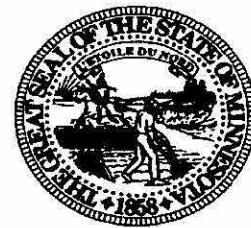


Office of the Minnesota Secretary of State
Minnesota Public Benefit Corporation / Annual Benefit Report
Minnesota Statutes, Chapter 304A



Read the instructions before completing this form

Must be filed by March 31

Filing Fee: \$55 for expedited service in-person and online filings, \$35 if submitted by mail

The Annual Benefit Report covers the 12 month period ending on December 31 of the previous year.

Notice: Failure to file this form by March 31 of this year will result in the revocation of the corporation's public benefit status without further notice from the Secretary of State, pursuant to Minnesota Statutes, Section 304A.301

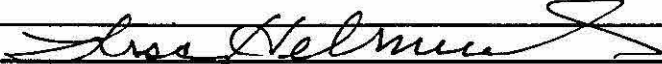
1. Corporate Name: (Required)

2. The public benefit corporation's board of directors has reviewed and approved this report.

3. In the field below, enter the information required by section 304A. 201 subd. 2 or 3 for the period covered by this report, (see instructions for further information): Note: Use additional sheets if needed. (Required)

Please see the attached Azul 7 2015 General Benefits Report for the required information.

4. I, the undersigned, certify that I am the chief executive officer 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.



Signature of Public Benefit Corporation's Chief Executive Officer

Date (Must be dated within 30 days before the report is delivered to the Secretary of State for Filing)

Email Address for Official Notices

x

Enter an email address to which the Secretary of State can forward official notices required by law and other notices:

Check here to have your email address excluded from requests for bulk data, to the extent allowed by Minnesota law.

List a name and daytime phone number of a person who can be contacted about this form:

<input type="text" value="Lisa Helminiak"/>	<input type="text" value="612-767-4335"/>
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Contact Name

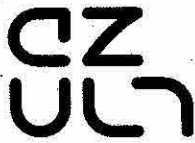
Phone Number

Entities that own, lease, or have any financial interest in agricultural land or land capable of being farmed must register with the MN Dept. of Agriculture's Corporate Farm Program.

Does this entity own, lease, or have any financial interest in agricultural land or land capable of being farmed?

Yes No

2122348-2



Azul 7, GBC

Public Benefits Corporation Annual Report

Fiscal Year 2015

Reporting Period March 24, 2015 – December 31, 2015

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Letter from the CEO

To Our Friends and Colleagues in the Community,

Azul 7 is a human-centered design and biomimicry consulting firm. Our reason for being is to help our clients create products, services and systems that better meet real human needs with solutions that are life sustaining and regenerative.

The B Corporation movement is founded on the idea that business can be a force for good in the world. So when Azul 7 learned about B Corporations and found out that the State of Minnesota passed Statute 304A, the Minnesota Public Benefits Corporation Act, allowing companies to register as B Corporations in 2015, Azul 7 jumped at the chance. The Azul 7 team wants to be on the forefront of this movement.

We believe in a world where we can create value and profit to enrich our local economic health; protect and enhance our natural environment and shared ecosystems; and support and build upon our cultural landscape. Our goal is to create a local and global community that thrives.

Azul 7 is pursuing our B Corporation values by:

- Hiring a diverse staff;
- Paying fair and equitable wages;
- Continuing to find ways to lessen our negative impact on the environment;
- Supporting our local economy by purchasing goods and services from local suppliers and partners, when possible;
- Volunteering, as well as investing financial resources for social good; and
- Making a commitment to improve our impact each year.

We believe to thrive in the future; business will need to move out of a winner takes all mindset to one of business, social and infrastructure interdependence. Minnesota has a long history of our leading businesses understanding this and creating a social contract with the citizens of the state to invest in our future through education, the arts, infrastructure and good governance. Azul 7 wants to be part of the renaissance of this idea that moves it to a global stage through the B Corporation movement.

To support this effort, Azul 7 subscribes to the B Corp Declaration of Interdependence.®

We envision a global economy that uses business as a force for good. This economy is comprised of a new type of corporation – the B Corporation – which is purpose-driven and creates benefit for all stakeholders, not just shareholders.

As B Corporations and leaders of this emerging economy, we believe:

- *That we must be the change we seek in the world.*
- *That all business ought to be conducted as if people and place mattered.*
- *That, through their products, practices, and profits, businesses should aspire to do no harm and benefit all.*

To do so requires that we act with the understanding that we are each dependent upon another and thus responsible for each other and future generations.

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I hope you will join with us! If you are a business owner, become a B Corporation yourself. If you are community member, learn about B Corporations in your area and support them by buying or recommending their services.

We are excited to be on this journey together!

Sincerely,



Lisa Helminiak
CEO

To learn more about the B Corporation movement and ways you can get involved, visit B Labs website at <http://www.bcorporation.net/>

Introduction

Two months after the Minnesota Public Benefit Corporation Act came into effect on January 1, 2015, Azul 7 filed our paperwork to become a General Benefits Corp. We did it knowing that our work in fulfilling our public benefits mission wasn't fully defined, but that we would use the tools and know-how from this emerging community of forward-thinking businesses to help us forge a path.

2015 has been a year of reflection and planning. We knew we were doing lots of things right, but knew we could be better; more responsive to our staff needs, more thoughtful about our energy and waste footprint and more impactful in our local community.

What we have today is a plan, a baseline metric from B Labs on how we compare to other organizations, and a staff willing to do the thinking and work to improve. This report reflects where we are today and where we want to go in the coming year.

B Lab Third-Party Certification

During 2015, Azul 7 began the work to become a certified B Corporation through B Lab, a non-profit thought leader and developer of the B Impact Assessment. B Lab, which has created the gold standard for assessing business impact, has worked to promote the B Corp movement as well as evolve the set standards by which companies can measure their impact in comparison to other companies in their industries.

The State Minnesota recognizes B Lab's assessment tool as an approved third-party standard for reporting purposes. Azul 7's assessment scores are presented below.

Overall Rating	82.0		97
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Governance	17.5	70.0%	14
Corporate Accountability	14.5	80.6%	10
Transparency	3.0	42.9%	4

Workers	26.4	52.8%	26
Compensation, Benefits & Training	18.0	58.7%	17
Worker Ownership	2.3	25.6%	3
Work Environment	4.5	60.8%	5

Community	32.1	48.5%	44
Community Practices	31.3	48.8%	20
Suppliers & Distributors	4.0	66.7%	4
Local Involvement	7.0	58.3%	6
Diversity	3.7	33.6%	3
Job Creation	0.0	0.0%	2
Civic Engagement & Giving	5.5	42.3%	5

Consumers	11.2		18
Consumer Products & Services	11.2		18
Serving Those in Need			
Products or Services	11.2		

Environment	6.0	30%	13
Environmental Products & Services			8
Environmental Practices	6.0	30.0%	
Land, Office, Plant	4.6	41.8%	5
Inputs	0.7	10.8%	3
Outputs	0.7	28.0%	1
Suppliers & Transportation	0.0	100%	3

** For Certified B Corps, Total B Impact Scores will not equal the sum of the sub-scores since each reflects a median score

Azul 7's Public Benefit Goals and Progress

Workers (Our Employees)

As a service organization, Azul 7's staff is critical to our success. We work hard to offer competitive wages and benefits to attract and retain a highly skilled and talented staff. We offer health benefits through the company and pay the first \$500 of employee premiums. We also offer dental, disability and life insurance and have a 401(k) plan that employees can participate in. Azul 7 also pays bonuses in profitable years. The full benefits package is available for all staff working more than 30 hours per week including their families and domestic partners. Azul 7 also works with employees to create a flexible working environment where employees can arrange to work from home and request special working arrangements when needed. In 2015, Azul 7 completed a salary review and adjustment for all employees to ensure we were paying fair wages across roles and genders.

Worker Goals for 2016

- Update our employee handbook to meet B Lab standards.
- Add transportation reimbursement for full-time employees.
- Continue to increase workplace flexibility that allows employees time off to care for their families while maintaining our highly collaborative process and allowing Azul 7 to be responsive to clients.
- Create a transparent bonus plan based on standard metrics.

Workers Challenges

The main challenge for Azul 7 has been the rapidly rising cost of healthcare and other benefits. Azul 7 works diligently to add and enrich benefits as we can for Azul 7 employees. Overall, it is been our goal to create a fiscally responsible benefits package that allows employees to know and plan for their share of the costs each year. For this reason, we have favored health plans that have fixed versus variable costs.

It has also been challenging to find the right balance in creating a flexible workplace. With such a small staff, when someone is out it affects our ability to get our work done and directly affects our profitability. We want to allow as much flexibility as we can, but will have to weigh flexibility with efficiency and effectiveness.

Another challenge is creating a truly diverse staff. While we have always have maintained a good gender balance, we have never met our goals in having a broadly racially diverse team. The lack of diversity in both the technology and design fields is well known and needs to be addressed through exposing the fields earlier in children's education. Azul 7 is committed to identifying and hiring as diverse a team as possible.

Community

Azul 7 is based in the Twin Cities, Minneapolis and St. Paul, which is a vibrant, socially and economically diverse community. Our region has a long history of activism and support from businesses to improve the health and well-being of citizens. Azul 7 is committed to continuing this tradition. Azul 7 has always given back to the community through direct gifts and through in-kind donations of services. Each year that involvement has varied. Key areas of focus have been developing websites for industry associations and nonprofits including Gilda's Club Twin Cities and the American Marketing Association. We have also worked with AchieveMpls to support their Step-Up Summer Jobs program by participating in mock interviews and hiring student workers. Our goal in 2016 is to systematize this giving and tie it more to our staff interest areas. In 2016, Azul 7 will donate 1% of our revenues to community non-profits in direct or in-kind giving.

Community Goals for 2016

- Formalize and implement our giving program by directing 1% of Azul 7 profits back to the community through employee-chosen community initiatives for qualifying non-profits.
- Implement and measure a new initiative giving employees 20 hours of paid time-off to volunteer for a community non-profit of their choice.
- Create and implement a new local purchasing policy to create as much local economic impact as possible.

Community Challenges

While we don't anticipate too many challenges in our community efforts, two areas are worth noting. First, Azul 7 wants to create a way to best focus our resources to help our community. We are not experts in nonprofit impact; so will need to rely on other resources to assess the non-profits organizations or individuals we commit our resources to.

Also, while we intend to focus most of our purchases locally, we will continue to have to weigh overall costs with our desire to keep purchases close to home. We will continue to evaluate that balance through 2016.

Environment

Azul 7's environmental impact revolves around the energy we use to run our equipment, getting to and from the office each day, as well as, reducing the waste we generate. Many of Azul 7's staff take public transportation, ride bikes and walk to work. Azul 7's current office is located in downtown Minneapolis, convenient for using public transportation. Azul 7 is moving offices in the last quarter of 2016 and is committed to finding a location that is equally connected to public transportation.

With our move, we will also be identifying spaces where we can have a greater impact on the overall building energy infrastructure and use. As a tenant we won't be able to impact all aspects of energy use, but are looking for like-minded landlords.

Azul 7 is also working to minimize waste and minimize our use of toxic substances. While we have recycled paper, plastic, aluminum and paper, in 2016 we hope to begin organic composting when Hennepin County begins picking up organic waste. Azul 7 has also made a concerted effort to create a paperless office, working with digital documentation and storing everything in the cloud.

Environmental Goals for 2016

- Identify a new office location with a better environmental footprint.
- Continue to transition to low wattage light bulbs, low flow water fixtures and other energy saving tools.
- Begin compost recycling.
- Add incentives to bike, walk or take public transportation to work.

Environmental Challenges

Azul 7's lowest scores in our B Lab Assessment were in the area of our environmental impact. Azul 7 has minimal control over the energy usage in our office since we are located in a multi-tenant, mixed-use building. In 2015, Azul 7 took on the extra costs of installing LED bulbs for all our lighting, but we can't do much more than that in our current location. As we evaluate our next office space, it's environmental footprint will be a key concern.

The one area we can control is incentivizing employees to get to the office some other way than in a single use car. This will be the area we concentrate on in 2016.

Governance

Azul 7 is a small, privately held company so our governance structure is simple and straightforward. While we don't have a board of directors, we do have an advisory board that allows us to get feedback on our company goals and initiatives. As a service business, we regularly solicit feedback from our customers and staff to improve our training, consulting and design offerings.

Governance Goals for 2016

- Complete our first public benefits report for the State of Minnesota for 2015
- Re-establish and convene our advisory board.
- Establish Azul 7 working group and execution team around our Public Benefit initiatives.

Governance Challenges

As a small company, one of our greatest challenges is focusing time on measuring and reporting around the work we do. Azul 7 is working create the plans and dedicate the resources to further our Public Benefits goals. We know that this will be an imperfect process that we will continue to work on over time.

Other 2016 Goals

In addition to the goals outlined above, which follow the B Labs framework, Azul 7 wants to accomplish the following in 2016:

Become B Lab Certified

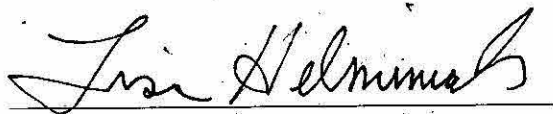
B Lab certification will help Azul 7 learn from and fully take advantage of being a part of the larger B Corporation global community. Azul 7 will use this opportunity to continue to adapt, plan, execute and measure our impact as B Lab and its members continue to define what it means to be a socially conscious business.

Form a B Corp Employee Team

Azul 7 has established an employee working group to help our team further our B Corporation mission. This group will allow us to align our goals with our employee needs in mind, not just based on metrics outside the organization. We want to think and act locally as well.

Certification By the Board of Directors

The undersigned, being all of the directors of Azul 7, hereby acknowledges and certify that the board has reviewed and approved the enclosed First Annual Report.



Lisa Helminiak
CEO

March 30, 2016

Date



Work Item 881753600035
Original File Number 2122348-2

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FILED
03/30/2016 11:59 PM

Steve Simon

Steve Simon
Secretary of State