beverage, food and retail discounts, flexible scheduling, opportunities for education and advancement.
- **Leadership and Volunteerism:** Officers, Dan and Kirsten Cruikshank, their children, and employees provided leadership and volunteer service to nine mission- related community service organizations.
- **Recycling:** Spokengear and Cedar Coffee minimize waste by purchasing products with minimal packaging where possible. We have a contract with a local garbage hauler to pick up recycling (cardboard, glass, tin, aluminum, plastic, paper, magazines) once a week and deliver them to the Lake County Developmental Achievement Center (DAC) Recycling Center, a local non profit that employs people with disabilities. For example, a minimum of three yards of cardboard are recycled weekly and sold by the DAC to be used in roofing materials and other products.
- **Mentoring:** We are mentoring two employees to start their own business venture in packaging tea. They are in the process of registering and licensing their tea business so they can sell us tea for the coffee shop.

CERTIFICATION BY THE BOARD OF DIRECTORS

By participating in all of the activities listed above, the officers of Spokengear GBC, Inc. contribute to the public good of the community. As the business opens and begins selling quality products and services, we will demonstrate a greater commitment to the environment, our employees and our community.

The undersigned, being all the directors of Spokengear GBC, Inc., hereby acknowledge and certify that we have reviewed and approved the enclosed First Annual Report.



Daniel Cruikshank



Kirsten Cruikshank

SUBMISSION:

I, the undersigned, certify that I am the PRESIDENT of this public benefit corporation. I further certify that I have signed this document no more than 30 days before the document is delivered to the secretary of state for filing, and that this document is current when signed. I further certify that I have completed all required fields, and that the information in this document is true and correct and in compliance with the applicable chapter of Minnesota Statutes. I understand that by signing this document I am subject to the penalties of perjury as set forth in Section 609.48 as if I had signed this document under oath.



Daniel Cruikshank

For further information contact:

Kirsten Cruikshank, kirsten@cedarcoffeecompany.com
Spokengear/Cedar Coffee Company
1130 11th Street
Two Harbors, MN 55616

218-830-1511



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Steve Simon

Steve Simon
Secretary of State