UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)**
OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended July 31, 2007
OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)**
OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission file number 001-33608

lululemon athletica inc.

(Exact name of registrant as specified in its charter)

Delaware	**20-3842867**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2285 Clark Drive, Vancouver, British Columbia	**V5N 3G9**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: **604-732-6124**

Former name, former address and former fiscal year, if changed since last report: **N/A**

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes o No ☑

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large Accelerated filer o Accelerated filer o Non-accelerated filer ☑

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No ☑

At September 10, 2007, there were 46,591,683 shares of the registrant's common stock, par value $0.01 per share, outstanding.

Exchangeable and Special Voting Shares:

At September 10, 2007, there were outstanding 20,935,041 exchangeable shares of Lulu Canadian Holding, Inc., a wholly-owned subsidiary of the registrant. Exchangeable shares are exchangeable for an equal number of shares of the registrant's common stock.

In addition, at September 10, 2007, the registrant had outstanding 20,935,041 shares of special voting stock, through which the holders of exchangeable shares of Lulu Canadian Holding, Inc. may exercise their voting rights with respect to the registrant. The special voting stock and the registrant's common stock generally vote together as a single class on all matters on which the common stock is entitled to vote.

TABLE OF CONTENTS

PART I
FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

lululemon athletica inc. and Subsidiaries
CONSOLIDATED BALANCE SHEETS

	July 31, 2007 (unaudited)	January 31, 2007
ASSETS		
Current assets		
Cash and cash equivalents	$ 9,726,553	$ 16,028,534
Accounts receivable	3,457,650	2,290,665
Due from related parties	19,924	192,302
Inventories	23,848,113	26,628,113
Prepaid expenses, current deferred taxes and other current assets	1,226,598	3,353,129
	38,278,838	48,492,743
Property and equipment, net	27,215,249	17,737,374
Goodwill	898,124	811,678
Intangible assets, net	7,204,504	2,140,011
Deferred income taxes	676,008	588,397
Other assets	9,225,163	2,522,906
	$ 83,497,886	$ 72,293,109
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 4,928,001	$ 4,932,960
Accrued liabilities	11,543,005	14,520,633
Income taxes payable	5,369,615	9,177,953
Other current liabilities	3,294,842	2,652,491
	25,135,463	31,284,037
Deferred income taxes	183,371	384,354
Other liabilities	5,209,454	2,678,221
	30,528,288	34,346,612
Non-controlling interest	503,159	567,699
Stockholders' equity		
Undesignated preferred stock, $0.01 par value, 5,000,000 shares authorized, none issued and outstanding	—	—
Exchangeable stock, no par value, 30,000,000 shares authorized, 20,935,041 issued and outstanding	—	—
Special voting stock, $0.00001 par value, 30,000,000 shares authorized, 20,935,041 issued and outstanding	209	209
Common stock, $0.01 par value, 200,000,000 shares authorized, 44,300,774 issued and outstanding (January 31, 2007 — 44,290,778 issued and outstanding)	443,008	442,908
Additional paid-in capital	101,638,066	98,669,641
Accumulated deficit	(52,013,331)	(60,677,395)
Accumulated other comprehensive income	2,398,487	(1,056,565)
	52,466,439	37,378,798
	$ 83,497,886	$ 72,293,109

See accompanying notes to the interim consolidated financial statements

lululemon athletica inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)

	Three Months Ended July 31,		Six Months Ended July 31,	
	2007	2006	2007	2006
Net revenue	$58,680,944	$32,517,437	$103,470,401	$60,701,017
Cost of goods sold (including stock-based compensation of $193,169, $69,783, $362,039 and $164,059)	27,434,066	16,614,142	49,412,612	30,278,470
Gross profit	31,246,878	15,903,295	54,057,789	30,422,547
Selling, general and administrative expenses (including stock-based compensation of $1,367,823, $719,920, $2,606,486 and $1,170,310)	21,477,352	12,667,215	37,440,130	21,073,103
Income from operations	9,769,526	3,236,080	16,617,659	9,349,444
Other expense (income), net	(70,516)	(21,852)	(177,512)	(44,422)
Income before income taxes	9,840,042	3,257,932	16,795,171	9,393,866
Provision for income tax	4,798,355	1,318,336	8,247,008	4,273,098
Non-controlling interest	(80,311)	—	(115,901)	—
Net income	$ 5,121,998	$ 1,939,596	$ 8,664,064	$ 5,120,768
Basic earnings per share	$ 0.08	$ 0.03	$ 0.13	$ 0.08
Diluted income per share	$ 0.07	$ 0.03	$ 0.12	$ 0.07
Basic weighted average number of shares outstanding	65,225,819	65,225,819	65,225,819	65,225,819
Diluted weighted average number of shares outstanding	68,891,237	68,881,241	68,878,832	68,868,836

See accompanying notes to the interim consolidated financial statements

lululemon athletica inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (unaudited)

	Exchangeable Stock		Special Voting Stock		Common Stock					
	Shares	Par Value	Shares	Par Value	Shares	Par Value	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total
Balance at January 31, 2007	20,935,041	$ —	20,935,041	$ 209	44,290,778	$442,908	$ 98,669,641	$(60,677,395)	$ (1,056,565)	$37,378,798
Comprehensive income:										
Net income								8,664,064		8,664,064
Foreign currency translation adjustment									3,455,052	3,455,052
Comprehensive income										12,119,116
Stock-based compensation							2,968,525			2,968,525
Restricted Stock					9,996	100	(100)			
Balance at July 31, 2007	20,935,041	$ —	20,935,041	$ 209	44,300,774	$443,008	$101,638,066	$(52,013,331)	$ 2,398,487	$52,466,439

See accompanying notes to the interim consolidated financial statements

lululemon athletica inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

	Six Months Ended July 31,	
	2007	**2006**
Cash flows from operation activities		
Net income	$ 8,664,064	$ 5,120,768
Items not affecting cash		
Depreciation and amortization	3,368,539	2,139,942
Stock-based compensation	2,968,525	1,334,369
Deferred income taxes	2,234,304	(1,593,979)
Non-controlling interest	(115,901)	—
Other, including net changes in other non-cash balances	(7,530,441)	1,132,303
	9,589,090	8,133,403
Cash flows from investing activities		
Purchase of property and equipment	(9,337,739)	(6,289,969)
Acquisition of franchises	(5,000,822)	(580,343)
Change in other assets	28,329	353,137
Change in other liabilities	1,768,329	169,298
	(12,541,903)	(6,347,877)
Cash flows from financing activities		
Proceeds from credit facility	1,454,775	—
Repayment of credit facility	(1,454,775)	—
Capital stock issued for cash, net of issuance costs	—	446,419
Payment of IPO costs	(4,716,788)	—
	(4,716,788)	446,419
Effect of exchange rate changes on cash	1,367,620	(60,698)
(Decrease) increase in cash and cash equivalents	(6,301,981)	2,171,247
Cash and cash equivalents, beginning of period	16,028,534	3,877,017
Cash and cash equivalents, end of period	$ 9,726,553	$ 6,048,264

See accompanying notes to the interim consolidated financial statements

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

NOTE 1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

Nature of operations

lululemon athletica inc., a Delaware corporation ("lululemon" and, together with its subsidiaries unless the context otherwise requires, the "Company") is engaged in the design, manufacture and distribution of healthy lifestyle inspired athletic apparel, which is sold through a chain of corporate-owned and operated retail stores, independent franchises and a network of wholesale accounts. The Company's primary markets are Canada, the United States, Japan and Australia, where 35, 14 and 3 and nil corporate-owned stores were in operation as at July 31, 2007, respectively.

Basis of presentation

The unaudited consolidated financial statements have been prepared using the U.S. dollar and are presented in accordance with United States generally accepted accounting principles ("GAAP") for interim financial information and, accordingly, do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

The consolidated balance sheet at January 31, 2007 and the consolidated statements of operations for the three months ended July 31, 2006 and the six months ended July 31, 2006 were combined to include all entities operating under common control and management. The Company reorganized its corporate structure on July 26, 2007 (note 3). As the combined entities were under common control prior to and after the reorganization, the reorganization is accounted for in a manner similar to a pooling of interests.

These unaudited interim condensed consolidated financial statements should be read in conjunction with the combined consolidated financial statements and related notes for the fiscal year ended January 31, 2007 included in our recently filed Registration Statement on Form S-1 (file no. 333-142477) relating to its initial public offering of shares of its common stock (the "IPO") completed August 2, 2007 (see note 10).

Our business is affected by the pattern of seasonality common to most retail apparel businesses. The results for the periods presented are not necessarily indicative of future financial results.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

The unaudited consolidated financial statements include the accounts of lululemon athletica inc., its wholly owned subsidiaries and Lululemon Japan Inc., a 60% controlled joint venture entity. All inter-company balances and transactions have been eliminated. In the opinion of management, all adjustments, consisting primarily of normal recurring accruals, considered necessary for a fair presentation of the Company's results of operations for the interim periods reported and of its financial condition as of the date of the interim balance sheet have been included.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank balances and short-term deposits with original maturities of less than three months.

Accounts receivable

Accounts receivable primarily arise out of sales to wholesale accounts, sales of material, royalties on sales owed to the Company by its franchisees and landlord tenant inducements. The allowance for doubtful accounts represents management's best estimate of probable credit losses in accounts receivable and is reviewed monthly. Receivables are written off against the allowance when management believes that the amount receivable will not be recovered.

Inventories

Inventories, consisting of finished goods, raw materials and work in process, are stated at the lower of cost and market value. Cost is determined using standard costs, which approximate average costs. For finished goods and work in process, market is defined as net realizable value, and for raw materials, market is defined as replacement cost. Cost of inventories includes acquisition and production costs including raw material, labor and an allocation of overhead, as applicable, and all costs incurred to deliver inventory to the Company's distribution centres including freight, non-refundable taxes, duty and other landing costs.

The Company periodically reviews its inventories and makes provisions as necessary to appropriately value obsolete or damaged goods. The amount of the provision is equal to the difference between the cost of the inventory and its estimated net realizable value based upon assumptions about future demand, selling prices and market conditions.

Property and equipment

Property and equipment are recorded at cost less accumulated depreciation. Costs related to software used for internal purposes are capitalized in accordance with the provisions of the Statement of Position 98-1, "*Accounting for Costs of Computer Software Developed or Obtained for Internal Use*", whereby direct internal and external costs incurred during the application development stage or for upgrades that add functionality are capitalized. All other costs related to internal use software are expensed as incurred.

Leasehold improvements are amortized on a straight-line basis over the lesser of the length of the lease, without consideration of option renewal periods, and the estimated useful life of the assets, to a maximum of five years. All other property and equipment are amortized using the declining balance method as follows:

Furniture and fixtures	20%
Computer hardware and software	30%
Equipment	30%
Vehicles	30%

Deferred revenue

Payments received from franchisees for goods not shipped as well as receipts from the sale of gift cards are treated as deferred revenue. Franchise inventory deposits are included in other current liabilities and recognized as sales when the goods are shipped. Amounts received in respect of gift cards are recorded as deferred revenue. When gift cards are redeemed for apparel, the Company recognizes the related revenue.

Based on historical experience, the Company estimates the value of gift cards not expected to be redeemed and, to the extent allowed by local laws, amortizes these amounts into income.

Revenue recognition

Sales revenue includes sales of apparel to customers through corporate-owned and operated retail stores, phone sales, sales through a network of wholesale accounts, initial license and franchise fees, royalties from franchisees and sales of apparel to franchisees.

Sales to customers through corporate-owned retail stores and phone sales are recognized at the point of sale, net of an estimated allowance for sales returns.

Initial license and franchise fees are recognized when all material services or conditions relating to the sale of a franchise right have been substantially performed or satisfied by the Company, provided collection is reasonably assured. Substantial performance is considered to occur when the franchisee commences operations. Franchise royalties are calculated as a percentage of franchise sales and are recognized in the month that the franchisee makes the sale.

Sales of apparel to franchisees and wholesale accounts are recognized when goods are shipped and collection is reasonably assured.

All revenues are reported net of sales taxes collected for various governmental agencies.

Store pre-opening costs

Operating costs incurred prior to the opening of new stores are expensed as incurred.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of inventory valuation, depreciation and amortization, impairment of long-lived assets and goodwill and recognition of breakage on gift cards. Actual amounts could differ materially from those estimates.

Stock-based compensation

The Company accounts for stock-based compensation using the fair value method as required by Statement of Financial Accounting Standards No. 123R, *"Share Based Payment"* (SFAS 123R). The fair value of awards granted is estimated at the date of grant and recognized as employee compensation expense on a straight-line basis over the requisite service period with the offsetting credit to additional paid-in capital. For awards with service and/or performance conditions, the total amount of compensation cost to be recognized is based on the number of awards expected to vest and is adjusted to reflect those awards that do ultimately vest. For awards with performance conditions, the Company recognizes the compensation cost if and when the Company concludes that it is probable that the performance condition will be achieved. The Company reassesses the probability of achieving the performance condition at each reporting date. For awards with market conditions, all compensation cost is recognized irrespective of whether such conditions are met.

Certain employees are entitled to share-based awards from a principal stockholder of the Company. These awards are accounted for by the Company as employee compensation expense in accordance with the above-noted policies.

The Company commenced applying FAS 123R when it introduced stock-based awards for its employees in the year ended January 31, 2006.

Income taxes

The Company follows the liability method with respect to accounting for income taxes. Deferred tax assets and liabilities are determined based on temporary differences between the carrying amounts and the tax basis of assets and liabilities. Deferred income tax assets and liabilities are measured using enacted tax rates that will be in effect when these differences are expected to reverse. Deferred income tax assets are reduced by a valuation allowance, if based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

In July 2006, the Financial Accounting Standards Board issued Financial Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, or "FIN 48", which clarifies the accounting for uncertainty in income taxes recognized in a company's financial statements in accordance with Statement of Financial Accounting Standards No. 109, *Accounting for Income Taxes*. FIN 48 prescribes a recognition threshold and measurement process for recording in the financial statements uncertain tax positions taken or expected to be taken in a tax return. Additionally, FIN 48 provides guidance on the de-recognition, classification, interest and penalties, accounting in interim periods, and disclosure requirements for uncertain tax positions. The Company adopted the provisions of FIN 48 beginning February 1, 2007.

We file income tax returns in the U.S., Canada and various foreign and state jurisdictions. We are subject to income tax examination by tax authorities in all jurisdictions from our inception to date. Our policy is to recognize interest expense and penalties related to income tax matters as tax expense. At July 31, 2007, we do not have any significant accruals for interest related to unrecognized tax benefits or tax penalties. Based on the Company's evaluation, there are no significant uncertain tax positions requiring recognition in accordance with FIN 48.

Recently issued accounting standards

In September 2006, the FASB issued Statement of Financial Accounting Standard No. 157, "Fair Value Measurements" (SFAS 157). SFAS No. 157 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS No. 157 applies under other accounting pronouncements that require or permit fair value measurements and accordingly does not require any new fair value measurements. The provisions of SFAS No. 157 are to be applied prospectively as of the beginning of the fiscal year in which it is initially applied, with any transition adjustment recognized as a cumulative-effect adjustment to the opening balance of retained earnings. The provisions of SFAS No. 157 are effective for fiscal years beginning after November 15, 2007. The Company is currently evaluating the impact that the adoption of SFAS No. 157 will have on its financial position and results of operations.

In February 2007, the FASB issued Statement of Financial Accounting Standard No. 159, *"The Fair Value Option for Financial Assets and Financial Liabilities"* (SFAS 159). This Statement permits entities to choose to measure various financial assets and financial liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. SFAS 159 is effective for the Company beginning January 1, 2008. The Company is currently evaluating the impact that adopting FAS 159 will have on its financial position and results of operations.

Comparability

Certain comparative amounts have been reclassified to conform to the presentation adopted in the current period.

NOTE 3. STOCKHOLDERS' EQUITY

Reorganization in connection with initial public offering

In connection with the IPO, the Company entered into an Agreement and Plan of Reorganization dated April 26, 2007 (Reorganization Agreement), with all of its shareholders, lululemon usa inc. (Lulu USA), lululemon athletica canada inc. (LACI), Lulu Canadian Holding, Inc. (LCHI), LIPO Investments (Canada) Inc. (LIPO), LIPO Investments (USA), Inc. ("LIPO USA") and Slinky Financial ULC: an entity owned by a principal stockholder of the Company, pursuant to which the parties executed a corporate reorganization of the Company on July 26, 2007, immediately following the execution of the underwriting agreement entered into in connection with the IPO. In the reorganization, all outstanding shares of the Company (which consisted of Series A shares and Series TS shares) and all outstanding shares of LIPO, which was combined with the Company prior to the reorganization, were exchanged for common shares of the Company or exchangeable shares issued by LCHI. Upon completion of the reorganization, Lulu USA and LACI became direct or indirect wholly-owned subsidiaries of the Company.

The holders of Series A shares and Series TS shares prior to the reorganization of the Company received common shares of the Company in exchange for 107,995 Series A shares and 116,994 Series TS shares, and the holders of the 117,000,361 LIPO shares received either common shares of the Company or a combination of exchangeable shares of LCHI (wholly owned subsidiary of the Company) plus shares of special voting stock of the Company, in exchange for their LIPO shares. The exchangeable shares of LCHI and the special voting shares of the Company, when taken together, are the economic equivalent of the corresponding common shares of the Company and entitle the holder to one vote on the same basis and in the same circumstances as one corresponding share of the common shares of the Company. The exchangeable shares are exchangeable at any time, at the option of the holder on a one-for-one basis with the corresponding common shares of the Company.

Lulu US repurchased all outstanding shares of its non-participating preferred stock for a purchase price of $1.00 per share.

Prior to the reorganization, LIPO and LIPO USA had created stock-based compensation plans for eligible employees of LACI and Lulu USA. The eligible employees were granted options to acquire shares of LIPO and LIPO USA. The outstanding unvested stock options of LIPO were exchanged for options of LIPO USA which allow the holder to acquire shares of LIPO USA. Vested LIPO options are immediately exercised for shares in LIPO and then exchanged for a fraction of an exchangeable share or common share in the Company. The exercise price and the number of common shares of the Company subject to the new Company stock options (note 4) were set to preserve the intrinsic value and other terms and conditions of the LIPO and LIPO USA stock options being exchanged.

For accounting purposes, the corporate reorganization has been reflected as if it had occurred at January 31, 2007.

Authorized share capital

As part of the reorganization in connection with the initial public offering, the Company's stockholders approved an amended and restated charter that provides for the issuance of up to 200,000,000 shares of common stock, 5,000,000 shares of undesignated preferred stock and 30,000,000 shares of special voting stock. Upon completion of the reorganization there were 44,290,778 shares of common stock, 20,935,041 shares of exchangeable stock and 20,935,041 shares of special voting stock outstanding. Additionally, 10,000,000 shares of common stock are reserved for issuance under the Company 2007 Equity and Incentive Plan. The Company's stock options outstanding after completion of the reorganization were 4,479,176. The outstanding stock options issued to purchase shares of LACI and Lulu US prior to the reorganization were exchanged for options to acquire common shares of the Company at an adjusted exercise price.

Stock split

As part of the reorganization in connection with the initial public offering, on July 26, 2007, a 2.38267841 for one stock split was effected for all authorized, issued, and outstanding shares of common stock of the Company. All common shares presented in the consolidated financial statements and the notes to the consolidated financial statements have been restated to properly reflect the July 26, 2007 stock split.

NOTE 4. STOCK BASED COMPENSATION

In July 2007, the Board adopted, and the Company's stockholders approved in conjunction with the reorganization of the Company, the 2007 Equity Incentive Plan (the "2007 Plan"). Upon completion of the reorganization of the Company (note 3), outstanding awards under the Company's predecessor plan were exchanged for awards under the 2007 Plan. The Plan provides for the grants of stock options, stock appreciation rights, restricted stock or restricted stock units to employees (including officers and directors who are also employees) of the Company or of a parent or subsidiary of the Company. Stock options granted to date have a 4-year vesting period and vest a rate of 25% per each year on the anniversary date of the grant. Restricted stock granted under the Plan vest one year from the date of the grant. To date, no stock appreciation rights or restricted stock units have been issued under the plan.

For the three months ended July 31, 2007, the Company granted 9,996 shares of restricted common stock to directors. The restricted common stock vests one year after the grant date. Once granted, the restricted common stock is included in total shares outstanding but is not included in the weighted average number of common shares outstanding in each period used to calculate basic earnings per share until the shares vest.

The following is a summary of the total number of outstanding stock options and restricted Common stock units issued under the plan:

	Outstanding Options	Weighted Average Exercise Price	Outstanding Non Vested Restricted Common Stock	Weighted Average Exercise price
Balance at January 31, 2007	4,523,839	$ 0.58	—	$ —
Granted	246,826	18.00	9,996	—
Exercised	—	—	—	—
Cancelled	44,663	0.58	—	—
Balance at July 31, 2007	4,726,002	$ 1.49	9,996	$ —

Stockholder sponsored awards

During the year ended January 31, 2006, LIPO and LIPO USA, entities controlled by a principal stockholder of the Company created stock-based compensation plans (the LIPO Plans) for certain eligible employees of the Company in order to provide incentive to increase stockholder value. Under the provisions of the LIPO plans, the eligible employees were granted options to acquire shares of LIPO and LIPO USA respectively. The board of directors of LIPO and LIPO USA would exchange the LIPO and LIPO USA shares held in trust for an equivalent number of shares of the Company to be held by LIPO and LIPO USA, respectively, on the exchange date.

On December 1, 2005, LIPO and LIPO USA each granted 5,295,952 Series A options with an exercise price of CA$0.00001 and an expiry date of December 1, 2009 and 11,062,179 Series B options with an expiry date of December 1, 2010, respectively. The LIPO and LIPO USA Series B options had exercise prices of CA$0.99 and $0.01, respectively. Each Series A option and each Series B option entitled the holder to acquire one share of common stock of the respective companies.

While all of the Series A options of both companies vested on December 5, 2005 and were immediately exercised, 3,549,444 of the common shares of LIPO and LIPO USA issued were designated as forfeitable. These forfeitable shares are considered to be non-vested for accounting purposes and were considered not to be earned as of December 5, 2005. These non-vested shares became non-forfeitable over a four-year requisite service period ending on December 5, 2009. In addition, on December 5, 2005, 2,239,395 of the Series B options vested, with the remaining options vesting over a five-year period ending December 5, 2010.

In connection with the reorganization of the Company, the LIPO Series A awards and vested LIPO Series B awards were exchanged for exchangeable shares of the Company through a series of transactions. The LIPO Series B unvested options were cancelled and new LIPO USA Series B stock options with an exercise price of $0.01 were issued using a conversion factor set out in the reorganization agreement. The cancellation of the LIPO Series B unvested options and the issuance of the new LIPO USA Series B Stock options occurred with the relative intrinsic value and other terms and conditions being preserved through the number and terms of new options being granted.

The summary of activity and changes related to forfeitable shares issued under the LIPO Series A options since inception of the plans is as follows:

	Number of Shares	Weighted Average Purchase Price CA$
Balance at January 31, 2007	541,394	0.00001
Exercisable at January 31, 2007	—	—
Granted	—	—
Exercised	—	—
Cancelled	—	—
Balance at July 31, 2007	541,394	0.00001
Exercisable at July 31, 2007	—	—

The Company records compensation expense for forfeitable shares issued under LIPO Series A over the requisite service period of 5 years. Under the fair value method, compensation expenses were $266,860 and $306,963 for the three month periods ended July 31, 2006 and 2007, and $514,142 and $584,550 for the six month periods ended July 31, 2006 and 2007, respectively

The summary of option grants, forfeitures, vesting and exercises under the LIPO Series B Plan since inception is as follows:

		Weighted Average

	Number of options	Exercise Price CA $
Balance at January 31, 2007	33,303,016	0.01
Exercisable at January 31, 2007	4,110,511	0.01
Granted	—	—
Exercised	—	—
Cancelled	—	—
Balance at July 31, 2007	33,303,016	0.01
Exercisable at July 31, 2007	4,110,511	0.01

The Company recorded compensation expense for shares issued under the LIPO Series B options, over the requisite service period of 5 years. Under the fair value method, compensation expenses were $204,083 and $235,473 for the three month periods ended July 31, 2006 and 2007, and $393,778 and $447,865 for the six month periods ended July 31, 2006 and 2007, respectively.

The LIPO series B stock options will convert to exchangeable shares upon exercise at a conversion factor as set out in the Reorganization Agreement. If all of the LIPO Series B options were to vest and are exercised at July 31, 2007, they would result in the issuance of 1,474,925 exchangeable shares.

Class B LIPO USA Options and LIPO USA Forfeitable Shares issued on exercise Class A LIPO Options vest as follows:

Date	Class B Options	Forfeitable Shares	Total
December 5, 2005	2,141,116	1,744,816	3,885,932
December 5, 2006	1,969,395	1,195,821	3,165,216
December 5, 2007	9,032,783	1,195,822	10,228,605
December 5, 2008	8,809,836	861,389	8,951,225
December 5, 2009	7,204,148	287,706	7,491,854
December 5, 2010	4,145,738	—	4,145,738
Total	33,303,016	5,285,554	38,588,570

NOTE 5. LEGAL PROCEEDINGS

On March 14, 2007, a former executive officer filed suit against the Company for breach of contract, wrongful dismissal and negligent misrepresentation seeking damages in an unspecified amount plus costs and intent. The Company believes the claim is without merit and is vigorously defending against it.

The Company is, from time to time, involved in routine legal matters incidental to its business. Management believes that the ultimate resolution of any such current proceedings will not have a material adverse effect on the Company's continued financial position, results of operations or cash flows.

NOTE 6. EARNINGS PER SHARE

In conjunction with the IPO of the Company, the Company's capital structure was reorganized such that LIPO became an indirect, wholly-owned subsidiary of the Company, and the holders of preferred shares of the Company acquired common shares of the Company in exchange for their preferred shares, while the holders of LIPO shares acquired either common shares of the Company or a combination of exchangeable shares of LCHI plus shares of special voting stock of the Company, in exchange for their LIPO shares. In connection with the reorganization, each outstanding share of the Company's common stock was split into 2.38267841 shares of common stock, with a corresponding effect on outstanding options and exercise prices. The common stock and options outstanding as of the completion of the reorganization was 65,225,819 shares and 4,479,176 options, respectively. In addition, the outstanding stock options of Lulu Canada and Lulu US were exchanged for options to acquire common shares of the Company at an adjusted exercise price. The exercise of options under the LIPO plans have been excluded as any shares of LAI ultimately issued on exercise of these options have already been included in the exchangeable shares.

The detail of the computation of basic and diluted earnings per share is as follows:

	Three Months Ended July 31,		Six Months Ended July 31,	
	2007	2006	2007	2006
Net income	$ 5,121,998	$ 1,939,596	$ 8,664,064	$ 5,120,768
Basic weighted average number of shares outstanding	65,225,819	65,225,819	65,225,819	65,225,819
Basic earnings per share	$ 0.08	$ 0.03	$ 0.13	$ 0.08
Basic weighted average number of shares outstanding	65,225,819	65,225,819	65,225,819	65,225,819
Effect of stock options assume exercised	3,665,418	3,655,422	3,653,013	3,643,017
Diluted weighted average number of shares outstanding	68,891,237	68,881,241	68,878,832	68,868,836
Diluted earnings per share	$ 0.07	$ 0.03	$ 0.12	$ 0.07

Our calculation of weighted average shares include the common stock of the Company as well as the exchangeable shares of LCHI. Exchangeable shares are the equivalent of common shares in all respects. All classes of stock have in effect the same rights and share equally in undistributed net income. For the 3 and 6 months ended July 31, 2007, 246,826 employee and director stock options were dilutive to earnings and are included in the computation of diluted earnings per share.

NOTE 7. SUPPLEMENTARY FINANCIAL INFORMATION

A summary of certain balance sheet accounts is as follows:

	July 31, 2007	January 31, 2007
Accounts receivable:		
Accounts receivable	$ 3,457,650	$ 2,290,665
Allowance for doubtful accounts	—	—
	$ 3,457,650	$ 2,290,665
Inventories:		
Finished goods	$23,185,741	$21,310,791
Work in process	285,965	1,634,196
Raw materials	1,968,407	4,644,620
Provision to reduce inventory to market value	(1,592,000)	(961,494)
	$23,848,113	$26,628,113

	July 31, 2007	January 31, 2007
Property and equipment:		
Leasehold improvements	$ 23,105,254	$15,954,887
Furniture and fixtures	8,424,236	5,287,109
Computer hardware	2,753,863	1,941,252
Computer software	3,543,181	1,591,572
Equipment	113,658	90,808
Vehicles	92,280	83,398
Accumulated amortization	(10,817,223)	(7,211,652)
	$ 27,215,249	$17,737,374
Intangible assets:		
Reacquired franchise rights	$ 8,466,469	$ 2,835,441
Non-competition agreements	844,517	769,252
Accumulated amortization	(2,106,482)	(1,464,682)
	$ 7,204,504	$ 2,140,011
Other non-current assets:		
IPO costs	$ 6,982,785	$ —
Prepaid rent, deposits and key money	2,242,378	2,522,906
	$ 9,225,163	$ 2,522,906
Accrued liabilities:		
Settlement of lawsuit	$ —	$ 7,228,310
Inventory in transit	1,313,446	1,877,065
Wages and vacation payable	4,250,021	2,816,751
IPO costs	2,265,997	—
Sales tax collected	1,425,914	927,555
Other	2,287,627	1,670,952
	$ 11,543,005	$14,520,633
Other liabilities:		
Deferred lease liability	$ 2,279,755	$ 1,585,097
Tenant inducements	2,206,900	438,571
Deferred revenue	4,017,641	3,307,044
Less: Current portion	(3,294,842)	(2,652,491)
	$ 5,209,454	$ 2,678,221

NOTE 8. SUPPLEMENTARY CASH FLOW INFORMATION

Changes in non-cash working capital items:

	July 31, 2007	July 31, 2006
Increase in accounts receivable	$(1,166,985)	$(1,602,867)
(Increase) decrease in prepaid expenses	(347,519)	209,445
Decrease in inventories	3,187,355	1,477,516
Decrease in related parties	172,378	394,926
Increase in other current assets	(2,588,060)	(421,029)
Decrease in trade accounts payable	(4,961)	(4,367,979)
(Decrease) increase in accrued liabilities	(3,038,318)	773,566
Increase (decrease) in other current liabilities	64,007	(207,497)
(Decrease) increase in income taxes payable	(3,808,338)	4,876,222
	$(7,530,441)	$ 1,132,303
Cash paid for income taxes	$ 3,341,438	$ 1,544,652
Interest paid	1,684	9,568

NOTE 9. SEGMENT REPORTING

The Company's reportable segments are comprised of corporate owned stores, franchises and wholesale, phone sales, warehouse sales and showrooms have been combined into other. There has been no change in the basis of this segmentation, accounting policies of the segments or the basis of measurement of segment profit or loss from that disclosed in our recently filed Registration Statement on Form S-1 (file no. 333-142477). Information for these segments is detailed in the table below:

	Three Months Ended July 31,		Six Months Ended July 31,	
	2007	2006	2007	2006
Net revenue:				
Corporate-owned stores	$53,091,644	$26,830,625	$91,099,424	$48,976,692
Franchises	3,401,038	4,481,723	8,318,544	8,845,633
Other	2,188,262	1,205,089	4,052,433	2,878,692
Income from operations before general corporate expense:				
Corporate-owned stores	$17,267,439	$ 7,296,675	$29,444,387	$15,160,788
Franchises	1,685,989	2,333,556	4,025,269	4,269,027
Other	1,054,791	739,089	1,872,148	1,253,678
General corporate expense	10,238,691	7,133,240	18,724,145	11,334,049
Net operating income	9,769,526	3,236,080	16,617,659	9,349,444
Other expense (income), net	(70,516)	(21,852)	(177,512)	(44,422)
Income before income taxes	$ 9,840,042	$ 3,257,932	$16,795,171	$ 9,393,866
Capital expenditures:				
Corporate-owned stores	$ 5,320,961	$ 3,499,646	$ 7,231,448	$ 5,773,244
Corporate	1,704,112	235,620	2,808,505	683,581
Depreciation:				
Corporate-owned stores	$ 1,266,615	$ 918,926	$ 2,487,046	$ 1,542,576
Corporate	170,937	287,850	403,263	517,965

NOTE 10. SUBSEQUENT EVENTS

On August 2, 2007, the Company completed an initial public offering of 20,930,000 shares of common stock at a price to the public of $18.00 per share, of which 2,290,909 shares were sold by the Company 15,909,091 were sold by the selling stockholders, and 2,730,000 shares were sold by certain of the selling stockholders pursuant to the underwriters' over-allotment option. Upon completing the offering, the Company received net proceeds of approximately $31,849,817.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Some of the statements contained in this Form 10-Q and any documents incorporated herein by reference constitute forward-looking statements. Forward-looking statements relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts, such as statements regarding our future financial condition or results of operations, our prospects and strategies for future growth, the development and introduction of new products, and the implementation of our marketing and branding strategies. In many cases, you can identify forward-looking statements by terms such as "may," "will," "should," "expects," "plans," "anticipates," "believes," "intends," "estimates," "predicts," "potential" or the negative of these terms or other comparable terminology.

The forward-looking statements contained in this Form 10-Q and any documents incorporated herein by reference reflect our current views about future events and are subject to risks, uncertainties, assumptions and changes in circumstances that may cause events or our actual activities or results to differ significantly from those expressed in any forward-looking statement. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future events, results, actions, levels of activity, performance or achievements. Readers are cautioned not to place undue reliance on these forward-looking statements. A number of important factors could cause actual results to differ materially from those indicated by the forward-looking statements, including, but not limited to, those factors described in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Risk Factors." These factors include without limitation:

- our ability to manage our operations at our current size or manage growth effectively;
- our ability to locate suitable locations to open new stores and to attract customers to our stores;
- our ability to successfully expand in the United States and other new markets;
- our ability to finance our growth and maintain sufficient levels of cash flow;
- increased competition causing us to reduce the prices of our products or to increase significantly our marketing efforts in order to avoid losing market share;
- our ability to effectively market and maintain a positive brand image;
- our ability to maintain recent levels of comparable store sales or average sales per square foot;
- our ability to continually innovate and provide our consumers with improved products;
- the ability of our suppliers or manufacturers to produce or deliver our products in a timely or cost-effective manner;
- our lack of long-term supplier contracts;
- our lack of patents or exclusive intellectual property rights in our fabrics and manufacturing technology;
- our ability to attract and maintain the services of our senior management and key employees;
- the availability and effective operation of management information systems and other technology;
- changes in consumer preferences or changes in demand for technical athletic apparel and other products;
- our ability to accurately forecast consumer demand for our products;
- our ability to accurately anticipate and respond to seasonal or quarterly fluctuations in our operating results;
- our ability to find suitable joint venture partners and expand successfully outside North America;
- our ability to maintain effective internal controls; and
- changes in general economic or market conditions, including as a result of political or military unrest or terrorist attacks.

The forward-looking statements contained in this Form 10-Q reflect our views and assumptions only as of the date of this Form 10-Q. We undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events.

Overview

We believe lululemon is one of the fastest growing designers and retailers of technical athletic apparel in North America. Our yoga-inspired apparel is marketed under the lululemon athletica brand name. We offer a comprehensive line of apparel and accessories including fitness pants, shorts, tops and jackets designed for athletic pursuits such as yoga, dance, running and general fitness. As of July 31, 2007, our branded apparel was principally sold through 60 corporate-owned and franchise stores that are primarily located in Canada and the United States. We believe our vertical retail strategy allows us to interact more directly with and gain insights from our customers while providing us with greater control of our brand. For the second quarter of fiscal 2007, 82.5% of our net revenue was derived from sales of our products in Canada, 16.2% of our net revenue was derived from the sales of our products in the United States and 1.3% of our net revenue was derived from sales of our products in Australia and Japan.

Our net revenue has grown from $40.7 million for fiscal 2004 to $148.9 million for fiscal 2006. This represents a compound annual growth rate of 91.1%. Our net revenue also increased from $32.5 million for the second quarter of fiscal 2006 to $58.7 million for the second quarter of fiscal 2007, representing a 80.5% increase. By the end of fiscal 2004, we operated 20 stores including 14 corporate-owned stores and six franchise stores in Canada, the United States and Australia. The majority of our stores were located in Canada, with only three corporate-owned stores in the United States and one franchise store in Australia. Our increase in net revenue from fiscal 2004 to fiscal 2006 resulted from the addition of 17 retail locations in fiscal 2005 and 14 retail locations in fiscal 2006 and strong comparable store sales growth of 19% and 25% in fiscal 2005 and fiscal 2006, respectively. Our ability to open new stores and grow sales in existing stores has been driven by increasing demand for our technical athletic apparel and a growing recognition of the lululemon athletica brand. We believe our superior products, strategic store locations, inviting store environment, grassroots marketing approach and distinctive corporate culture are responsible for our strong financial performance.

The two most important determinants of our future net revenue, earnings and cash flow growth are the successful expansion of our corporate-owned store base and increases in comparable store sales. Though we expect continued growth in net revenues, we expect our growth rate to decline in the future relative to the rate of growth we have experienced in historical periods as incremental revenue is measured against a larger revenue base. Moreover, we expect a significant portion of our new store growth to be concentrated in the United States. While we believe there is a significant opportunity to expand our store base in the United States, our brand is still relatively new in the United States and, therefore, our success is uncertain. To help manage our growth in the United States, we have hired senior-level employees over the last twelve months with experience in the United States retail environment. Additionally, we are focused on continuing to grow our comparable store sales by increasing brand awareness through our community-based marketing efforts, developing innovative technical athletic apparel that our customers demand and offering a distinctive retail experience. Future comparable store sales growth will depend on our ability to continue to attract and retain motivated corporate- and store-level employees that are passionate about the lululemon athletica vision. Other external factors that could affect our net revenue, earnings and cash flows, though to a lesser degree than the factors above, include fluctuations in the relative value of the U.S. dollar compared to the Canadian dollar and general economic conditions in our target markets.

lululemon was founded in 1998 by Dennis “Chip” Wilson in Vancouver, Canada. lululemon athletica inc. (formerly known as Lululemon Corp. and before that as Lulu Holding, Inc.) is the holding company for all our related entities, including our two primary operating companies lululemon usa inc. and lululemon athletica canada inc. On August 2, 2007 lululemon athletica inc. completed an initial public offering.

We have three reportable segments: corporate-owned stores, franchises and other. We report our segments based on the financial information we use in managing our businesses. While we receive financial information for each corporate-owned store, we have aggregated all of the corporate-owned stores into one reportable segment due to the similarities in the economic and other characteristics of these stores. Our franchises segment accounted for more than 10% of our net revenues for each of fiscal 2005 and fiscal 2006 and 5.8% of our net revenues for the second quarter of fiscal 2007. Opening new franchise stores is not a significant part of our near-term store growth strategy, and we therefore expect that revenue derived from our franchise stores will eventually comprise less than 10% of the net revenue we report in future fiscal years, at which time we will reevaluate our segment reporting disclosures. Our other operations accounted for less than 10% of our revenues in each of fiscal 2005 and fiscal 2006 and 3.7% of our revenues for the second quarter of fiscal 2007.

As of July 31, 2007, we sold our products through 52 corporate-owned stores located in Canada, the United States and Japan. Most of our corporate-owned stores are located in North America, with only three corporate-owned stores located in Japan. We plan to increase our net revenue in North America by opening additional corporate-owned stores in new and existing markets. Corporate-owned stores net revenue accounted for 81.1% of total net revenue for fiscal 2006 and 90.5% of total net revenue for the second quarter of fiscal 2007.

As of July 31, 2007, we also had six franchise stores located in North America and two franchise stores located in Australia. In the past, we have entered into franchise agreements to distribute lululemon athletica branded products to more quickly disseminate our brand name and increase our net revenue and net income. In exchange for the use of our brand name and the ability to operate lululemon athletica stores in certain regions, our franchisees generally pay us a one-time franchise fee and ongoing royalties based on their gross revenue. Additionally, unless otherwise approved by us, our franchisees are required to sell only lululemon athletica branded products, which are purchased from us at a discount to the suggested retail price. Pursuing new franchise partnerships or opening new franchise stores is not a significant part of our near-term store growth strategy. In some cases, we may exercise our contractual rights to purchase franchises where it is attractive to us. Franchises net revenue accounted for 14.3% of total net revenue for fiscal 2006 and 5.8% of total net revenue for the second quarter of fiscal 2007.

We believe that our athletic apparel has and will continue to appeal to consumers outside of North America who value its technical attributes as well as its function and style. In 2004, we opened our first franchise store in Australia. In the second quarter of fiscal 2007 we opened our second franchise store in Australia. We intend to convert the Australian franchise operations into a joint venture partnership. In 2005, we opened a franchise store in Japan. In 2006, we terminated our franchise arrangement and entered into a joint venture agreement with Descente Ltd, or Descente, a global leader in fabric technology, to operate our stores in Japan. This joint venture company is named Lululemon Japan Inc. As of July 31, 2007, we operated three stores through Lululemon Japan Inc. Because we own 60% of the joint venture and maintain control over it, the financial results of Lululemon Japan Inc. are consolidated and included in our corporate-owned stores segment. We plan to increase net revenue in markets outside of North America primarily by opening additional stores with joint venture partners in existing markets as well as opening stores in new markets with new joint venture partners.

In addition to deriving revenue from sales through our corporate-owned stores and our franchises, we also derive other net revenue, which includes the sale of our products directly to wholesale customers, telephone sales to retail customers, including related shipping and handling charges, warehouse sales and sales through a limited number of company operated showrooms. Wholesale customers include select premium yoga studios, health clubs and fitness centers. Telephone sales are taken directly from retail customers through our call center. Warehouse sales are typically held at one or more times a year to sell slow moving inventory or inventory from prior seasons to retail customers at discounted prices. Our showrooms are typically small locations that we open from time to time when we enter new markets and feature a limited selection of our product offering during select hours. Other net revenue accounted for 4.6% of total net revenue for fiscal 2006 and 3.7% of total net revenue for the second quarter of fiscal 2007.

We believe that a number of trends relevant to our industry have affected our results and may continue to do so. Specifically, we believe that there is an increasing appreciation for the health benefits of yoga and related fitness activities in our markets and that women, our primary customers, are increasingly embracing an active healthy lifestyle. As such, we believe that participation in yoga and related fitness activities will continue to grow. There is also an increasing demand for technical athletic apparel relative to traditional athletic apparel, and we believe that more people are wearing technical apparel in casual environments to create a healthy lifestyle perception. The duration and extent of these trends, however, is unknown, and adverse changes in these trends may negatively impact our net revenue, earnings or cash flows.

Our fiscal year ends on January 31. References to a particular fiscal year refer to the fiscal year ended or January 31 in the year following the year mentioned.

Results of Operations

Three months ended July 31, 2007 compared to three months ended July 31, 2006

The following table summarizes key components of our results of operations for the three months ended July 31, 2007 and July 31, 2006. The operating results are expressed in dollar amounts as well as relevant percentages, presented as a percentage of net revenue.

	Three Months Ended July 31			
	2007	2006	2007	2006
	(in thousands)		(percentages)	
Net revenue	$ 58,681	$ 32,517	100.0	100.0
Cost of goods sold (including stock-based compensation expense of $193 and $70)	27,434	16,614	46.8	51.1
Gross profit	31,247	15,903	53.2	48.9
Operating expenses:				
Selling, general and administrative expenses (including stock-based compensation expense of $1,368 and $720)	21,477	12,667	36.6	39.0
Income from operations	9,770	3,236	16.6	10.0
Other expenses (income)	(71)	(22)	(0.1)	0.0
Income before income taxes	9,840	3,258	16.8	10.0
Provision for income taxes	4,798	1,318	8.2	4.1
Non-controlling interest	(80)	—	(0.1)	—
Net income	$ 5,122	$ 1,940	8.7	5.9

Net Revenue

Net revenue increased $26.1 million, or 80.5%, to $58.7 million for the second quarter of fiscal 2007 from $32.5 million for the second quarter of fiscal 2006. This increase was the result of increased comparable store sales, and sales from new stores opened. Assuming the average exchange rate between the Canadian and United States dollars for the second quarter of fiscal 2006 remained constant, our net revenue would have increased $24.2 million or 74.4% for the second quarter of fiscal 2007.

	Three Months Ended July 31,	
	2007	2006
	(In thousands)	
Net revenue by segment:		
Corporate-owned stores	$53,092	$26,831
Franchises	3,401	4,482
Other	2,188	1,204
Net revenue	$58,681	$32,517

Corporate-Owned Stores. Net revenue from our corporate-owned stores segment increased $26.3 million, or 97.9%, to $53.1 million for the second quarter of fiscal 2007 from $26.8 million for the second quarter of fiscal 2006. The following contributed to the $26.3 million increase in net revenue from our corporate-owned stores segment.

- Comparable store sales growth of 30.0% in the second quarter of fiscal 2007. Assuming the average exchange rate between the Canadian and the United States dollars for the second quarter of fiscal 2006 remained constant our comparable store sales would have increased 25.0% for the second quarter of fiscal 2007. The increase in comparable store sales was driven primarily by the strength of our existing product lines, successful introduction of new products and increasing recognition of the lululemon athletica brand name.
- Net revenue of $11.3 million from 16 corporate-owned stores we opened, consisting of five in Canada, eight in the United States and three in Japan subsequent to July 31, 2006, the comparative period.
- The acquisition of three Calgary franchise stores in April 2007.

Franchises. Net revenue from our franchises segment decreased $1.1 million, or 24.1%, to $3.4 million for the second quarter of fiscal 2007 from $4.5 million for the second quarter of fiscal 2006. The decrease in net revenue from our franchises segment consisted primarily of franchises net revenue of $2.4 million that shifted to corporate-owned stores net revenue when we acquired three franchise stores in Calgary offset by increased franchise revenue from our remaining franchise locations together with the contribution of revenue from two new franchise locations in the United States and one new location in Australia.

Other. Net revenue from our other segment increased $1.0 million, or 81.7%, to $2.2 million for the second quarter of fiscal 2007 from $1.2 million for the second quarter of fiscal 2006. The $1.0 million increase was primarily the result of increased wholesale, phone and showroom sales.

Gross Profit

Gross profit increased $15.3 million, or 96.5%, to $31.2 million for the second quarter of fiscal 2007 from $15.9 million for the first quarter of fiscal 2006. The increase in gross profit was driven principally by:

- an increase of $26.3 million in net revenue from our corporate-owned stores segment;
- an increase of $1.0 million in net revenue from our other segment; and

This amount was partially offset by:

- an increase in product costs of $8.1 million associated with our sale of goods through corporate-owned stores, franchises and other segments;
- an increase in occupancy costs of $1.5 million related to an increase in corporate-owned stores;
- an increase of $0.8 million in expenses related to distribution costs to support our growth;
- a net increase in the raw materials provision of $0.2 million recorded in current period from the comparative period; and
- an increase in depreciation of $0.3 million primarily related to an increase in corporate-owned stores.

Gross profit as a percentage of net revenue, or gross margin, increased 4.3% to 53.2% for the second quarter of fiscal 2007 from 48.9% for the second quarter of fiscal 2006. The increase in gross margin resulted from:

- a decrease in product costs as a percentage of net revenue that contributed to an increase in gross margin of 1.9% due to an increase in higher margin revenues associated with the proportionate increase in corporate-owned stores, an increase in product pricing and fewer markdowns on product;
- a decrease in expenses related to our production, design and distribution departments (including stock-based compensation expense) as a percentage of net revenue from fiscal 2005 to fiscal 2006 which contributed to an increase in gross margin of 0.9%;
- a decrease in occupancy costs as a percentage of revenue contributed to an increase in gross margin of 0.9%; and
- a decrease in depreciation costs as a percentage of revenue contributed to an increase in gross margin of 0.7%.

Our costs of goods sold in the second quarter of fiscal 2007 and the second quarter of fiscal 2006 included $0.2 million and $0.1 million, respectively, of stock-based compensation expense.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased $8.8 million, or 70.0%, to $21.5 million for the second quarter of fiscal 2007 from $12.7 million for the second quarter of fiscal 2006. As a percentage of net revenue; selling, general and administrative expenses decreased 2.4% to 36.6% from 39.0%. The $8.8 million increase in selling, general and administrative expenses was principally comprised of:

- an increase in store employee compensation of $3.5 million or 86.5% related to opening additional corporate-owned stores;
- an increase in corporate compensation of $2.8 million or 130.6% principally due to hiring of additional employees to support our growth;
- an increase in other store operating expenses of $2.1 million or 151.4%; and
- an increase in other corporate expenses such as stock based compensation, travel expenses and rent associated with corporate facilities of $2.2 million or 124%.

This amount was partially offset by:

- a decrease in professional fees of $1.7 million or 66%.

Our selling, general and administrative expenses in the second quarter of fiscal 2007 and the second quarter of fiscal 2006 included $1.4 million and $0.7 million, respectively, of stock-based compensation expense.

Income from Operations

The increase of $6.5 million in income from operations for the second quarter of fiscal 2007 was primarily due to a $15.3 million increase in gross profit resulting from increased comparable store sales and additional sales from corporate-owned stores opened, partially offset by an increase of $8.8 million in selling, general and administrative expenses.

On a segment basis, we determine income from operations without taking into account our general corporate expenses such as corporate employee costs, travel expenses and corporate rent. For purposes of our management's analysis of our financial results, we have allocated some general product expenses to our corporate-owned stores segment. For example, all expenses related to our production, design and distribution departments have been allocated to this segment.

Income from operations (before general corporate expenses) from:

- our corporate-owned stores segment increased $10.0 million, or 136%, to $17.3 million for the second quarter of fiscal 2007 from $7.3 million for the second quarter of fiscal 2006 primarily due to an increase in corporate-owned stores gross profit of $15.7 million, offset by an increase of $3.6 million in store employee expenses and an increase of $2.1 million in other store expenses;
- our franchises segment decreased $0.6 million, or 27.8%, to $1.7 million for the second quarter of fiscal 2007 from $2.3 million for the first quarter of fiscal 2006 primarily from franchises net revenue of $2.1 included in the comparative period that shifted to corporate-owned stores net revenue when we acquired three franchise stores in Calgary offset by increased franchise revenue from our remaining franchise locations and new locations; and
- our other segment increased $0.3 million, or 42.7%, to $1.1 million for the second quarter of fiscal 2007 from $0.7 million for the second quarter of fiscal 2006 primarily due to an increase in revenue of $1.0 million and a decrease of $0.7 million in product costs.

Provision for Income Taxes

Provision for income taxes increased $3.5 million to $4.8 million for the second quarter of fiscal 2007 from $1.3 million for the second quarter of fiscal 2006. For the second quarter of fiscal 2007, our effective tax rate was 48.7% compared to 40.4% for the second quarter of fiscal 2006. In both the second quarter of fiscal 2006 and the second quarter of fiscal 2007, we generated losses in the United States which we were unable to offset against our income in Canada for tax purposes. In the second quarter of fiscal 2006 and the second quarter of fiscal 2007, we also incurred stock-based compensation expenses of $0.8 million and $1.6 million, respectively, which were not deductible for tax purposes during these periods.

Net Income

Net income increased $3.2 million to $5.1 million for the second quarter of fiscal 2007 from $1.9 million for the second quarter of fiscal 2006. The increase in net income of $3.2 million for the second quarter of fiscal 2007 was a result of an increase in gross profit of $15.3 million resulting from increased comparable store sales and additional sales from corporate-owned stores opened, offset by increases in selling, general and administrative expenses of $8.8 million and an increase of $3.5 million in provision for income taxes.

Six months ended July 31, 2007 compared to six months ended July 31, 2006

The following table summarizes key components of our results of operations for the six months ended July 31, 2007 and July 31, 2006. The operating results are expressed in dollar amounts as well as relevant percentages, presented as a percentage of net revenue.

	Six Months Ended July 31			
	2007	2006	2007	2006
	(in thousands)		(percentages)	
Net revenue	$ 103,470	$ 60,701	100.0	100.0
Cost of goods sold (including stock-based compensation expense of $362 and $164)	49,412	30,278	47.8	49.9
Gross profit	54,058	30,423	52.2	50.1
Operating expenses:				
Selling, general and administrative expenses (including stock-based compensation expense of $2,606 and $1,170)	37,440	21,073	36.2	34.7
Income from operations	16,618	9,350	16.1	15.4
Other expense (income), net	(177)	(44)	(0.1)	(0.1)
Income before income taxes	16,795	9,394	16.2	15.5
Provision for income taxes	8,247	4,273	8.0	7.1
Non-controlling interest	(116)	—	(0.2)	—
Net income	$ 8,664	$ 5,121	8.4	8.4

Net Revenue

Net revenue increased $42.8 million, or 70.5%, to $103.5 million for the first half of fiscal 2007 from $60.7 million for the first half of fiscal 2006. This increase was the result of increased comparable store sales and sales from new stores opened. Assuming the average exchange rate between the Canadian and United States dollars for the first half of fiscal 2006 remained constant, our net revenue would have increased $41.0 million or 67.5% for the first half of fiscal 2007.

	Six Months Ended July 31	
	2007	2006
	(In thousands)	
Net revenue by segment:		
Corporate-owned stores	$ 91,099	$ 48,977
Franchises	8,319	8,846
Other	4,052	2,878
Net revenue	$ 103,470	$ 60,701

Corporate-Owned Stores. Net revenue from our corporate-owned stores segment increased $42.1 million, or 86.0%, to $91.1 million for the first half of fiscal 2007 from $49.0 million for the first half of fiscal 2006. The following contributed to the $42.1 million increase in net revenue from our corporate-owned stores segment.

- Comparable store sales growth of 25.0% in the first half of fiscal 2007. Assuming the average exchange rate between the Canadian and the United States dollars for the first half of fiscal 2006 remained constant our comparable store sales would have increased 23.0% for the first half of fiscal 2007. The increase in comparable store sales was driven primarily by the strength of our existing product lines, successful introduction of new products and increasing recognition of the lululemon athletica brand name.
- Net revenue of $16.1 million from 16 corporate-owned stores we opened, consisting of five in Canada, eight in the United States and three in Japan subsequent to July 31, 2006, the comparative period.
- The acquisition of three Calgary franchise stores in April, 2007.

Franchises. Net revenue from our franchises segment decreased $0.5 million, or 6.0%, to $8.3 million for the first half of fiscal 2007 from $8.8 million for the first half of fiscal 2006. The decrease in net revenue from our franchises segment consisted primarily of franchises net revenue of $4.7 that shifted to corporate-owned stores net revenue when we acquired three franchise stores in Calgary offset by increased franchise revenue from our remaining franchise locations together with the contribution of revenue from two new franchise locations in the United States and one new location in Australia.

Other. Net revenue from our other segment increased $1.2 million, or 40.8%, to $4.1 million for the first half of fiscal 2007 from $2.9 million for the first half of fiscal 2006. The $1.2 million increase was primarily the result of increased wholesale, phone and showroom sales.

Gross Profit

Gross profit increased $23.6 million, or 77.7%, to $54.1 million for the first half of fiscal 2007 from $30.4 million for the first half of fiscal 2006. The increase in gross profit was driven principally by:

- an increase of $42.1 million in net revenue from our corporate-owned stores segment;
- an increase of $1.2 million in net revenue from our other segment; and

This amount was partially offset by:

- an increase in product costs of $13.8 million associated with our sale of goods through corporate-owned stores, franchises and other segments;
- an increase in occupancy costs of $2.9 million related to an increase in corporate-owned stores;
- an increase of $1.5 million in expenses related to distribution costs to support our growth;
- a net increase in the raw materials provision of $0.4 million recorded in current period from the comparative period; and
- an increase in depreciation of $0.9 million primarily related to an increase in corporate-owned stores.

Gross profit as a percentage of net revenue, or gross margin, increased 2.1% to 52.2% for the first half of fiscal 2007 from 50.1% for the first half of fiscal 2006. The increase in gross margin resulted from:

- a decrease in product costs as a percentage of net revenue that contributed to a decrease in gross margin of 1.3% due to an increase in higher margin revenues associated with the proportionate increase in corporate-owned stores, an increase in product pricing and fewer markdowns on product; and
- a decrease in expenses related to our production, design and distribution departments (including stock-based compensation expense) as a percentage of net revenue from the first half of fiscal 2007 compared to the first half of fiscal 2006 which contributed to an increase in gross margin of 0.8%.

Our costs of goods sold in the first half of fiscal 2007 and the first half of fiscal 2006 included $0.4 million and $0.2 million, respectively, of stock-based compensation expense.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased $16.4 million, or 77.7%, to $37.4 million for the first half of fiscal 2007 from $21.1 million for the first half of fiscal 2006. As a percentage of net revenue, selling, general and administrative expenses increased 1.5% to 36.2% from 34.7%. The $16.4 million increase in selling, general and administrative expenses was principally comprised of:

- an increase in store employee compensation of $5.9 million or 79.8% related to opening additional corporate-owned stores;
- an increase in corporate compensation of $5.4 million or 148.7% principally due to hiring of additional employees to support our growth;
- an increase in other store operating expenses of $3.1 million or 131%;
- an increase in other corporate expenses such as travel expenses and rent associated with corporate facilities of $1.8 million or 69.4%; and
- an increase in stock-based compensation expense of $1.6 million or 165.3%.

This amount was partially offset by:

- a decrease in professional fees of $1.6 million or 47.9%.

Our selling, general and administrative expenses in the first half of fiscal 2007 and the first half of fiscal 2006 included $2.6 million and $1.0 million, respectively, of stock-based compensation expense.

Income from Operations

The increase of $7.3 million in income from operations for the first half of fiscal 2007 was primarily due to a $23.6 million increase in gross profit resulting from increased comparable store sales and additional sales from corporate-owned stores opened during fiscal 2006 and the first half of fiscal 2007, partially offset by an increase of $16.4 million in selling, general and administrative expenses.

On a segment basis, we determine income from operations without taking into account our general corporate expenses such as corporate employee costs, travel expenses and corporate rent. For purposes of our management’s analysis of our financial results, we have allocated some general product expenses to our corporate-owned stores segment. For example, all expenses related to our production, design and distribution departments have been allocated to this segment.

Income from operations (before general corporate expenses) from:

- our corporate-owned stores segment increased $14.3 million, or 94.2%, to $29.4 million for the first half of fiscal 2007 from $15.1 million for the first half of fiscal 2006 primarily due to an increase in corporate-owned stores gross profit of $23.3 million, offset by an increase of $5.9 million in store employee expenses and an increase of $3.1 million in other store expenses;

- our franchises segment decreased $0.2 million, or 5.7%, to $4.0 million for the first half of fiscal 2007 from $4.2 million for the first half of fiscal 2006 primarily from franchises net revenue of $4.7 million included in the comparative period that shifted to corporate-owned stores net revenue when we acquired three franchise stores in Calgary offset by increased franchise revenue from our remaining franchise locations; and
- our other segment increased $0.6 million, or 49.3%, to $1.9 million for the first half of fiscal 2007 from $1.3 million for the first half of fiscal 2006 primarily due to an increase in revenue of $1.2 million and a increase of $0.6 million in product costs.

Provision for Income Taxes

Provision for income taxes increased $4.0 million to $8.2 million for the first half of fiscal 2007 from $4.3 million for the first half of fiscal 2006. For the first half of fiscal 2007, our effective tax rate was 49.1% compared to 45.5% for the first half of fiscal 2006. In both the first half of fiscal 2006 and the first half of fiscal 2007, we generated losses in the United States which we were unable to offset against our income in Canada for tax purposes. In the first half of fiscal 2006 and the first half of fiscal 2007, we also incurred stock-based compensation expenses of $1.0 million and $3.0 million, respectively, which were not deductible for tax purposes during these periods.

Net Income

Net income increased $3.5 million to $8.7 million for the first half of fiscal 2007 from $5.1 million for the first half of fiscal 2006. The increase in net income of $3.5 million for the first half of fiscal 2007 was a result of an increase in gross profit of $23.6 million resulting from increased comparable store sales and additional sales from corporate-owned stores opened, offset by increases in selling, general and administrative expenses of $16.4 million and an increase of $4.0 million in provision for income taxes.

Liquidity and Capital Resources

Our cash requirements are principally for working capital and capital expenditures, principally the build out cost of new stores, renovations of existing stores, and improvements to our distribution facility and corporate infrastructure. Our need for working capital is seasonal, with the greatest requirements from August through the end of November each year as a result of our inventory build-up during this period for our holiday selling season. Historically, our main sources of liquidity have been cash flow from operating activities and borrowings under our existing and previous revolving credit facilities.

At July 31, 2007, our working capital (excluding cash and cash equivalents) was $3.4 million and our cash and cash equivalents were $9.7 million.

The following presents the major components of net cash flows provided by and used in operating, investing and financing activities for the periods indicated.

Operating Activities

Operating Activities consist primarily of net income adjusted for certain non-cash items, including depreciation and amortization, deferred income taxes, stock-based compensation expense and the effect of the changes in non-cash working capital items, principally accounts receivable, inventories, accounts payable and accrued expenses.

For the six months ended July 31, 2007, cash provided by operating activities increased $1.5 million to $9.6 million compared to cash provided by operating activities of $8.1 million in the six months ended July 31, 2006. The $1.5 million increase was primarily a result of:

- an increase in net income of $3.5 million;
- an increase in items not affecting cash of $6.6 million; and
- offset by a net decrease in other non-cash balances of $8.6 million.

Investing Activities

Investing Activities relate entirely to capital expenditures and acquisitions of franchises. Cash used in investing activities increased $6.2 million to $12.5 million for six months ended July 31, 2007 from $6.3 million for six months ended July 31, 2006. The $6.2 million increase was a result of our $5.0 million acquisition of three franchise stores in Calgary and an increase in the purchase of property and equipment resulting primarily from new store openings and IT capital expenditures of $3.0 million offset by cash provided by tenant inducements of $1.6 million.

Financing Activities

Financing Activities consist primarily of costs associated with our IPO. Cash used in financing activities increased to $4.7 million for the six months ended July 31, 2007 from $nil for the six months ended July 31, 2006.

We believe that our cash from operations, proceeds from our initial public offering and borrowings available to us under our revolving credit facility, will be adequate to meet our liquidity needs and capital expenditure requirements for at least the next 24 months. Our cash from operations may be negatively impacted by a decrease in demand for our products as well as the other factors described in "Risk Factors." In addition, we may make discretionary capital improvements with respect to our stores, distribution facility, headquarters, or other systems, which we would expect to fund through the issuance of debt or equity securities or other external financing sources to the extent we were unable to fund such capital expenditures out of our cash from operations.

Seasonality

In fiscal 2005 and fiscal 2006, we recognized over 35% of our net revenue in the fourth quarter due to significant increases in sales during the holiday season. We recognized 48.8% and 11.5% of our net income in the fourth quarter in fiscal 2005 and fiscal 2006, respectively. The amount of net income attributable to the fourth quarter in fiscal 2006 was substantially impacted by a lawsuit expense of $7.2 million that was accrued for in the fourth quarter of fiscal 2006. Despite the fact that we have experienced a significant amount of our net revenue and net income in the fourth quarter of our fiscal year, we believe that the true extent of the seasonality or cyclical nature of our business may have been overshadowed by our rapid growth to date.

The level of our working capital reflects the seasonality of our business. We expect inventory, accounts payable and accrued expenses to be higher in the third and fourth quarters in preparation for the holiday selling season. Because our products are sold primarily through our stores, order backlog is not material to our business.

Revolving Credit Facility

In April 2007, we entered into an uncommitted senior secured demand revolving credit facility with Royal Bank of Canada which replaces our existing credit facility. The revolving credit facility provides us with available borrowings in an amount up to CDN$20.0 million. The revolving credit facility must be repaid in full on demand and is available by way of prime loans in Canadian currency, U.S. base rate loans in U.S. currency, bankers' acceptances, LIBOR based loans in U.S. currency or Euro currency, letters of credit in Canadian currency or U.S. currency and letters of guaranty in Canadian currency or U.S. currency. The revolving credit facility bears interest on the outstanding balance in accordance with the following: (i) prime rate for prime loans; (ii) U.S. base rate for U.S. based loans; (iii) a fee of 1.125% per annum on bankers' acceptances; (iv) LIBOR plus 1.125% per annum for LIBOR based loans; (v) a 1.125% annual fee for letters of credit; and (vi) a 1.125% annual fee for letters of guaranty. Both Lulu USA and Lululemon FC USA, Inc. provided Royal Bank of Canada with guarantees and postponements of claims in the amounts of CDN$20.0 million with respect to Lulu Canada's obligations under the revolving credit facility. The revolving credit facility is also secured by all of our present and after acquired personal property, including all intellectual property and all of the outstanding shares we own in our subsidiaries.

Off-Balance Sheet Arrangements

We enter into documentary letters of credit to facilitate the international purchase of merchandise. We also enter into standby letters of credit to secure certain of our obligations, including insurance programs and duties related to import purchases. As of July 31, 2007, letters of credit and letters of guaranty totaling $2.1 million have been issued.

Other than these standby letters of credit, we do not have any off-balance sheet arrangements, investments in special purpose entities or undisclosed borrowings or debt. In addition, we have not entered into any derivative contracts or synthetic leases.

Critical Accounting Policies

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions. Predicting future events is inherently an imprecise activity and, as such, requires the use of judgment. Actual results may vary from estimates in amounts that may be material to the financial statements. An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, and if different estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur periodically, could materially impact our consolidated financial statements. Our critical accounting policies and estimates are discussed in our recently filed Registration Statement on Form S-1 (file no. 333-142477) and in Note 2 included in Item 1 of Part I of this Quarterly Report on Form 10-Q. We believe that there have been no other significant changes during the three months ended July 31, 2007 to our critical accounting policies.

Operating Locations

Our operating locations by country, state and province as of July 31, 2007, and the overall totals as of July 31, 2007, are summarized in the table below.

	Number of Operating Locations		
Country, Province/State	**Corporate**	**Franchise**	**Total**
Canada			
British Columbia	9	2	11
Alberta	7	—	7
Saskatchewan	—	1	1
Ontario	14	—	14
Quebec	4	—	4
Manitoba	1	—	1
Total Canadian	35	3	38
United States			
California	8	1	9
Colorado	—	1	1
Illinois	2	—	2
Massachusetts	1	—	1
New York	1	—	1
Oregon	1	—	1
Virginia	1	—	1
Washington	—	1	1
Total United States	14	3	17
International			
Japan	3	—	3
Australia	—	2	2
Total International	3	2	5
Overall total, as of July 31, 2007	52	8	60
Overall total, as of January 31, 2007	41	10	51

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily a result of fluctuations in interest rates and foreign currency exchange rates. We do not hold or issue financial instruments for trading purposes.

Foreign Currency Exchange Risk. We currently generate a majority of our net revenue in Canada. The reporting currency for our consolidated financial statements is the U.S. dollar. Historically, our operations were based largely in Canada. As of July 31, 2007, we operated 38 stores in Canada and three stores in Japan. As a result, we have been impacted by changes in exchange rates and may be impacted materially for the foreseeable future. For example, because we recognize net revenue from sales in Canada in Canadian dollars, if the U.S. dollar strengthens it would have a negative impact on our Canadian operating results upon translation of those results into U.S. dollars for the purposes of consolidation. The exchange rate of the Canadian dollar against the U.S. dollar is currently near a multi-year high. Any hypothetical loss in net revenue could be partially or completely offset by lower cost of sales and lower selling, general and administrative expenses that are generated in Canadian dollars. A 10% appreciation in the relative value of the U.S. dollar compared to the Canadian dollar would have resulted in lost income from operations of approximately $4.8 million for the first half of fiscal 2007. To the extent the ratio between our net revenue generated in Canadian dollars increases as compared to our expenses generated in Canadian dollars, we expect that our results of operations will be further impacted by changes in exchange rates. We do not currently hedge foreign currency fluctuations. However, in the future, in an effort to mitigate losses associated with these risks, we may at times enter into derivative financial instruments, although we have not historically done so. These may take the form of forward sales contracts and option contracts. We do not, and do not intend to, engage in the practice of trading derivative securities for profit.

Interest Rate Risk. In April 2007, we entered into an uncommitted senior secured demand revolving credit facility with Royal Bank of Canada which replaces our existing credit facility. Because our revolving credit facility bears interest at a variable rate, we will be exposed to market risks relating to changes in interest rates, if we have a meaningful outstanding balance. At July 31, 2007, we had no outstanding borrowings on our revolving facility. We do not believe we are significantly exposed to changes in interest rate risk. We currently do not engage in any interest rate hedging activity and currently have no intention to do so in the foreseeable future. However, in the future, if we have a meaningful outstanding balance, in an effort to mitigate losses associated with these risks, we may at times enter into derivative financial instruments, although we have not historically done so. These may take the form of forward sales contracts, option contracts, and interest rate swaps. We do not, and do not intend to, engage in the practice of trading derivative securities for profit.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

We carried out an evaluation, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (Exchange Act), as of the end of the period covered by this report. Based on that evaluation, our management with the participation of our principal executive officer and principal financial officer concluded that these controls and procedures are effective as of the end of the period covered by this report to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and that information required to be disclosed is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

(b) Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting that occurred during our last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II
OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company is, from time to time, involved in routine legal matters incidental to its business. Management believes that the ultimate resolution of any such current proceedings will not have a material adverse effect on the Company's continued financial position, results of operations or cash flows.

ITEM 1A. RISK FACTORS

In addition to other information set forth in this report, you should carefully consider the risk factors discussed in our Registration Statement on Form S-1 (file no. 333-142477). There have been no material changes to the risk factors previously disclosed in our Registration Statement on Form S-1 (file no. 333-142477).

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

(a) On July 26, 2007 we issued to each of our six non-employee directors 1,666 shares of common stock in the form of restricted stock in consideration of their service as members of our board of directors. The restricted stock will vest one year from the date of the grant. The issuance of these securities was exempt from registration under the Securities in reliance on Section 4(2) or Regulation D promulgated thereunder relating to sales not involving a public offering. There were no underwriting discounts or commissions applicable to these transactions.

(b) On July 26, 2007 our registration statement on Form S-1 covering the offering of 18,200,000 shares of our common stock, par value $0.01 per share, commission file number 333-142477 was declared effective. We sold 2,290,909 shares of common stock in the offering and the selling stockholders sold 15,909,091 shares of common stock in the offering, not including the over-allotment option. The offering closed on August 2, 2007 and did not terminate before any securities were sold. As of the date of filing this report the offering has terminated and all of the securities registered pursuant to the offering have been sold.

The offering was managed by Goldman, Sachs & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Credit Suisse Securities (USA) LLC, UBS Securities LLC, William Blair & Company LLC, CIBC World Markets Corp., Wachovia Capital Markets LLC and Thomas Weisel Partners LLC, as representatives of the several underwriters named in the Registration Statement ("the Underwriters").

The Underwriters exercised an over-allotment option to purchase an additional 2,730,000 shares of our common stock from certain selling stockholders on August 2, 2007. The total price to the public for the shares offered and sold in the offering, including the over-allotment, was $376,740,000.

The amount of expenses (in thousands) incurred for the Company's account in connection with the offering is as follows:

	(in thousands)
Underwriting discounts and commissions	$ 2,887
Finders Fees	—
Expenses paid to or for our underwriters	—
Other expenses	6,500
Total expenses	$ 9,387

The foregoing expenses are a reasonable estimate of the expenses incurred by us in the initial public offering and do not represent the exact amount of expenses incurred.

All of the foregoing expenses were direct or indirect payments to persons other than (i) our directors, officers or any of their associates; (ii) persons owning ten (10%) or more of our common stock; or (iii) our affiliates.

The net proceeds (in thousands) of the offering including the over-allotment option, to us (after deducting the foregoing expenses) were $31,849,817. On August 2, 2007, the settlement date of the offering, we received the proceeds from the offering which have been utilized as temporary investments in cash and cash equivalents.

There has been no material change in the planned use of proceeds from our initial public offering as described in our final prospectus filed with the SEC pursuant to Rule 424(b).

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

On June 8, 2007, the holders of all of our outstanding capital stock entitled to vote on the matters below, approved, by a written consent of stockholders:

1) An amendment to our then current amended and restated certificate of incorporation to change our name from Lululemon Corp. to lululemon athletica inc.

2) An amendment and restatement of our bylaws to (i) explicitly permit electronic communications in the context of voting, meetings, and notices; (ii) include a classified board provision; (iii) remove the provision permitting stockholders to act by written consent; and (iv) outline procedures for nominating persons to our board of directors and filling any vacancy occurring in our board of directors. The amended and restated bylaws became effective on August 2, 2007.

3) The classification of the members of our board of directors into particular classes as follows to be effective upon the completion of our initial public offering:

Name	Term Expiring at Stockholders Meeting to be held in the year
RoAnn Costin	2008
R. Brad Martin	2008
Rhoda Pitcher	2009
Robert Meers	2009
Steven Collins	2009
David Mussafer	2010
Tom Stemberg	2010
Dennis Wilson	2010

On July 6, 2007, the holders of all of our outstanding capital stock entitled to vote on the matter, approved, by a written consent of stockholders our 2007 Equity Incentive Plan pursuant to which 10,000,000 shares of our common stock were reserved for issuance.

On June 8, 2007, the holders of all of our outstanding capital stock entitled to vote on the matters below, approved, by a written consent of stockholders:

1) An amendment and restatement of our then current amended and restated certificate of incorporation which provided for (i) the elimination of all provisions relating to our series A preferred stock, series B preferred stock and series TS preferred stock, (ii) the confirmation of our authorized capitalization of 200 million shares of common stock, 30 million shares of special voting stock and 5 million shares of preferred stock; and (iii) the addition of provisions relating to the classification of our board of directors. Our amended and restated certificate of incorporation became effective upon filing with the Delaware Secretary of State on August 2, 2007.

2) The form of indemnification agreement to be entered into with each of our directors and certain of our executive officers pursuant to which we agree to indemnify these individuals to the fullest extent permitted by applicable law in connection with their service as our directors or executive officers.

ITEM 5. OTHER INFORMATION

Policy for Stockholder Recommendations for Nomination of Directors

Our nominating and corporate governance committee will accept for consideration submissions from stockholders of recommendations for the nomination of directors. All stockholder nominating recommendations must be in writing, addressed to our nominating and corporate governance committee care of our Corporate Secretary at our principal headquarters at 2285 Clark Drive, Vancouver, British Columbia, Canada, V5N 3G9.

A nominating recommendation must be accompanied by the following information concerning each recommending stockholder:

- the name and address, including telephone number, of the recommending stockholder;
- the number of our shares owned by the recommending stockholder and the time period for which such shares have been held;
- if the recommending stockholder is not a stockholder of record, a statement from the record holder of the shares (usually a broker or bank) verifying the holdings of the stockholder and a statement from the recommending stockholder of the length of time that the shares have been held. (Alternatively, the stockholder may furnish a current Schedule 13D, Schedule 13G, Form 3, Form 4 or Form 5 filed with the Securities and Exchange Commission reflecting the holdings of the stockholder, together with a statement of the length of time that the shares have been held); and
- A statement from the stockholder as to whether the stockholder has a good faith intention to continue to hold the reported shares through the date of our next annual meeting of stockholders.

If a recommendation is submitted by a group of two or more stockholders, the information regarding recommending stockholders must be submitted with respect to each stockholder in the group.

A nominating recommendation must be accompanied by the following information concerning the proposed nominee:

- the information required by Item 401 of SEC Regulation S-K (providing for disclosure of the name, address, any arrangements or understanding regarding nomination and five year business experience of the proposed nominee, as well as information regarding certain types of legal proceedings within the past five years involving the nominee);
- the information required by Item 403 of SEC Regulation S-K (providing for disclosure regarding the proposed nominee’s ownership of our securities);
- the information required by Item 404 of SEC Regulation S-K (providing for disclosure of transactions between us and the proposed nominee valued in excess of $120,000 and certain other types of business relationships with us);
- a description of all relationships between the proposed nominee and the recommending stockholder and any agreements or understandings between the recommending stockholder and the nominee regarding the nomination; and
- a description of all relationships between the proposed nominee and any of our competitors, customers, suppliers, labor unions or other persons with special interests regarding us.

The recommending stockholder must also furnish a statement supporting its view that the proposed nominee possesses the minimum qualifications prescribed by the nominating and governance committee for nominees, and briefly describing the contributions that the nominee would be expected to make to our board of directors and governance. The recommending stockholder must further state whether, in the stockholder's view, the nominee, if elected, would represent all stockholders and not serve for the purpose of advancing or favoring any particular stockholder or other constituency of ours.

The nominating recommendation must be accompanied by the consent of the proposed nominee to be interviewed by our nominating and corporate governance committee, if our nominating and corporate governance committee chooses to do so in its discretion (and the recommending stockholder must furnish the proposed nominee's contact information for this purpose), and, if nominated and elected, to serve as our director.

A stockholder (or group of stockholders) wishing to submit a nominating recommendation for an annual meeting of stockholders must ensure that it is received by our Corporate Secretary, not later than the 60th day nor earlier than the 90th day prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is more than 30 days before or more than 60 days after such anniversary date, notice by the stockholder must be so received not earlier than the 90th day prior to the annual meeting and not later than the later of the 60th day prior to the annual meeting or the 15th day following the day on which public announcement of the date of the meeting is first made by us. With respect to our annual meeting of stockholders to be held in 2008, a stockholder (or any group of stockholders) wishing to submit a nominating recommendation must ensure that it is received by our Corporate Secretary within 15 days following the day on which public announcement of the date of the meeting is first made by us.

ITEM 6. EXHIBITS

Exhibit Number	Description
3.1	Amended and Restated Certificate of Incorporation of lululemon athletica inc. as filed with the Secretary of State of the State of Delaware on August 2, 2007 (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 8, 2007)
3.2*	Amended and Restated Bylaws of lululemon athletica inc.
10.1#	lululemon athletica inc. 2007 Equity Incentive Plan (Incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-8 (file no. 333-145453) filed with the Securities and Exchange Commission on August 15, 2007)
10.2#	Form of Non-Qualified Stock Option Award Agreement under the 2007 Equity Incentive Plan (Incorporated by reference to Exhibit 10.2 to the Company's Registration Statement on Form S-1 (file no. 333-142477) filed with the Securities and Exchange Commission on July 9, 2007)
10.3#	Amended and Restated LIPO Investments (USA), Inc. Option Plan and form of Award Agreement (Incorporated by reference to Exhibit 10.3 to the Company's Registration Statement on Form S-1 (file No. 333-142477) filed with the Securities and Exchange Commission on May 1, 2007)
10.4*	Amended and Restated Registration Rights Agreement dated as of July 26, 2007 by and among lululemon athletica inc. and the parties named therein
10.5*	Exchange Trust Agreement dated July 26, 2007 between lululemon athletica inc., Lulu Canadian Holding, Inc. and Computershare Trust Company of Canada
10.6*	Exchangeable Share Support Agreement dated July 26, 2007 between lululemon athletica inc., Lululemon Callco ULC and Lulu Canadian Holding, Inc.
10.7*	Amended and Restated Declaration of Trust for Forfeitable Exchangeable Shares dated July 26, 2007
10.8	Amended and Restated Arrangement Agreement dated as of June 18, 2007, by and among the parties named therein (including Plan of Arrangement and Exchangeable Share Provisions) (Incorporated by reference to Exhibit 10.14 to the Company's Registration Statement on Form S-1 (file no. 333-142477) filed with the Securities and Exchange Commission on July 9, 2007)
10.9*	Contribution Agreement dated as of July 26, 2007 by and among lululemon athletica inc., Slinky Financial ULC and each of the other parties named therein
31.1*	Certification by Chief Executive Officer Pursuant to Exchange Act Rule 13a-14(a)
31.2*	Certification by Chief Financial Officer Pursuant to Exchange Act Rule 13a-14(a)
32.1*	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

* Filed herewith.

\# Indicates management contract or compensatory plan

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

LULULEMON ATHLETICA INC

Dated: September 10, 2007

By: */s/ JOHN CURRIE
JOHN CURRIE
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

INDEX TO EXHIBITS

Exhibit Number	Description
3.1	Amended and Restated Certificate of Incorporation of lululemon athletica inc. as filed with the Secretary of State of the State of Delaware on August 2, 2007
3.2	Amended and Restated Bylaws of lululemon athletica inc.
10.4	Amended and Restated Registration Rights Agreement dated as of July 26, 2007 by and among lululemon athletica inc. and the parties named therein
10.5	Exchange Trust Agreement dated July 26, 2007 between lululemon athletica inc., Lulu Canadian Holding, Inc. and Computershare Trust Company of Canada
10.6	Exchangeable Share Support Agreement dated July 26, 2007 between lululemon athletica inc., Lululemon Callco ULC and Lulu Canadian Holding, Inc.
10.7	Amended and Restated Declaration of Trust for Forfeitable Exchangeable Shares dated July 26, 2007
10.9	Contribution Agreement dated as of July 26, 2007 by and among lululemon athletica inc., Slinky Financial ULC and each of the other parties named therein
31.1	Certification by Chief Executive Officer Pursuant to Exchange Act Rule 13a-14(a)
31.2	Certification by Chief Financial Officer Pursuant to Exchange Act Rule 13a-14(a)
32.1	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Exhibit 3.2

AMENDED AND RESTATED BYLAWS

OF

LULULEMON CORP.

Effective: August 2, 2007

ARTICLE I
OFFICES

Section 1.1. Registered Office. The registered office of Lululemon Corp. (the "Corporation") shall be in the City of Wilmington, County of New Castle, State of Delaware. Notwithstanding the foregoing, the registered office may be changed at any time upon a resolution adopted by the Corporation's Board of Directors (the "Board").

Section 1.2. Other Offices. The Corporation may also have offices at such other places within or without the State of Delaware as the Board may from time to time determine or the business of the Corporation may require.

ARTICLE II
MEETINGS OF STOCKHOLDERS

Section 2.1. Place. All meetings of the stockholders shall be held at such place within or without the State of Delaware as shall be designated from time to time by the Board and stated in the notice of the meeting or in a duly executed waiver thereof.

Section 2.2. Annual Meetings. An annual meeting of the stockholders shall be held in each calendar year within five months after the end of the fiscal year of the Corporation on such day and at such time and place (within the State of Delaware) as the Board shall fix, at which time the stockholders shall elect a Board and transact such other business as may properly be brought before the meeting. Any business may be transacted at the meeting, irrespective of whether the notice of such meeting contains a reference thereto, except as otherwise provided in these Bylaws, or by statute.

Section 2.3. Special Meetings. Special meetings of stockholders may be called at any time, but only by the chairman of the Board (the "Chairman of the Board"), the Chief Executive Officer of the Corporation (the "CEO"), the President, or upon a resolution adopted upon the affirmative vote of a majority of the whole Board, and not by the stockholders.

Section 2.4. Notice Of Meetings. Notice of all stockholders' meetings stating the time, place and the objects for which such meetings are called shall be given by the Chairman of the Board, the CEO, the President or any vice-president (a "Vice-President") or the Secretary (the "Secretary") or any assistant secretary (an "Assistant Secretary") of the Corporation to each stockholder of record entitled to vote at such meeting not less than ten (10) days or more than sixty (60) days prior to the date of the meeting by written notice delivered personally, by electronic transmission, mailed or delivered via overnight courier to each stockholder. If delivered personally, such notice shall be deemed to be delivered when received. If mailed or

delivered via overnight courier service, such notice shall be deemed to be delivered when deposited in the United States Mail in a sealed envelope with postage thereon prepaid, or deposited with the overnight courier service, as the case may be, addressed to the stockholder at his address as it appears on the stock record books of the Corporation, unless he shall have filed with the Secretary a written request that notice intended for him be mailed to some other address, in which case it shall be mailed to the address designated in such request. If delivered by electronic transmission, such notice shall be sent consistent with Article X hereof.

Any meeting at which all stockholders entitled to vote have waived or at any time shall waive notice shall be a legal meeting for the transaction of business, notwithstanding that notice has not been given as herein before provided. The waiver must be in writing, signed by the stockholder entitled to the notice, and be delivered to the Corporation for inclusion in the minutes or filing with the corporate records.

Section 2.5. Notice for Nominations and Proposals.

2.5.1. Annual Meetings.

(a) Nominations for the election of directors and proposals for any new business to be taken up at any annual meeting of stockholders may be made by the Board or, as provided in this Section 2.5, by any stockholder of the Corporation entitled to vote generally in the election of directors, subject to the rights of the holders of preferred stock, if applicable. For nominations or other business to be properly brought before an annual meeting by a stockholder, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation and such other business must otherwise be a proper matter for stockholder action. To be timely, a stockholder's notice with respect to any annual meeting must be received by the Secretary at the principal executive offices of the Corporation not later than the 60th day nor earlier than the 90th day prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is more than sixty (60) days before or more than sixty (60) days after such anniversary date, notice by the stockholder must be so received not earlier than the 90th day prior to the annual meeting and not later than the later of the 60th day prior to the annual meeting or the 15th day following the day on which public announcement of the date of the meeting is first made by the Corporation; provided further that with respect to the annual meeting to be held in 2008, notice by the stockholder must be so received not earlier than March 17, 2008 and not later than the later of April 17, 2008 or the 15th day following the day on which public announcement of the date of the meeting is first made by the Corporation. In no event shall the public announcement of an adjournment or postponement of an annual meeting commence a new time period for the giving of a stockholder's notice as described above. A stockholder's notice shall set forth:

(i) as to each person whom the stockholder proposes to nominate for election or reelection as a director, (A) all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors in an election contest, (B) a description of all relationships between the proposed nominee and the recommending stockholder and any agreements or understandings between the recommending stockholder and the nominee regarding the nomination, and (C) a description of all relationships

between the proposed nominee and any of the Corporation's competitors, customers, suppliers, labor unions (if any) and any other persons with special interests regarding the Corporation;

(ii) as to any other business that the stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made; and

(iii) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made, (A) the name and address of such stockholder, as they appear on the Corporation's books, the telephone number of such stockholder, and the name, address and telephone number of such beneficial owner, (B) the class and number of shares of the Corporation which are owned of record by such stockholder and beneficially by such beneficial owner and the time period such shares have been held, (C) a representation that such stockholder and beneficial owner intend to appear in person or by proxy at the meeting, and (D) a representation that such stockholder and such beneficial owner intend to continue to hold the reported shares through the date of the Corporation's next annual meeting of stockholders. For purposes of satisfying the requirements of clause (B) of this paragraph with respect to a beneficial owner, the beneficial owner shall supply to the Corporation either (1) a statement from the record holder of the shares verifying the holdings of the beneficial owner and indicating the length of time the shares have been held by such beneficial owner, or (2) a current Schedule 13D, Schedule 13G, Form 3, Form 4 or Form 5 filed with the Securities and Exchange Commission reflecting the holdings of the beneficial owner, together with a statement of the length of time that the shares have been held.

(iv) If a recommendation is submitted by a group of two or more stockholders, the information regarding the recommending stockholders and beneficial owners, if any, must be submitted with respect to each stockholder in the group and any beneficial owners.

(b) Notwithstanding anything in paragraph (a) of this Section 2.5.1 to the contrary, in the event that the number of directors to be elected to the Board at the annual meeting is increased pursuant to an act of the Board and there is no public announcement by the Corporation naming all of the nominees for director or specifying the size of the increased Board on or before the date which is 15 days before the latest date by which a stockholder may timely notify the Corporation of nominations or other business to be brought by a stockholder in accordance with paragraph (a) of this Section 2.5.1, a stockholder's notice required by this Section 2.5.1 shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be received by the Secretary at the principal executive offices of the Corporation not later than the 15th day following the day on which such public announcement is first made by the Corporation.

2.5.2. Special Meetings. Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the Corporation's notice of meeting. Nominations of persons for election to the Board at a special meeting of stockholders at which directors are to be elected pursuant to the Corporation's notice

of meeting may be made (i) by or at the direction of the Board or (ii) provided that the Board has determined that directors shall be elected at such meeting, by any stockholder of the Corporation who is a stockholder of record at the time of giving of notice provided for in this Section 2.5, who shall be entitled to vote at the meeting and who complies with the notice procedures set forth in this Section 2.5. In the event the Corporation calls a special meeting of stockholders for the purpose of electing one or more directors to the Board, any such stockholder may nominate a person or persons (as the case may be), for election to such position(s) as specified in the Corporation's notice of meeting for inclusion in the stockholder's notice required by Section 2.5.1 of these Bylaws if such nomination shall be delivered to the Secretary at the principal executive offices of the Corporation not earlier than the close of business on the 90th day prior to such special meeting and not later than the close of business on the later of the 60th day prior to such special meeting or the 15th day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board to be elected at such meeting. In no event shall the public announcement of an adjournment of a special meeting commence a new time period for the giving of a stockholder's notice as described above.

2.5.3. General. Only such persons who are nominated in accordance with the procedures set forth in this Section 2.5 shall be eligible to stand for election to the Board at a meeting of stockholders, and only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this Section 2.5. Except as otherwise provided by law, the Certificate of Incorporation of the Corporation as amended and restated (the "Certificate of Incorporation") or these Bylaws, the Chairman of the Board shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made or proposed, as the case may be, in accordance with the procedures set forth in this bylaw and, if any proposed nomination or business is not in compliance with this Section 2.5, to declare that such defective proposal or nomination shall be disregarded.

2.5.4. Public Announcement. For purposes of this Section 2.5, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Securities Exchange Act of 1934 as amended (the "Exchange Act").

2.5.5. Non-Exclusivity. If the Corporation is required under Rule 14a-8 under the Exchange Act to include a stockholder's proposal in its proxy statement, such stockholder shall be deemed to have given timely notice for purposes of this Section 2.5 with respect to such proposal. Nothing in this Section 2.5 shall be deemed to affect any rights of the holders of any series of preferred stock of the Corporation to elect directors.

Section 2.6. Quorum. Except as may be otherwise provided by law, a majority of the voting power of all the outstanding shares of the Corporation entitled to vote, represented in person or by proxy, shall constitute a quorum at a meeting of stockholders. In the event that the voting power of all a majority of the outstanding shares are represented at any meeting, action on a matter is approved if the votes cast favoring the action exceed the votes cast opposing the action, unless the question is one upon which by express provision of law or of the Certificate

of Incorporation or of these Bylaws a larger or different vote is required, in which case such express provision shall govern and control the decision of each question. If a quorum of the shares entitled to vote shall fail to be obtained at any meeting, or in the event of any other proper business purpose, the chair of the meeting or the holders of a majority of the shares present, in person or by proxy, may adjourn the meeting to another place, date or time by announcement to stockholders present in person at the meeting and no other notice of such place, date or time need be given.

Section 2.7. Organization. At every meeting of the stockholders the Chairman of the Board, or, in his absence, the CEO or the President, or in the absence of the Chairman of the Board, the CEO and the President, a director or an officer of the Corporation designated by the Board shall act as chairman. The Secretary, or, in his absence, an Assistant Secretary, shall act as secretary at all meetings of the stockholders. In the absence from any such meeting of the Secretary and any Assistant Secretary, the chairman may appoint any person to act as secretary of the meeting.

Section 2.8. Closing of Transfer Books or Fixing of Record Date. For the purpose of determining the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, the Board may fix in advance a date as the record date for any such determination of stockholders, such date in any case to be not more than sixty (60) days and not less than ten (10) days prior to the date on which the particular action requiring such determination of stockholders is to be taken. If the stock transfer books are not closed and no record date is fixed for the determination of stockholders entitled to notice of or to vote at a meeting of stockholders, or stockholders entitled to receive payment of a dividend, the date on which notice of the meeting is mailed or the date on which the resolution of the Board declaring such dividend is adopted, as the case may be, shall be the record date for such determination of stockholders. When a determination of stockholders entitled to vote at any meeting of stockholders has been made as provided in this Section 2.8, such determination shall apply to any adjournment thereof.

Section 2.9. Voting Lists. The officer or agent having charge of the stock transfer books for common shares of the Corporation shall make available, within two (2) business days after notice of a meeting is given, a complete list of the stockholders entitled to vote at such meeting or any adjournment thereof, arranged in alphabetical order, with the address of and the number of shares held by each stockholder, which list, for a period beginning within two (2) business days after notice of such meeting is given, shall be subject to inspection by any stockholder at any time either (a) on a reasonably accessible electronic network, provided that the information required to gain access to such list is provided with the notice of the meeting, or (b) during ordinary business hours, at the principal place of business of the Corporation. If the meeting is to be held at a place, then the list shall be produced and kept at the time and place of the meeting during the whole time thereof and may be inspected by any stockholder who is present. If the meeting is to be held solely by means of remote communication, then the list shall also be open to the examination of any stockholder during the whole time of the meeting on a reasonably accessible electronic network, and the information required to access such list shall be provided with the notice of the meeting. In the event of any challenge to the right of any person to vote at the meeting, the presiding officer at such meeting may rely on said list as proper evidence of the right of parties to vote at such meeting.

Section 2.10. Proxies. Stockholders of record who are entitled to vote may vote at any meeting either in person or by written proxy, which shall be filed with the secretary of the meeting before being voted. Such proxy shall entitle the holders thereof to vote at any adjournment of such meeting, but shall not be valid after the final adjournment thereof. No proxy shall be valid after the expiration of eleven (11) months from the date of its execution unless the stockholder executing it shall have specified therein the length of time it is to continue in force, which shall be for some limited period. A proxy is revocable by the stockholder unless it conspicuously states that it is irrevocable and the appointment of the proxy is coupled with an interest.

Section 2.11. Voting of Shares. Except as otherwise provided in the Certificate of Incorporation or these Bylaws, each share of Common Stock shall have all voting rights accorded to holders of Common Stock pursuant to the Delaware General Corporation Law ("DGCL"), at the rate of one vote per share.

Section 2.12. Business and Order of Business. At each meeting of the stockholders such business may be transacted as may properly be brought before such meeting, except as otherwise provided by law or in these Bylaws. The order of business at all meetings of the stockholders shall be as determined by the Chairman of the Board, unless otherwise determined by a majority in interest of the stockholders present in person or by proxy at such meeting and entitled to vote thereat.

ARTICLE III
BOARD OF DIRECTORS

Section 3.1. Number. The number of directors of the Corporation shall be such number, neither fewer than three (3) nor more than fifteen (15) (exclusive of directors, if any, to be elected by holders of any class or series of preferred stock of the Corporation, voting separately as a class), as determined from time to time by the Board. The Board has the power to fix or change the number of directors, including an increase or decrease in the number of directors, from time to time as established by the Board. A director need not be a stockholder or a resident of the State of Delaware.

Section 3.2. Classification of Board. The Board shall be divided into three classes, as more particularly set forth in the Certificate of Incorporation.

Section 3.3. Powers of Directors. The Board shall have the entire management of the business of the Corporation. In the management and control of the property, business and affairs of the Corporation, the Board is hereby vested with all the powers possessed by the Corporation itself, so far as this delegation of authority is not inconsistent with the laws of the State of Delaware, the Certificate of Incorporation, or these Bylaws. The Board shall have the power to determine what constitutes net earnings, profits, and surplus, respectively, what amount shall be reserved for working capital and to establish reserves for any other proper purpose, and what amount shall be declared as dividends, and such determination by the Board shall be final and conclusive. The Board shall have the power to declare dividends for and on behalf of the Corporation, which dividends may include or consist of stock dividends.

Section 3.4. Regular Meetings of the Board. Immediately after the annual election of directors, the newly elected directors may meet at the same place for the purpose of organization, the election of corporate officers and the transaction of other business; if a quorum of the directors is then present no prior notice of such meeting shall be required. Other regular meetings of the Board shall be held at such times and places as the Board by resolution may determine and specify, and if so determined no notice thereof need be given, provided that, unless all the directors are present at the meeting at which said resolution is passed, the first meeting held pursuant to said resolution shall not be held for at least five (5) days following the date on which the resolution is passed.

Section 3.5. Special Meetings. Special meetings of the Board may be held at any time or place whenever called by the Chairman of the Board, the CEO, the President, the Chief Financial Officer or the Secretary, or by written request of at least two directors, notice thereof being given to each director by the Secretary or other officer calling the meeting, or they may be held at any time without formal notice provided all of the directors are present or those not present shall at any time waive or have waived notice thereof.

Section 3.6. Notice. Notice of any special meetings shall be given at least two (2) days previously thereto by written notice delivered personally, by telegram, by overnight courier service, by facsimile communication or by electronic transmission, or at least five (5) days previously thereto by written notice sent by mail. The time when such notice is received, if delivered personally, or when such notice is dispatched, if delivered through the mail, by overnight courier service, by facsimile telecommunication or by electronic transmission, shall be the time of the giving of the notice.

Section 3.7. Quorum. A majority of the members of the Board, as constituted for the time being, shall constitute a quorum for the transaction of business, but a lesser number may adjourn any meeting and the meeting may be held as adjourned without further notice. If a quorum is present when a vote is taken, the affirmative vote of a majority of the directors present is the act of the Board, except as otherwise provided by law or by these Bylaws. The fact that a director has an interest in a matter to be voted on by the meeting shall not prevent his being counted for purposes of a quorum.

Section 3.8. Action by Directors without a Meeting. Any action required to be taken at a meeting of the Board or any committee thereof, or any other action which may be taken at a meeting of the Board or any committee thereof, may be taken without a meeting if all directors consent to taking such action without a meeting. The action must be evidenced by one or more written consents describing the action taken, signed by each such director, and shall be included in the minutes or filed with the corporate records reflecting the action taken.

Section 3.9. Meetings by any Form of Communication. The Board shall have the power to permit any and all directors to participate in a regular or special meeting by, or conduct the meeting through the use of any means of communication by which all directors participating may simultaneously hear each other during the meeting. A director participating in a meeting by this means is deemed to be present in person at the meeting.

Section 3.10. Organization. At each meeting of the Board, the Chairman of the Board, or in the absence of the Chairman of the Board, a director designated by the Board shall act as chairman. The Secretary, or, in the Secretary's absence, any person appointed by the chairman, shall act as secretary of the meeting.

Section 3.11. Resignations. A director may resign at any time by delivering written notice to the Board, the Chairman of the Board, the CEO, or the President. Resignation is effective when the notice is delivered, unless the notice specifies a later effective date.

Section 3.12. Removal of Directors. No director (other than directors elected by one or more series of Preferred Stock) may be removed from office by the stockholders except for cause and then only by the affirmative vote of the holders of two-thirds (66 2/3%) of the voting power of the then outstanding capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class.

Section 3.13. Vacancies. Any vacancy occurring in the Board, including vacancies resulting from an increase in the number of directors, may be filled solely by the affirmative vote of a majority of the remaining directors, though less than a quorum, and unless the Board of Directors determines otherwise (and subject to the rights of the holders or any series of preferred stock), vacancies shall not be filled by stockholders. A director elected to fill any vacancy shall hold office for a term expiring at the annual meeting of stockholders at which the term of the class to which he or she has been elected expires, and until such director's successor shall have been duly elected and qualifies or until his or her earlier death, resignation or removal.

Section 3.14. Compensation. By resolution of the Board, the directors may be paid their expenses, if any, of attendance at each meeting of the Board. No such payment shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor.

ARTICLE IV
COMMITTEES

Section 4.1. Appointment and Powers. The Board may create one or more committees, each committee to consist of two or more directors of the Corporation, which, to the extent provided in said resolution or in these Bylaws and not inconsistent with the DGCL, shall have and may exercise the powers of the Board in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it. Such committee or committees shall have such name or names as may be determined from time to time by resolution adopted by the Board. The Board may abolish any such committee at any time.

Section 4.2. Term of Office and Vacancies. Each member of a committee shall continue in office until a director to succeed him shall have been elected and shall have qualified, or until he ceases to be a director or until he shall have resigned or shall have been removed in the manner hereinafter provided. Any vacancy in a committee shall be filled by the Board.

Section 4.3. Organization. Unless otherwise provided by the Board, each committee shall appoint a chairman. Each committee shall keep a record of its acts and proceedings and report the same from time to time to the Board as the Board may require.

Section 4.4. Resignations. Any member of a committee may resign from the committee at any time by giving written notice to the Chairman of the Board, the CEO, the President or the Secretary. Such resignation shall take effect at the time of the receipt of such notice or at any later time specified therein, and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 4.5. Removal. Any member of a committee may be removed from the committee with or without cause at any time by resolution of the Board.

Section 4.6. Meetings. Regular meetings of each committee, of which no notice shall be required, shall be held on such days and at such places as the chairman of the committee shall determine or as shall be fixed by a resolution passed by a majority of all the members of such committee. Special meetings of each committee will be called by the Secretary at the request of any two (2) members of such committee, or in such other manner as may be determined by the committee. Notice of any special meetings shall be given at least two (2) days previously thereto by written notice delivered personally, by telegram, by overnight courier service, by facsimile communication or by electronic transmission, or at least five (5) days previously thereto by written notice sent by mail. Every such notice shall state the date, time and place of the meeting, but need not state the purposes of the meeting. No notice of any meeting of a committee shall be required to be given to any alternate. The time when such notice is received, if delivered personally, or when such notice is dispatched, if delivered through the mail, by overnight courier service, by facsimile telecommunication or by electronic transmission, shall be the time of the giving of the notice.

Section 4.7. Quorum and Manner of Acting. Unless otherwise provided by resolution of the Board, a majority of a committee shall constitute a quorum for the transaction of business and the act of a majority of those present at a meeting at which a quorum is present shall be the act of such committee, except as otherwise provided by law or by these Bylaws. The members of each committee shall act only as a committee and the individual members shall have no power as such. Actions taken at a meeting of any committee shall be reported to the Board at its next meeting following such committee meeting; provided that, when the meeting of the Board is held within two (2) days after the committee meeting, such report may be made to the Board at its second meeting following such committee meeting.

Section 4.8. Compensation. Each member of a committee shall be paid such compensation, if any, as shall be fixed by the Board.

ARTICLE V
WAIVER OF NOTICE

Whenever any notice is required to be given by these Bylaws, the Certificate of Incorporation, or any laws of the State of Delaware, a waiver thereof in writing signed by the person or persons entitled to such notice and filed with the minutes or corporate records, whether

before or after the time stated therein, shall be deemed equivalent thereto. Where the person or persons entitled to such notice sign the minutes of any stockholders' or directors' meeting, which minutes contain the statement that said person or persons have waived notice of the meeting, then such person or persons are deemed to have waived notice in writing. A stockholder's attendance at a meeting waives objection to lack of notice or defective notice of the meeting, unless the stockholder at the beginning of the meeting (or promptly upon the stockholder's arrival) objects to holding the meeting or transacting business at the meeting, and also waives objection to consideration of a particular matter at the meeting that is not within the purpose or purposes described in the meeting notice, unless the stockholder objects to considering the matter when it is presented. A director's attendance at or participation in a meeting waives any required notice to the director of the meeting unless the director at the beginning of the meeting (or promptly upon the director's arrival) objects to holding the meeting or transacting business at the meeting and does not thereafter vote for or assent to action taken at the meeting.

ARTICLE VI
OFFICERS

Section 6.1. Number. The officers of the Corporation shall be a Chairman of the Board, CEO, President, Chief Financial Officer, a Chief Operating Officer, one or more Vice-Presidents (the number thereof to be determined by the Board), a Secretary, and a Treasurer, each of whom shall be elected by the Board. Such other officers and assistant officers as may be deemed necessary may be elected or appointed by the Board. Any two or more offices may be held by the same person, except the offices of CEO and Secretary. The CEO and President may be the same person, but need not be the same person.

Section 6.2. Election and Term of Office. The officers of the Corporation to be elected by the Board shall be elected annually by the Board at the first meeting of the Board held after each annual meeting of the stockholders. If the election of officers shall not be held in such meeting, such election shall be held as soon thereafter as conveniently may be. Each officer shall hold office until his successor is duly elected and is qualified or until his death or until he resigns or is removed in the manner hereinafter provided.

Section 6.3. Removal. Any officer or agent elected or appointed by the Board may be removed by the Board whenever in its judgment the best interests of the Corporation would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed.

Section 6.4. Vacancies. A vacancy in any office because of death, resignation, removal, disqualification or otherwise, may be filled by the Board for the unexpired portion of the term.

Section 6.5. Chairman of the Board. The Chairman of the Board shall preside at all meetings of the stockholders and the directors. The Chairman of the Board shall represent the Corporation in all matters involving the stockholders of the Corporation. He shall also perform such other duties the Board may assign to him from time to time.

Section 6.6. Chief Executive Officer. The CEO shall, in the absence of the Chairman of the Board, preside at all meetings of the stockholders and shall enforce the observance of the Bylaws and the rules of order for the meetings of the Board and the stockholders. He shall keep the Board appropriately informed on the business and affairs of the Corporation. He may sign, either alone or with the Secretary, an Assistant Secretary or any other proper officer of the Corporation thereunto authorized by the Board, certificates for shares of the Corporation, any deed, mortgages, bonds, contracts, or other instruments which the Board has authorized to be executed, except in cases where the signing and execution thereof shall be expressly delegated by the Board or by these Bylaws to some other officer or agent of the Corporation, or shall be required by law to be otherwise signed or executed, and in general shall perform all duties incident to the office of CEO and such other duties as may be prescribed by the Board from time to time.

Section 6.7. President. The President shall see that all orders and resolutions of the Board are carried into effect and shall have general and active management of the business of the Corporation. He or she shall have the authority to execute bonds, mortgages and other contracts requiring a seal, under the seal of the Corporation, except where required or permitted by law to be otherwise signed and executed arid except where the signing and execution thereof shall be expressly delegated by the Board to some other officer or agent of the Corporation. If, for any reason, the Corporation does not have a Chairman or CEO, or such officers are unable to act, the President shall assume the duties of those officers as well.

Section 6.8. Chief Financial Officer and Treasurer. The Chief Financial Officer shall also serve as the Treasurer of the Corporation and shall arrange for the keeping of adequate records of all assets, liabilities and transactions of the corporation. He shall provide for the establishment of internal controls and see that adequate audits are currently and regularly made. He shall submit to the CEO, the President, the Chief Operating Officer, the Chairman of the Board and the Board timely statements of the accounts of the corporation and the financial results of the operations thereof.

Section 6.9. Assistant Treasurers. The Assistant Treasurer or if there shall be more than one, the Assistant Treasurers in the order determined by the Board (or if there be no such determination, then in the order of their election), shall, in the absence of the Treasurer or in the event of his inability or refusal to act, perform the duties and exercise the powers of the Treasurer and shall perform such other duties and have such other powers as the Board may from time to time prescribe.

Section 6.10. Chief Operating Officer. If a Chief Operating Officer is elected, the Chief Operating Officer shall supervise the operation of the Corporation, subject to the policies and directions of the Board. He shall provide for the proper operation of the Corporation and oversee the internal interrelationship amongst any and all departments of the Corporation. He shall submit to the CEO, the President and the Board timely reports on the operations of the Corporation.

Section 6.11. The Vice-Presidents. In the absence of the CEO and the President or in the event of their death, inability or refusal to act, the Vice-President (or in the event there be more than one Vice-President, the Vice-Presidents in the order designated at the time of their

election, or in the absence of any designation, then in the order of their election) shall perform the duties of the CEO and the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the CEO and the President. Any Vice-President may sign, either alone or with the Secretary or an Assistant Secretary, certificates for shares of the Corporation any deed, mortgages, bonds, contracts or other instruments which the Board has authorized to be executed, except in cases where the signing and execution thereof shall be expressly delegated by the Board or by these bylaws to some other officer or agent of the Corporation, or shall be required by law to be otherwise signed or executed, and shall perform such other duties as from time to time may be assigned to him by the CEO, the President or by the Board.

Section 6.12. The Secretary. The Secretary shall: (a) prepare and keep the minutes of the stockholders' and of the Boards' meetings in one or more books provided for that purpose; (b) see that all notices are duly given in accordance with the provisions of these bylaws or as required by law; (c) be custodian of the corporate records and of the seal (if any) of the Corporation and see that said seal is affixed to all documents, the execution of which on behalf of the Corporation under its seal is duly authorized; (d) keep a register of the post office address of each stockholder which shall be furnished to the Secretary by such stockholder; (e) sign with the CEO, the President or a Vice-President certificates for shares of the Corporation, the issuance of which shall have been authorized by resolution of the Board; (f) have general charge of the stock transfer books of the Corporation; and (g) in general perform all duties as from time to time may be assigned to him by the CEO, the President or by the Board.

Section 6.13. Assistant Secretaries. The Assistant Secretaries, when authorized by the Board, may sign with the CEO, the President or a Vice-President certificates for shares of the Corporation the issuance of which shall have been authorized by a resolution of the Board. The Assistant Secretaries, in general, shall perform such duties as shall be assigned to them by the Secretary, or by the CEO, the President or the Board.

Section 6.14. Registered Agent. The Board shall appoint a Registered Agent for the Corporation in accordance with the DGCL and may pay the agent such compensation from time to time as it may deem appropriate.

ARTICLE VII
INDEMNIFICATION AND INSURANCE

Section 7.1. Indemnification by Corporation. The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that he or she is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another Corporation, partnership, joint venture, trust or other enterprise, against expenses including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him or her in connection with such action, suit or proceeding if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to

believe his or her conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of *nolo contendere* or its equivalent, shall not, of itself, create a presumption that the parson did not act in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his or her conduct was unlawful.

Section 7.2. Suit by or in the Right of the Corporation. The Corporation shall indemnify any person who was or is a party, or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he or she is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another Corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection with the defense or settlement of such action or suit if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

Section 7.3. Success on the Merits. To the extent that a director, officer, employee or agent of the Corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Section 7.1 or Section 7.2 of this Article, or in defense of any claim, issue or matter therein, he or she shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection therewith.

Section 7.4. Determination that Indemnification is Proper. Any indemnification under Section 7.1 or Section 7.2 of this Article (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances because he or she has met the applicable standard of conduct set forth in such section. Such determination shall be made:

(a) by the Board by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding; or

(b) if such a quorum is not obtainable, or, even if obtainable a quorum of disinterested directors so directs, by independent legal counsel in a written opinion; or

(c) by the stockholders.

Section 7.5. Expenses. Expenses (including attorneys' fees) incurred by an officer or director in defending a civil, criminal, administrative or investigative action, suit or proceeding may be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that he or she is not entitled to be indemnified by the Corporation as authorized in this Article VII. Such expenses (including attorneys' fees) incurred by other employees and agents may be so paid upon such terms and conditions, if any, as the Board deems appropriate.

Section 7.6. Non-Exclusivity of Indemnification Rights. The indemnification and advancement of expenses provided by or granted pursuant to the other sections of this Article VII shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any bylaw, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his or her official capacity and as to action in another capacity while holding such office.

Section 7.7. Insurance. The Corporation shall have power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another Corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him or her and incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the Corporation would have the power to indemnify him or her against such liability under the provisions of this Article VII.

Section 7.8. Continuance of Indemnification. The indemnification and advancement of expenses provided by or granted pursuant to this Article VII shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person. The rights to indemnification and advancement of expenses provided by or granted pursuant to this Article VII shall constitute a contract between the Corporation and each director, officer, employee or agent of the Corporation in each circumstance, and each such person shall have all rights available in law or equity to enforce such contract rights against the Corporation. Any repeal or modification of any provision of this Article VII shall not adversely affect or deprive any director, officer, employee or agent of any right or protection offered by such provision prior to such repeal or modification.

Section 7.9. Definition of "the Corporation." For purposes of this Article VII, references to "the Corporation" shall include, in addition to the resulting Corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, and employees or agents, so that any person who is or was a director, officer employee or agent of such constituent Corporation, or is or was serving at the request of such constituent Corporation as a director, officer, employee or agent of another Corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under this Article VII with respect to the resulting or surviving Corporation as he or she would have with respect to such constituent Corporation of its separate existence bad continued.

Section 7.10. Definition of "Other Enterprises". For purposes of this Article VII, references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on a person with respect to any employee benefit plan; and references to "serving at the request of the Corporation" shall include any service as a director, officer, employee or agent of the Corporation which imposes duties on, or involves services by, such director, officer, employee, or agent with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner he or she reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Corporation" as referred to in this Article VII.

ARTICLE VIII
CONTRACTS, CHECKS AND DEPOSITS

Section 8.1. Contracts. The Board may authorize any officer or officers, agent or agents, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation, and such authority may be general or confined to specific instances.

Section 8.2. Checks, Drafts, etc. All checks, drafts, or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Corporation, shall be signed by such officer or officers, agent or agents of the Corporation and in such manner as shall from time to time be determined by resolution of the Board.

Section 8.3. Deposits. All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation in such banks, trust companies or other depositories as the Board may select.

ARTICLE IX
CERTIFICATES OF STOCK

Section 9.1. Certificated and Uncertificated Shares of Stock. The shares of stock of the Corporation shall be represented by certificates unless the Board shall by resolution provide that some or all of any class or series of stock shall be uncertificated shares. Any such resolution shall not apply to shares represented by a certificate until the certificate is surrendered to the Corporation.

Section 9.2. Right to Certificate. Every holder of stock in the Corporation which is represented by a certificate shall be entitled to have a certificate, signed by or in the name of the Corporation by the Chairman or Vice-Chairman of the Board, or the CEO, or the President, or a Vice-President and the Treasurer or an Assistant Treasurer or the Secretary or an Assistant Secretary of the Corporation, certifying the number of shares owned by him in the Corporation.

Section 9.3. Statements Setting Forth Rights. If the Corporation shall be authorized to issue more than one class of stock or more than one series of any class, the designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and rights (the "Summary of Rights") shall be set forth in full or summarized as follows:

9.3.1. With Regard to Certificated Shares of Stock. The Summary of Rights shall be set forth in full or summarized on the face or back of the certificate which the Corporation shall issue to represent such class or series of stock; provided that, except as otherwise provided in Section 202 of the DGCL, in lieu of the foregoing requirements, there may be set forth on the face or back of the certificate which the Corporation shall issue to represent such class or series of stock of certificated shares, a statement that the Corporation will furnish without charge to each stockholder who so requests the designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and rights.

9.3.2. With Regard to Uncertificated Shares of Stock. The Summary of Rights shall be set forth in full or summarized on a written notice containing the information required by Section 151(f) of the DGCL and shall be sent to the registered owner of the uncertificated shares within a reasonable time after the issuance or transfer of any uncertificated shares.

Section 9.4. Facsimile Signature. Where a certificate is countersigned (a) by a transfer agent other than the Corporation or its employee, or, (b) by a registrar other than the Corporation or its employee, the signatures of the officers of the Corporation may be facsimiles. In case any officer who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer before such certificate is issued, it may be issued by the Corporation with the same effect as if he were such officer at the date of issue.

Section 9.5. Lost Certificates. Only with respect to certificated shares of stock, the Board may delegate to its transfer agent the authority to issue without further action or approval of the Board, a new certificate or certificates in place of any certificate or certificates theretofore issued by the Corporation alleged to have been lost, stolen or destroyed, upon the receipt by the transfer agent of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed, and upon the receipt from the owner of such lost, stolen or destroyed certificate, or certificates, or his legal representative of a bond as indemnity against any claim that may be made with respect to the certificate alleged to have been lost, stolen or destroyed.

Section 9.6. Transfers of Stock. The shares of stock of the Corporation shall be transferred (a) with respect to certificated shares of stock, upon surrender to the Corporation or the transfer agent of the Corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer; provided however that, if such shares are not restricted as to transfer, it shall be the duty of the Corporation to issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books or (b) with respect to uncertificated shares of stock, upon duly executed instructions provided to the Corporation through its duly authorized corporate transfer agent, registrar or otherwise.

Section 9.7. Transfer Agents and Registrars. The Board may appoint one or more corporate transfer agents and registrars. As a prerequisite to the retention of any corporate transfer agent for any class of capital stock which includes uncertificated shares of stock, such

corporate transfer agent shall be required to be eligible to participate in the Direct Registration System operated by the Depository Trust Corporation.

Section 9.8. Registered Ownership of Shares. The Corporation shall be entitled to treat the person in whose name any share of its stock is registered as the owner thereof for all purposes and shall not be bound to recognize any equitable or other claim to, or interest in, such share on the part of any other person, whether or not the Corporation shall have notice thereof, except as expressly provided by applicable law.

ARTICLE X
NOTICE BY ELECTRONIC TRANSMISSION

Section 10.1. Notice by Electronic Transmission. Without limiting the manner by which notice otherwise may be given effectively to stockholders pursuant to the DGCL, the Certificate of Incorporation or these Bylaws, any notice to stockholders given by the Corporation under any provision of the DGCL, the Certificate of Incorporation or these Bylaws shall be effective if given by a form of electronic transmission consented to by the stockholder to whom the notice is given. Any such consent shall be revocable by the stockholder by written notice to the Corporation. Any such consent shall be deemed revoked if: (a) the Corporation is unable to deliver by electronic transmission two (2) consecutive notices given by the Corporation in accordance with such consent; and (b) such inability becomes known to the secretary or an assistant secretary of the Corporation or to the transfer agent, or other person responsible for the giving of notice. However, the inadvertent failure to treat such inability as a revocation shall not invalidate any meeting or other action. Any notice given pursuant to Section 10.1 shall be deemed given: (i) if by facsimile telecommunication, when directed to a number at which the stockholder has consented to receive notice; (ii) if by electronic mail, when directed to an electronic mail address at which the stockholder has consented to receive notice; (iii) if by a posting on an electronic network together with separate notice to the stockholder of such specific posting, upon the later of (A) such posting and (B) the giving of such separate notice; and (iv) if by any other form of electronic transmission, when directed to the stockholder. An affidavit of the Secretary or an Assistant Secretary or of the transfer agent or other agent of the Corporation that the notice has been given by a form of electronic transmission shall, in the absence of fraud, be prima facie evidence of the facts stated therein.

Section 10.2. Definition of Electronic Transmission. An “electronic transmission” means any form of communication, not directly involving the physical transmission of paper, that creates a record that may be retained, retrieved, and reviewed by a recipient thereof, and that may be directly reproduced in paper form by such a recipient through an automated process. Any requirement in these Bylaws for a written or signed document from any person shall be deemed to be satisfied by an electronic transmission from such person.

ARTICLE XI
GENERAL PROVISIONS

Section 11.1. Dividends. Dividends upon the capital stock of the Corporation, subject to the provisions of the Certificate of Incorporation, if any, may be declared by the

Board, subject to applicable legal requirements. Dividends may be paid in cash, in property, or in shares of the capital stock, subject to the provisions of the Certificate of Incorporation.

Section 11.2. Reserves. Before payment of any dividend, there may be set aside out of any funds of the Corporation available for dividends such sum or sums as the directors from time to time, in their absolute discretion, think proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the Corporation, or for such other purpose as the directors shall think conclusive to the interest of the Corporation, and the directors may modify or abolish any such reserve in the manner in which it was created.

Section 11.3. Fiscal Year. The fiscal year of the Corporation shall be fixed by resolution of the Board.

Section 11.4. Seal. This Corporation may or may not have a seal and in any event the failure to affix a corporate seal to any instrument executed by the Corporation shall not affect the validity thereof. If a seal is adopted, the seal of this Corporation shall include the following letters cut or engraved thereon: LULULEMON CORP.

ARTICLE XII
AMENDMENTS

Section 12.1. Amendments. The Board is expressly authorized to repeal, alter, amend or rescind these Bylaws. Notwithstanding any other provision of these Bylaws (and notwithstanding some lesser percentage that may be specified by law), the Bylaws may be repealed, altered, amended or rescinded by the stockholders of the Corporation as described in the Certificate of Incorporation or in accordance with the DGCL.

Exhibit 10.4

AMENDED AND RESTATED

REGISTRATION RIGHTS AGREEMENT

BY AND AMONG

LULULEMON CORP.

AND

THE HOLDERS LISTED ON SCHEDULES A AND B HERETO

Dated as of July 26, 2007

AMENDED AND RESTATED REGISTRATION RIGHTS AGREEMENT

THIS AMENDED AND RESTATED REGISTRATION RIGHTS AGREEMENT (this "Agreement") is entered into as of July 26, 2007 by and among:

- Lululemon Corp., a Delaware corporation (the "Company");
- each of the stockholders of the Company's common stock, par value $0.01 per share ("Common Stock"), whose names and addresses are set forth under Schedule A (the "A Holders"); and
- each of the stockholders of Common Stock, whose names and addresses are set forth under Schedule B (the "B Holders").

BACKGROUND

On April 26, 2007, the Company, its stockholders and certain other parties entered into an Agreement and Plan of Reorganization (the "Agreement and Plan of Reorganization") pursuant to which all of the Company's outstanding capital stock was reclassified by conversion into shares of Common Stock (the "Reorganization").

The Company previously granted certain of its stockholders registration rights as described in that certain Registration Rights Agreement, dated December 5, 2005, between the Company and such stockholders (the "Prior Registration Rights Agreement"). In connection with the Reorganization, the Company and the stockholders party to the Prior Registration Rights Agreement desire to amend and restate the Prior Registration Rights Agreement as provided herein.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing, and for other good and valuable consideration, the receipt and sufficiency of which hereby is acknowledged, the parties agree as follows:

ARTICLE 1
RULES OF CONSTRUCTION AND DEFINITIONS

Section 1.1 Rules of Construction. In this Agreement, unless otherwise specified or where the context otherwise requires:

(a) the headings of particular provisions of this Agreement are inserted for convenience only and will not be construed as a part of this Agreement or serve as a limitation or expansion of the scope of any term or provision of this Agreement;

(b) words importing the singular only shall include the plural and vice versa;

(c) words importing any gender shall include other genders;

(d) the words "include," "includes" or "including" shall be deemed followed by the words "without limitation";

(e) the words "hereof," "herein" and "herewith" and words of similar import, shall, unless otherwise stated, be construed to refer to this Agreement as a whole and not to any particular provision of this Agreement;

(f) unless otherwise specified, the term "days" shall mean calendar days;

(g) a "percentage" (or a "majority") of the Registrable Securities (or, where applicable, any class of securities) shall be determined based on the number of shares of such securities; and

(h) unless otherwise provided, the currency for all dollar figures included in this Agreement shall be the US Dollar.

Section 1.2 Defined Terms. As used in this Agreement, the following terms shall have the following meanings:

"Advent" means Advent International Corporation, a Delaware corporation.

"Advent Funds" has the meaning set forth in the Company Stockholders Agreement.

"Adverse Disclosure" means public disclosure of non-public information relating to a material proposed acquisition, disposition, financing, reorganization, recapitalization or similar transaction involving the Company or one of its Affiliates, which disclosure in the good faith judgment of the Board of Directors, after consultation with external legal counsel, (a) would be required to be made in any Registration Statement so that such Registration Statement would not be materially misleading, (b) would not be required to be made at such time but for the filing, effectiveness or continued use of such Registration Statement and (c) would have a material adverse effect on the Company or its business or on the Company's ability to effect such material proposed acquisition, disposition, financing, reorganization, recapitalization or similar transaction.

"Adversely Affected Holder" has the meaning set forth in Section 3.6(a).

"Affiliate" means, as to any specified Person, (a) any other person controlling, controlled by or under common control with such specified Person, (b) any other Person of which such specified Person is an officer, employee, agent, director, shareholder or partner or (c) any member of the Family Group of such specified Person or of any individual who is an Affiliate of such specified Person by reason of clause (a) of this definition; *provided*, *however, that* no Person shall be deemed an Affiliate of any other Person solely by reason of any investment in the Company or the Lululemon Group. The term "control," with respect to any Person, means possession, direct or indirect, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities or a partnership interest, by contract or otherwise. With respect to each of the Institutional Holders, the term "Affiliate" shall also include (i) any entity in which such Institutional Holder (or one of its Affiliates) is a general partner or member, and (ii) each investor in such Institutional Holder, but only in connection with the liquidation, winding up or dissolution of the Institutional Holder, and only to the extent of such investor's pro rata share in the Institutional Investor. With respect to each Advent Fund, the term "Affiliate" shall also include any investment fund managed by Advent.

"Aggregate Offering Price" means the aggregate offering price of Registrable Securities in any offering, calculated based upon the Fair Market Value of the Registrable Securities, in the case of a Minimum Demand Amount, as of the date that the applicable Request is delivered, and in the case of a Shelf Underwritten Offering, as of the date that the applicable Underwriting Notice is delivered.

"Agreement" has the meaning set forth in the preamble.

"Amendment" has the meaning set forth in Section 3.6(a).

"Beneficial Owner" and "beneficially own" shall be determined in accordance with Rule 13d-3 promulgated under the Exchange Act.

"Board of Directors" means the Company's board of directors.

"Business Day" shall mean any day other than (i) a Saturday or Sunday or (ii) a day on which banks in New York, New York are required or authorized by law, executive order or governmental decree to be closed.

"Certificate of Incorporation" means the Certificate of Incorporation of the Company, as filed with the Delaware Secretary of State, including, without limitation, any certificate of designations filed therewith relating to any class or series of capital stock of the Company, as further amended or supplement from time to time in accordance with the terms thereof.

"Common Stock" has the meaning set forth in the recitals.

"Company" has the meaning set forth in the preamble and shall include the Company's successors by merger, acquisition, reorganization or otherwise.

"Company Stockholders Agreement" means the Stockholders Agreement by and among the Company and the Persons listed therein, dated as of the date hereof, as amended from time to time in accordance with the terms therein, relating to the capital stock, governance and affairs of the Company.

"Counterpart Signature Page" means a counterpart signature page to this Agreement in substantially the same form of Schedule C.

"Cutback Notice" has the meaning set forth in Section 2.1(h)(5).

"Demand Participation Notice" has the meaning set forth in Section 2.1(d).

"Demand Registration" has the meaning set forth in Section 2.1(a).

"Demand Right" has the meaning set forth in Section 2.1(a).

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and any successor thereto, and any rules and regulations promulgated thereunder, all as the same shall be in effect from time to time.

"Fair Market Value" means, with respect to any Registrable Securities, (a) if the Registrable Securities trade on a stock exchange or trading mechanism which publishes the closing sales price of the Registrable Securities, the average closing sales price, calculated for the five (5) trading days immediately preceding the date of a determination, (b) if the Registrable Securities trade on a stock exchange or trading mechanism which does not publish the closing sales price of the Registrable Securities, then the average of the bid and ask prices, calculated for the five (5) trading days immediately preceding the date of a determination; or (c) in all other cases the price determined in good faith by the board of directors of the Company.

"Holder" means any holder or holders of Registrable Securities who is a party to this Agreement or who otherwise agrees in writing to be bound by the provisions of this Agreement pursuant to Section 3.3.

"Incidental Cutback Notice" has the meaning set forth in Section 2.2(b).

"Incidental Registration" means any registration of the Registrable Securities of a Holder pursuant to Section 2.2(a), but shall exclude any registration which constitutes a Demand Registration, Shelf Underwritten Offering or non-underwritten offering under a Shelf Registration Statement.

"Incidental Registration Notice" has the meaning set forth in Section 2.2(a)(1).

"Indemnified Person" has the meaning set forth in Section 2.7(a).

"Initiating Holders" means the Holder or Holders who made the Request to initiate a Demand Registration, together with all Affiliates of such Holder or Holders.

"Institutional Holders" has the meaning set forth in the Company Stockholders Agreement.

"Loss" or "Losses" has the meaning set forth in Section 2.7(a).

"Minimum Demand Amount" means an amount of Registrable Securities that either (i) is equal to or greater than 500,000 shares of Common Stock (as such number may be adjusted hereafter to reflect any stock dividend, subdivision, recapitalization, reclassification, split, distribution, combination or similar event) or (ii) has an Aggregate Offering Price of at least $5 million.

"NASD" means the National Association of Securities Dealers, Inc.

"NASDAQ" means The Nasdaq Stock Market, Inc.

"Non-Underwritten Period" means, with respect to any offering which is not a Shelf Registration and which does not contemplate an Underwritten Offering, a period of not less than 180 days (or such shorter period as will terminate when all Registrable Securities covered by such Registration Statement have been sold or withdrawn).

"Participating Holder" means any Holder exercising its right to participate in a Demand Registration under Section 2.1(d).

"Person" or "person" means any individual, firm, limited liability company, partnership, joint venture, corporation, joint stock company, trust or unincorporated organization, incorporated or unincorporated association, government (or any department, agency or political subdivision thereof) or other entity of any kind.

"Permitted Transferee" has the meaning set forth in the Stockholders Agreement.

"Preferred Stock" has the meaning set forth in the recitals.

"Prospectus" means the prospectus included in any Registration Statement, all amendments and supplements to such prospectus and all material incorporated by reference in such prospectus.

"Registrable Securities" means (a) shares of Common Stock acquired pursuant to the Agreement and Plan of Reorganization, (b) shares of Common Stock acquired upon the exchange of exchangeable shares issued by Lululemon Canadian Holding, Inc., a company formed under the laws of British Columbia and (c) any shares of Common Stock that may be issued or distributed by way of stock dividend, stock split or other distribution, merger, consolidation, exchange offer, recapitalization or reclassification or similar transaction, or exercise or conversion of any of the foregoing; *provided*, *however*, that any of the foregoing securities shall cease to be "Registrable Securities" (*x*) to the extent that a Registration Statement with respect to their sale has been declared effective under the Securities

Act and they have been disposed of pursuant to such Registration Statement, (*y*) to the extent that they have been distributed pursuant to Rule 144 or Rule 145 (or any similar provisions then in force) under the Securities Act, or (*z*) at any time after the ten (10) year anniversary of the date hereof, to the extent that they are eligible for resale without registration by the Holder thereof under paragraph (k) of Rule 144 (or any similar provision then in force) under the Securities Act.

"registration" means a registration of the Company's securities for sale to the public under a Registration Statement.

"Registration Period" means either the Shelf Period, the Underwritten Period or the Non-Underwritten Period, as applicable.

"Registration Statement" means any registration statement of the Company filed with, or to be filed with, the SEC under the Securities Act, including the Prospectus, amendments, supplements and post-effective amendments to such registration statement, and all exhibits to, and all material incorporated by reference in, such registration statement.

"Request" has the meaning set forth in Section 2.1(c).

"SEC" means the Securities and Exchange Commission, or any successor U.S. governmental agency.

"Securities Act" means the Securities Act of 1933, as amended, and any successor thereto, and any rules and regulations promulgated thereunder, all as the same shall be in effect from time to time.

"Shelf Demand" has the meaning set forth in Section 2.1(b).

"Shelf Period" means, with respect to any Shelf Registration Statement (other than a Shelf Underwritten Offering), a period of thirty-six (36) consecutive months (or such shorter period as will terminate when all Registrable Securities covered by such Registration Statement have been sold or withdrawn) plus the period of time, if any, during which use of such Shelf Registration Statement has been suspended pursuant to Section 2.1(g).

"Shelf Registration" means a registration effected pursuant to a Shelf Demand.

"Shelf Registration Statement" means a Registration Statement of the Company filed with the SEC on Form S-3 (or any successor form or other appropriate form under the Securities Act) for an offering to be made on a continuous or delayed basis pursuant to Rule 415 under the Securities Act (or any similar rule that may be adopted by the SEC) covering the Registrable Securities.

"Shelf Underwritten Offering" means an Underwritten Offering of Registrable Securities by a Holder pursuant to a take down from a Shelf Registration Statement in accordance with Section 2.1(h)(2).

"Similar Securities" means, in connection with any registration of securities of the Issuer, all securities of the Issuer which are (i) the same as or similar to those being registered, (ii) convertible into or exchangeable or exercisable for the securities being registered, or (iii) the same as or similar to the securities into which the securities being registered are convertible into, exchangeable or exercisable for.

"Target Registration" means a Registration Statement filed pursuant to an obligation incurred by the Company in connection with an acquisition of the stock or assets of another company.

"Underwritten Offering" means a registration in which securities of the Company are sold by the Company or a Holder to an underwriter or underwriters on a firm commitment basis for reoffering to the public, including a Shelf Underwritten Offering.

"Underwritten Period" means, with respect to any offering which is an Underwritten Offering (including a Shelf Underwritten Offering), a period of not less than 180 days plus such longer period (not to exceed 90 days after such 180th day) as, in the opinion of counsel for the underwriter or underwriters, is required by law for the delivery of a Prospectus in connection with the sale of Registrable Securities by an underwriter or dealer.

"Underwriting Notice" has the meaning set forth in Section 2.1(h).

"Underwriter Cutback Condition" has the meaning set forth in Section 2.2(b).

ARTICLE 2
REGISTRATION RIGHTS

Section 2.1 Demand Registrations.

(a) Demand by A Holders and B Holders. At any time, or from time to time, following the 180th day after the Company has become subject to the periodic reporting requirements of the Exchange Act, (i) the A Holders who beneficially own a majority of the outstanding Registrable Securities beneficially owned by all A Holders or (ii) the B Holders who beneficially own a majority of the outstanding Registrable Securities beneficially owned by all B Holders, shall have the right to require the Company to register all or part of the Registrable Securities under the Securities Act (each such right, a "Demand Right"); *provided*, that each registration made pursuant to a Demand Right must include Registrable Securities in an amount not less than the Minimum Demand Amount. The Company shall file with the SEC, as expeditiously as reasonably possible after the initiation of a Demand Right, a Registration Statement relating to the offer and sale of the Registrable Securities requested to be included therein by the Holders thereof (each, a "Demand Registration") in accordance with the methods of distribution elected by such Holders and shall use its best efforts to cause such Registration Statement to be declared effective under the Securities Act as expeditiously as reasonably possible thereafter. The Company shall use its best efforts to keep the Registration Statement relating to such Demand Registration continuously effective in order to permit the Prospectus forming a part thereof to be usable by the Holders, the underwriters and any brokers or dealers during the period set forth in Section 2.1(f). In no event shall (i) the A Holders have the right to require the Company to effect more than three (3) Demand Registrations pursuant to this Agreement or (ii) the B Holders, have the right to require the Company to effect more than three (3) Demand Registrations pursuant to this Agreement, including, in the case of each of clause (i) and (ii) of this sentence, Demand Registrations which are Shelf Demands as set forth in Section 2.1(b). A registration shall not be counted as "effected" for purposes of this Section 2.1 until such time as the applicable registration statement has been declared effective by the SEC, unless the Initiating Holders withdraw their request for such registration, elect not to pay the registration expenses therefor, and forfeit their right to one demand registration statement pursuant to Section 2.6, in which case such withdrawn registration statement shall be counted as "effected" for purposes of this Section 2.1.

(b) Shelf Registrations. The Initiating Holders shall have the right, at any time that the Company is legally eligible to file a Shelf Registration Statement, to elect that a Demand Registration be made pursuant to a Shelf Registration Statement (a "Shelf Demand"); *provided*, that each registration made pursuant to a Shelf Demand must include Registrable Securities in an amount not less than the Minimum Demand Amount. If the Company shall receive a Request specifying a Shelf Demand,

the Company shall file with the SEC, as expeditiously as reasonably possible after the initiation of a Shelf Demand, a Shelf Registration Statement relating to the offer and sale of the Registrable Securities requested to be included therein by the Holders thereof from time to time in accordance with the methods of distribution elected by such Holders and shall use its best efforts to cause such Shelf Registration Statement to be declared effective under the Securities Act as expeditiously as reasonably possible thereafter. The Company shall use its best efforts to keep the Shelf Registration Statement continuously effective in order to permit the Prospectus forming a part thereof to be usable by the Holders, the underwriters and any brokers or dealers during the period set forth in Section 2.1(f).

(c) Demand Notice. All requests to initiate a Demand Right must be made by notice (a "Request"):

(1) provided to the Company in writing;

(2) stating that it is a notice to initiate Demand Rights under this Agreement;

(3) stating whether a Shelf Demand is being requested;

(4) identifying the Holder(s) effecting the request; and

(5) stating the number of Registrable Securities to be included and the intended method of disposition.

After a Request has been given for a Demand Registration or a Shelf Demand another Request cannot be given until the date that is sixty (60) days following the date of withdrawal or the effective date of the Registration Statement relating to such previous Demand Registration or Shelf Demand.

(d) Participations in Demand Rights. Within five (5) days following receipt of any Request, the Company shall deliver written notice of such request (a "Demand Participation Notice") to all Holders of Registrable Securities other than the Initiating Holders. Thereafter, the Company shall include in such Demand Registration any additional Registrable Securities which the Holder or Holders thereof have, within fifteen (15) days after the Demand Participation Notice has been given, requested in writing be included in such Demand Registration. All such requests shall specify the aggregate amount of Registrable Securities to be registered.

(e) Demand Withdrawal. A Holder may withdraw its Registrable Securities from a Demand Registration at any time prior to the effective time of the Registration Statement covering the applicable Demand Registration by giving written notice of such withdraw prior to the effective time of such Registration Statement. If all Holders withdraw their Registrable Securities from a Demand Registration, the Company shall cease all efforts to secure registration. The Company shall not withdraw a Registration Statement relating to a Demand Registration without the written consent of the Initiating Holders, unless required to do so by law, regulation or upon the request of the SEC.

(f) Effective Registration. The Company shall be deemed to have effected a Demand Registration if the applicable Registration Statement is declared effective by the SEC and remains effective as follows:

(1) if it is a Shelf Registration that is not a Shelf Underwritten Offering, it must remain effective for the Shelf Period;

(2) if it is a Shelf Registration that is a Shelf Underwritten Offering, it must remain effective for the Underwritten Period;

(3) if it is not a Shelf Registration and such Registration Statement does not contemplate an Underwritten Offering, it must remain effective for the Non-Underwritten Period; or

(4) if it is not a Shelf Registration and such Registration Statement contemplates an Underwritten Offering, it must remain effective for the Underwritten Period.

Notwithstanding the foregoing, no Demand Registration (including any Shelf Demand) shall be deemed to have been effected if an Underwritten Offering is contemplated by such Demand Registration and the conditions to closing specified in the applicable underwriting agreement are not satisfied. Subject to Section 2.1(g), the Company shall not be deemed to have effected a Registration Statement, or to have used its best efforts to keep the Registration Statement effective, if the Company voluntarily takes any action or omits to take any action that would result in the inability of any Holder of Registrable Securities covered by such Registration Statement to be able to offer and sell any such Registrable Securities during the applicable Registration Period, unless such action or omission is required by applicable law.

(g) Delay or Suspension of Registration. If the filing, initial effectiveness or continued use of a Registration Statement, including a Shelf Registration Statement, in respect of a Demand Registration at any time would require the Company to make an Adverse Disclosure, then the Company may, upon giving prompt written notice of such action to the Holders which are included in such Demand Registration, delay the filing or initial effectiveness of, or suspend use of, such Registration Statement; *provided*, that the Company shall not be permitted to do so in the aggregate pursuant to this Section 2.1(g) and Section 2.2(c), (i) more than two (2) times during any twelve (12) month period, (ii) for a period exceeding sixty (60) days on any one occasion or (iii) for a period exceeding one hundred twenty (120) days in any twelve (12) month period. In the event the Company exercises its rights under the preceding sentence, the Holders agree to suspend, promptly upon their receipt of the notice referred to above, their use of the Prospectus relating to the Demand Registration in connection with any sale or offer to sell Registrable Securities. The Company shall promptly notify the Holders of the expiration of any period during which it exercised its rights under this Section 2.1(g). The Company agrees that, in the event it exercises its rights under this Section 2.1(g), it shall, as promptly as reasonably practicable following the completion or abandonment of the transaction giving rise to the Corporation's suspension notice, and in any event within the time requirements set forth in this Section 2.1(g), file an amendment to, or a Prospectus supplement with respect to, and otherwise use its best efforts to, update, the suspended Registration Statement as may be necessary to permit the Holders to resume use thereof in connection with the offer and sale of their Registrable Securities in accordance with applicable law. The Company shall not be obligated to effect, or to take any action to effect, any registration pursuant to this Section 2.1 (i) during the period that is sixty (60) days before the Company's good faith estimate of the date of filing of, and ending on a date that is one hundred twenty (120) days after the effective date of, a Company-initiated registration, provided, that the Company is actively employing in good faith commercially reasonable efforts to cause such Registration Statement to become effective.

(h) Underwritten Offerings.

(1) Demand Registrations. Any offering pursuant to a Demand Registration, other than a Shelf Demand, shall be in the form of an Underwritten Offering upon the request of the Holders of not less than a majority of the Registrable Securities included in any offering pursuant to a Demand Registration.

(2) Shelf Registrations. At any time that a Shelf Registration Statement is effective, if any Holder or group of Holders delivers a notice to the Company (an "Underwriting Notice") stating that it intends to effect a Shelf Underwritten Offering of all or part of its Registrable Securities included by it on the Shelf Registration Statement and stating the Aggregate Offering Price and/or number of the Registrable Securities to be included in the Shelf Underwritten Offering, then the Company shall amend or supplement the Shelf Registration Statement as may be necessary in order to enable such Registrable Securities to be distributed pursuant to the Shelf Underwritten Offering (taking into account the inclusion of Registrable Securities by any other Holders pursuant to this Section 2.1(h)(2)); *provided*, that any Shelf Underwritten Offering must include Registrable Securities in an amount not less than the Minimum Demand Amount. In connection with any Shelf Underwritten Offering:

(A) such proposing Holder(s) shall also deliver the Underwriting Notice to all other Holders and permit each Holder to include its Registrable Securities included on the Shelf Registration Statement in the Shelf Underwritten Offering if such Holder notifies the proposing Holders and the Company within 5 Business Days after delivery of the Underwriting Notice to such Holder;

(B) in the event that an Underwriter Cutback Condition occurs with respect to the Registrable Securities proposed to be included in the Shelf Underwritten Offering, then (1) the number of Registrable Securities which will be included in the Shelf Underwritten Offering shall only be that number which, in the good faith opinion of the underwriter, can be included without being likely to have a significant adverse effect on the price, timing or distribution of the class of securities offered or the market for the class of securities offered or the Common Stock, and (2) each Holder shall be entitled to include Registrable Securities in the Shelf Underwritten Offering *pro rata* based on the number of Registrable Securities owned by such Holder as a percentage of the number of Registrable Securities owned by all Holders seeking to participate in such Shelf Underwritten Offering, subject to the priority allocation provisions set forth in Section 2.1(h)(5); and

(C) the Underwriting Notice shall state that Holders must respond to the Underwriting Notice within five (5) Business Days of the delivery thereof.

(3) Selection of Underwriters. In the event that a Demand Registration is an Underwritten Offering (including a Shelf Underwritten Offering), the Initiating Holders in such Underwritten Offering shall have the right to select the managing underwriter or underwriters for the offering, which underwriters must be (*x*) nationally recognized investment banking firm(s), and (*y*) reasonably acceptable to the Company.

(4) Similar Securities. Without the prior written consent of the Initiating Holders and the managing underwriter or managing underwriters of any Underwritten Offering, the Company shall not include any securities in such Underwritten Offering unless such securities are Similar Securities.

(5) Priority of Securities Registered Pursuant to Demand Registrations. If the managing underwriter of a proposed Underwritten Offering (other than a Shelf Underwritten Offering, which shall be governed by Section 2.1(h)(2)(B)) of Registrable Securities included in a Demand Registration informs the Holders of such Registrable Securities in writing (a "Cutback Notice") that, in its or their opinion, the number of securities requested to be included in such Demand Registration exceeds the number which can be sold in such offering without being likely to have a significant adverse effect on the price, timing or distribution of the class of securities offered or the market for the class of securities offered or the Common Stock, then the Company shall include in such

registration only the number of Registrable Securities which, in the good faith opinion of such underwriter, can be included without having such an adverse effect, selected in the following order:

(A) first, the Registrable Securities requested to be included by the Initiating Holders and the Holders who are Participating Holders with respect thereto, allocated *pro rata* based on the number of Registrable Securities owned by such Holder as a percentage of the number of Registrable Securities owned by all Holders seeking to participate in such Underwritten Offering; and

(B) second, Similar Securities, if any, requested to be included by the Company or by other Holders, allocated among them as they shall so determine;

provided, however, in no event shall any particular Holder be permitted to include in such registration any Registrable Securities in excess of the number of Registrable Securities which such Holder originally sought to include in such registration. In the event of a cutback pursuant to this Section 2.1(h), each of the Holders agrees that it will not include Registrable Securities in any registration effected pursuant to the Securities Act in a manner that is not in compliance with the foregoing priorities.

(i) Registration Statement Form. Demand Registrations shall be on such appropriate registration form of the SEC (A) as shall be selected by the Initiating Holders of the Demand Registration and as shall be reasonably acceptable to the Company, and (B) as shall facilitate and permit the disposition of the Registrable Securities in accordance with the intended method or methods of disposition specified in the applicable Holders' requests for such registration. Notwithstanding the foregoing, if, pursuant to a Demand Registration, (*x*) the registration is proposed to be effected by filing a Registration Statement on Form S-3 (or any successor form under the Securities Act), (*y*) such registration is in connection with an Underwritten Offering and (*z*) the managing underwriter or underwriters advises the Company that, in its or their opinion, the inclusion, rather than the incorporation by reference, of information in the Prospectus is of material importance to the success of such proposed offering, then such information shall be so included in such Prospectus.

Section 2.2 Incidental Registrations.

(a) Participation.

(1) At any time, or from time to time, after the Company has become subject to the periodic reporting requirements of the Exchange Act or otherwise lists shares of its Common Stock on a recognized securities exchange, Nasdaq or another trading medium, if the Company at any time files a Registration Statement (other than a Registration Statement filed pursuant to Rule 462(b) under the Securities Act) with respect to any offering of its securities for its own account or for the account of any stockholder who holds its securities (other than (A) a registration on Form S-4, F-4, F-8, F-10 or S-8 or any successor form to such forms, (B) a registration of securities solely relating to an offering and sale to employees, directors or consultants of the Company pursuant to any employee stock plan or other employee benefit plan arrangement or (C) a registration of non-convertible debt securities) then, as expeditiously as reasonably possible, the Company shall give written notice (the "Incidental Registration Notice") of such filing to all Holders of Registrable Securities, and such notice shall offer the Holders of such Registrable Securities the opportunity to register such number of Registrable Securities as each such Holder may request in writing. Subject to Section 2.2(b), the Company shall include in such Registration Statement all such Registrable Securities which are requested to be included therein within fifteen (15) days after the Incidental Registration Notice is given to such Holders. If at any time after giving written notice of its intention to register any securities and prior to the effective date of the Registration Statement filed in connection with such registration, the Company shall determine for any

reason not to register or to delay registration of such securities, the Company may, at its election, give written notice of such determination to each Holder of Registrable Securities and,

(A) in the case of a determination not to register, shall be relieved of its obligation to register any Registrable Securities in connection with such registration, and

(B) in the case of a determination to delay registering, shall be permitted to delay registering any Registrable Securities for the same period as the delay in registering such other securities.

(2) If the offering described in an Incidental Registration Notice is to be an Underwritten Offering, then each Holder making a request for its Registrable Securities to be included therein must, and the Company shall make such arrangements with the underwriters so that each such Holder may, participate in such Underwritten Offering on the same terms as the Company and other Persons selling securities in such Underwritten Offering, subject to the provisions of Section 2.4. If the offering pursuant to such registration is to be on any other basis, then each Holder making a request for an Incidental Registration pursuant to this Section 2.2(a) must participate in such offering on such basis.

(3) Each Holder of Registrable Securities making a request for an Incidental Registration pursuant to this Section 2.2(a) shall be permitted to withdraw all or part of such Holder's Registrable Securities from such Incidental Registration at any time prior to the effective time of the Registration Statement covering the applicable Incidental Registration by giving written notice of such withdraw prior to the effective time of such Registration Statement.

(b) Priority of Incidental Registration. If the managing underwriter or underwriters of any proposed Underwritten Offering of securities included in an Incidental Registration informs the Holders of Registrable Securities sought to be included in such registration pursuant to Section 2.2(a) in writing (an "Incidental Cutback Notice") that, in its or their opinion, the total amount or kind of securities which such Holders and any other Persons intend to include in such offering exceeds the number which can be sold in such offering without being likely to have a significant adverse effect on the price, timing or distribution of the class of the securities offered or the market for the class of securities offered or for the Common Stock (the foregoing, an "Underwriter Cutback Condition"), then the Company shall include in such registration only the number of Registrable Securities which, in the good faith opinion of such underwriter can be included without having such an adverse effect, selected in the following order:

(1) if the registration is being effected by stockholders of the Company pursuant to the exercise of contractual demand registration rights (other than pursuant to the exercise of Demand Rights under this Agreement, in which event the provisions of Section 2.1(h)(5) shall govern),

(A) first, the securities, if any, being sold by such other stockholders exercising such demand registration rights, allocated as they and the Company shall so determine;

(B) second, the Registrable Securities, if any, requested to be included by the Holders pursuant to this Section 2.2 allocated *pro rata* based on the number of Registrable Securities owned by such Holder as a percentage of the number of Registrable Securities held by all Holders seeking to participate in such registration; and

(C) third, securities, if any, requested to be included by the Company and by any other stockholders of the Company in accordance with agreements between the Company and such other stockholders, allocated among them as they shall so determine;

provided, however, in no event shall any particular Holder be permitted to include in such registration any Registrable Securities in excess of the number of Registrable Securities which such Holder originally sought to include in such registration; and

(2) if the registration is being effected by the Company for its own account or is a Target Registration,

(A) first, the securities, if any, being sold by the Company and the Holders of the Company's securities for whom the Target Registration is undertaken, allocated among them as they shall so determine;

(B) second, the Registrable Securities, if any, requested to be included by the Holders pursuant to Section 2.2, allocated *pro rata* based on the on the number of Registrable Securities owned by such Holder as a percentage of the number of Registrable Securities held by all Holders seeking to participate in such registration; and

(C) third, the securities, if any, requested to be included by any other stockholders of the Company in accordance with agreements between the Company and such other, allocated in accordance with such agreements;

provided, however, in no event shall any particular Holder be permitted to include in such registration any Registrable Securities in excess of the number of Registrable Securities which such Holder originally sought to include in such registration. In the event of a cutback pursuant to this Section 2.2(b), each of the Holders agrees that it will not include Registrable Securities in any registration effected pursuant to the Securities Act in a manner that is not in compliance with the foregoing priorities set forth in Section 2.2(b)(1) and Section 2.2(b)(2).

(c) Suspension or Termination of Registration. If the filing, initial effectiveness or continued use of a Registration Statement, including a Shelf Registration Statement, in respect of an Incidental Registration at any time would require the Company to make an Adverse Disclosure, then the Company may, upon giving prompt written notice of such action to the Holders which are included in such Incidental Registration, delay the filing or initial effectiveness of, or suspend use of, such Registration Statement; *provided*, that the Company shall not be permitted to do so in the aggregate pursuant to this Section 2.2(c) and Section 2.1(g), (i) more than two (2) times during any twelve (12) month period, (ii) for a period exceeding 60 days on any one occasion or (iii) for a period exceeding one hundred twenty (120) days in any twelve (12) month period. In the event the Company exercises its rights under the preceding sentence, promptly upon their receipt of the notice referred to above the Holders agree to suspend, and in the case of an Underwritten Offering (including a Shelf Underwritten Offering), the Company and the Holders agree to cause any underwriter to suspend, their use of the Prospectus relating to the Incidental Registration in connection with any sale or offer to sell Registrable Securities. The Company shall promptly notify the Holders of the expiration of any period during which it exercised its rights under this Section 2.2(c). The Company agrees that, in the event it exercises its rights under this Section 2.2(c), it shall, as promptly as reasonably practicable following the completion or abandonment of the transaction giving rise to the Corporation's suspension notice, and in any event within the time requirements set forth in this Section 2.2(c), file an amendment to, or a Prospectus supplement with respect to, and otherwise use its best efforts to, update, the suspended Registration Statement as may be necessary to permit the Holders to resume use thereof in connection with the offer

and sale of their Registrable Securities in accordance with applicable law. Notwithstanding any other provision of this (c), the Company shall have the right to terminate or withdraw any registration initiated by it under this (c) before the effective date of such registration, whether or not any Holder has elected to include Registrable Securities in such registration.

Section 2.3 Registration Procedures.

(a) In connection with the Company's registration obligations in this Agreement, the Company will, subject to the limitations set forth herein, use its best efforts to effect any such registration so as to permit the sale of the applicable Registrable Securities in accordance with the intended method or methods of distribution thereof as expeditiously as reasonably possible and, in connection therewith, the Company will:

(1) before filing a Registration Statement or Prospectus, or any amendments or supplements thereto and in connection therewith, furnish to the managing underwriter or underwriters, if any, and to one representative of each Holder (and its Affiliates) which has requested that Registrable Securities be covered by such Registration Statement, copies of all documents prepared to be filed, which documents will be subject to the review of such underwriters and such Holders and their respective counsel and not file any Registration Statement or Prospectus or amendments or supplements thereto to which the Holders of a majority of the Registrable Securities covered by the same or the underwriter or underwriters, if any, shall reasonably object;

(2) prepare and file with the SEC such amendments or supplements to the applicable Registration Statement or Prospectus as may be (A) reasonably requested by any selling Holder (to the extent such request relates to information relating to such Holder), or (B) necessary to keep such registration effective for the period of time required by this Agreement;

(3) notify the selling Holders of Registrable Securities and the managing underwriter or underwriters, if any, and (if requested) confirm such advice in writing, as expeditiously as reasonably possible after notice thereof is received by the Company (A) when the applicable Registration Statement or any amendment thereto has been filed or becomes effective and when the applicable Prospectus or any amendment or supplement thereto has been filed, (B) of any written or material oral comments by the SEC or any request by the SEC or any other federal or state governmental authority for amendments or supplements to such Registration Statement or Prospectus or for additional information, (C) of the issuance by the SEC of any stop order suspending the effectiveness of such Registration Statement or any order preventing or suspending the use of any preliminary or final Prospectus or the initiation or threat of any proceedings for such purposes and (D) of the receipt by the Company of any notification with respect to the suspension of the qualification of the Registrable Securities for offering or sale in any jurisdiction or the initiation or threat of any proceeding for such purpose;

(4) promptly notify each selling Holder of Registrable Securities and the managing underwriter or underwriters, if any, when the Company becomes aware of the happening of any event as a result of which the applicable Registration Statement or Prospectus (as then in effect) contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein (in the case of the Prospectus and any preliminary Prospectus, in light of the circumstances under which they were made) not misleading or, if for any other reason it shall be necessary to amend or supplement such Registration Statement or Prospectus in order to comply with the Securities Act and, in either case as promptly as reasonably practicable thereafter (except as otherwise provided under Section 2.1(g) or Section 2.2(c)), prepare and file with the SEC an amendment or

supplement to such Registration Statement or Prospectus which will correct such statement or omission or effect such compliance;

(5) use its best efforts to prevent or obtain at the earliest possible moment the withdrawal of any stop order with respect to the applicable Registration Statement or other order suspending the use of any preliminary or final Prospectus;

(6) promptly incorporate in a Prospectus supplement or post-effective amendment to the applicable Registration Statement such information as the managing underwriter or underwriters, if any, or the Initiating Holders agree should be included therein relating to the plan of distribution with respect to such Registrable Securities; and make all required filings of such Prospectus supplement or post-effective amendment as expeditiously as reasonably possible after being notified of the matters to be incorporated in such Prospectus supplement or post-effective amendment;

(7) furnish to each selling Holder of Registrable Securities, its counsel and each managing underwriter, if any, without charge, as many conformed copies as such Holder or managing underwriter may reasonably request of the applicable Registration Statement and each amendment thereto;

(8) deliver to each selling Holder of Registrable Securities and each managing underwriter, if any, without charge, as many copies of the applicable Prospectus (including each preliminary Prospectus) as such Holder or managing underwriter may reasonably request, and such other documents as such selling Holder or managing underwriter may reasonably request in order to facilitate the disposition of the Registrable Securities by such Holder or underwriter;

(9) on or prior to the date on which the applicable Registration Statement is declared effective, use its best efforts to register or qualify such Registrable Securities for offer and sale under the securities or "blue sky" laws of each state and other jurisdiction of the United States, as any such selling Holder or underwriter, if any, or their respective counsel reasonably requests in writing, and do any and all other acts or things reasonably necessary or advisable to keep such registration or qualification in effect so as to permit the commencement and continuance of sales and dealings in such jurisdictions for as long as may be necessary to complete the distribution of the Registrable Securities covered by the Registration Statement; *provided*, that the Company will not be required to qualify generally to do business in any jurisdiction where it is not then so qualified or to take any action which would subject it to taxation or general service of process in any such jurisdiction where it is not then so subject;

(10) cooperate with the selling Holders of Registrable Securities and the managing underwriter, underwriters or agent, if any, to facilitate the timely preparation and delivery of certificates representing Registrable Securities to be sold and not bearing any restrictive legends;

(11) use its best efforts to cause the Registrable Securities covered by the applicable Registration Statement to be registered with or approved by such other governmental agencies or authorities as may be necessary to enable the seller or sellers thereof or the underwriter or underwriters, if any, to consummate the disposition of such Registrable Securities;

(12) not later than the effective date of the applicable Registration Statement, provide a CUSIP number for all Registrable Securities and provide the applicable transfer agent with printed certificates for the Registrable Securities which certificates shall be in a form eligible for deposit with The Depository Trust Company;

(13) obtain for delivery to (and addressed to) the underwriter or underwriters, an opinion or opinions from counsel for the Company dated the date of the closing under the underwriting agreement, in customary form, scope and substance, which counsel and opinions shall be reasonably satisfactory to a majority of such Holders and the managing underwriter or underwriters, if any, and their respective counsel;

(14) in the case of an Underwritten Offering (including a Shelf Underwritten Offering), obtain for delivery to (and addressed to) the Company and the underwriter or underwriters, a cold comfort letter from the Company's independent certified public accountants in customary form and covering such matters of the type customarily covered by cold comfort letters as the managing underwriter or underwriters reasonably request, dated the date of execution of the underwriting agreement and brought down to the closing under the underwriting agreement;

(15) cooperate with each selling holder of Registrable Securities and each underwriter or agent, if any, participating in the disposition of such Registrable Securities and their respective counsel in connection with any filings required to be made with the NASD;

(16) use its best efforts to comply with all applicable rules and regulations of the SEC and make generally available to its security holders, as expeditiously as reasonably possible after the effective date of the applicable Registration Statement, but not later than sixty (60) days after the date of the most recent fiscal quarter, an earnings statement satisfying the provisions of Section 11(a) of the Securities Act and the rules and regulations promulgated thereunder;

(17) provide and cause to be maintained a transfer agent and registrar for all Registrable Securities covered by the applicable Registration Statement from and after a date not later than the effective date of such Registration Statement;

(18) cause all Registrable Securities of a class covered by the applicable Registration Statement to be listed on each securities exchange and inter-dealer quotation system on which any of the Company's securities of such class are then listed or quoted;

(19) make available upon reasonable notice at reasonable times and for reasonable periods for inspection by representatives appointed by the Holders of a majority of the Registrable Securities covered by the applicable Registration Statement, by any managing underwriter or underwriters participating in any disposition to be effected pursuant to such Registration Statement, and by any attorney, accountant or other agent retained by such sellers or any such managing underwriter, all pertinent financial and other records, pertinent corporate documents and properties of the Company, and cause the Company's senior executive officers, directors and employees and the independent public accountants who have certified its financial statements to make themselves available at mutually convenient times to discuss the business of the Company and to supply all information reasonably requested by any such sellers, underwriter or agent thereof in connection with such Registration Statement as shall be necessary (subject to the Company's compliance with Regulation FD) to enable them to exercise their due diligence responsibility;

(20) in the case of an Underwritten Offering (including any Shelf Underwritten Offering), cause the senior executive officers of the Company to participate in the customary "road show" presentations that may be reasonably requested by the managing underwriter in any such Underwritten Offering and otherwise to facilitate, cooperate with, and participate in each proposed offering contemplated herein and customary selling efforts related thereto;

(21) upon the request of any Holder, promptly amend any Shelf Registration Statement or take such other action as may be necessary to de-register, remove or withdraw

all or a portion of the Holder's Registrable Shares from a Shelf Registration Statement, as requested by such Holder; and

(22) use its best efforts to take all other steps necessary to effect the registration of the Registrable Securities contemplated hereby.

(b) It shall be a condition precedent to the obligations of the Company to take any action pursuant to this Article 2 with respect to the Registrable Securities of any selling Holder that each selling Holder of Registrable Securities as to which any registration is being effected shall furnish to the Company such information regarding the distribution of such Registrable Securities and such other customary information relating to such Holder and its ownership of the applicable Registrable Securities as the Company may from time to time reasonably request and as shall be reasonably required in connection with any Registration Statement. Each Holder of Registrable Securities agrees to furnish such information to the Company and to reasonably cooperate with the Company as necessary to enable the Company to comply with the provisions of this Agreement.

(c) Each Holder of Registrable Securities agrees by acquisition of such Registrable Securities that, upon receipt of any notice from the Company of the happening of any event of the kind described in Section 2.3(a)(4), such Holder will use its best efforts to discontinue disposition of its Registrable Securities pursuant to such Registration Statement until such Holder's receipt of the copies of the supplemented or amended Prospectus contemplated by Section 2.3(a)(4), or until such Holder is advised by the Company that the use of the Prospectus may be resumed, and has received copies of any additional or supplemental filings that are incorporated by reference in the Prospectus. In the event that the Company shall give any such notice in respect of a Demand Registration, the period during which the applicable Registration Statement is required to be maintained effective shall be extended by the number of days during the period from and including the date of the giving of such notice to and including the date when each seller of Registrable Securities covered by such Registration Statement either receives the copies of the supplemented or amended Prospectus contemplated by Section 2.3(a)(4) or is advised in writing by the Company that the use of the Prospectus may be resumed.

Section 2.4 Underwritten Offerings.

(a) Underwriting Agreements. If requested by the managing underwriter or underwriters for any Demand Registration that is an Underwritten Offering (including a Shelf Underwritten Offering), the Company and the Holders of Registrable Securities to be included therein shall enter into an underwriting agreement with such underwriters, to contain such terms and conditions as are generally prevailing in agreements of that type, including indemnities no more burdensome to the indemnifying party and no less favorable to the recipient thereof than those provided in Section 2.7. The Holders of any Registrable Securities to be included pursuant to Section 2.2(a) in any Incidental Registration that is an Underwritten Offering (excluding any Demand Registration or Shelf Underwritten Offering) shall enter into such an underwriting agreement at the request of the Company. No Holder shall be required in any such underwriting agreement to make any representations or warranties to or agreements with the Company or the underwriters other than customary representations, warranties or agreements regarding such Holders' title to Registrable Securities and any written information provided by the Holder to the Company expressly for inclusion in the related registration statement.

(b) Price and Underwriting Discounts. In the case of a Demand Registration that is an Underwritten Offering (including a Shelf Underwritten Offering), the price, underwriting discount and other financial terms for the sale of the Registrable Securities shall be determined by the Initiating Holders of such Demand Registration. In the case of any Incidental Registration that is an Underwritten Offering (excluding any Demand Registration or Shelf Underwritten Offering), such price,

discount and other terms shall be determined (i) by the Company in the case of a registration governed by Section 2.2(b)(2), or (ii) by the holders of a majority of the Registrable Securities registered for the account of stockholders exercising demand registration rights, in the case of a registration governed by Section 2.2(b)(1), or in accordance with an agreement among the Company and such majority holders.

(c) Participation in Underwritten Offerings. No Person may participate in an Underwritten Offering (including a Shelf Underwritten Offering) unless such Person (i) agrees to sell such Person's securities on the basis provided in any underwriting arrangements approved by officers of such Persons authorized to approve such arrangements, (ii) executes and delivers the underwriting agreement and all other documents required under the terms of such underwriting arrangements and (iii) completes, executes and delivers all questionnaires, powers of attorney, custody agreements, indemnities and opinions reasonably requested by the Company and customary for secondary offerings.

Section 2.5 No Inconsistent Agreements; Additional Rights. The Company will not enter into, and is not currently a party to, any agreement which is inconsistent with the rights granted to the Holders of Registrable Securities by this Agreement. If the Company enters into any agreement after the date hereof granting any person registration rights with respect to any security of the Company which agreement contains any material provisions more favorable to such person than those set forth in this Agreement, the Company will notify the Holders and will agree to such amendments to this Agreement as may be necessary to provide these rights to the Holders.

Section 2.6 Registration Expenses.

(a) The Company shall pay all of the expenses incurred in connection with its compliance with Article 2, including (i) all registration and filing fees, and any other fees and expenses associated with filings required to be made with the SEC or the NASD, (ii) all fees and expenses of compliance with state securities or "blue sky" laws, including all reasonable fees and disbursements of one counsel in connection with any survey of state securities or "blue sky" laws and the preparation of any memorandum thereon, (iii) all printing, duplicating, word processing, messenger, telephone, facsimile and delivery expenses related to the preparation by the Company of any Registration Statement or Prospectus, agreements with underwriters, and any other ancillary agreements, certificates or documents arising out of or related to the foregoing (including expenses of printing certificates for the Registrable Securities in a form eligible for deposit with The Depository Trust Company and of printing prospectuses), (iv) all fees and disbursements of counsel for the Company and of all independent certified public accountants of the Company, and (v) all fees and expenses incurred in connection with the listing of the Registrable Securities on any securities exchange, Nasdaq, or other trading medium. In addition, in all cases the Company shall pay its internal expenses (including all salaries and expenses of its officers and employees performing legal or accounting duties), the expense of any audit and the fees and expenses of any Person, including special experts, retained by the Company. In addition, the Company shall pay all reasonable fees and disbursements of one law firm or other counsel selected by the holders of a majority of the Registrable Securities being registered, subject to a reasonable cap to be agreed upon by the Issuer and the holders in light of the laws and regulations existing at the time of the applicable Registration, and if there exists no material change in legal requirements imposed on registering holders after the date of this Agreement, then such cap will not exceed $25,000; provided, however, that the Company shall not be required to pay for any expenses of any registration proceeding begun pursuant to Section 2.1 if the registration request is subsequently withdrawn at the request of the Initiating Holders (in which case the Initiating Holders shall bear such expenses pro rata based upon the number of Registrable Securities that were to be included in the withdrawn registration), unless such Holders agree to forfeit their right to one registration pursuant to Section 2.1.

(b) The Company shall not be required to pay any other costs or expenses in the course of an offering of Registrable Securities pursuant to this Agreement, including underwriting discounts and commissions and transfer taxes attributable to the sale of Registrable Securities and the fees and expenses of counsel to the Holders or the underwriters, other than pursuant to Section 2.6(a).

Section 2.7 Indemnification.

(a) Indemnification by the Company. The Company agrees to indemnify and hold harmless, to the full extent permitted by law, each selling Holder of Registrable Securities and their respective directors, officers and partners, and each Person who controls (within the meaning of the Securities Act or the Exchange Act) such Persons (each, an "Indemnified Person") from and against any and all losses, claims, damages, liabilities (or actions or proceedings in respect thereof, whether or not such Indemnified Person is a party thereto) and expenses (including reasonable costs of investigation and legal expenses), joint or several (each, a "Loss" and collectively "Losses"), arising out of or based upon (i) any misstatement in or omission from any representation or warranty, or any breach of covenant or agreement, in each case made or deemed made by the Company in any underwriting or similar agreement entered into by the Company in connection with any Registration Statement, (ii) any violation by the Company of the Securities Act or any state securities or "blue sky" laws, rules or regulations, in either case in connection with any Registration Statement, (iii) any untrue or alleged untrue statement of a material fact contained in any Registration Statement under which such Registrable Securities were registered under the Securities Act (including any final, preliminary or summary Prospectus contained therein or any amendment thereof or supplement thereto or any documents incorporated by reference therein) or (iv) any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein (in the case of a Prospectus or preliminary Prospectus, in light of the circumstances under which they were made) not misleading; *provided*, *however*, that the Company shall not be liable to indemnify an Indemnified Person to the extent that any such Loss arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in any such Registration Statement in reliance upon and in conformity with written information furnished to the Company by such Holder expressly for use in the preparation thereof or arises out of or is based upon such Holder's failure to deliver a copy of the Prospectus or any amendments or supplements thereto to a purchaser (if so required) after the Company has furnished such Holder with a copy of the same. This indemnity shall be in addition to any liability the Company may otherwise have. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of such Holder or any Indemnified Person and shall survive the transfer of such securities by such Holder. The Company will also indemnify, if the offering is an Underwritten Offering (including a Shelf Underwritten Offering) and if requested, underwriters participating in any distribution pursuant to this Agreement, their officers, directors and partners, and each Person who controls such Persons (within the meaning of the Securities Act and the Exchange Act) to the same extent as provided above (with appropriate modifications) with respect to the indemnification of each Holder.

(b) Indemnification by the Holders. Each selling Holder of Registrable Securities agrees (severally and not jointly) to indemnify and hold harmless, to the full extent permitted by law, the Company, its directors, officers and partners, and each Person who controls the Company (within the meaning of the Securities Act and the Exchange Act), and each other selling Holder of Registrable Securities, their respective officers, directors and partners, and each Person who controls (within the meaning of the Securities Act or the Exchange Act) such Person, from and against any Losses resulting from (i) any untrue or allegedly untrue statement of a material fact or any omission or alleged omission of a material fact required to be stated in the Registration Statement under which such Registrable Securities were registered under the Securities Act (including any final, preliminary or summary Prospectus contained therein or any amendment thereof or supplement thereto or any documents incorporated by reference therein), or necessary to make the statements therein (in the case of

a Prospectus or preliminary Prospectus, in light of the circumstances under which they were made) not misleading, to the extent, but only to the extent, that such untrue statement or omission had been contained in any information furnished in writing by such selling Holder to the Company expressly for inclusion in such Registration Statement, and (ii) any misstatement in or omission from any representation or warranty, or any breach of covenant or agreement, in each case made or deemed made by such Holder in any underwriting or similar agreement entered by into by such Holder in connection with the particular registration. Each Holder also shall indemnify any underwriters of the Registrable Securities, their officers, directors and partners, and each Person who controls such underwriters (within the meaning of the Securities Act) to the same extent as provided above with respect to the indemnification of the Company. The liability of any Holder for indemnification under this Section 2.7 in its capacity as a seller of Registrable Securities shall not exceed the lesser of (i) that proportion of the total of such losses, claims, damages, expenses or liabilities indemnified against equal to the proportion of the total securities sold under such registration statement held by such Investor, and (ii) the amount equal to the net proceeds to such Holder of the securities sold in any such registration; provided that no selling holder shall be required to indemnify any Person against any Losses arising from any untrue statement or alleged untrue statement of a material fact contained in, or omission or alleged omission of a material fact from, a preliminary Prospectus (or necessary to make the statements therein not misleading) that has been corrected in the form of Prospectus included in the Registration Statement at the time it becomes effective, or any amendment or supplement thereto filed with the SEC pursuant to Rule 424(b) under the Securities Act prior to the time of sale of Registrable Securities that gives rise to such Losses.

(c) Indemnification by Securities Industry Professionals. The Company shall use commercially reasonable efforts to obtain the agreement of the underwriters, if any, participating in a particular Underwritten Offering (including a Shelf Underwritten Offering), to provide indemnities for the benefit of the Company and the Holders of Registrable Securities participating in the distribution, to the same extent as provided in Section 2.7(b) (with appropriate modification) with respect to information so furnished in writing by such underwriters specifically for inclusion in any Prospectus or Registration Statement.

(d) Conduct of Indemnification Proceedings. Any Person entitled to indemnification hereunder will (i) give prompt written notice to the indemnifying party of any claim with respect to which it seeks indemnification (provided, that any delay or failure to so notify the indemnifying party shall relieve the indemnifying party of its obligations hereunder only to the extent, if at all, that it is actually and materially prejudiced by reason of such delay or failure) and (ii) permit such indemnifying party to assume the defense of such claim with counsel reasonably satisfactory to the Indemnified Person; *provided*, that any Person entitled to indemnification hereunder shall have the right to select and employ separate counsel and to participate in the defense of such claim, but the fees and expenses of such counsel shall be at the expense of such Person unless (A) the indemnifying party has agreed in writing to pay such fees or expenses, (B) the indemnifying party shall have failed to assume the defense of such claim within a reasonable time after having received notice of such claim from the Person entitled to indemnification hereunder and to employ counsel reasonably satisfactory to such Person, (C) in the reasonable judgment of any such Person, based upon advice of its counsel, a conflict of interest exists or may potentially exist between such Person and the indemnifying party with respect to such claims or (D) the Indemnified Person has reasonably concluded (based on advice of counsel) that there may be legal defenses available to it or other indemnified parties that are different from or in addition to those available to the indemnifying party (in the case of (B), (C) and (D), if the Person notifies the indemnifying party in writing that such Person elects to employ separate counsel at the expense of the indemnifying party, the indemnifying party shall not have the right to assume the defense of such claim on behalf of such Person). If such defense is not assumed by the indemnifying party, the indemnifying party will not be subject to any liability for any settlement made without its consent, but such consent may not be unreasonably withheld; *provided*, that an indemnifying party may withhold its consent to any settlement involving the

imposition of equitable remedies or involving the imposition of any material obligations on such indemnifying party other than financial obligations for which such Indemnified Person will be indemnified hereunder. No indemnifying party shall consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to each Indemnified Person of an unconditional release from all liability in respect to such claim or litigation. The indemnifying party or parties shall not, in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the reasonable fees, disbursements and other charges of more than one separate firm (together with one firm of local counsel) at any one time for all Indemnified Parties unless (*x*) the employment of more than one counsel has been authorized in writing by the indemnifying party or parties, (*y*) a conflict or potential conflict exists or may exist (based on advice of counsel to an Indemnified Person) between such Indemnified Person and the other Indemnified Parties or (*z*) an Indemnified Person has reasonably concluded (based on advice of counsel) that there may be legal defenses available to it that are different from or in addition to those available to the other Indemnified Parties, in each of which cases the indemnifying party shall be obligated to pay the reasonable fees and expenses of such additional counsel or counsels.

(e) Contribution. If for any reason the indemnification provided for in Section 2.7(a) and Section 2.7(b) is unavailable to an Indemnified Person or insufficient to hold it harmless as contemplated by Section 2.7(a) and Section 2.7(b), then the indemnifying party shall contribute to the amount paid or payable by the Indemnified Person as a result of such Loss in such proportion as is appropriate to reflect the relative fault of the indemnifying party on the one hand and the Indemnified Person on the other. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the indemnifying party or the Indemnified Person and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such untrue statement or omission. Notwithstanding anything in this Section 2.7(e) to the contrary, no indemnifying party (other than the Company) shall be required pursuant to this Section 2.7(e) to contribute any amount in excess of the amount by which the net proceeds received by such indemnifying party from the sale of Registrable Securities in the offering to which the Losses of the Indemnified Parties relate exceeds the amount of any damages which such indemnifying party has otherwise been required to pay by reason of such untrue statement or omission. The parties to this Agreement agree that it would not be just and equitable if contribution pursuant to this Section 2.7(e) were determined by pro rata allocation or by any other method of allocation that does not take account of the equitable considerations referred to in this Section 2.7(e). No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation.

Section 2.8 Rules 144 and 144A. The Company covenants that, from and after the time it becomes subject to the periodic reporting requirements of the Exchange Act, it will file the reports required to be filed by it under the Securities Act and the Exchange Act and the rules and regulations adopted by the SEC thereunder (or, if the Company thereafter is no longer required to file such reports, it will, upon the request of any Holder of Registrable Securities, make publicly available other information so long as necessary to permit sales pursuant to Rule 144 and 144A under the Securities Act), and it will take such further action as any Holder of Registrable Securities may reasonably request, all to the extent required from time to time to enable such Holder to sell Registrable Securities without registration under the Securities Act within the limitation of the exemptions provided by (i) Rule 144 or 144A or Regulation S under the Securities Act, as such Rules may be amended from time to time, or (ii) any similar rule or regulation hereafter adopted by the SEC. Upon the request of any Holder of Registrable Securities, the Company will deliver to such Holder a written statement as to whether it has complied with such requirements and, if not, the specifics thereof.

Section 2.9 Holdback. The parties acknowledge that they are parties to the Stockholders Agreement which contains restrictions on the sale of securities during specified periods of time in connection with the Company's filing of a Registration Statement.

Section 2.10 Canadian Registration. If, after the 180th day following the date of the final prospectus relating to the initial public offering of the Company's Common Stock, the Company files a prospectus with any Canadian provincial securities commission from time to time, the Company will use its best efforts to facilitate and enable the Holders to make a secondary offering of Registrable Securities in Canada to the fullest extent permitted by applicable securities laws, subject to the approval by the underwriters or agents involved in the offering and the applicable securities regulators.

ARTICLE 3
MISCELLANEOUS

Section 3.1 Injunctive Relief. It is hereby agreed and acknowledged that it will be impossible to measure in money the damages that would be suffered if the parties fail to comply with any of the obligations herein imposed on them and that in the event of any such failure, an aggrieved Person will be irreparably damaged and will not have an adequate remedy at law. Any such Person shall, therefore, be entitled (in addition to any other remedy to which it may be entitled in law or in equity) to injunctive relief, including specific performance, to enforce such obligations, without the requirement that a bond be posted and, if any action should be brought in equity to enforce any of the provisions of this Agreement, none of the parties to this Agreement shall raise the defense that there is an adequate remedy at law. Notwithstanding the foregoing, no Holder shall have any right to obtain or seek an injunction restraining or otherwise delaying any registration pursuant to this Agreement as the result of any controversy that might arise with respect to the interpretation or implementation of Section 2 hereof.

Section 3.2 Notices. All notices or other communications which are required or permitted hereunder shall be in writing and sufficient if delivered by hand, by facsimile transmission, by registered or certified mail, postage pre-paid, or by courier or overnight carrier, to the Persons at the addresses set forth in Schedule A and Schedule B in the case of a Holder and to the address set forth below in the case of the Company (or at such other address as may be provided hereunder), and shall be deemed to have been delivered (a) on the date of delivery if delivered personally, or by telecopy or facsimile, upon confirmation of receipt, (b) on the first Business Day following the date of dispatch if delivered by a recognized next-day courier service, or (c) on the fifth Business Day following the date of mailing if delivered by registered or certified mail return receipt requested, postage prepaid:

if to the Company to:

Lululemon Corp.
2285 Clark Drive
Vancouver, BC Canada
V5N 3G9
Facsimile:
Attention: Chief Executive Officer

with copies to:

Advent International Corporation
75 State Street
Boston, MA 02109
Facsimile: (617) 951-0568
Attention: Steven J. Collins

and

Pepper Hamilton LLP
3000 Two Logan Square
Eighteenth & Arch Streets
Philadelphia, PA 19103
Facsimile: (215) 981-4750
Attention: Robert A. Friedel

Section 3.3 Successors, Assigns and Transferees.

(a) The registration rights of any Holder under this Agreement with respect to any Registrable Securities may be transferred and assigned; *provided*, that no such assignment shall be binding upon or obligate the Company to any such transferee or assignee unless and until the Company shall have received notice of such assignment as herein provided and a written agreement of the assignee to be bound by the provisions of this Agreement by executing a Counterpart Signature Page; and provided further that the registration rights of any Holder under this Agreement may not be transferred or assigned to any employee or former employee of the Company or any of its subsidiaries. Any transfer or assignment made other than as provided in the first sentence of this Section 3.3(a) shall be null and void.

(b) Schedule A and Schedule B shall be deemed to be amended to add any party delivering a Counterpart Signature Page pursuant to this Section 3.3(a).

(c) This Agreement shall be binding upon and shall inure to the benefit of the parties to this Agreement, and their respective successors and permitted assigns.

Section 3.4 Choice of Law; Jurisdiction; Venue; WAIVER OF JURY TRIAL.

(a) This Agreement shall be construed and enforced in accordance with the laws of the State of Delaware without regard to the application of the principles of conflicts or choice of laws.

(b) Each of the parties hereto hereby submit to the exclusive jurisdiction of the federal or state courts of the State of Delaware with respect to any action or legal proceeding commenced by either of them with respect to this Agreement. Each of them irrevocably waives any objection they now have or hereafter may have respecting the venue of any such action or proceeding brought in such a court or respecting the fact that such court is an inconvenient forum and consents to the service of process in any such action or proceeding by means of registered or certified mail, return receipt requested, in care of the address set forth herein or at such other address as either of them shall furnish in writing to the other.

(c) THE PARTIES HERETO EACH HEREBY WAIVE TRIAL BY JURY IN ANY ACTION OR PROCEEDING INVOLVING ANY MATTER (WHETHER SOUNDING IN

TORT, CONTRACT, FRAUD OR OTHERWISE) IN ANY WAY ARISING OUT OF OR RELATING TO THIS AGREEMENT.

Section 3.5 Severability. Whenever possible, each provision or portion of any provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law but if any provision or portion of any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or portion of any provision in such jurisdiction, and this agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision or portion of any provision had never been contained therein.

Section 3.6 Amendment; Waiver.

(a) This Agreement may not be amended or modified and waivers and consents to departures from the provisions hereof (each, an "Amendment") may not be given, except by an instrument or instruments in writing making specific reference to this Agreement and signed by the Company and the Holders of Registrable Securities representing at least a majority of the aggregate Registrable Securities held by the Holders; *provided*, *however*, that any Amendment that treats any Holder in a series or class of stock (the "Adversely Affected Holder") in a manner which is disproportionate and adverse relative to its treatment of the other Holders in such series or class of stock shall require the consent of the Adversely Affected Holder. For purposes of the foregoing sentence, the A Holders shall be considered a "group of Holders" and the B Holders shall be considered a "group of Holders." Each Holder of any Registrable Securities at the time or thereafter outstanding shall be bound by any Amendment authorized by this Section 3.6(a). For purposes of this Section 3.6(a), determinations of whether an Amendment disproportionately effects any Holder or group of Holders, or whether the Amendment provides a disproportionate benefit to any Holder or group of Holders, shall be based on such Holder's (or group's) contractual rights as of the time of the Amendment.

(b) The waiver by any party to this Agreement of a breach of any provision of this Agreement shall not operate or be construed as a further or continuing waiver of such breach or as a waiver of any other or subsequent breach. Except as otherwise expressly provided herein, no failure on the part of any party to exercise, and no delay in exercising, any right, power or remedy hereunder, or otherwise available in respect hereof at law or in equity, shall operate as a waiver thereof, nor shall any single or partial exercise of such right, power or remedy by such party preclude any other or further exercise thereof or the exercise of any other right, power or remedy.

Section 3.7 Counterparts; Facsimile Signatures. This Agreement may be executed in any number of separate counterparts and by the parties to this Agreement in separate counterparts each of which when so executed, including by facsimile signature, shall be deemed to be an original and all of which together shall constitute one and the same agreement.

Section 3.8 Entire Agreement. This Agreement constitutes the entire agreement and understanding between the parties hereto and supersedes any and all prior agreements and understandings, written or oral, relating to the subject matter of this Agreement.

[*Signature Page Follows*]

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed as of the date first written above.

LULULEMON CORP.

By: /s/ Robert Meers
Name: Robert Meers
Title: Chief Executive Officer

A HOLDERS:

ADVENT INTERNATIONAL GPE V LIMITED PARTNERSHIP
ADVENT INTERNATIONAL GPE V-A LIMITED PARTNERSHIP
ADVENT INTERNATIONAL GPE V-B LIMITED PARTNERSHIP
ADVENT INTERNATIONAL GPE V-G LIMITED PARTNERSHIP
ADVENT INTERNATIONAL GPE V-I LIMITED PARTNERSHIP

By: GPE V GP Limited Partnership, General Partner

By: Advent International LLC, General Partner

By: Advent International Corporation, Manager

By: /s/ Steven J. Collins
Name: Steven J. Collins
Title: Vice President

ADVENT PARTNERS III LIMITED PARTNERSHIP
ADVENT PARTNERS GPE V LIMITED PARTNERSHIP
ADVENT PARTNERS GPE V-A LIMITED PARTNERSHIP
ADVENT PARTNERS GPE V-B LIMITED PARTNERSHIP

By: Advent International LLC, General Partner

By: Advent International Corporation, Manager

By: /s/ Steven J. Collins
Name: Steven J. Collins
Title: Vice President

BROOKE PRIVATE EQUITY ADVISORS FUND I-A, L.P.

By: Brooke Private Equity Advisors, L.P., its General Partner

By: Brooke Private Equity Management LLC, its General Partner

By: /s/ John Brooke
Name: John Brooke
Title: Manager

BROOKE PRIVATE EQUITY ADVISORS FUND I (D), L.P.

By: Brooke Private Equity Advisors, L.P., its General Partner

By: Brooke Private Equity Management LLC, its General Partner

By: /s/ John Brooke
Name: John Brooke
Title: Manager

HIGHLAND CAPITAL PARTNERS VI LIMITED PARTNERSHIP

By: Highland Management Partners VI Limited Partnership, its General Partner

By: Highland Management Partners VI, Inc., its General Partner

By: /s/ Paul E. Maeder
Authorized Officer

HIGHLAND CAPITAL PARTNERS VI-B LIMITED PARTNERSHIP

By: Highland Management Partners VI Limited Partnership, its General Partner

By: Highland Management Partners VI, Inc., its General Partner

By: /s/ Paul E. Maeder
Authorized Officer

HIGHLAND ENTREPRENEURS' FUND VI LIMITED PARTNERSHIP

By: HEF VI Limited Partnership, its General Partner

By: Highland Management Partners VI, Inc., its General Partner

By: /s/ Paul E. Maeder
Authorized Officer

/s/ Susanne Conrad
Susanne Conrad

/s/ R. Brad Martin
R. Brad Martin

/s/ Rhoda Pitcher
Rhoda Pitcher

B HOLDERS:

DENNIS WILSON

By: /s/ Dennis Wilson
Name: Dennis Wilson
Title: Authorized Signatory

FIVE BOYS INVESTMENT, ULC

By: /s/ Dennis Wilson
Name:
Title: Authorized Signatory

OYOYO HOLDINGS, INC.

By: /s/ Dennis Wilson
Name:
Title: Authorized Signatory

LIPO INVESTMENTS (USA) INC.

By: /s/ Dennis Wilson
Name: Dennis Wilson
Title: Authorized Signatory

SLINKY FINANCIAL ULC

By: /s/ Dennis Wilson
Name: Dennis Wilson
Title: Authorized Signatory

SCHEDULE A
A Holders

Name of Stockholder	Address for Notice
Advent International GPE V Limited Partnership Advent International GPE V-A Limited Partnership Advent International GPE V-B Limited Partnership Advent International GPE V-G Limited Partnership Advent International GPE V-I Limited Partnership Advent Partners III Limited Partnership Advent Partners GPE V Limited Partnership Advent Partners GPE V-A Limited Partnership Advent Partners GPE V-B Limited Partnership	c/o Advent International Corporation 75 State Street Boston, MA 02109 Facsimile: (617) 951-0568 Attention: Steven J. Collins with a copy to: Pepper Hamilton LLP 3000 Two Logan Square Eighteenth & Arch Streets Philadelphia, PA 19103 Facsimile: (215) 981-4750 Attention: Robert A. Friedel
Brooke Private Equity Advisors Fund I-A, L.P. Brooke Private Equity Advisors Fund I (D), L.P.	c/o Brooke Private Equity Advisors 84 State Street, Suite 320 Boston, MA 02109 Attention: Charlie Bridge Facsimile Number: (617) 227-4128 with a copy to: c/o Brooke Private Equity Advisors 84 State Street, Suite 320 Boston, MA 02109 Attention: John Brooke Facsimile Number: (617) 227-4128
Highland Capital Partners VI Limited Partnership Highland Capital Partners VI-B Limited Partnership Highland Entrepreneurs' Fund VI Limited Partnership	c/o Highland Capital Partners, Inc. 92 Hayden Avenue Lexington, Massachusetts 02421 Facsimile: (781) 861-5499 Attention: Kathleen A. Barry, Chief Financial Officer with a copy to: Goodwin Procter LLP 53 State Street Boston MA 02109 Facsimile Number: (617) 523-1231 Attention: William J. Schnoor, Jr.
Susanne Conrad	1312 Cedar St Santa Monica, CA 90405 Facsimile Number:___

Name of Stockholder	Address for Notice
R. Brad Martin	c/o RBM Venture Co. 1025 Cherry Rd. Memphis, TN 38117 Facsimile Number:___
Rhoda Pitcher	8610 NE 23rd PL Clyde Hill WA 98004 Facsimile Number: ___

SCHEDULE B
B Holders

Name of Stockholder	Address for Notice
Dennis Wilson	#2 — 2108 West 4th Avenue Vancouver, BC, V6K 1N6 Attention: Dennis Wilson Facsimile Number: (604) 737-7267 with a copy to: McCullough O'Connor Irwin LLP #1100 888 Dunsmuir St. Vancouver, BC V6C 3K4 Facsimile: (604) 687-7099 Attention: Jonathan McCullough
Five Boys Investment ULC	#2 — 2108 West 4th Avenue Vancouver, BC, V6K 1N6 Attention: Dennis Wilson Facsimile Number: (604) 737-7267 with a copy to: McCullough O'Connor Irwin LLP #1100 888 Dunsmuir St. Vancouver, BC V6C 3K4 Facsimile: (604) 687-7099 Attention: Jonathan McCullough
Oyoyo Holdings, Inc.	#2 — 2108 West 4th Avenue Vancouver, BC, V6K 1N6 Attention: Dennis Wilson Facsimile Number: (604) 737-7267 with a copy to: McCullough O'Connor Irwin LLP #1100 888 Dunsmuir St. Vancouver, BC V6C 3K4 Facsimile: (604) 687-7099 Attention: Jonathan McCullough

Name of Stockholder	Address for Notice
LIPO Investments (USA) Inc.	#2 — 2108 West 4th Avenue Vancouver, BC, V6K 1N6 Attention: Dennis Wilson Facsimile Number: (604) 737-7267 with a copy to: McCullough O'Connor Irwin LLP #1100 888 Dunsmuir St. Vancouver, BC V6C 3K4 Facsimile: (604) 687-7099 Attention: Jonathan McCullough
Slinky Financial ULC	#2 — 2108 West 4th Avenue Vancouver, BC, V6K 1N6 Attention: Dennis Wilson Facsimile Number: (604) 737-7267 with a copy to: McCullough O'Connor Irwin LLP #1100 888 Dunsmuir St. Vancouver, BC V6C 3K4 Facsimile: (604) 687-7099 Attention: Jonathan McCullough

Exhibit 10.5

EXCHANGE TRUST AGREEMENT

Between:

LULULEMON ATHLETICA INC.

- and -

LULU CANADIAN HOLDING INC.

- and -

COMPUTERSHARE TRUST COMPANY OF CANADA

July 26, 2007

TABLE OF CONTENTS

EXCHANGE TRUST AGREEMENT

MEMORANDUM OF AGREEMENT made as of the 26th day of July, 2007.

AMONG:

LULULEMON ATHLETICA INC., a corporation existing under the laws of the State of Delaware

("**Lululemon**"),

AND:

LULU CANADIAN HOLDING INC., a company existing under the laws of British Columbia

("**Exchangeco**"),

AND:

COMPUTERSHARE TRUST COMPANY OF CANADA, a trust company incorporated under the laws of Canada

("**Trustee**").

WHEREAS in connection with an arrangement agreement (the "**Arrangement Agreement**") dated as of April 26, 2007 among Lululemon, Lululemon Callco ULC ("**Callco**"), Exchangeco, LIPO Investments (USA), Inc. and LIPO Investments (Canada) Inc. ("**LIPO Canada**"), Exchangeco is to issue Exchangeable Shares to holders of common shares of LIPO Canada pursuant to the Arrangement contemplated in the Arrangement Agreement;

AND WHEREAS pursuant to the Arrangement Agreement, Lululemon, Exchangeco and Callco have agreed to execute an exchange trust agreement substantially in the form of this Agreement;

NOW THEREFORE in consideration of the respective covenants and agreements provided in this Agreement and for other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the parties hereto covenant and agree as follows:

ARTICLE 1
DEFINITIONS

1.1 Definitions

In this Agreement, the following terms shall have the following meanings:

"**Agreement**" means this Exchange Trust Agreement as it may be amended or supplemented from time to time;

"**Arrangement**" means an arrangement under Part 9, Division 5 of the BCA on the terms and subject to the conditions set out in the Plan of Arrangement, to which plan these share provisions are attached as Appendix 1, subject to any amendments or variations thereto made in accordance with Article 6 of the Arrangement Agreement or Article 6 of the Plan of Arrangement or made at the direction of the Court in the Final Order;

"**Arrangement Agreement**" means the arrangement agreement made as of the 26th day of April, 2007 among Lululemon, Callco, Exchangeco, LIPO Investments (USA), Inc. and LIPO Investments (Canada), Inc., as amended, supplemented and/or restated in accordance therewith prior to the Effective Date, providing for, among other things, the Arrangement;

"**Automatic Exchange Rights**" means the benefit of the obligation of Lululemon, to effect the automatic exchange of Exchangeable Shares for Lululemon Common Shares pursuant to Section 3.12;

"**BCA**" means the *Business Corporations Act* (British Columbia), as amended;

"**Beneficiaries**" means the registered holders from time to time of Exchangeable Shares, other than Lululemon and its subsidiaries;

"**Board of Directors**" means the board of directors of Exchangeco;

"**Business Day**" means any day on which commercial banks are generally open for business in Vancouver, British Columbia, other than a Saturday, a Sunday or a day observed as a holiday in Vancouver, British Columbia under the laws of the Province of British Columbia;

"**Canadian Dollar Equivalent**" means, in respect of an amount expressed in a currency other than Canadian dollars (the "**Foreign Currency Amount**") at any date, the product obtained by multiplying (a) the Foreign Currency Amount by (b) the noon spot exchange rate on such date for such foreign currency expressed in Canadian dollars as reported by the Bank of Canada or, in the event such spot exchange rate is not available, such exchange rate on such date for such foreign currency expressed in Canadian dollars as may be deemed by the Board of Directors to be appropriate for such purpose;

"**Court**" means the Supreme Court of British Columbia;

"**Current Market Price**" means, in respect of a Lululemon Common Share on any date, the Canadian Dollar Equivalent of the average of the closing bid and asked prices of the Lululemon Common Shares during a period of 20 consecutive trading days ending not more than three trading days before such date on the NASDAQ, or, if the Lululemon Common Shares are not then listed on the NASDAQ, on such other stock exchange or automated quotation system on which the Lululemon Common Shares are listed or quoted, as the case may be, as may be selected by the Board of Directors for such purpose; provided however, that if in the opinion of the Board of Directors the public distribution or trading activity of the Lululemon Common Shares during such period does not create a market which reflects the fair market value of a Lululemon Common Share, then the Current Market Price of a Lululemon Common Share shall be determined by the Board of Directors, in good faith and in its sole discretion, and provided

further that any such selection, opinion or determination by the Board of Directors shall be conclusive and binding;

"**Effective Date**" means the date following the grant of the Final Order on which the parties to the Arrangement Agreement that the conditions set forth in Article 5 of the Arrangement Agreement have been satisfied or waived (or on such other date as the parties may agree);

"**Effective Time**" means the time on the Effective Date at which the Arrangement becomes effective;

"**Exchange Right**" has the meaning assigned in Section 3.1;

"**Exchangeable Share**" means a share in the class of non-voting exchangeable shares in the capital of Exchangeco;

"**Exchangeable Share Provisions**" means the rights, privileges, restrictions and conditions attaching to the Exchangeable Shares, which rights, privileges, restrictions and conditions shall be substantially in the form and content as set out in Appendix 1 of the Plan of Arrangement;

"**Final Order**" means the order of the Court approving the Plan of Arrangement, granted pursuant to section 291(4) of the BCA, as such order may be amended at any time prior to the Effective Date or, if appealed, then, unless such appeal is withdrawn or denied, as affirmed;

"**Indemnified Parties**" has the meaning assigned in Section 6.1;

"**Insolvency Event**" means the institution by Exchangeco of any proceeding to be adjudicated a bankrupt or insolvent or to be wound up, or the consent of Exchangeco to the institution of bankruptcy, insolvency or winding-up proceedings against it, or the filing of a petition, answer or consent seeking dissolution or winding-up under any bankruptcy, insolvency or analogous laws, including without limitation the *Companies Creditors' Arrangement Act* (Canada) and the *Bankruptcy and Insolvency Act* (Canada), and the failure by Exchangeco to contest in good faith any such proceedings commenced in respect of Exchangeco within 30 days of becoming aware thereof, or the consent by Exchangeco to the filing of any such petition or to the appointment of a receiver, or the making by Exchangeco of a general assignment for the benefit of creditors, or the admission in writing by Exchangeco of its inability to pay its debts generally as they become due, or Exchangeco not being permitted, pursuant to solvency requirements of applicable law, to redeem any Retracted Shares pursuant to Section 6.6 of the Exchangeable Share Provisions;

"**Liquidation Call Right**" has the meaning assigned in the Plan of Arrangement;

"**Liquidation Event**" has the meaning assigned in Section 3.12(b);

"**Liquidation Event Effective Date**" has the meaning assigned in Section 3.12(c);

"**Lululemon Common Share**" means a share of common stock, par value U.S. $0.01, in the capital of Lululemon and any other securities into which such share may be changed;

"**Lululemon Successor**" has the meaning assigned in Section 8.1(a);

"**NASDAQ**" means the NASDAQ Global Market;

"**Officer's Certificate**" means, with respect to Lululemon or Exchangeco, as the case may be, a certificate signed by any officer or director of Lululemon or Exchangeco, as the case may be;

"**Person**" includes any individual, firm, partnership, joint venture, venture capital fund, association, trust, trustee, executor, administrator, legal personal representative, estate, group, body corporate, corporation, company, unincorporated association or organization, government body, syndicate or other entity, whether or not having legal status;

"**Plan of Arrangement**" means the plan of arrangement substantially in the form and content of Exhibit B to the Arrangement Agreement and any amendments or variations thereto made in accordance with Article 6 of the Arrangement Agreement or Article 6 of the Plan of Arrangement or made at the direction of the Court in the Final Order;

"**Redemption Call Right**" has the meaning assigned in the Plan of Arrangement;

"**Reorganization Agreement"** means the Agreement and Plan of Reorganization dated as of the 26th day of April, 2007 by and among Lululemon, Lululemon Athletica USA, Inc., Lululemon Athletica Inc., LIPO Investments (USA), Inc., LIPO Investments (Canada), Inc., Callco, Exchangeco and certain other parties;

"**Retracted Shares**" has the meaning assigned in Section 3.7;

"**Retraction Call Right**" has the meaning assigned in the Exchangeable Share Provisions;

"**subsidiary**" means, with respect to a specified body corporate, any body corporate of which more than 50% of the outstanding shares ordinarily entitled to elect a majority of the board of directors thereof (whether or not shares of any other class or classes shall or might be entitled to vote upon the happening of any event or contingency) are at the time owned directly or indirectly by such specified body corporate and shall include any body corporate, partnership, joint venture or other entity over which it exercises direction or control or which is in a like relation to a subsidiary;

"**Support Agreement**" means the Support Agreement to be made among Lululemon, Callco and Exchangeco, which shall be substantially in the form and content of Exhibit D to the Reorganization Agreement, with such changes thereto as the parties thereto, acting reasonably, may approve, in accordance with the terms thereof;

"**Trust**" means the trust created by this Agreement;

"**Trust Estate**" means any securities, the Exchange Right, the Automatic Exchange Rights and any money or other property which may be held by the Trustee from time to time pursuant to this Agreement;

"**Trustee**" means Computershare Trust Company of Canada and, subject to the provisions of Article 7, includes any successor trustee.

ARTICLE 2
PURPOSE OF AGREEMENT

2.1 Establishment of Trust

The purpose of this Agreement is to create the Trust for the benefit of the Beneficiaries, as herein provided. The Trustee will hold the Exchange Right and the Automatic Exchange Rights in order to enable the Trustee to exercise such rights, in each case as trustee for and on behalf of the Beneficiaries as provided in this Agreement.

ARTICLE 3
EXCHANGE RIGHT AND AUTOMATIC EXCHANGE

3.1 Grant and Exercise of the Exchange Right

Lululemon hereby grants to the Trustee as trustee for and on behalf of, and for the use and benefit of, the Beneficiaries the right (the "**Exchange Right**"), upon the occurrence and during the continuance of an Insolvency Event, to require Lululemon to purchase from each or any Beneficiary all or any part of the Exchangeable Shares held by the Beneficiary and the Automatic Exchange Rights, all in accordance with the provisions of this Agreement. Lululemon hereby acknowledges receipt from the Trustee as trustee for and on behalf of the Beneficiaries of good and valuable consideration (and the adequacy thereof) for the grant of the Exchange Right and the Automatic Exchange Rights by Lululemon to the Trustee. During the term of the Trust and subject to the terms and conditions of this Agreement, the Trustee shall possess and be vested with all rights in respect of the Exchange Right and the Automatic Exchange Rights and shall be entitled to exercise all of the rights and powers of an owner with respect to the Exchange Right and the Automatic Exchange Rights, provided that the Trustee shall:

(a) hold the Exchange Right and the Automatic Exchange Rights and the legal title thereto as trustee solely for the use and benefit of the Beneficiaries in accordance with the provisions of this Agreement; and

(b) except as specifically authorized by this Agreement, have no power or authority to exercise or otherwise deal in or with the Exchange Right or the Automatic Exchange Rights, and the Trustee shall not exercise any such rights for any purpose other than the purposes for which the Trust is created pursuant to this Agreement.

3.2 Legended Share Certificates

Exchangeco will cause each certificate issued representing Exchangeable Shares to bear an appropriate legend notifying the Beneficiaries of:

(a) their right to instruct the Trustee with respect to the exercise of the Exchange Right in respect of the Exchangeable Shares held by a Beneficiary; and

(b) the Automatic Exchange Rights.

3.3 General Exercise of Exchange Right

The Exchange Right shall be and remain vested in and exercisable by the Trustee. Subject to Section 4.15, the Trustee shall exercise the Exchange Right only on the basis of instructions received pursuant to this Article 3 from Beneficiaries entitled to instruct the Trustee as to the exercise thereof. To the extent that no instructions are received from a Beneficiary with respect to the Exchange Right, the Trustee shall not exercise or permit the exercise of the Exchange Right.

3.4 Purchase Price

The purchase price payable by Lululemon for each Exchangeable Share to be purchased by Lululemon under the Exchange Right shall be an amount per Exchangeable Share equal to (a) the Current Market Price of a Lululemon Common Share on the last Business Day prior to the day of closing of the purchase and sale of such Exchangeable Share under the Exchange Right, which shall be satisfied in full by Lululemon causing to be sent to such holder one Lululemon Common Share, plus (b) to the extent not paid by Exchangeco on the designated payment date therefor, an additional amount equal to and in satisfaction of the full amount of all declared and unpaid dividends on each such Exchangeable Share held by such holder on any dividend record date which occurred prior to the closing of the purchase and sale. In connection with each exercise of the Exchange Right, Lululemon shall provide to the Trustee an Officer's Certificate setting forth the calculation of the purchase price for each Exchangeable Share. The purchase price for each such Exchangeable Share so purchased may be satisfied only by Lululemon delivering or causing to be delivered to the Trustee, on behalf of the relevant Beneficiary, one Lululemon Common Share and on the applicable payment date a cheque for the balance, if any, of the purchase price without interest (but less any amounts withheld pursuant to Section 3.13). Upon payment by Lululemon of such purchase price, the relevant Beneficiary shall cease to have any right to be paid any amount in respect of declared and unpaid dividends on each such Exchangeable Share by Exchangeco.

3.5 Exercise Instructions

Subject to the terms and conditions herein set forth, a Beneficiary shall be entitled, upon the occurrence and during the continuance of an Insolvency Event, to instruct the Trustee to exercise the Exchange Right with respect to all or any part of the Exchangeable Shares registered in the name of such Beneficiary on the books of Exchangeco. To cause the exercise of the Exchange Right by the Trustee, the Beneficiary shall deliver to the Trustee, in person or by certified or registered mail, at its principal office in Calgary or at such other places in Canada as the Trustee may from time to time designate by written notice to the Beneficiaries, the certificates, if any, representing the Exchangeable Shares which such Beneficiary desires Lululemon to purchase, duly endorsed in blank for transfer, and accompanied by such other documents and instruments as may be required to effect a transfer of Exchangeable Shares and such additional documents and instruments as the Trustee, Exchangeco or Lululemon may reasonably require together with (a) a duly completed form of notice of exercise of the Exchange Right in form and substance satisfactory to the Trustee, Lululemon and Exchangeco, stating (i) that the Beneficiary thereby instructs the Trustee to exercise the Exchange Right so as to require Lululemon to purchase from the Beneficiary the number of Exchangeable Shares specified therein, (ii) that such Beneficiary

has good title to and owns all such Exchangeable Shares to be acquired by Lululemon, free and clear of all liens, claims and encumbrances, (iii) the names in which the Lululemon Common Shares issuable in connection with the exercise of the Exchange Right are to be issued and (iv) the names and addresses of the persons to whom such Lululemon Common Shares should be delivered and (b) payment (or evidence satisfactory to the Trustee, Exchangeco, and Lululemon of payment) of the taxes (if any) payable as contemplated by Section 3.8 of this Agreement. If only a part of the Exchangeable Shares are to be purchased by Lululemon under the Exchange Right, the balance of such Exchangeable Shares shall be issued to the holder at the expense of Exchangeco either by a new certificate or through the direct registration system.

3.6 Delivery of Lululemon Common Shares; Effect of Exercise

Promptly after the receipt of the notice of exercise of the Exchange Right, together with such documents and instruments of transfer required by Section 3.5 (and payment of taxes, if any payable as contemplated by Section 3.8 or evidence thereof), the Trustee shall notify Lululemon and Exchangeco of its receipt of the same, which notice to Lululemon and Exchangeco shall constitute exercise of the Exchange Right by the Trustee on behalf of the holder of such Exchangeable Shares, and Lululemon shall promptly thereafter deliver or cause to be delivered to the Trustee (which delivery may be in the form of a certificate or in book-entry form through the direct registration system), for delivery to the Beneficiary of such Exchangeable Shares (or to such other persons, if any, properly designated by such Beneficiary) the number of Lululemon Common Shares issuable in connection with the exercise of the Exchange Right, and on the applicable payment date cheques for the balance, if any, of the total purchase price therefor without interest (but less any amounts withheld pursuant to Section 3.13); provided, however, that no such delivery shall be made unless and until the Beneficiary requesting the same shall have paid (or provided evidence satisfactory to the Trustee, Exchangeco, and Lululemon of the payment of) the taxes (if any) payable as contemplated by Section 3.8 of this Agreement. Immediately upon the giving of notice by the Trustee to Lululemon and Exchangeco of the exercise of the Exchange Right as provided in this Section 3.6, the closing of the transaction of purchase and sale contemplated by the Exchange Right shall be deemed to have occurred and the holder of such Exchangeable Shares shall be deemed to have transferred to Lululemon, all of such holder's right, title and interest in and to such Exchangeable Shares and the related interest in the Trust Estate and shall cease to be a holder of such Exchangeable Shares and shall not be entitled to exercise any of the rights of a holder in respect thereof, other than the right to receive his proportionate part of the total purchase price therefor, unless the requisite number of Lululemon Common Shares is not allotted, issued and delivered by Lululemon, to the Trustee within five Business Days of the date of the giving of such notice by the Trustee or the balance of the purchase price, if any, is not paid by Lululemon, on the applicable payment date therefor, in which case the rights of the Beneficiary shall remain unaffected until such Lululemon Common Shares are so allotted, issued and delivered, and the balance of the purchase price, if any, has been paid, by Lululemon. Upon delivery by Lululemon to the Trustee of such Lululemon Common Shares, and the balance of the purchase price, if any, the Trustee shall deliver such Lululemon Common Shares to such Beneficiary (or to such other persons, if any, properly designated by such Beneficiary), either in the form of a certificate or in book-entry form through the direct registration system. Concurrently with such Beneficiary ceasing to be a holder of Exchangeable Shares, the Beneficiary shall be considered and deemed for all purposes to be the holder of the Lululemon Common Shares delivered to it pursuant to the Exchange Right.

3.7 Exercise of Exchange Right Subsequent to Retraction

In the event that a Beneficiary has exercised its right under Article 6 of the Exchangeable Share Provisions to require Exchangeco to redeem any or all of the Exchangeable Shares held by the Beneficiary (the "**Retracted Shares**") and is notified by Exchangeco pursuant to Section 6.6 of the Exchangeable Share Provisions that Exchangeco will not be permitted as a result of solvency requirements of applicable law to redeem all such Retracted Shares, and provided that Callco shall not have exercised the Retraction Call Right with respect to the Retracted Shares and that the Beneficiary has not revoked the retraction request delivered by the Beneficiary to Exchangeco pursuant to Section 6.1 of the Exchangeable Share Provisions and provided further that the Trustee has received written notice of same from Exchangeco or Lululemon (which, in such circumstances, Lululemon covenants to provide or cause to be provided to the Trustee), the retraction request will constitute and will be deemed to constitute notice from the Beneficiary to the Trustee instructing the Trustee to exercise the Exchange Right with respect to those Retracted Shares that Exchangeco is unable to redeem. In any such event, Exchangeco hereby agrees with the Trustee and in favour of the Beneficiary promptly to forward or cause to be forwarded to the Trustee all relevant materials delivered by the Beneficiary to Exchangeco or to the transfer agent of the Exchangeable Shares (including without limitation, a copy of the retraction request delivered pursuant to Section 6.1 of the Exchangeable Share Provisions) in connection with such proposed redemption of the Retracted Shares and the Trustee will thereupon exercise the Exchange Right with respect to the Retracted Shares that Exchangeco is not permitted to redeem and will require Lululemon to purchase such shares in accordance with the provisions of this Article 3.

3.8 Stamp or Other Transfer Taxes

Upon any sale of Exchangeable Shares to Lululemon pursuant to the Exchange Right or the Automatic Exchange Rights, the Lululemon Common Shares to be delivered in connection with the payment of the total purchase price therefor shall be issued in the name of the Beneficiary of the Exchangeable Shares so sold or in such names as such Beneficiary may otherwise direct in writing without charge to the holder of the Exchangeable Shares so sold; provided, however, that such Beneficiary (a) shall pay (and none of Lululemon, Exchangeco or the Trustee shall be required to pay) any documentary, stamp, transfer or other taxes that may be payable in respect of any transfer involved in the issuance or delivery of such shares to a person other than such Beneficiary or (b) shall have evidenced to the satisfaction of the Trustee, Lululemon and Exchangeco that such taxes, if any, have been paid.

3.9 Notice of Insolvency Event

As soon as practicable following the occurrence of an Insolvency Event or any event that with the giving of notice or the passage of time or both would be an Insolvency Event, Exchangeco and Lululemon shall give written notice thereof to the Trustee. As soon as practicable following the receipt of notice from Exchangeco and Lululemon of the occurrence of an Insolvency Event, or upon the Trustee becoming aware of an Insolvency Event, the Trustee will mail to each Beneficiary, at the expense of Lululemon (such funds to be received in advance), a notice of such Insolvency Event in the form provided by Lululemon, which notice shall contain a brief statement of the rights of the Beneficiaries with respect to the Exchange Right.

3.10 Qualification of Lululemon Common Shares

Lululemon covenants that if any Lululemon Common Shares (or other shares or securities into which Lululemon Common Shares may be reclassified or changed as contemplated by section 2.7 of the Support Agreement) to be issued and delivered pursuant to the Exchange Right or the Automatic Exchange Rights require registration or qualification with or approval of or the filing of any document, including any prospectus or similar document, or the taking of any proceeding with or the obtaining of any order, ruling or consent from any governmental or regulatory authority under any Canadian or United States federal, provincial or state law or regulation or pursuant to the rules and regulations of any regulatory authority or the fulfillment of any other Canadian or United States federal, provincial or state legal requirement before such shares may be issued and delivered by Lululemon, to the initial holder thereof or in order that such shares (or such other shares or securities) may be freely traded thereafter (other than any restrictions of general application on transfer by reason of a holder being a "control person" for purposes of Canadian provincial securities law or an "affiliate" of Lululemon for purposes of United States federal or state securities law), Lululemon will in good faith expeditiously take all such actions and do all such things as are necessary or desirable to cause such Lululemon Common Shares (or such other shares or securities) to be and remain duly registered, qualified or approved under United States or Canadian law, as the case may be; provided, however, that Lululemon's obligations in this Section 3.10 shall be limited to the obligations set forth in Section 6.4 of the Reorganization Agreement. Lululemon will in good faith expeditiously take all such actions and do all such things as are reasonably necessary or desirable to cause all Lululemon Common Shares (or such other shares or securities) to be delivered pursuant to the Exchange Right or the Automatic Exchange Rights to be listed, quoted or posted for trading on all stock exchanges and quotation systems on which outstanding Lululemon Common Shares (or such other shares or securities) have been listed by Lululemon and remain listed and are quoted or posted for trading at such time.

3.11 Lululemon Common Shares

Lululemon hereby represents, warrants and covenants that the Lululemon Common Shares issuable as described herein will be duly authorized and validly issued as fully paid and non-assessable and shall be free and clear of any lien, claim or encumbrance, other than those encumbrances placed by applicable securities law or otherwise contractually agreed to by the holder thereof.

3.12 Automatic Exchange on Liquidation of Lululemon

(a) Lululemon will give the Trustee written notice of each of the following events at the time set forth below:

(i) in the event of any determination by the board of directors of Lululemon to institute voluntary liquidation, dissolution or winding-up proceedings with respect to Lululemon or to effect any other distribution of assets of Lululemon among its shareholders for the purpose of winding up its affairs, at least 60 days prior to the proposed effective date of such liquidation, dissolution, winding-up or other distribution; and

(ii) as soon as practicable following the earlier of (A) receipt by Lululemon of notice of, and (B) Lululemon otherwise becoming aware of, any threatened or instituted claim, suit, petition or other proceedings with respect to the involuntary liquidation, dissolution or winding-up of Lululemon or to effect any other distribution of assets of Lululemon among its shareholders for the purpose of winding up its affairs, in each case where Lululemon has failed to contest in good faith any such proceeding commenced in respect of Lululemon within 30 days of becoming aware thereof.

(b) As soon as practicable following receipt by the Trustee from Lululemon of notice of any event (a "**Liquidation Event**") contemplated by Section 3.12(a)(i) or 3.12(a)(ii) above, the Trustee will give notice thereof to the Beneficiaries. Such notice shall be provided to the Trustee by Lululemon and shall include a brief description of the automatic exchange of Exchangeable Shares for Lululemon Common Shares provided for in Section 3.12(c).

(c) In order that the Beneficiaries will be able to participate on a *pro rata* basis with the holders of Lululemon Common Shares in the distribution of assets of Lululemon in connection with a Liquidation Event, on the fifth Business Day prior to the effective date (the "**Liquidation Event Effective Date**") of a Liquidation Event all of the then outstanding Exchangeable Shares shall be automatically exchanged for Lululemon Common Shares. To effect such automatic exchange, Lululemon shall purchase on the fifth Business Day prior to the Liquidation Event Effective Date each Exchangeable Share then outstanding and held by Beneficiaries, and each Beneficiary shall sell the Exchangeable Shares held by it at such time, for a purchase price per share equal to (i) the Current Market Price of a Lululemon Common Share on the fifth Business Day prior to the Liquidation Event Effective Date, which shall be satisfied in full by Lululemon issuing to the Beneficiary one Lululemon Common Share, and (ii) to the extent not paid by Exchangeco, an additional amount equal to and in satisfaction of the full amount of all declared and unpaid dividends on each such Exchangeable Share held by such holder on any dividend record date which occurred prior to the date of the exchange. Lululemon shall provide the Trustee with an Officer's Certificate in connection with each automatic exchange setting forth the calculation of the purchase price for each Exchangeable Share.

(d) On the fifth Business Day prior to the Liquidation Event Effective Date, the closing of the transaction of purchase and sale contemplated by the automatic exchange of Exchangeable Shares for Lululemon Common Shares shall be deemed to have occurred, and each Beneficiary shall be deemed to have transferred to Lululemon, all of the Beneficiary's right, title and interest in and to such Beneficiary's Exchangeable Shares and the related interest in the Trust Estate, any right of each such Beneficiary to receive declared and unpaid dividends from Exchangeco shall be deemed to be satisfied and discharged and each such Beneficiary shall cease to be a holder of such Exchangeable Shares and Lululemon shall deliver to the Beneficiary the Lululemon Common Shares

issuable upon the automatic exchange of Exchangeable Shares for Lululemon Common Shares and on the applicable payment date shall deliver to the Trustee for delivery to the Beneficiary a cheque for the balance, if any, of the total purchase price for such Exchangeable Shares without interest but less any amounts withheld pursuant to Section 3.13. Concurrently with such Beneficiary ceasing to be a holder of Exchangeable Shares, the Beneficiary shall be considered and deemed for all purposes to be the holder of the Lululemon Common Shares issued pursuant to the automatic exchange of Exchangeable Shares for Lululemon Common Shares and the certificates, if any, held by the Beneficiary previously representing the Exchangeable Shares exchanged by the Beneficiary with Lululemon pursuant to such automatic exchange shall thereafter be deemed to represent Lululemon Common Shares delivered to the Beneficiary by Lululemon pursuant to such automatic exchange. Upon the request of a Beneficiary and the surrender by the Beneficiary of Exchangeable Share certificates, if any, deemed to represent Lululemon Common Shares, duly endorsed in blank and accompanied by such instruments of transfer as Lululemon may reasonably require, Lululemon shall deliver or cause to be delivered to the Beneficiary the Lululemon Common Shares of which the Beneficiary is the holder (which delivery may be in the form of a certificate or, in whole or in part, in book entry form through the direct registration system).

3.13 Withholding Rights

Lululemon, Exchangeco and the Trustee shall be entitled to deduct and withhold from any dividend or any consideration otherwise payable under this Agreement to any holder of Exchangeable Shares or Lululemon Common Shares such amounts as Lululemon, Exchangeco or the Trustee is required or permitted to deduct and withhold with respect to such payment (i) under the *Income Tax Ac*t (Canada) (the "**ITA**"), the United States Internal Revenue Code of 1986 or any provision of provincial, state, local or foreign tax law, in each case as amended or succeeded or (ii) required or permitted in order to comply with section 116 of the ITA or any corresponding provisions of provincial laws. The Trustee may act on the advice of counsel with respect to such matters. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes as having been paid to the holder of the shares in respect of which such deduction and withholding was made, provided that such withheld amounts are actually remitted to the appropriate taxing authority. To the extent that the amount so required to be deducted or withheld from any payment to a holder exceeds the cash portion of the consideration otherwise payable to the holder, Lululemon, Exchangeco and the Trustee are hereby authorized to sell or otherwise dispose of such portion of the consideration as is necessary to provide sufficient funds to Lululemon, Exchangeco or the Trustee, as the case may be, to enable it to comply with such deduction or withholding requirement and Lululemon, Exchangeco or the Trustee shall notify the holder thereof and remit to such holder any unapplied balance of the net proceeds of such sale. Lululemon represents and warrants that, based upon facts currently known to it, it has no current intention, as at the date of this Agreement, to deduct or withhold from any dividend paid to holders of Exchangeable Shares any amounts under the United States Internal Revenue Code of 1986.

ARTICLE 4
CONCERNING THE TRUSTEE

4.1 Powers and Duties of the Trustee

The rights, powers, duties and authorities of the Trustee under this Agreement, in its capacity as Trustee of the Trust, shall include:

(a) receiving the grant of the Exchange Right and the Automatic Exchange Rights from Lululemon as Trustee for and on behalf of the Beneficiaries in accordance with the provisions of this Agreement;

(b) exercising the Exchange Right and enforcing the benefit of the Automatic Exchange Rights, in each case in accordance with the provisions of this Agreement, and in connection therewith receiving from Beneficiaries Exchangeable Shares and other requisite documents and distributing to such Beneficiaries Lululemon Common Shares and cheques, if any, to which such Beneficiaries are entitled upon the exercise of the Exchange Right or pursuant to the Automatic Exchange Rights, as the case may be;

(c) holding title to the Trust Estate;

(d) investing any moneys forming, from time to time, a part of the Trust Estate as provided in this Agreement;

(e) taking action on its own initiative or at the direction of a Beneficiary or Beneficiaries to enforce the obligations of Lululemon, and Exchangeco under this Agreement; and

(f) taking such other actions and doing such other things as are specifically provided in this Agreement.

In the exercise of such rights, powers, duties and authorities the Trustee shall have (and is granted) such incidental and additional rights, powers, duties and authority not in conflict with any of the provisions of this Agreement as the Trustee, acting in good faith and in the reasonable exercise of its discretion, may deem necessary, appropriate or desirable to effect the purpose of the Trust. Any exercise of such discretionary rights, powers, duties and authorities by the Trustee shall be final, conclusive and binding upon all persons.

The Trustee in exercising its rights, powers, duties and authorities hereunder shall act honestly and in good faith and with a view to the best interests of the Beneficiaries and shall exercise the care, diligence and skill that a reasonably prudent trustee would exercise in comparable circumstances.

The Trustee shall not be bound to give notice or do or take any act, action or proceeding by virtue of the powers conferred on it hereby unless and until it shall be specifically required to do so under the terms hereof; nor shall the Trustee be required to take any notice of, or to do, or to take any act, action or proceeding as a result of any default or breach of any provision hereunder,

unless and until notified in writing of such default or breach, which notices shall distinctly specify the default or breach desired to be brought to the attention of the Trustee, and in the absence of such notice the Trustee may for all purposes of this Agreement conclusively assume that no default or breach has been made in the observance or performance of any of the representations, warranties, covenants, agreements or conditions contained herein.

4.2 No Conflict of Interest

The Trustee represents to Lululemon and Exchangeco that at the date of execution and delivery of this Agreement there exists no material conflict of interest in the role of the Trustee as a fiduciary hereunder and the role of the Trustee in any other capacity. The Trustee shall, within 90 days after it becomes aware that such material conflict of interest exists, either eliminate such material conflict of interest or resign in the manner and with the effect specified in Article 7. If, notwithstanding the foregoing provisions of this Section 4.2, the Trustee has such a material conflict of interest, the validity and enforceability of this Agreement shall not be affected in any manner whatsoever by reason only of the existence of such material conflict of interest. If the Trustee contravenes the foregoing provisions of this Section 4.2, any interested party may apply to a court of competent jurisdiction in British Columbia for an order that the Trustee be replaced as Trustee hereunder.

4.3 Dealings with Transfer Agents, Registrars, etc.

Lululemon and Exchangeco irrevocably authorize the Trustee, from time to time, to:

(a) consult, communicate and otherwise deal with the respective registrars and transfer agents, and with any such subsequent registrar or transfer agent, of the Exchangeable Shares and Lululemon Common Shares; and

(b) requisition, from time to time, (i) from any such registrar or transfer agent any information readily available from the records maintained by it which the Trustee may reasonably require for the discharge of its duties and responsibilities under this Agreement and (ii) from the transfer agent of Lululemon Common Shares, and any subsequent transfer agent of such shares, the share certificates issuable upon the exercise from time to time of the Exchange Right and pursuant to the Automatic Exchange Rights.

Lululemon and Exchangeco irrevocably authorize their respective registrars and transfer agents to comply with all such requests.

4.4 Books and Records

The Trustee shall keep available for inspection by Lululemon and Exchangeco at the Trustee's principal office in Calgary correct and complete books and records of account relating to the Trust created by this Agreement, including without limitation, all relevant data relating to mailings and instructions to and from Beneficiaries and all transactions pursuant to the Exchange Right and the Automatic Exchange Rights. On or before February 15, 2008, and on or before February 15th in every year thereafter the Trustee shall transmit to Lululemon and Exchangeco a brief report, dated as of January 31st of that year, with respect to:

(a) the property and funds comprising the Trust Estate as of that date;

(b) the number of exercises of the Exchange Right, if any, and the aggregate number of Exchangeable Shares received by the Trustee on behalf of Beneficiaries in consideration of the delivery by Lululemon of Lululemon Common Shares in connection with the Exchange Right, during the fiscal year ended on such January 31st; and

(c) any action taken by the Trustee in the performance of its duties under this Agreement which it had not previously reported and which, in the Trustee's opinion, materially affects the Trust Estate.

4.5 Income Tax Returns and Reports

The Trustee shall, to the extent necessary, prepare and file on behalf of the Trust appropriate United States and Canadian income tax returns and any other returns or reports as may be required by applicable law or pursuant to the rules and regulations of any securities exchange or other trading system through which the Exchangeable Shares are traded. In connection therewith, the Trustee may obtain the advice and assistance of such experts or advisors as the Trustee considers necessary or advisable (who may be experts or advisors to Lululemon or Exchangeco). If requested by the Trustee, Lululemon or Exchangeco shall retain qualified experts or advisors for the purpose of providing such tax advice or assistance.

4.6 Indemnification Prior to Certain Actions by Trustee

The Trustee shall exercise any or all of the rights, duties, powers or authorities vested in it by this Agreement at the request, order or direction of any Beneficiary upon such Beneficiary furnishing to the Trustee reasonable funding, security or indemnity against the costs, expenses and liabilities which may be incurred by the Trustee therein or thereby, provided that no Beneficiary shall be obligated to furnish to the Trustee any such security or indemnity in connection with the exercise by the Trustee of any of its rights, duties, powers and authorities with respect to the Exchange Right pursuant to Article 3, subject to Section 4.15, and with respect to the Automatic Exchange Rights pursuant to Article 3.

None of the provisions contained in this Agreement shall require the Trustee to expend or risk its own funds or otherwise incur financial liability in the exercise of any of its rights, powers, duties, or authorities unless funded, given security and indemnified as aforesaid.

4.7 Action of Beneficiaries

No Beneficiary shall have the right to institute any action, suit or proceeding or to exercise any other remedy authorized by this Agreement for the purpose of enforcing any of its rights or for the execution of any trust or power hereunder unless the Beneficiary has requested the Trustee to take or institute such action, suit or proceeding and furnished the Trustee with the funding, security or indemnity referred to in Section 4.6 and the Trustee shall have failed to act within a reasonable time thereafter. In such case, but not otherwise, the Beneficiary shall be entitled to take proceedings in any court of competent jurisdiction such as the Trustee might have taken; it being understood and intended that no one or more Beneficiaries shall have any right in any

manner whatsoever to affect, disturb or prejudice the rights hereby created by any such action, or to enforce any right hereunder or the Exchange Rights or the Automatic Exchange Rights except subject to the conditions and in the manner herein provided, and that all powers and trusts hereunder shall be exercised and all proceedings at law shall be instituted, had and maintained by the Trustee, except only as herein provided, and in any event for the equal benefit of all Beneficiaries.

4.8 Reliance Upon Declarations

The Trustee shall not be considered to be in contravention of any of its rights, powers, duties and authorities hereunder if, when required, it acts and relies in good faith upon statutory declarations, certificates, opinions or reports furnished pursuant to the provisions hereof or required by the Trustee to be furnished to it in the exercise of its rights, powers, duties and authorities hereunder if such statutory declarations, certificates, opinions or reports comply with the provisions of Section 4.9, if applicable, and with any other applicable provisions of this Agreement.

4.9 Evidence and Authority to Trustee

Lululemon and/or Exchangeco shall furnish to the Trustee evidence of compliance with the conditions provided for in this Agreement relating to any action or step required or permitted to be taken by Lululemon, and/or Exchangeco or the Trustee under this Agreement or as a result of any obligation imposed under this Agreement, including, without limitation, in respect of the Exchange Right or the Automatic Exchange Rights and the taking of any other action to be taken by the Trustee at the request of or on the application of Lululemon and/or Exchangeco promptly if and when:

(a) such evidence is required by any other section of this Agreement to be furnished to the Trustee in accordance with the terms of this Section 4.9; or

(b) the Trustee, in the exercise of its rights, powers, duties and authorities under this Agreement, gives Lululemon and/or Exchangeco written notice requiring it to furnish such evidence in relation to any particular action or obligation specified in such notice.

Such evidence shall consist of an Officer's Certificate of Lululemon and/or Exchangeco or a statutory declaration or a certificate made by persons entitled to sign an Officer's Certificate stating that any such condition has been complied with in accordance with the terms of this Agreement.

Whenever such evidence relates to a matter other than the Exchange Right or the Automatic Exchange Rights or the taking of any other action to be taken by the Trustee at the request or on the application of Lululemon and/or Exchangeco, and except as otherwise specifically provided herein, such evidence may consist of a report or opinion of any solicitor, attorney, auditor, accountant, appraiser, valuer, engineer or other expert or any other person whose qualifications give authority to a statement made by him, provided that if such report or opinion is furnished by

a director, officer or employee of Lululemon and/or Exchangeco it shall be in the form of an Officer's Certificate or a statutory declaration.

Each statutory declaration, Officer's Certificate, opinion or report furnished to the Trustee as evidence of compliance with a condition provided for in this Agreement shall include a statement by the person giving the evidence:

(c) declaring that he/she has read and understands the provisions of this Agreement relating to the condition in question;

(d) describing the nature and scope of the examination or investigation upon which he/she based the statutory declaration, certificate, statement or opinion; and

(e) declaring that he/she has made such examination or investigation as he/she believes is necessary to enable him to make the statements or give the opinions contained or expressed therein.

4.10 Experts, Advisers and Agents

The Trustee may:

(a) in relation to this Agreement act and rely on the opinion or advice of or information obtained from any solicitor, attorney, auditor, accountant, appraiser, valuer, engineer or other expert, whether retained by the Trustee or by Lululemon and/or Exchangeco or otherwise, and may retain or employ such assistants as may be necessary to the proper discharge of its powers and duties and determination of its rights hereunder and may pay proper and reasonable compensation for all such legal and other advice or assistance as aforesaid; and

(b) employ such agents and other assistants as it may reasonably require for the proper determination and discharge of its powers and duties hereunder, and may pay reasonable remuneration for all services performed for it (and shall be entitled to receive reasonable remuneration for all services performed by it) in the discharge of the trusts hereof and compensation for all disbursements, costs and expenses made or incurred by it in the discharge of its duties hereunder and in the management of the Trust.

4.11 Investment of Moneys Held by Trustee

Unless otherwise provided in this Agreement, any moneys held by or on behalf of the Trustee which under the terms of this Agreement may or ought to be invested or which may be on deposit with the Trustee or which may be in the hands of the Trustee may be invested and reinvested in the name or under the control of the Trustee, in trust for Exchangeco, in securities in which, under the laws of the Province of British Columbia, trustees are authorized to invest trust moneys, provided that such securities are stated to mature within two years after their purchase by the Trustee, and the Trustee shall so invest such moneys on the written direction of Exchangeco. Pending the investment of any moneys as hereinbefore provided, such moneys may be deposited in the name of the Trustee in any chartered bank in Canada or, with the consent of

Exchangeco, in the deposit department of the Trustee or any other loan or trust company authorized to accept deposits under the laws of Canada or any province thereof at the rate of interest then current on similar deposits. Any income earned in respect of the Trust Estate which is not used by the Trustee as provided in this Agreement shall be accumulated by the Trustee and added to the capital of the Trust Estate.

4.12 Trustee Not Required to Give Security

The Trustee shall not be required to give any bond or security in respect of the execution of the trusts, rights, duties, powers and authorities of this Agreement.

4.13 Trustee Not Bound to Act on Request

Except as in this Agreement otherwise specifically provided, the Trustee shall not be bound to act in accordance with any direction or request of Lululemon and/or Exchangeco or of the directors thereof until a duly authenticated copy of the instrument or resolution containing such direction or request shall have been delivered to the Trustee, and the Trustee shall be empowered to act upon any such copy purporting to be authenticated and believed by the Trustee to be genuine.

4.14 Authority to Carry on Business

The Trustee represents to Lululemon and Exchangeco that at the date of execution and delivery by it of this Agreement it is authorized to carry on the business of a trust company in each of the Provinces of Canada but if, notwithstanding the provisions of this Section 4.14, it ceases to be so authorized to carry on business, the validity and enforceability of this Agreement and the Exchange Right and the Automatic Exchange Rights shall not be affected in any manner whatsoever by reason only of such event but the Trustee shall, within 90 days after ceasing to be authorized to carry on the business of a trust company in any Province of Canada, either become so authorized or resign in the manner and with the effect specified in Article 7.

4.15 Conflicting Claims

If conflicting claims or demands are made or asserted with respect to any interest of any Beneficiary in any Exchangeable Shares, including any disagreement between the heirs, representatives, successors or assigns succeeding to all or any part of the interest of any Beneficiary in any Exchangeable Shares, resulting in conflicting claims or demands being made in connection with such interest, then the Trustee shall be entitled, at its sole discretion, to refuse to recognize or to comply with any such claims or demands. In so refusing, the Trustee may elect not to exercise any Exchange Rights or Automatic Exchange Rights subject to such conflicting claims or demands and, in so doing, the Trustee shall not be or become liable to any person on account of such election or its failure or refusal to comply with any such conflicting claims or demands. The Trustee shall be entitled to continue to refrain from acting and to refuse to act until:

(a) the rights of all adverse claimants with respect to the Exchange Right or Automatic Exchange Rights subject to such conflicting claims or demands have been adjudicated by a final judgment of a court of competent jurisdiction; or

(b) all differences with respect to the Exchange Right or Automatic Exchange Rights subject to such conflicting claims or demands have been conclusively settled by a valid written agreement binding on all such adverse claimants, and the Trustee shall have been furnished with an executed copy of such agreement certified to be in full force and effect.

If the Trustee elects to recognize any claim or comply with any demand made by any such adverse claimant, it may in its discretion require such claimant to furnish such surety bond or other security satisfactory to the Trustee as it shall deem appropriate to fully indemnify it as between all conflicting claims or demands.

4.16 Acceptance of Trust

The Trustee hereby accepts the Trust created and provided for by and in this Agreement and agrees to perform the same upon the terms and conditions herein set forth and to hold all rights, privileges and benefits conferred hereby and by law in trust for the various persons who shall from time to time be Beneficiaries, subject to all the terms and conditions herein set forth.

ARTICLE 5
COMPENSATION

5.1 Fees and Expenses of the Trustee

Lululemon and Exchangeco jointly and severally agree to pay the Trustee reasonable compensation for all of the services rendered by it under this Agreement and will reimburse the Trustee for all reasonable expenses (including, but not limited to, taxes other than taxes based on the net income of the Trustee, fees paid to legal counsel and other experts and advisors and travel expenses) and disbursements, including the cost and expense of any suit or litigation of any character and any proceedings before any governmental agency reasonably incurred by the Trustee in connection with its duties under this Agreement; provided that Lululemon and Exchangeco shall have no obligation to reimburse the Trustee for any expenses or disbursements paid, incurred or suffered by the Trustee in any suit or litigation in which the Trustee is determined to have acted in bad faith or with negligence, recklessness or wilful misconduct.

ARTICLE 6
INDEMNIFICATION AND LIMITATION OF LIABILITY

6.1 Indemnification of the Trustee

Lululemon and Exchangeco jointly and severally agree to indemnify and hold harmless the Trustee and each of its directors, officers, employees and agents appointed and acting in accordance with this Agreement (collectively, the "**Indemnified Parties**") against all claims, losses, damages, reasonable costs, penalties, fines and reasonable expenses (including reasonable expenses of the Trustee's legal counsel) which, without fraud, negligence, recklessness, wilful misconduct or bad faith on the part of such Indemnified Party, may be paid, incurred or suffered by the Indemnified Party by reason or as a result of the Trustee's acceptance or administration of the Trust, its compliance with its duties set forth in this Agreement, or any written or oral instruction delivered to the Trustee by Lululemon or Exchangeco pursuant hereto.

In no case shall Lululemon or Exchangeco be liable under this indemnity for any claim against any of the Indemnified Parties unless Lululemon and Exchangeco shall be notified by the Trustee of the written assertion of a claim or of any action commenced against the Indemnified Parties, promptly after any of the Indemnified Parties shall have received any such written assertion of a claim or shall have been served with a summons or other first legal process giving information as to the nature and basis of the claim. Subject to clause (ii) below, Lululemon and Exchangeco shall be entitled to participate at their own expense in the defence and, if Lululemon and Exchangeco so elect at any time after receipt of such notice, any of them may assume the defence of any suit brought to enforce any such claim. The Trustee shall have the right to employ separate counsel in any such suit and participate in the defence thereof, but the fees and expenses of such counsel shall be at the expense of the Trustee unless: (i) the employment of such counsel has been authorized by Lululemon or Exchangeco; or (ii) the named parties to any such suit include both the Trustee and Lululemon or Exchangeco and the Trustee shall have been advised by counsel acceptable to Lululemon or Exchangeco that there may be one or more legal defences available to the Trustee that are different from or in addition to those available to Lululemon or Exchangeco and that, in the judgment of such counsel, would present a conflict of interest were a joint representation to be undertaken (in which case Lululemon and Exchangeco shall not have the right to assume the defence of such suit on behalf of the Trustee but shall be liable to pay the reasonable fees and expenses of counsel for the Trustee). This indemnity shall survive the termination of this Agreement and the resignation or removal of the Trustee.

6.2 Limitation of Liability

The Trustee shall not be held liable for any loss which may occur by reason of depreciation of the value of any part of the Trust Estate or any loss incurred on any investment of funds pursuant to this Agreement, except to the extent that such loss is attributable to the fraud, negligence, recklessness, wilful misconduct or bad faith on the part of the Trustee.

ARTICLE 7
CHANGE OF TRUSTEE

7.1 Resignation

The Trustee, or any Trustee hereafter appointed, may at any time resign by giving written notice of such resignation to Lululemon and Exchangeco specifying the date on which it desires to resign, provided that such notice shall not be given less than sixty (60) days before such desired resignation date unless Lululemon and Exchangeco otherwise agree and provided further that such resignation shall not take effect until the date of the appointment of a successor trustee and the acceptance of such appointment by the successor trustee. Upon receiving such notice of resignation, Lululemon and Exchangeco shall promptly appoint a successor trustee, which shall be a corporation organized and existing under the laws of Canada and authorized to carry on the business of a trust company in all provinces of Canada, by written instrument in duplicate, one copy of which shall be delivered to the resigning trustee and one copy to the successor trustee. Failing the appointment and acceptance of a successor trustee, a successor trustee may be appointed by order of a court of competent jurisdiction upon application of one or more of the parties to this Agreement. If the retiring trustee is the party initiating an application for the appointment of a successor trustee by order of a court of competent jurisdiction, Lululemon and

Exchangeco shall be jointly and severally liable to reimburse the retiring trustee for its legal costs and expenses in connection with same.

7.2 Removal

The Trustee, or any trustee hereafter appointed, may (provided a successor trustee is appointed) be removed at any time on not less than 30 days' prior notice by written instrument executed by Lululemon and Exchangeco, in duplicate, one copy of which shall be delivered to the trustee so removed and one copy to the successor trustee.

7.3 Successor Trustee

Any successor trustee appointed as provided under this Agreement shall execute, acknowledge and deliver to Lululemon and Exchangeco and to its predecessor trustee an instrument accepting such appointment. Thereupon the resignation or removal of the predecessor trustee shall become effective and such successor trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, duties and obligations of its predecessor under this Agreement, with the like effect as if originally named as trustee in this Agreement. However, on the written request of Lululemon and Exchangeco or of the successor trustee, the trustee ceasing to act shall, upon payment of any amounts then due it pursuant to the provisions of this Agreement, execute and deliver an instrument transferring to such successor trustee all the rights and powers of the trustee so ceasing to act. Upon the request of any such successor trustee, Lululemon and Exchangeco and such predecessor trustee shall execute any and all instruments in writing for more fully and certainly vesting in and confirming to such successor trustee all such rights and powers.

7.4 Notice of Successor Trustee

Upon acceptance of appointment by a successor trustee as provided herein, Lululemon and Exchangeco shall cause to be mailed notice of the succession of such trustee hereunder to each Beneficiary specified in a List. If Lululemon or Exchangeco shall fail to cause such notice to be mailed within 10 days after acceptance of appointment by the successor trustee, the successor trustee shall cause such notice to be mailed at the expense of Lululemon and Exchangeco.

ARTICLE 8
LULULEMON SUCCESSORS

8.1 Certain Requirements in Respect of Combination, etc.

Lululemon shall not consummate any transaction (whether by way of reconstruction, reorganization, consolidation, merger, transfer, sale, lease or otherwise) whereby all or substantially all of its undertaking, property and assets would become the property of any other person or, in the case of a merger, of the continuing corporation resulting therefrom unless, but may do so if:

(a) such other person or continuing corporation (herein called the "Lululemon **Successor**"), by operation of law, becomes, without more, bound by the terms and provisions of this Agreement or, if not so bound, executes, prior to or

contemporaneously with the consummation of such transaction, a trust agreement supplemental hereto and such other instruments (if any) as are satisfactory to the Trustee, acting reasonably, and in the opinion of legal counsel to the Trustee are reasonably necessary or advisable to evidence the assumption by the Lululemon Successor of liability for all moneys payable and property deliverable hereunder and the covenant of such Lululemon Successor to pay and deliver or cause to be delivered the same and its agreement to observe and perform all the covenants and obligations of Lululemon under this Agreement; and

(b) such transaction shall, to the satisfaction of the Trustee, acting reasonably, and in the opinion of legal counsel to the Trustee, be upon such terms and conditions as substantially to preserve and not to impair in any material respect any of the rights, duties, powers and authorities of the Trustee or of the Beneficiaries hereunder.

8.2 Vesting of Powers in Successor

Whenever the conditions of Section 8.1 have been duly observed and performed, the Trustee, Lululemon Successor and Exchangeco shall, if required by Section 8.1, execute and deliver the supplemental trust agreement provided for in Article 9 and thereupon Lululemon Successor shall possess and from time to time may exercise each and every right and power of Lululemon under this Agreement in the name of Lululemon or otherwise and any act or proceeding by any provision of this Agreement required to be done or performed by the board of directors of Lululemon or any officers of Lululemon may be done and performed with like force and effect by the directors or officers of such Lululemon Successor.

8.3 Wholly-Owned Subsidiaries

Subject to section 2.13 of the Support Agreement, nothing herein shall be construed as preventing the amalgamation or merger of any wholly-owned direct or indirect subsidiary of Lululemon with or into Lululemon or the winding-up, liquidation or dissolution of any wholly-owned subsidiary of Lululemon provided that all of the assets of such subsidiary are transferred to Lululemon or another wholly-owned direct or indirect subsidiary of Lululemon and any such transactions are expressly permitted by this Article 8.

ARTICLE 9
AMENDMENTS AND SUPPLEMENTAL TRUST AGREEMENTS

9.1 Amendments, Modifications, etc.

This Agreement may not be amended or modified except by an agreement in writing executed by Lululemon, Exchangeco and the Trustee and approved by the Beneficiaries in accordance with Section 11.2 of the Exchangeable Share Provisions.

9.2 Ministerial Amendments

Notwithstanding the provisions of Section 9.1, the parties to this Agreement may in writing, at any time and from time to time, without the approval of the Beneficiaries, amend or modify this Agreement for the purposes of:

(a) adding to the covenants of any or all parties hereto for the protection of the Beneficiaries hereunder provided that the board of directors of each of Exchangeco and Lululemon shall be of the good faith opinion that such additions will not be prejudicial to the rights or interests of the Beneficiaries;

(b) making such amendments or modifications not inconsistent with this Agreement as may be necessary or desirable with respect to matters or questions which, in the good faith opinion of the board of directors of each of Lululemon and Exchangeco and in the opinion of the Trustee, having in mind the best interests of the Beneficiaries it may be expedient to make, provided that such boards of directors and the Trustee, acting on the advice of counsel, shall be of the opinion that such amendments and modifications will not be prejudicial to the interests of the Beneficiaries; or

(c) making such changes or corrections which, on the advice of counsel to Lululemon, Exchangeco and the Trustee, are required for the purpose of curing or correcting any ambiguity or defect or inconsistent provision or clerical omission or mistake or manifest error, provided that the Trustee, acting on the advice of counsel, and the board of directors of each of Lululemon and Exchangeco shall be of the opinion, acting in good faith, that such changes or corrections will not be prejudicial to the rights and interests of the Beneficiaries.

9.3 Meeting to Consider Amendments

Exchangeco, at the request of Lululemon, shall call a meeting or meetings of the Beneficiaries for the purpose of considering any proposed amendment or modification requiring approval pursuant hereto. Any such meeting or meetings shall be called and held in accordance with the articles of Exchangeco, the Exchangeable Share Provisions and all applicable laws.

9.4 Changes in Capital of Lululemon and Exchangeco

At all times after the occurrence of any event contemplated pursuant to section 2.7 or 2.8 of the Support Agreement or otherwise, as a result of which the rights, privileges, restrictions or conditions of either Lululemon Common Shares or the Exchangeable Shares or both are in any way changed, this Agreement shall forthwith be amended and modified as necessary in order that it shall apply with full force and effect, *mutatis mutandis*, to all new securities into which Lululemon Common Shares or the Exchangeable Shares or both are so changed and the parties hereto shall execute and deliver a supplemental trust agreement giving effect to and evidencing such necessary amendments and modifications.

9.5 Execution of Supplemental Trust Agreements

No amendment to or modification or waiver of any of the provisions of this Agreement otherwise permitted hereunder shall be effective unless made in writing and signed by all of the parties hereto. From time to time, Lululemon and Exchangeco (when authorized by a resolution of their respective board of directors) and the Trustee may, subject to the provisions of this Agreement, and they shall, when so directed by the provisions of this Agreement, execute and deliver by their proper officers, trust agreements or other instruments supplemental hereto, which thereafter shall form part hereof, for any one or more of the following purposes:

(a) evidencing the succession of Lululemon Successors and the covenants of and obligations assumed by each such Lululemon Successor in accordance with the provisions of Article 8 and the successors of any successor trustee in accordance with the provisions of Article 7;

(b) making any additions to, deletions from or alterations of the provisions of this Agreement or the Exchange Right or the Automatic Exchange Rights which, in the opinion of the Trustee, will not be prejudicial to the interests of the Beneficiaries or are, in the opinion of counsel to the Trustee, necessary or advisable in order to incorporate, reflect or comply with any legislation the provisions of which apply to Lululemon, Exchangeco, the Trustee or this Agreement; and

(c) for any other purposes not inconsistent with the provisions of this Agreement, including without limitation, to make or evidence any amendment or modification to this Agreement as contemplated hereby, provided that, in the opinion of the Trustee, the rights of the Trustee and Beneficiaries will not be prejudiced thereby.

ARTICLE 10
TERMINATION

10.1 Term

The Trust created by this Agreement shall continue until the earliest to occur of the following events:

(a) no outstanding Exchangeable Shares are held by a Beneficiary;

(b) each of Lululemon and Exchangeco elects in writing to terminate the Trust and such termination is approved by the Beneficiaries in accordance with Section 11.2 of the Exchangeable Share Provisions; and

(c) 21 years after the death of the last survivor of the descendants of His Majesty King George VI of Canada and the United Kingdom of Great Britain and Northern Ireland living on the date of the creation of the Trust.

10.2 Survival of Agreement

This Agreement shall survive any termination of the Trust and shall continue until there are no Exchangeable Shares outstanding held by a Beneficiary; provided, however, that the provisions of Article 5 and Article 6 shall survive any such termination of this Agreement.

ARTICLE 11
GENERAL

11.1 Notices

All notices, requests, claims, demands, waivers and other communications under this Agreement shall be in writing and shall be deemed given (a) five Business Days following sending by registered or certified mail, postage prepaid, (b) when sent, if sent by facsimile, provided that the facsimile transmission is promptly confirmed by telephone, (c) when delivered, if delivered personally to the intended recipient and (d) one Business Day following sending by overnight delivery via a courier service that is nationally recognized in the U.S. and Canada and, in each case, addressed to a party at the following address for such party.

If to Lululemon or Exchangeco, to:

2285 Clark Drive
Vancouver, British Columbia
V5N 3G9

Fax: (604) 847-6124

Attention: Corporate Secretary

with a copy to:

McCarthy Tétrault LLP
1300-777 Dunsmuir Street
Vancouver, British Columbia
V7Y 1K2

Fax: (604) 622-5615

Attention: Richard Balfour

If to the Trustee, to:

Suite 710, 530-8th Avenue SW
Calgary, Alberta
T2P 3S8

Fax: (403) 267-6598

Attention: Manager, Corporate Trust

or to such other address(es) as shall be furnished in writing by any such party to the other party hereto in accordance with the provisions of this Section 11.1.

11.2 Notice to Beneficiaries

Any and all notices to be given and documents to be sent to any Beneficiaries may be sent to the address of such Beneficiary shown on the register of holders of Exchangeable Shares in any manner permitted by the by-laws of Exchangeco from time to time in force in respect of notice to shareholders and shall be deemed to be received (if given or sent in such manner) at the time specified in such by-laws, the provisions of which by-laws shall apply *mutatis mutandis* to notices or documents as aforesaid sent to Beneficiaries.

11.3 Interpretation

When a reference is made in this Agreement to an Article or a section, such reference shall be to an Article or a section of this Agreement unless otherwise indicated. The table of contents and headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Whenever the words ‘include’, ‘includes’ or ‘including’ are used in this Agreement, they shall be deemed to be followed by the words ‘without limitation’. The terms ‘this Agreement’, ‘hereof’, ‘herein’ and ‘hereunder’ and similar expressions refer to this Agreement and not to any particular Article, section or other portion hereof and include any agreement or instrument supplementary or ancillary hereto. Words importing the singular number only shall include the plural and vice versa. Words importing any gender shall include all genders. If any date on which any action is required to be taken under this Agreement is not a Business Day, such action shall be required to be taken on the next succeeding Business Day.

11.4 Severability

If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule or law, or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible to the end that the transactions contemplated hereby are fulfilled to the extent possible.

11.5 Counterparts

This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each of the parties hereto and delivered to the other parties.

11.6 Governing Law

This Agreement shall be governed by, and construed in accordance with, the laws of the Province of British Columbia and the laws of Canada applicable therein, regardless of the laws that might otherwise govern under applicable principles of conflicts of laws thereof.

11.7 Assignment

Neither this Agreement nor any of the rights, interests or obligations under this Agreement shall be assigned, in whole or in part, by operation of law or otherwise by any of the parties hereto without the prior written consent of the other parties. Any purported assignment without such consent shall be void. Subject to the preceding sentence, this Agreement will be binding upon, inure to the benefit of, and be enforceable by, the parties hereto and their respective successors and assigns.

11.8 Enforcement

The parties hereto agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties hereto shall be entitled to an injunction or injunctions to prevent breaches of any provision of this Agreement and to enforce specifically the terms and provisions of this Agreement in any court of competent jurisdiction in the Province of British Columbia, this being in addition to any other remedy to which they are entitled at law or in equity. In addition, each of the parties hereto (a) consents to submit itself to the personal jurisdiction of any court of competent jurisdiction in the Province of British Columbia, in the event any dispute arises out of this Agreement, (b) agrees that it will not attempt to deny or defeat such personal jurisdiction by motion or other request for leave from any such court, (c) agrees that it will not bring any action relating to this Agreement in any court other than any court of competent jurisdiction in the Province of British Columbia, and (d) waives any right to trial by jury with respect to any action related to or arising out of this Agreement.

11.9 No Waiver

No provisions of this Agreement shall be deemed waived by any party, unless such waiver is in writing and signed by the authorized representatives of the person against whom it is sought to enforce such waiver.

11.10 Expenses

Except as expressly set forth in this Agreement, all costs and expenses and third party fees, paid or incurred in connection with this Agreement shall be paid in accordance with section 11.2 of the Reorganization Agreement.

11.11 Privacy

The parties acknowledge that federal and/or provincial legislation that addresses the protection of individuals' personal information (collectively, "**Privacy Laws**") applies to obligations and activities under this Agreement. Despite any other provision of this Agreement, no party shall take or direct any action that would contravene, or cause any other party to contravene, applicable Privacy Laws. Lululemon and Exchangeco shall, prior to transferring or causing to be transferred personal information to the Trustee, obtain and retain required consents of the relevant individuals to the collection, use and disclosure of their personal information, or shall have determined that such consents either have previously been given and upon which the parties can rely or are not required under the Privacy Laws. The Trustee shall use commercially reasonable efforts to ensure that its services hereunder comply with Privacy Laws. Specifically, the Trustee agrees:

(a) to have a designated chief privacy officer;

(b) to maintain policies and procedures to protect personal information and to receive and respond to any privacy complaint or inquiry;

(c) to use personal information solely for the purposes of providing the Trustee's services under or ancillary to this Agreement and not to use it for any other purpose except with the consent of or direction from Lululemon, Exchangeco or the individual whose personal information is involved;

(d) not to sell or otherwise improperly disclose personal information to any third party; and

(e) to employ administrative, physical and technological safeguards to reasonably secure and protect personal information against loss, theft, or unauthorized access, use or modification.

11.12 Trustee Not Bound to Act

The Trustee shall retain the right not to act and shall not be liable for refusing to act if, due to a lack of information or for any other reason whatsoever, the Trustee, in its sole judgment, determines that such act might cause it to be in non-compliance with any applicable anti-money laundering or anti-terrorist legislation, regulation or guideline. Further, should the Trustee, in its sole judgment, determine at any time that its acting under this Agreement has resulted in its being in non-compliance with any applicable anti-money laundering or anti-terrorist legislation, regulation or guideline, then it shall have the right to resign on 10 days written notice to Lululemon and Exchangeco, provided that (i) the Trustee's written notice shall describe the

circumstances of such non-compliance; and (ii) if such circumstances are rectified to the Trustee's satisfaction within such 10 day period, then such resignation shall not be effective.

11.13 Third Party Interests

Lululemon and Exchangeco hereby represent to the Trustee that any account to be opened by, or interest to held by, the Trustee in connection with this Agreement, for or to the credit of Lululemon or Exchangeco, is not intended to be used by or on behalf of any third party other than the Beneficiaries, as expressly provided in this Agreement.

11.14 Further Assurances

From time to time, as and when requested by any party, each party shall execute and deliver, or cause to be executed and delivered, all such documents and instruments and shall take, or cause to be taken, all such further or other actions, as such other party may reasonably deem necessary or desirable to consummate the transactions contemplated by this Agreement.

IN WITNESS WHEREOF the parties hereto have caused this Agreement to be duly executed as of the date first above written.

LULULEMON ATHLETICA INC.

By: /s/ John Currie
Chief Financial Officer

LULU CANADIAN HOLDING INC.

By: /s/ John Currie
Chief Financial Officer

COMPUTERSHARE TRUST COMPANY OF CANADA

By: /s/ Cristian Couchot
Professional, Corporate Trust

By: /s/ Dan Sander
Professional, Corporate Trust

Exhibit 10.6

EXCHANGEABLE SHARE SUPPORT AGREEMENT

Between

LULULEMON ATHLETICA INC.

- and -

LULULEMON CALLCO ULC

- and -

LULU CANADIAN HOLDING INC.

July 26, 2007

TABLE OF CONTENTS

SUPPORT AGREEMENT

MEMORANDUM OF AGREEMENT made as of the 26th day of July, 2007.

AMONG:

LULULEMON ATHLETICA INC., a corporation existing under the laws of the State of Delaware corporation

("**Lululemon**")

AND:

LULULEMON CALLCO ULC, an unlimited liability company existing under the laws of the Province of Alberta

("**Callco**")

AND:

LULU CANADIAN HOLDING, INC., a company existing under the laws of the Province of British Columbia

("**Exchangeco**")

WHEREAS in connection with an arrangement agreement (the "**Arrangement Agreement**") dated as of April 26, 2007 among Lululemon, Callco, Exchangeco, LIPO Investments (USA), Inc. and LIPO Investments (Canada) Inc. ("**LIPO Canada**"), Exchangeco is to issue exchangeable shares (the "**Exchangeable Shares**") to holders of common shares of LIPO Canada pursuant to the plan of arrangement (the "**Arrangement**") contemplated by the Arrangement Agreement;

AND WHEREAS, pursuant to the Arrangement Agreement, Lululemon, Callco and Exchangeco have agreed to execute a support agreement substantially in the form of this Agreement;

NOW THEREFORE in consideration of the respective covenants and agreements provided in this Agreement and for other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the parties hereto covenant and agree as follows:

ARTICLE 1
DEFINITIONS

1.1 Defined Terms

Each term denoted herein by initial capital letters and not otherwise defined herein shall have the meaning ascribed thereto in the rights, privileges, restrictions and conditions (collectively, the "**Exchangeable Share Provisions**") attaching to the Exchangeable Shares attached as

Appendix 1 to the Plan of Arrangement as set out in the Articles of Arrangement of Exchangeco, unless the context requires otherwise.

ARTICLE 2
COVENANTS OF LULULEMON, CALLCO AND EXCHANGECO

2.1 Covenants Regarding Exchangeable Shares

So long as any Exchangeable Shares not owned by Lululemon or its subsidiaries are outstanding, Lululemon will:

(a) not declare or pay any dividend on the Lululemon Common Shares unless (i) in the case of a cash dividend on Lululemon Common Shares, (A) Exchangeco shall simultaneously declare or pay, as the case may be, an equivalent dividend as provided for in the Exchangeable Share Provisions on the Exchangeable Shares, and (B) Exchangeco shall have sufficient money or other assets available to enable the due declaration and the due and punctual payment, in accordance with applicable law, of any such dividend on the Exchangeable Shares or (ii) in the case of a stock dividend on Lululemon Common Shares, (A) Exchangeco shall subdivide the Exchangeable Shares in lieu of a stock dividend thereon as provided for in the Exchangeable Share Provisions and (B) Exchangeco shall have sufficient authorized but unissued securities available to enable such subdivision;

(b) advise Exchangeco sufficiently in advance of the declaration by Lululemon of any dividend on the Lululemon Common Shares and take all such other actions as are reasonably necessary, in co-operation with Exchangeco, to ensure that (i) the respective declaration date, record date and payment date for a dividend on the Exchangeable Shares shall be the same as the declaration date, record date and payment date for the corresponding dividend on the Lululemon Common Shares or (ii) the record date and effective date for the subdivision of Exchangeable Shares shall be the same as the record date and payment date for the stock dividend on the Lululemon Common Shares;

(c) ensure that the record date for any dividend declared on the Lululemon Common Shares is not less than 10 Business Days after the declaration date of such dividend;

(d) take all such actions and do all such things as are reasonably necessary or desirable to enable and permit Exchangeco, in accordance with applicable law, to pay and otherwise perform its obligations with respect to the satisfaction of the Liquidation Amount, the Retraction Price or the Redemption Price in respect of each issued and outstanding Exchangeable Share (other than Exchangeable Shares owned by Lululemon or its subsidiaries) upon the liquidation, dissolution or winding-up of Exchangeco, the delivery of a Retraction Request by a holder of Exchangeable Shares or a redemption of Exchangeable Shares by Exchangeco, as the case may be, including without limitation all such actions and all such things as are necessary or desirable to enable and permit Exchangeco to cause to be

delivered Lululemon Common Shares to the holders of Exchangeable Shares in accordance with the provisions of Article 5, Article 6, or Article 7, as the case may be, of the Exchangeable Share Provisions; and

(e) take all such actions and do all such things as are reasonably necessary or desirable to enable and permit Callco, in accordance with applicable law, to perform its obligations arising upon the exercise by it of the Liquidation Call Right, the Retraction Call Right or the Redemption Call Right, including without limitation all such actions and all such things as are necessary or desirable to enable and permit Callco to cause to be delivered Lululemon Common Shares to the holders of Exchangeable Shares in accordance with the provisions of the Liquidation Call Right, the Retraction Call Right or the Redemption Call Right, as the case may be.

2.2 Segregation of Funds

Lululemon and Callco will cause Exchangeco to deposit a sufficient amount of funds in a separate account of Exchangeco and segregate a sufficient amount of such other assets and property as is necessary to enable Exchangeco to pay dividends when due and to pay or otherwise satisfy its respective obligations under Article 5, Article 6, or Article 7 of the Exchangeable Share Provisions, as applicable.

2.3 Reservation of Lululemon Common Shares

Lululemon hereby represents, warrants and covenants in favour of Callco and Exchangeco that Lululemon has reserved for issuance and will, at all times while any Exchangeable Shares (other than Exchangeable Shares held by Lululemon or its subsidiaries) are outstanding, keep available, free from pre-emptive and other rights, out of its authorized and unissued capital stock such number of Lululemon Common Shares (or other shares or securities into which the Lululemon Common Shares may be reclassified or changed as contemplated by Section 2.7 hereof) (a) as is equal to the sum of (i) the number of Exchangeable Shares issued and outstanding from time to time (other than Exchangeable Shares held by Lululemon or its subsidiaries), and (ii) the number of Exchangeable Shares issuable upon the exercise of all rights to acquire Exchangeable Shares outstanding from time to time; and (b) as are now and may hereafter be required to enable and permit Lululemon and Callco to meet their obligations under the Exchange Trust Agreement and under any other security or commitment pursuant to which Callco may now or hereafter be required to deliver Lululemon Common Shares, to enable and permit Callco to meet its obligations under each of the Liquidation Call Right, the Retraction Call Right and the Redemption Call Right and to enable and permit Exchangeco to meet its respective obligations hereunder and under the Exchangeable Share Provisions.

2.4 Notification of Certain Events

In order to assist Lululemon and Callco to comply with its obligations hereunder and to permit Callco to exercise the Liquidation Call Right, the Retraction Call Right and the Redemption Call Right, Exchangeco will notify Lululemon and Callco of each of the following events at the time set forth below:

(a) in the event of any determination by the board of directors of Exchangeco to institute voluntary liquidation, dissolution or winding-up proceedings with respect to Exchangeco or to effect any other distribution of the assets of Exchangeco among its shareholders for the purpose of winding up its affairs, at least 60 days prior to the proposed effective date of such liquidation, dissolution, winding-up or other distribution;

(b) promptly, upon the earlier of receipt by Exchangeco of notice and Exchangeco otherwise becoming aware of any threatened or instituted claim, suit, petition or other proceedings with respect to the involuntary liquidation, dissolution or winding-up of Exchangeco or to effect any other distribution of the assets of Exchangeco among its shareholders for the purpose of winding up its affairs;

(c) promptly, upon receipt by Exchangeco of a Retraction Request;

(d) on the same date on which notice of redemption is given to holders of Exchangeable Shares, upon the determination of a Redemption Date in accordance with the Exchangeable Share Provisions; and

(e) as soon as practicable upon the issuance by Exchangeco of any Exchangeable Shares or rights to acquire Exchangeable Shares (other than the issuance of Exchangeable Shares and rights to acquire Exchangeable Shares in exchange for outstanding LIPO Canada common shares pursuant to the Arrangement).

2.5 Delivery of Lululemon Common Shares to Exchangeco and Callco

In furtherance of its obligations under Sections 2.1(d) and 2.1(e) hereof, upon notice from Exchangeco or Callco of any event that requires Exchangeco or Callco, to cause to be delivered Lululemon Common Shares to any registered holder of Exchangeable Shares, Lululemon shall, in any manner deemed appropriate by it, provide or cause to be provided to Exchangeco or Callco, either in the form of a share certificate or in book entry form through the direct registration system, the requisite number of Lululemon Common Shares to be received by, and issued to or to the order of, the former holder of the surrendered Exchangeable Shares, as Exchangeco or Callco shall direct. All such Lululemon Common Shares shall be duly authorized and validly issued as fully paid and non-assessable and shall be free and clear of any lien, claim or encumbrance.

2.6 Qualification of Lululemon Common Shares

Lululemon covenants that if any Lululemon Common Shares (or other shares or securities into which Lululemon Common Shares may be reclassified or Changed as contemplated by Section 2.7 hereof) to be issued and delivered hereunder (including for greater certainty, pursuant to the Exchangeable Share Provisions or pursuant to the Exchange Right or the Automatic Exchange Rights) require registration or qualification with or approval of or the filing of any document, including any prospectus or similar document, or the taking of any proceeding with or the obtaining of any order, ruling or consent from any governmental or regulatory authority under any Canadian or United States federal, provincial or state securities or other law

or regulation or pursuant to the rules and regulations of any securities or other regulatory authority or the fulfillment of any other United States or Canadian legal requirement before such shares (or such other shares or securities) may be issued by Lululemon and delivered by Callco or Exchangeco, as the case may be, to the registered holder of Exchangeable Shares thereof or in order that such shares (or such other shares or securities) may be freely traded thereafter (other than any restrictions of general application on transfer by reason of a holder being a "control person" for purposes of Canadian provincial securities law or an "affiliate" of Lululemon for purposes of United States federal or state securities law), Lululemon will in good faith expeditiously take all such actions and do all such things as are necessary or desirable to cause such Lululemon Common Shares (or such other shares or securities) to be and remain duly registered, qualified or approved under United States and/or Canadian law, as the case may be; provided, however, that Lululemon's obligations in this Section 2.6 shall be limited to the obligations set forth in Section 6.4 of the Reorganization Agreement. Lululemon will in good faith expeditiously take all such actions and do all such things as are reasonably necessary or desirable to cause all Lululemon Common Shares (or such other shares or securities) to be delivered hereunder to be listed, quoted or posted for trading on all stock exchanges and quotation systems on which outstanding Lululemon Common Shares (or such other shares or securities) have been listed by Lululemon and remain listed and are quoted or posted for trading at such time.

2.7 Economic Equivalence

So long as any Exchangeable Shares not owned by Lululemon or its subsidiaries are outstanding:

(a) Other than as permitted in Section 2.1, Lululemon will not without the prior approval of Exchangeco and the prior approval of the holders of the Exchangeable Shares given in accordance with Section 11.2 of the Exchangeable Share Provisions:

(i) issue or distribute Lululemon Common Shares (or securities exchangeable for or convertible into or carrying rights to acquire Lululemon Common Shares) to the holders of all or substantially all of the then outstanding Lululemon Common Shares by way of a stock dividend or other distribution, other than an issue of Lululemon Common Shares (or securities exchangeable for or convertible into or carrying rights to acquire Lululemon Common Shares) to holders of Lululemon Common Shares who (A) exercise an option to receive dividends in Lululemon Common Shares (or securities exchangeable for or convertible into or carrying rights to acquire Lululemon Common Shares) in lieu of receiving cash dividends, or (B) pursuant to any dividend reinvestment plan; or

(ii) issue or distribute rights, options or warrants to the holders of all or substantially all of the then outstanding Lululemon Common Shares entitling them to subscribe for or to purchase Lululemon Common Shares (or securities exchangeable for or convertible into or carrying rights to acquire Lululemon Common Shares); or

(iii) issue or distribute to the holders of all or substantially all of the then outstanding Lululemon Common Shares (A) shares or securities of Lululemon of any class other than Lululemon Common Shares (other than shares convertible into or exchangeable for or carrying rights to acquire Lululemon Common Shares), (B) rights, options or warrants other than those referred to in Section 2.7(a)(ii) above, (C) evidences of indebtedness of Lululemon, or (D) assets of Lululemon,

unless the same or the economic equivalent on a per share basis of such rights, options, securities, shares, evidences of indebtedness or other assets is issued or distributed simultaneously to holders of the Exchangeable Shares.

(b) Lululemon will not without the prior approval of Exchangeco and the prior approval of the holders of the Exchangeable Shares given in accordance with Section 11.2 of the Exchangeable Share Provisions:

(i) subdivide, redivide or change the then outstanding Lululemon Common Shares into a greater number of Lululemon Common Shares; or

(ii) reduce, combine, consolidate or change the then outstanding Lululemon Common Shares into a lesser number of Lululemon Common Shares; or

(iii) reclassify or otherwise change the Lululemon Common Shares or effect an amalgamation, merger, reorganization or other transaction affecting the Lululemon Common Shares,

unless the same or an economically equivalent change shall simultaneously be made to, or in, the rights of the holders of the Exchangeable Shares.

(c) Lululemon will ensure that the record date for any event referred to in Section 2.7(a) or 2.7(b) above, or (if no record date is applicable for such event) the effective date for any such event, is not less than five Business Days after the date on which such event is declared or announced by Lululemon (with contemporaneous notification thereof by Lululemon to Exchangeco).

(d) The Board of Directors shall determine, in good faith and in its sole discretion, economic equivalence for the purposes of any event referred to in Section 2.7(a) or 2.7(b) above and each such determination shall be conclusive and binding on Lululemon and its shareholders. In making each such determination, the following factors shall, without excluding other factors determined by the Board of Directors to be relevant, be considered by the Board of Directors:

(i) in the case of any stock dividend or other distribution payable in Lululemon Common Shares, the number of such shares issued in proportion to the number of Lululemon Common Shares previously outstanding;

(ii) in the case of the issuance or distribution of any rights, options or warrants to subscribe for or purchase Lululemon Common Shares (or securities exchangeable for or convertible into or carrying rights to acquire Lululemon Common Shares), the relationship between the exercise price of each such right, option or warrant and the Current Market Price;

(iii) in the case of the issuance or distribution of any other form of property (including without limitation any shares or securities of Lululemon of any class other than Lululemon Common Shares, any rights, options or warrants other than those referred to in Section 2.7(d)(ii) above, any evidences of indebtedness of Lululemon or any assets of Lululemon), the relationship between the fair market value (as determined by the Board of Directors in the manner above contemplated) of such property to be issued or distributed with respect to each outstanding Lululemon Common Share and the Current Market Price;

(iv) in the case of any subdivision, redivision or change of the then outstanding Lululemon Common Shares into a greater number of Lululemon Common Shares or the reduction, combination, consolidation or change of the then outstanding Lululemon Common Shares into a lesser number of Lululemon Common Shares or any amalgamation, merger, reorganization or other transaction affecting Lululemon Common Shares, the effect thereof upon the then outstanding Lululemon Common Shares; and

(v) in all such cases, the general taxation consequences of the relevant event to holders of Exchangeable Shares to the extent that such consequences may differ from the general taxation consequences to holders of Lululemon Common Shares as a result of differences between taxation laws of Canada and the United States (except for any differing consequences arising as a result of differing marginal taxation rates and without regard to the individual circumstances of holders of Exchangeable Shares).

(e) Exchangeco agrees that, to the extent required, upon due notice from Lululemon, Exchangeco will use its best efforts to take or cause to be taken such steps as may be necessary for the purposes of ensuring that appropriate dividends are paid or other Distributions are made by Exchangeco, or subdivisions, redivisions or Changes are made to the Exchangeable Shares, in order to implement the required economic equivalent with respect to the Lululemon Common Shares and Exchangeable Shares as provided for in this Section 2.7. Without limiting the generality of the foregoing, the Board of Directors of Exchangeco may, acting in good faith, adjust the number of Lululemon Common Shares into which an Exchangeable Share is exchangeable (which initially is one) to reflect the economic equivalent of the relationship between the Lululemon Common Shares and the Exchangeable Shares.

(f) Nothing in this Agreement shall affect the rights of Exchangeco to redeem (or Callco to purchase pursuant to the Redemption Call Right) Exchangeable Shares, as applicable in the event of a Lululemon Extraordinary Distribution.

2.8 Tender Offers

In the event that a tender offer, share exchange offer, issuer bid, take-over bid or similar transaction with respect to Lululemon Common Shares (an "**Offer**") is proposed by Lululemon or is proposed to Lululemon or its shareholders and is recommended by the board of directors of Lululemon, or is otherwise effected or to be effected with the consent or approval of the board of directors of Lululemon, and the Exchangeable Shares are not redeemed by Exchangeco or purchased by Callco pursuant to the Redemption Call Right, Lululemon will use its reasonable efforts expeditiously and in good faith to take all such actions and do all such things as are necessary or desirable to enable and permit holders of Exchangeable Shares (other than Lululemon and its subsidiaries) to participate in such Offer to the same extent or on an economically equivalent basis as the holders of Lululemon Common Shares, without discrimination. Without limiting the generality of the foregoing, Lululemon will use its reasonable efforts expeditiously and in good faith to ensure that holders of Exchangeable Shares may participate in each such Offer without being required to retract Exchangeable Shares as against Exchangeco (or, if so required, to ensure that any such retraction shall be effective only upon, and shall be conditional upon, the closing of such Offer and only to the extent necessary to tender or deposit to the Offer). Nothing herein shall affect the rights of Exchangeco to redeem (or Callco to purchase pursuant to the Redemption Call Right) Exchangeable Shares, as applicable, in the event of a Lululemon Control Transaction.

2.9 Ownership of Outstanding Shares

Without the prior approval of Exchangeco and the prior approval of the holders of the Exchangeable Shares given in accordance with Section 11.2 of the Exchangeable Share Provisions, Lululemon covenants and agrees in favour of Exchangeco that, as long as any outstanding Exchangeable Shares are owned by any person other than Lululemon or any of its subsidiaries, Lululemon will be and remain the direct or indirect beneficial owner of all issued and outstanding voting shares in the capital of Exchangeco and Callco.

2.10 Lululemon and Subsidiaries Not to Vote Exchangeable Shares

Lululemon covenants and agrees that it will appoint and cause to be appointed proxyholders with respect to all Exchangeable Shares held by it and its subsidiaries for the sole purpose of attending each meeting of holders of Exchangeable Shares in order to be counted as part of the quorum for each such meeting. Lululemon further covenants and agrees that it will not, and will cause its subsidiaries not to, exercise any voting rights which may be exercisable by holders of Exchangeable Shares from time to time pursuant to the Exchangeable Share Provisions or pursuant to the provisions of the Act (or any successor or other corporate statute by which Exchangeco may in the future be governed) with respect to any Exchangeable Shares held by it or by its subsidiaries in respect of any matter considered at any meeting of holders of Exchangeable Shares.

2.11 Rule 10b-18 Purchases

Nothing contained in this Agreement, including without limitation the obligations of Lululemon contained in Section 2.8, shall limit the ability of Lululemon, Callco or Exchangeco to make a "Rule 10b-18 Purchase" of Lululemon Common Shares pursuant to Rule 10b-18 of the United States Securities Exchange Act of 1934, as amended.

2.12 Restriction on Voluntary Dissolution and Continuance

Lululemon shall not, and agrees to cause Callco to not, take any action relating to (a) a voluntary liquidation, dissolution or winding-up of Exchangeco or its successors or Callco or its successors, as the case may be, prior to the Redemption Date or (b) the continuance or other transfer of the corporate existence of Exchangeco to any jurisdiction outside of Canada prior to the Redemption Date.

2.13 Mailings to Registered Holders of Exchangeable Shares

With respect to each meeting of shareholders of Lululemon at which holders of Lululemon Common Shares are entitled to vote and with respect to all written consents sought by Lululemon from its shareholders including the holders of Lululemon Common Shares, Lululemon will mail or cause to be mailed (or otherwise communicate in the same manner as Lululemon utilizes in communications to holders of Lululemon Common Shares subject to applicable regulatory requirements) to each registered holder of Exchangeable Shares, such mailing or communication to commence on the same day as the mailing or notice (or other communication) with respect thereto is commenced by Lululemon to its shareholders a copy of such notice, together with any related materials, including, without limitation, any proxy or information statement, to be provided to shareholders of Lululemon, to the extent that such materials have not already been provided to holders of Special Voting Shares.

2.14 Other Materials

As soon as reasonably practicable after receipt by Lululemon or holders of Lululemon Common Shares (if such receipt is known by Lululemon) of any material sent or given by or on behalf of a third party to holders of Lululemon Common Shares generally, including without limitation, dissident proxy and information circulars (and related information and material) and tender and exchange offer circulars (and related information and material), Lululemon shall use its reasonable efforts to obtain and deliver a copy thereof (unless the same has been provided directly to registered holders of Exchangeable Shares by such third party) to each holder of Exchangeable Share as soon as possible thereafter, to the extent that such materials have not already been provided to holders of Special Voting Shares. Lululemon will also make available for inspection by any registered holder of Exchangeable Shares at its principal executive offices in the City of Vancouver copies of all such materials.

2.15 Distribution of Written Materials

Any written materials distributed by Lululemon pursuant to this Agreement shall be sent by mail (or otherwise communicated in the same manner as Lululemon utilizes in communications to holders of Lululemon Common Shares subject to applicable regulatory requirements) to each

holder of Exchangeable Share at its address as shown on the books of Exchangeco. Lululemon agrees not to communicate with holders of Lululemon Common Shares with respect to such written materials otherwise than by mail unless such method of communication is also used by it for communication with the registered holders of Exchangeable Shares. Exchangeco shall provide or cause to be provided to Lululemon for purposes of communication, on a timely basis and without charge or other expense a current list of registered holders of Exchangeable Shares.

ARTICLE 3
LULU SUCCESSORS

3.1 Certain Requirements in Respect of Combination, etc.

Lululemon shall not consummate any transaction (whether by way of reconstruction, reorganization, consolidation, merger, transfer, sale, lease or otherwise) whereby all or substantially all of its undertaking, property and assets would become the property of any other person or, in the case of a merger, of the continuing corporation resulting therefrom unless, but may do so if:

(a) such other person or continuing corporation (the "**Lululemon Successor**") by operation of law, becomes bound by the terms and provisions of this Agreement or, if not so bound, executes, prior to or contemporaneously with the consummation of such transaction, an agreement supplemental hereto and such other instruments (if any) as are reasonably necessary or advisable to evidence the assumption by the Lululemon Successor of liability for all moneys payable and property deliverable hereunder and the covenant of such Lululemon Successor to pay and deliver or cause to be delivered the same and its agreement to observe and perform all the covenants and obligations of Lululemon under this Agreement; and

(b) such transaction shall be upon such terms and conditions as substantially to preserve and not to impair in any material respect any of the rights, duties, powers and authorities of the other parties hereunder.

3.2 Vesting of Powers in Successor

Whenever the conditions of Section 3.1 have been duly observed and performed, the parties, if required by Section 3.1, shall execute and deliver the supplemental agreement provided for in Section 3.1(a) and thereupon the Lululemon Successor shall possess and from time to time may exercise each and every right and power of Lululemon under this Agreement in the name of Lululemon or otherwise and any act or proceeding by any provision of this Agreement required to be done or performed by the board of directors of Lululemon or any officers of Lululemon may be done and performed with like force and effect by the directors or officers of such Lululemon Successor.

3.3 Wholly-Owned Subsidiaries

Nothing herein shall be construed as preventing the amalgamation or merger of any wholly-owned direct or indirect subsidiary of Lululemon with or into Lululemon or, subject to

Section 2.12 hereof, the winding-up, liquidation or dissolution of any wholly-owned subsidiary of Lululemon provided that all of the assets of such subsidiary are transferred to Lululemon or another wholly-owned direct or indirect subsidiary of Lululemon and any such transactions are expressly permitted by this Article 3.

ARTICLE 4
GENERAL

4.1 Term

This Agreement shall come into force and be effective as of the date hereof and shall terminate and be of no further force and effect at such time as no Exchangeable Shares (or securities or rights convertible into or exchangeable for or carrying rights to acquire Exchangeable Shares) are held by any person other than Lululemon and any of its subsidiaries.

4.2 Changes in Capital of Lululemon and Exchangeco

At all times after the occurrence of any event contemplated pursuant to Sections 2.7 and 2.8 hereof or otherwise, as a result of which either Lululemon Common Shares or the Exchangeable Shares or both are in any way Changed, this Agreement shall forthwith be amended and modified as necessary in order that it shall apply with full force and effect, *mutatis mutandis*, to all new securities into which Lululemon Common Shares or the Exchangeable Shares or both are so Changed and the parties hereto shall execute and deliver an agreement in writing giving effect to and evidencing such necessary amendments and modifications.

4.3 Severability

If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule or law, or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible to the end that the transactions contemplated hereby are fulfilled to the extent possible.

4.4 Amendments, Modifications

This Agreement may not be amended or modified except by an agreement in writing executed by Exchangeco, Callco and Lululemon and approved by the holders of the Exchangeable Shares in accordance with Section 11.2 of the Exchangeable Share Provisions.

4.5 Ministerial Amendments

Notwithstanding the provisions of Section 4.4, the parties to this Agreement may in writing at any time and from time to time, without the approval of the holders of the Exchangeable Shares, amend or modify this Agreement for the purposes of:

(a) adding to the covenants of any or all parties provided that the board of directors of each of Exchangeco, Callco and Lululemon shall be of the good faith opinion that such additions will not be prejudicial to the rights or interests of the holders of the Exchangeable Shares;

(b) making such amendments or modifications not inconsistent with this Agreement as may be necessary or desirable with respect to matters or questions which, in the good faith opinion of the board of directors of each of Exchangeco, Callco and Lululemon, it may be expedient to make, provided that each such board of directors shall be of the good faith opinion that such amendments or modifications will not be prejudicial to the rights or interests of the holders of the Exchangeable Shares; or

(c) making such Changes or corrections which, on the advice of counsel to Exchangeco, Callco and Lululemon, are required for the purpose of curing or correcting any ambiguity or defect or inconsistent provision or clerical omission or mistake or manifest error, provided that the boards of directors of each of Exchangeco, Callco and Lululemon shall be of the good faith opinion that such Changes or corrections will not be prejudicial to the rights or interests of the holders of the Exchangeable Shares.

4.6 Meeting to Consider Amendments

Exchangeco, at the request of Lululemon, shall call a meeting or meetings of the holders of the Exchangeable Shares for the purpose of considering any proposed amendment or modification requiring approval pursuant to Section 4.4 hereof. Any such meeting or meetings shall be called and held in accordance with the articles of Exchangeco, the Exchangeable Share Provisions and all applicable laws.

4.7 Amendments Only in Writing

No amendment to or modification or waiver of any of the provisions of this Agreement otherwise permitted hereunder shall be effective unless made in writing and signed by all of the parties hereto.

4.8 Notices

All notices, requests, claims, demands, waivers and other communications under this Agreement shall be in writing and shall be deemed given (a) five Business Days following sending by registered or certified mail, postage prepaid, (b) when sent, if sent by facsimile, provided that the facsimile transmission is promptly confirmed by telephone, (c) when delivered, if delivered personally to the intended recipient, and (d) one Business Day following sending by overnight delivery via a courier service that is nationally recognized in the U.S. and Canada and, in each case, addressed to a party at the following address for such party:

(a) If to Lululemon, to:

2285 Clark Drive
Vancouver, British Columbia
V5N 3G9

Fax: (604) 847-6124

Attention: Corporate Secretary

with a copy to:

McCarthy Tetrault LLP
1300-777 Dunsmuir Street
Vancouver, British Columbia
V7Y 1K2

Fax: (604) 622-5615

Attention: Richard Balfour

(b) If to Exchangeco, to:

2285 Clark Drive
Vancouver, British Columbia
V5N 3G9

Fax: (604) 847-6124

Attention: Corporate Secretary

with a copy to:

McCarthy Tetrault LLP
1300-777 Dunsmuir Street
Vancouver, British Columbia
V7Y 1K2

Fax: (604) 622-5615

Attention: Richard Balfour

(c) If to Callco, to:

2285 Clark Drive
Vancouver, British Columbia
V5N 3G9

Fax: (604) 847-6124

Attention: Corporate Secretary

with a copy to:

McCarthy Tetrault LLP
1300-777 Dunsmuir Street
Vancouver, British Columbia
V7Y 1K2

Fax: (604) 622-5615

Attention: Richard Balfour

or to such other address(es) as shall be furnished in writing by any such party to the other party hereto in accordance with the provisions of this Section 4.8.

4.9 Interpretation

When a reference is made in this Agreement to an Article or a section, such reference shall be to an Article or a section of this Agreement unless otherwise indicated. The table of contents and headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Whenever the words “include”, “includes” or “including” are used in this Agreement, they shall be deemed to be followed by the words “without limitation”. The terms “this Agreement”, “hereof”, “herein” and “hereunder” and similar expressions refer to this Agreement and not to any particular Article, section or other portion hereof and include any agreement or instrument supplementary or ancillary hereto. Words importing the singular number only shall include the plural and vice versa. Words importing any gender shall include all genders. If any date on which any action is required to be taken under this Agreement is not a Business Day, such action shall be required to be taken on the next succeeding Business Day. For the purposes of this Agreement, a “Business Day” means any day on which commercial banks are generally open for business in Vancouver, British Columbia, other than a Saturday, a Sunday or a day observed as a holiday in Vancouver, British Columbia under the laws of the Province of British Columbia or the federal laws of Canada.

4.10 Counterparts

This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same Agreement and shall become effective when one or more counterparts have been signed by each of the parties hereto and delivered to the other parties.

4.11 Governing Law

This Agreement shall be governed by, and construed in accordance with, the laws of the Province of British Columbia and the laws of Canada applicable therein, regardless of the laws that might otherwise govern under applicable principles of conflicts of laws thereof.

4.12 Assignment

Neither this Agreement nor any of the rights, interests or obligations under this Agreement shall be assigned, in whole or in part, by operation of law or otherwise by any of the parties hereto without the prior written consent of the other parties. Any purported assignment without such consent shall be void. Subject to the preceding sentence, this Agreement will be binding upon, inure to the benefit of, and be enforceable by, the parties hereto and their respective successors and assigns.

4.13 Enforcement

The parties hereto agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties hereto shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement in any court of competent jurisdiction in the Province of British Columbia, this being in addition to any other remedy to which they are entitled at law or in equity. In addition, each of the parties hereto (a) consents to submit itself to the personal jurisdiction of any court of competent jurisdiction in the Province of British Columbia, in the event any dispute arises out of this Agreement, (b) agrees that it will not attempt to deny or defeat such personal jurisdiction by motion or other request for leave from any such court, (c) agrees that it will not bring any action relating to this Agreement in any court other than any court of competent jurisdiction in the Province of British Columbia, and (d) waives any right to trial by jury with respect to any action related to or arising out of this Agreement.

4.14 No Waiver

No provisions of this Agreement shall be deemed waived by any party, unless such waiver is in writing and signed by the authorized representatives of the person against whom it is sought to enforce such waiver.

4.15 Expenses

Except as expressly set forth in this Agreement, all costs and expenses and third party fees, paid or incurred in connection with this Agreement shall be paid in accordance with section 11.2 of the Reorganization Agreement.

4.16 Assurances

From time to time, as and when requested by any party, each party shall execute and deliver, or cause to be executed and delivered, all such documents and instruments and shall take, or cause to be taken, all such further or other actions, as such other party may reasonably deem necessary or desirable to consummate the transactions contemplated by this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

LULULEMON ATHLETICA INC.

By: /s/ John Currie
Chief Financial Officer

LULULEMON CALLCO ULC

By: /s/ John Currie
Chief Financial Officer

LULU CANADIAN HOLDING INC.

By: /s/ John Currie
Chief Financial Officer

Exhibit 10.7

AMENDED AND RESTATED

DECLARATION OF TRUST

Forfeitable Exchangeable Shares

July 26th, 2007

TABLE OF CONTENTS

AMENDED AND RESTATED DECLARATION OF TRUST
Forfeitable Exchangeable Shares

THIS DECLARATION OF TRUST is made as of the 26th day of July, 2007, by **Dennis Wilson** (the "**Trustee**").

WHEREAS pursuant to a stock option plan (the "**Option Plan**") of LIPO Investments (Canada) Inc.("**LIPO Canada**") dated December 1, 2005, Dennis Wilson (the "**Trustee**") was appointed as trustee of the Plan to hold legal title to the shares of LIPO Canada issued on the exercise of options granted under the Option Plan;

AND WHEREAS pursuant to the provisions of the Option Plan certain options granted under the Option Plan were issued and designated as "forfeitable shares" and held in trust by the Trustee for the benefit of the holders thereof subject to certain repurchase and other rights;

AND WHEREAS in connection with an arrangement agreement (the "**Arrangement Agreement**") dated as of April 26, 2007 among Lululemon Corp. ("**Lululemon**"), Lululemon Callco ULC ("**Callco**"), Lulu Canadian Holding, Inc. ("**Exchangeco**"), LIPO Investments (USA), Inc. and LIPO Canada, all shares of LIPO Canada, including the "forfeitable shares" were exchanged with Exchangeco for exchangeable shares ("**Exchangeable Shares**") of Exchangeco, and none of the Trustee nor the former holders of the options granted under the Option Plan are now shareholders or option holders of LIPO Canada, so that it is impractical to continue to record the terms of the trust in the Option Plan;

AND WHEREAS pursuant to the Arrangement Agreement, the Trustee has agreed to enter into a declaration of trust substantially in the form of this Trust Declaration, to amend and restate the trust which was created under the Option Plan, to record the terms pursuant to which the Trustee will hold Exchangeable Shares issued in respect of "forfeitable shares";

NOW THEREFORE this Declaration records the terms on which the Trustee will hold the Trust Estate (as defined below) in trust for the benefit of the Beneficial Holders on the terms hereof:

ARTICLE 1
DEFINITIONS

1.1 Definitions

In this Trust Declaration, the following terms shall have the following meanings:

"**Arrangement**" means the arrangement under part 9, division 5 of the BCA on the terms and subject to the conditions set out in the Plan of Arrangement, subject to any amendments or variations thereto made in accordance with Article 6 of the Arrangement Agreement or Article 6 of the Plan of Arrangement or made at the direction of the Court in the Final Order.

"**BCA**" means the *Business Corporations Act* (British Columbia), as amended.

"**Beneficial Holders**" has the meaning assigned in Section 3.1.

"**Board of Directors**" means the board of directors of Exchangeco.

"**Business Day**" means any day on which commercial banks are generally open for business in Vancouver, British Columbia and New York, New York, other than a Saturday, a Sunday or a day observed as a holiday in Vancouver, British Columbia under the laws of the Province of British Columbia or the federal laws of Canada or in New York, New York under the laws of the State of New York or the federal laws of the United States of America.

"**Court**" means the Supreme Court of British Columbia.

"**Declaration of Trust**" means this Declaration of Trust as it may be amended or supplemented from time to time.

"**Effective Date**" means the date following the grant of the Final Order on which the parties to the Arrangement Agreement agree the Arrangement becomes effective.

"**Effective Time**" means the time on the Effective Date at which the Arrangement becomes effective.

"**Eligible Person**" means any individual regularly employed on a full-time or part-time basis by Lululemon or any company in which Lululemon is a direct or indirect shareholder or with which Lululemon does not act at arm's length or other persons who perform management or consulting services for Lululemon or any company in which Lululemon is a direct or indirect shareholder or with which Lululemon does not act at arm's length in any such case on an ongoing basis.

"**Exchange Trust Agreement**" means the Agreement made between Lululemon, Callco, the Company and a third party trustee in connection with the Plan of Arrangement, substantially in the form and content of Exhibit C annexed to the Reorganization Agreement with such changes thereto as the parties to the Arrangement Agreement, acting reasonably, may agree, a copy of which is available at the registered office of the Company.

"**Exchangeable Share Provisions**" means the rights, privileges, restrictions and conditions attaching to the Exchangeable Shares, which rights, privileges, restrictions and conditions shall be substantially as set out in Appendix 1 of the Plan of Arrangement.

"**Exchangeable Shares**" means the non-voting exchangeable shares in the capital of Exchangeco, having substantially the rights, privileges, restrictions and conditions set out in the Exchangeable Share Provisions.

"**Final Order**" means the order of the Court approving the Plan of Arrangement as such order may be amended at any time prior to the Effective Date or, if appealed, then, unless such appeal is withdrawn or denied, as affirmed.

"**Forfeitable Shares**" means those Exchangeable Shares issued pursuant to the Plan of Arrangement in exchange for LIPO Canada Shares which were designated as "forfeitable shares" pursuant to the LIPO Option Plan, until such shares cease to be forfeitable in accordance with the conditions set out in Appendix A.

"**Government Entity**" means any federal, provincial, state, local or foreign government or any court of competent jurisdiction, administrative agency or commission or other governmental authority or instrumentality, domestic or foreign.

"**Insolvency Event**" means the institution by Exchangeco of any proceeding to be adjudicated a bankrupt or insolvent or to be wound up, or the consent of Exchangeco to the institution of bankruptcy, insolvency or winding-up proceedings against it, or the filing of a petition, answer or consent seeking dissolution or winding-up under any bankruptcy, insolvency or analogous laws, including without limitation the *Companies Creditors' Arrangement Act* (Canada) and the *Bankruptcy and Insolvency Act* (Canada), and the failure by Exchangeco to contest in good faith any such proceedings commenced in respect of Exchangeco within 30 days of becoming aware thereof, or the consent by Exchangeco to the filing of any such petition or to the appointment of a receiver, or the making by Exchangeco of a general assignment for the benefit of creditors, or the admission in writing by Exchangeco of its inability to pay its debts generally as they become due, or Exchangeco not being permitted, pursuant to solvency requirements of applicable law, to redeem any Retracted Shares pursuant to Section 6.6 of the Exchangeable Share Provisions.

"**Lock-Up Agreement**" means the lock-up agreement entered into by each of the Beneficial Holders pursuant to the terms of the Reorganization Agreement.

"**Lululemon Common Stock**" means the common stock of Lululemon, par value US$0.01 per share and any other securities into which such shares may be changed.

"**person**" means any individual, a general or limited partnership, a corporation, a trust, a joint venture, an unincorporated organization, a limited liability entity, any other entity and any Government Entity.

"**Plan of Arrangement**" means the plan of arrangement substantially in the form and content of Exhibit B to the Arrangement Agreement and any amendments or variations thereto made in accordance with Article 6 of the Arrangement Agreement or Article 6 of the Plan of Arrangement or made at the direction of the Court.

"Reorganization Agreement" means the Agreement and Plan of Reorganization dated April 26, 2007 by and among Lululemon, Exchangeco, LIPO Canada, LIPO USA and certain other parties;

"**Subsidiary**" of any person means any corporation or other organization whether incorporated or unincorporated of which at least a majority of the securities or interests having by the terms thereof ordinary voting power to elect at least a majority of the board of directors or others performing similar functions with respect to such corporation or other organization is directly or indirectly owned or controlled (i) by such person, (ii) by any one or more of its subsidiaries, or (iii) by such person and one or more of its subsidiaries; provided, however, that no person that is not directly or indirectly wholly-owned by any other person shall be a subsidiary of such other person unless such other person controls, or has the right, power or ability to control, that person.

"**Trust**" means the trust created by this Trust Declaration.

"**Trust Estate**" means the Forfeitable Shares, any other securities and any money or other property which may be held by the Trustee from time to time pursuant to this Trust Declaration.

"**Trustee**" means Dennis Wilson and, subject to the provisions of Article 6, includes any successor trustee.

ARTICLE 2
PURPOSE OF TRUST DECLARATION

2.1 Continuance of Trust

Effective as at the time of the amendment of the Option Plan pursuant to the Plan of Arrangement, the trust established by the Option Plan is hereby continued for the benefit of the Beneficial Holders from time to time, and the Trustee agrees to hold the Forfeitable Shares and the Trust Estate as trustee for the Beneficial Holders on the terms set out in this Trust Declaration.

ARTICLE 3
PROVISIONS APPLICABLE TO FORFEITABLE SHARES

3.1 Forfeitable Shares

Upon completion of the Plan of Arrangement, the Forfeitable Shares shall be issued to and registered in the name of the Trustee, to be held in trust for the respective beneficial holders (the "**Beneficial Holders**") thereof pursuant to the terms of this Article 3. Shares which are designated as Forfeitable Shares will be entitled to become non-forfeitable in accordance with the conditions set out in Appendix A.

3.2 Trustee Agreements Related to Forfeitable Shares

The Trustee acknowledges and agrees that, other than as set forth in this Trust Declaration:

(a) the Trustee will hold legal title to the Forfeitable Shares as nominee, agent and trustee for the benefit and account of the respective Beneficial Holders thereof as principal and beneficial owner subject to and in accordance with this Article 3 and subject to the terms and conditions of any transfer, deed, shareholder agreement or other instrument, document or encumbrance pertaining to the Forfeitable Shares;

(b) subject to forfeiture pursuant to Section 3.4, any benefit, interest, profit or advantage arising out of or accruing from such Forfeitable Shares is and will continue to be a benefit, interest, profit or advantage of the Beneficial Holder and if received by the Trustee will be received and held by the Trustee for the use, benefit and advantage of the Beneficial Holder and the Trustee will account to the Beneficial Holder for any money or other consideration paid to or to the order of the Trustee in connection with the Trust Estate;

(c) the Trustee may at his discretion, whether on his own initiative or upon the direction of such Beneficial Holder, act as the agent of the Beneficial Holder, as principal, in respect of any matter relating to such Forfeitable Shares or the performance or observance of any contract or Agreement relating to the Forfeitable Shares; and

(d) the Trustee will have the full right and power to execute and deliver, under seal and otherwise, any shareholder agreement or other instrument or document pertaining to the Forfeitable Shares without delivering proof to any person (including, without limitation, any other party to any such instrument or document) of its authority to do so and any person may act in reliance on any such instrument or document and for all purposes any such instrument or document will be binding on the Beneficial Holder.

3.3 Voting Rights

Notwithstanding anything to the contrary contained herein, the Trustee shall have sole power in his absolute discretion to exercise the voting rights with respect to all Forfeitable Shares outstanding, from time to time, for his own benefit, until such shares cease to be Forfeitable Shares.

3.4 Forfeiture of Shares

(a) Upon the date on which a holder of Forfeitable Shares ceases to be an Eligible Person then the Trustee shall repurchase all Forfeitable Shares which it holds on behalf of such holder including any benefit, interest, profit or advantage which may have arisen or may in the future arise out of or accrue from such Forfeitable Shares, for cash in an amount equal to the price paid for the shares of LIPO Canada upon issuance thereof which were exchanged for such Forfeitable Shares pursuant to the Plan of Arrangement.

(b) Immediately following the payment of the purchase price referred to in Section 3.4(a) the Trustee shall distribute such funds to the Beneficial Holder and the Trustee shall be the sole registered and beneficial owner of such Forfeitable Shares and all such benefits, interest, profit or advantage.

3.5 Ceasing to be Forfeitable Shares

Upon the later of (a) an Exchangeable Share ceasing to be a Forfeitable Share and (b) the expiry of the Lock-Up Agreement to which the Beneficial Holder is a party, the provisions of this Article 3 shall cease to apply to such Share and legal title will pass to the Beneficial Holder thereof who shall thenceforth be the sole legal and beneficial owner thereof. Promptly thereafter the Trustee shall direct Exchangeco's transfer agent to reregister such share in the name of such Beneficial Holder, direct Exchangeco to deliver or cause to be delivered such re-registered share certificate to the Beneficial Holder promptly after receipt thereof from the transfer agent and pay over to the Beneficial Holder all benefits, interest, profit or advantage which have been received by the Trustee in respect of such Forfeitable Shares.

ARTICLE 4
CONCERNING THE TRUSTEE

4.1 Powers and Duties of the Trustee

In addition to the rights set out in Article 3, but subject to his duties and obligations hereunder, the Trustee will have in his capacity as Trustee of the Trust, the unfettered discretion at any time and from time to time to administer the Trust Estate in whatever manner the Trustee may determine, as if

he were the sole owner of the Trust Estate, including, without limitation, the power, duty and authority to:

(a) hold title to the Trust Estate;

(b) invest any moneys forming, from time to time, a part of the Trust Estate as provided in this Trust Declaration;

(c) accelerate the vesting provisions attached to some or all of the Forfeitable Shares;

(d) consent to the transfer of a beneficial interest in the Forfeitable Shares to an Eligible Person;

(e) exchange the Forfeitable Shares or any part of the Trust Estate for other property; and

(f) take such other actions and doing such other things as are specifically provided in this Trust Declaration.

In the exercise of such rights, powers, duties and authorities the Trustee shall have (and is granted) such incidental and additional rights, powers, duties and authority not in conflict with any of the provisions of this Trust Declaration as the Trustee, acting in good faith and in the reasonable exercise of its discretion, may deem necessary, appropriate or desirable to effect the purpose of the Trust. Any exercise of such discretionary rights, powers, duties and authorities by the Trustee shall be final, conclusive and binding upon all persons.

The Trustee in exercising its rights, powers, duties and authorities hereunder shall act honestly and in good faith and with a view to the best interests of the Beneficial Holders and shall exercise the care, diligence and skill that a reasonable person would exercise in comparable circumstances.

The Trustee shall not be bound to give notice or do or take any act, action or proceeding by virtue of the powers conferred on it hereby unless and until he shall be specifically required to do so under the terms hereof; nor shall the Trustee be required to take any notice of, or to do, or to take any act, action or proceeding as a result of any default or breach of any provision hereunder, unless and until notified in writing of such default or breach, which notices shall distinctly specify the default or breach desired to be brought to the attention of the Trustee, and in the absence of such notice the Trustee may for all purposes of this Trust Declaration conclusively assume that no default or breach has been made in the observance or performance of any of the representations, warranties, covenants, agreements or conditions contained herein.

4.2 Income Tax Returns and Reports

The Trustee shall, to the extent necessary, prepare and file on behalf of the Trust appropriate United States and Canadian income tax returns and any other returns or reports as may be required by applicable law or pursuant to the rules and regulations of any securities exchange or other trading system through which the Exchangeable Shares are traded. In connection therewith, the Trustee may obtain the advice and assistance of such experts or advisors as the Trustee considers necessary or advisable (who may be experts or advisors to Lululemon or Exchangeco).

4.3 Action of Beneficial Holders

No Beneficial Holder shall have the right to institute any action, suit or proceeding or to exercise any other remedy authorized by this Trust Declaration for the purpose of enforcing any of its rights or for the execution of any trust or power hereunder unless the Beneficial Holder has requested the Trustee to take or institute such action, suit or proceeding and the Trustee shall have failed to act within a reasonable time thereafter. In such case, but not otherwise, the Beneficial Holder shall be entitled to take proceedings in any court of competent jurisdiction such as the Trustee might have taken; it being understood and intended that no one or more Beneficial Holders shall have any right in any manner whatsoever to affect, disturb or prejudice the rights hereby created by any such action, or to enforce any right hereunder, except subject to the conditions and in the manner herein provided, and that all powers and trusts hereunder shall be exercised and all proceedings at law shall be instituted, had and maintained by the Trustee, except only as herein provided, and in any event for the equal benefit of all Beneficial Holders.

4.4 Reliance Upon Declarations

The Trustee shall not be considered to be in contravention of any of his rights, powers, duties and authorities hereunder if, when required, it acts and relies in good faith upon statutory declarations, certificates, opinions or reports furnished pursuant to the provisions hereof or required by the Trustee to be furnished to it in the exercise of its rights, powers, duties and authorities hereunder if such statutory declarations, certificates, opinions or reports comply with the provisions of this Trust Declaration.

4.5 Trustee Not Required to Give Security

The Trustee shall not be required to give any bond or security in respect of the execution of the trusts, rights, duties, powers and authorities of this Trust Declaration.

4.6 Conflicting Claims

If conflicting claims or demands are made or asserted with respect to any interest of any Beneficial Holder in any Exchangeable Shares, including any disagreement between the heirs, representatives, successors or assigns succeeding to all or any part of the interest of any Beneficial Holder in any Exchangeable Shares, resulting in conflicting claims or demands being made in connection with such interest, then the Trustee shall be entitled, at its sole discretion, to refuse to recognize or to comply with any such claims or demands. In so refusing, the Trustee may elect not to exercise any rights hereunder subject to such conflicting claims or demands and, in so doing, the Trustee shall not be or become liable to any person on account of such election or its failure or refusal to comply with any such conflicting claims or demands. The Trustee shall be entitled to continue to refrain from acting and to refuse to act until:

(a) the rights of all adverse claimants with respect to the rights subject to such conflicting claims or demands have been adjudicated by a final judgment of a court of competent jurisdiction; or

(b) all differences with respect to the other rights subject to such conflicting claims or demands have been conclusively settled by a valid written agreement binding on all

such adverse claimants, and the Trustee shall have been furnished with an executed copy of such agreement certified to be in full force and effect.

If the Trustee elects to recognize any claim or comply with any demand made by any such adverse claimant, it may in its discretion require such claimant to furnish such surety bond or other security satisfactory to the Trustee as it shall deem appropriate to fully indemnify it as between all conflicting claims or demands.

4.7 Acceptance of Trust

The Trustee hereby accepts the Trust created and provided for by and in this Trust Declaration and agrees to perform the same upon the terms and conditions herein set forth and to hold all rights, privileges and benefits conferred hereby and by law in trust for the various persons who shall from time to time be Beneficial Holders, subject to all the terms and conditions herein set forth.

ARTICLE 5
LIMITATION OF LIABILITY

5.1 Limitation of Liability

The Trustee shall not be held liable for any loss or damage relating to any matter regarding the Trust or the performance of its duties and obligations hereunder, including, without limitation, any loss which may occur by reason of depreciation of the value of any part of the Trust Estate or any loss incurred on any investment of funds pursuant to this Trust Declaration, except to the extent that such loss is attributable to the fraud, gross negligence, recklessness, wilful misconduct or bad faith on the part of the Trustee.

The Trustee will not be liable to the Trust or to any Beneficial Holder for the acts, omissions, receipts, neglects or defaults of any person, firm or corporation employed or engaged by it as permitted hereunder, or for joining in any receipt or act of conformity, or for any loss, damage or expense caused to the Trust through the insufficiency or deficiency of any security in or upon which any of the monies of or belonging to the Trust shall be laid out or invested, or for any loss or damage arising from the bankruptcy, insolvency or tortious act of any person, firm or corporation with whom or which the Trust Estate or any part of it shall be lodged or deposited, or for any loss occasioned by error in judgment or oversight on the part of the Trustee, or for any other loss, damage or misfortune which may happen in the execution by the Trustee of his duties hereunder, except to the extent that the Trustee does not meet the standard of care set out in Section 4.1 and except as set out in this Article 5.

ARTICLE 6
CHANGE OF TRUSTEE

6.1 Resignation

The Trustee, or any Trustee hereafter appointed, may at any time resign by appointing a successor trustee provided that such resignation shall not take effect until the date of the appointment of a successor trustee and the acceptance of such appointment by the successor trustee.

6.2 Successor Trustee

Any successor trustee appointed as provided under this Trust Declaration shall execute an instrument accepting such appointment. Thereupon the resignation or removal of the predecessor trustee shall become effective and such successor trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, duties and obligations of its predecessor under this Trust Declaration, with the like effect as if originally named as trustee in this Trust Declaration.

6.3 Declaration of Trustee

If the Trustee dies during the term of this Trust before he has resigned and appointed a successor trustee, the persons who are the executors and trustees of the last will and testament of the Trustee will have the right to appoint a successor trustee of the Trust.

6.4 Notice of Successor Trustee

Upon acceptance of appointment by a successor trustee as provided herein, the successor trustee shall cause to be mailed notice of the succession of such trustee hereunder to each Beneficial Holder.

ARTICLE 7
AMENDMENTS AND SUPPLEMENTAL TRUST DECLARATIONS

7.1 Amendments, Modifications, etc.

This Trust Declaration may not be amended or modified except by an Agreement in writing executed by the Trustee and approved by the Beneficial Holders in accordance with Section 10.2 of the Exchangeable Share Provisions.

7.2 Ministerial Amendments

Notwithstanding the provisions of Section 7.1, the Trustee may in writing, at any time and from time to time, without the approval of the Beneficial Holders, amend or modify this Trust Declaration for the purposes of:

(a) adding to the covenants of any or all parties hereto for the protection of the Beneficial Holders hereunder if the Trustee is of the good faith opinion that such additions will not be prejudicial to the rights or interests of the Beneficial Holders;

(b) making such amendments or modifications not inconsistent with this Trust Declaration as may be necessary or desirable with respect to matters or questions which, in the good faith opinion of the Trustee, having in mind the best interests of the Beneficial Holders it may be expedient to make, provided that the Trustee, acting on the advice of counsel, is of the opinion that such amendments and modifications will not be prejudicial to the interests of the Beneficial Holders; or

(c) making such changes or corrections which, on the advice of counsel to the Trustee, are required for the purpose of curing or correcting any ambiguity or defect or inconsistent provision or clerical omission or mistake or manifest error, provided that

the Trustee, acting on the advice of counsel is of the opinion that such changes or corrections will not be prejudicial to the rights and interests of the Beneficial Holders.

7.3 Meeting to Consider Amendments

The Trustee will request Exchangeco to call a meeting or meetings of the Beneficial Holders for the purpose of considering any proposed amendment or modification requiring approval pursuant hereto. Any such meeting or meetings shall be called and held in accordance with the articles of Exchangeco, the Exchangeable Share Provisions and all applicable laws.

7.4 Execution of Supplemental Trust Declarations

No amendment to or modification or waiver of any of the provisions of this Trust Declaration otherwise permitted hereunder shall be effective unless made in writing and signed by the Trustee. From time to time, the Trustee may, subject to the provisions of this Trust Declaration, execute and deliver, trust agreements or other instruments supplemental hereto, which thereafter shall form part hereof, for any one or more of the following purposes:

(a) making any additions to, deletions from or alterations of the provisions of this Trust Declaration, which, in the opinion of the Trustee, will not be prejudicial to the interests of the Beneficial Holders or are, in the opinion of counsel to the Trustee, necessary or advisable in order to incorporate, reflect or comply with any legislation the provisions of which apply to Lululemon, Exchangeco, the Trustee or this Trust Declaration; and

(b) for any other purposes not inconsistent with the provisions of this Trust Declaration, including without limitation, to make or evidence any amendment or modification to this Trust Declaration as contemplated hereby, provided that, in the opinion of the Trustee, the rights of the Trustee and Beneficial Holders will not be prejudiced thereby.

ARTICLE 8
TERMINATION

8.1 Term

The Trust created by this Trust Declaration shall continue until the earliest to occur of the following events:

(a) no outstanding Forfeitable Shares are held by the Trustee;

(b) the Trustee elects in writing to terminate the Trust and such termination is approved by the Beneficial Holders in accordance with section 10.2 of the Exchangeable Share Provisions; and

(c) 21 years after the death of the last survivor of the descendants of His Majesty King George VI of Canada and the United Kingdom of Great Britain and Northern Ireland living on the date of the creation of the Trust.

8.2 Survival of Trust Declaration

This Trust Declaration shall survive any termination of the Trust and shall continue until there are no Forfeitable Shares outstanding held by the Trustee; provided, however, that the provisions of Article 5 shall survive any such termination of this Trust Declaration.

ARTICLE 9
GENERAL

9.1 Notices

All notices, requests, claims, demands, waivers and other communications under this Trust Declaration shall be in writing and shall be deemed given (a) five Business Days following sending by registered or certified mail, postage prepaid, (b) when sent, if sent by facsimile, provided that the facsimile transmission is promptly confirmed by telephone, (c) when delivered, if delivered personally to the intended recipient and (d) one Business Day following sending by overnight delivery via a courier service that is nationally recognized in the U.S. and Canada and, in each case, addressed to a party at the following address for such party.

If to the Trustee, to:

Dennis Wilson
#2 2108 West 4th Avenue
Vancouver, BC V6K 1N6

If to the Beneficial Holders to the last address in the central securities register for Exchangeco. or to such other address(es) as shall be furnished in writing by any such party to the other party hereto in accordance with the provisions of this Section 9.1.

9.2 Interpretation

When a reference is made in this Trust Declaration to an Article or a section, such reference shall be to an Article or a section of this Trust Declaration unless otherwise indicated. The table of contents and headings contained in this Trust Declaration are for reference purposes only and shall not affect in any way the meaning or interpretation of this Trust Declaration. Whenever the words ‘include’, ‘includes’ or ‘including’ are used in this Trust Declaration, they shall be deemed to be followed by the words ‘without limitation’. The terms ‘this Trust Declaration’, ‘hereof’, ‘herein’ and ‘hereunder’ and similar expressions refer to this Trust Declaration and not to any particular Article, section or other portion hereof and include any agreement or instrument supplementary or ancillary hereto. Words importing the singular number only shall include the plural and vice versa. Words importing any gender shall include all genders. If any date on which any action is required to be taken under this Trust Declaration is not a Business Day, such action shall be required to be taken on the next succeeding Business Day.

9.3 Severability

If any term or other provision of this Trust Declaration is invalid, illegal or incapable of being enforced by any rule or law, or public policy, all other conditions and provisions of this Trust Declaration shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Trust Declaration so as to effect the original intent of the parties as closely as possible to the end that the transactions contemplated hereby are fulfilled to the extent possible.

9.4 Counterparts

This Trust Declaration may be executed in one or more counterparts, all of which shall be considered one and the same Trust Declaration and shall become effective when one or more counterparts have been signed by each of the parties hereto and delivered to the other parties.

9.5 Governing Law

This Trust Declaration shall be governed by, and construed in accordance with, the laws of the Province of British Columbia and the laws of Canada applicable therein, regardless of the laws that might otherwise govern under applicable principles of conflicts of laws thereof.

9.6 Enforcement

The parties hereto agree that irreparable damage would occur in the event that any of the provisions of this Trust Declaration were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties hereto shall be entitled to an injunction or injunctions to prevent breaches of any provision of this Trust Declaration and to enforce specifically the terms and provisions of this Trust Declaration in any court of competent jurisdiction in the Province of British Columbia, this being in addition to any other remedy to which they are entitled at law or in equity. In addition, each of the parties hereto (a) consents to submit itself to the personal jurisdiction of any court of competent jurisdiction in the Province of British Columbia, in the event any dispute arises out of this Trust Declaration, (b) agrees that it will not attempt to deny or defeat such personal jurisdiction by motion or other request for leave from any such court, (c) agrees that it will not bring any action relating to this Trust Declaration in any court other than any court of competent jurisdiction in the Province of British Columbia, and (d) waives any right to trial by jury with respect to any action related to or arising out of this Trust Declaration.

9.7 No Waiver

No provisions of this Trust Declaration shall be deemed waived by any party, unless such waiver is in writing and signed by the authorized representatives of the person against whom it is sought to enforce such waiver.

9.8 Expenses

Except as expressly set forth in this Trust Declaration, all costs and expenses and third party fees, paid or incurred in connection with this Trust Declaration shall be paid in accordance with section 7.6 of the Arrangement Agreement.

9.9 Further Assurances

From time to time, as and when requested by any party, each party shall execute and deliver, or cause to be executed and delivered, all such documents and instruments and shall take, or cause to be taken, all such further or other actions, as such other party may reasonably deem necessary or desirable to consummate the transactions contemplated by this Trust Declaration.

IN WITNESS WHEREOF the Trustee has caused this Trust Declaration to be duly executed under seal as of the date first above written.

By: /s/ Dennis Wilson
DENNIS WILSON, in his capacity as trustee

APPENDIX A

RELEASE CONDITIONS ATTACHED TO FORFEITABLE SHARES

The number of Exchangeable Shares which cease to be forfeitable on the dates set out below shall be determined by multiplying the appropriate number in the chart below by the Exchange Ratio (as defined in the Plan of Arrangement).

Beneficial Holder	December 5, 2007	December 5, 2008	December 5, 2009	Total
Darrell Kopke	238,312	111,122	27,662	377,096
Deanne Schweitzer	158,875	74,082	18,439	251,396
Christopher Ng	48,525	48,525	27,661	124,711
Shannon Wilson	105,917	49,388	12,292	167,597
Delaney Schweitzer	59,702	43,214	10,756	113,672
Julianne Lee	52,084	52,084	13,829	117,997
Bree Stanlake	45,128	45,128	13,832	104,088
Karen Wyder	73,513	61,735	15,364	150,612
Brian Bacon	76,346	76,346	27,661	180,353
Chloe Gow-Jarret	50,147	33,954	8,452	92,553
Cassandra Sze	30,695	27,781	6,916	65,392
Erin Westelman	22,546	22,546	9,989	55,081
David Andru	10,372	10,372	10,373	31,117
Jenna Hills	35,730	27,781	6,914	70,425
Laura Rowse	20,219	20,219	11,525	51,963
Lisa Fuhrman	27,578	27,578	8,453	63,609
Kerry Brown	17,692	17,692	14,137	49,521
Jeremy Wong	27,049	24,694	6,147	57,890
Bonnie Fung	7,171	7,171	7,172	21,514
Erica Larsen	935	935	935	2,805
Andrea Murray	51,458	43,214	10,757	105,429
Jeramiah Morris	24,303	24,303	6,915	55,521
Diana Mulvey	11,525	11,525	11,525	34,575
TOTAL	1,195,822	861,389	287,706	2,344,917

Exhibit 10.9

CONTRIBUTION AGREEMENT

This Contribution Agreement (the "Agreement") is made this 26th day of July, 2007, by and among (i) lululemon athletica inc., a Delaware corporation (the "Company"), (ii) Slinky Financial ULC, an Alberta unlimited company ("Slinky Financial"), (iv) each of the persons listed under the heading "Advent Holders" on the signature pages hereto (the "Advent Holders"), (v) each of the persons listed under the heading "Highland Holders" on the signature pages hereto (the "Highland Holders"), and (vi) each of the persons listed under the heading "Brooke Holders" on the signature pages hereto (the "Brooke Holders", and together with Slinky Financial, the Advent Holders and the Highland Holders, the "Holders"). Capitalized terms used, but not otherwise defined herein, shall have the meaning set forth in the Underwriting Agreement (as defined below in the Background section of this Agreement).

BACKGROUND

Subject to the terms and conditions stated in the Underwriting Agreement, dated of even date herewith, by and among the Company, the underwriters named in Schedule I thereto (the "Underwriters") and the Holders (the "Underwriting Agreement"), the Holders propose to sell the aggregate number of shares of Company's common stock, par value $0.01 per share (the "Common Stock") stated therein in connection with the Company's initial public offering (the "Offering").

Section 11 of the Securities Act of 1933, as amended (the "Securities Act") provides for the imposition of civil liability on certain specified persons, including underwriters, in connection with registered public offerings if the registration statement relating to the Offering contains an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading (a "Material Misstatement or Omission"). Although the Holders are merely selling shares of Common Stock in the Offering and are not functioning as underwriters in connection with the Offering, as part of the regulatory review of the Registration Statement by the Securities and Exchange Commission, the Company has been required to disclose in the prospectus included in the Registration Statement a statement concerning the potential status of the Holders as "underwriters" within the meaning of Section 11 of the Securities Act.

The Company and the Holders are party to that certain Agreement and Plan of Reorganization, dated April 26, 2007 (the "Reorganization Agreement") which provides that the Company will indemnify the Holders for any losses, claims, damages, liabilities and expenses arising out of or based upon, among other things, (i) any misstatement in or omission from any representation or warranty, or any breach of covenant or agreement, in each case made or deemed made by the Company in any underwriting or similar agreement entered into by the Company in connection with any registration statement, including, the Underwriting Agreement, (ii) any untrue or alleged untrue statement of a material fact contained in any registration statement under which the Common Stock were registered under the Securities Act (including any final, preliminary or summary prospectus contained therein or any amendment thereof or supplement thereto or any documents incorporated by reference therein), and (iii) any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein (in the case of a prospectus or preliminary prospectus, in light of the circumstances under which they were made) not misleading.

In connection with the Offering, the Company and the Holders desire to enter into this Agreement to provide for contribution with respect to any liability that any Holder may incur under Section 11 of the Securities Act subject to the terms provided herein.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing, and for other good and valuable consideration, the receipt and sufficiency of which hereby is acknowledged, the parties intending to be legally bound hereto agree as follows:

ARTICLE I
CONTRIBUTION BY THE HOLDERS

Section 1.1. Right to Seek Contribution.

(a) In the event that a Holder becomes liable for any losses, claims, damages or liabilities under the Securities Act, Canadian Securities Laws or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon a determination by a court of competent jurisdiction that such Holder is an underwriter for purposes of Section 11 of the Securities Act ("Underwriter Liability"), such Holder shall be entitled to request that the Company and the other Holders contribute to the requesting Holder's Underwriter Liability, subject, in each case, to the limitations set forth herein. A Holder who seeks the contribution to such Holder's Underwriter Liability from the Company and the other Holders is referred to herein as the "Claimant" and the Holders who are requested to contribute to a Claimant's request for contribution are referred to herein as the "Contributing Holders."

(b) The parties hereto acknowledge that Section 11 of the Securities Act provides for liability for specified persons in addition to underwriters, including, *inter alia*, for any person who signs the Registration Statement. Nevertheless, the rights of contribution and other terms and conditions of this Agreement are not intended to give rise to any rights or obligations of the parties hereto with respect to any losses, claims, damages or liabilities which any Holder may incur pursuant to Section 11 of the Securities Act other than Underwriter Liability. Further, nothing in this Agreement is intended to alter any rights or obligations the parties hereto may have under any law, regulation, contract or otherwise, with respect to any losses, claims, damages or liabilities which any Holder may incur pursuant to Section 11 of the Securities Act other than Underwriter Liability.

Section 1.2. Claim Notice. A Claimant shall notify in writing (the "Claim Notice") the Company and the other Holders promptly after the Claimant has knowledge that it shall be responsible or otherwise liable for an Underwriter Liability. The Claim Notice shall include (a) the amount of the Underwriter Liability to be paid or paid by the Claimant, (b) the amount of legal or other expenses reasonably incurred by the Claimant in connection with investigating or defending any action, suit or proceeding which gave rise to the Underwriter Liability (and not including any legal or other expenses incurred by the Claimant relating to the enforcement of the Claimant's rights under this Agreement), (c) the total amount of any Recovered Amounts (as defined in Section 1.5), (d) a brief summary of the facts underlying or otherwise pertaining to the Underwriter Liability, and (e) wire transfer instructions for the account(s) to which the Claimant would like the Company and the Contributing Holders to remit their Contribution Amounts (as defined Section 1.3(b)). A Claimant shall be required to notify the Company and the Contributing Holders promptly of any change in any of the foregoing information.

Section 1.3. Contribution.

(a) Subject to the terms, conditions and limitations set forth herein, the Company and the Contributing Holders shall contribute towards the Claimant's Underwriter Liability on a *pro rata* basis in accordance with their respective Contribution Percentages. Each of the Company and the Contributing Holders shall contribute towards a Claimant's Underwriter Liability by delivering their respective Contribution Amounts to the Claimant within ten (10) New York Business Days following their receipt of evidence of

payment of an Underwriter Liability by such Claimant, in accordance with the wire transfer instructions set forth in the corresponding Claim Notice.

(b) The "Contribution Amount" of the Company and the Holders with respect to a Claimant's Underwriter Liability, means the Contribution Percentage of the Company or such Holder, as the case may be, *multiplied* by the amount by which (i) the amount of such Underwriter Liability as set forth in the corresponding Claim Notice, exceeds (ii) any Recovered Amounts received by the Claimant. As used herein, "Contribution Percentage" means, with respect to the Company and each Holder, the percentage obtained by *dividing* (*x*) the number of shares of Common Stock sold by the Company or such Holder, as the case may be, pursuant to the Underwriting Agreement, by (*y*) the aggregate number of shares of Common Stock sold by the Company and all Holders pursuant to the Underwriting Agreement.

(c) If the contribution provided for in this Section 1.3 is unavailable to or insufficient to reimburse a Claimant for a Underwriter Liability, then the Company and each of the Holders (including the Claimant) shall contribute to the Underwriter Liability in such proportion as is appropriate to reflect the relative benefits received by the Company and the Holders from the offering of the Shares. If, however, the allocation provided by the immediately preceding sentence is not permitted by applicable law, then the Company and each Holder (including the Claimant) shall contribute to the Underwriter Liability in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the Company and the Holders in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities (or actions in respect thereof), as well as any other relevant equitable considerations. The relative benefits received by the Company and the Holders shall be deemed to be in the same proportion as the gross proceeds from the Offering received by the Company and each of the Holders. The relative fault shall be determined by reference to, among other things, whether the misrepresentation or alleged misrepresentation, the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or a Holder and their relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company and the Holders agree that it would not be just and equitable if contributions pursuant to this Section 1.3(c) were determined by *pro rata* allocation or by any other method of allocation which does not take account of the equitable considerations referred to in this Section 1.3(c). The amount paid or payable by a Claimant as a result of a Underwriter Liability shall be deemed to include any legal or other expenses reasonably incurred by the Claimant in connection with investigating or defending any such action or claim.

Section 1.4. Limitations on Contributions.

(a) Notwithstanding any provision herein to the contrary, no Holder shall be required to contribute any amount under this Agreement to the extent that such contribution, together with any amounts required to be paid by such Holder pursuant to the indemnification provisions of the Underwriting Agreement, any amounts required to be paid by such Holder pursuant to that certain Indemnification Contribution Agreement, dated the date of this Agreement, by and among Dennis Wilson and the Holders (the "Indemnification Contribution Agreement"), or otherwise arising out of any Material Misstatement or Omission (in each such case without double-counting the same payment obligation), exceed the amount of gross proceeds received by such Holder from the sale of shares of Common Stock in the Offering, and the obligation of the Holders to make a payment under this Agreement with respect to any Underwriter Liability shall be reduced by any Recovered Amounts.

(b) Notwithstanding any provision herein to the contrary, no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

(c) The Company's and the Holders' obligations under this Agreement to contribute to an Underwriter Liability are several in proportion to their respective amounts of gross proceeds received in the Offering, and not joint.

(d) The terms of this Agreement and the Indemnification Contribution Agreement shall be applied equitably so that no person shall be entitled to indemnification and/or contribution for the same liability under both agreements.

Section 1.5. Reimbursement of Recovered Amounts.

(a) If any Contributing Holder other than the Company has contributed to a Claimant's Underwriter Liability hereunder, and the Claimant receives Recovered Amounts, then the Claimant shall promptly notify such Contributing Holder of such facts and shall deliver to such Contributing Holder its Contribution Percentage of the Recovered Amounts within five (5) New York Business Days after receipt of such Recovered Amounts, unless the Recovered Amounts had already been taken into account in computing the Contributing Holder's Contribution Amount under clause (ii) of Section 1.3(b). Any funds required to be paid by the Claimant to any Contributing Holder pursuant to this Section 1.5 shall be delivered to such Contributing Holder via wire transfer to the account designated in writing by such Contributing Holder from time to time.

(b) For purposes of this Agreement, the term "Recovered Amounts" shall mean any amount received by a Claimant from a source other than the Contributing Holders with respect to such Claimant's Underwriter Liability, including, without limitation:

(i) any payment received from the Company in accordance with Section 6.2(f) of the Agreement and Plan of Reorganization, dated April 26, 2007, by and among the Company, Lululemon Athletica USA, Inc., LIPO Investments (USA) Inc., LIPO Investments (Canada) Inc., Lulu Canadian Holding Inc., and the parties listed on Schedules I and II thereto (the "Reorganization Agreement"), or otherwise, with respect to or otherwise in connection with such Underwriter Liability;

(ii) any contribution towards such Underwriter Liability from any person other than the Contributing Holders, including pursuant to any applicable insurance policy; or

(iii) any full or partial reimbursement of such Underwriter Liability from a person to whom the Claimant paid such Underwriter Liability.

ARTICLE II
INDEMNIFICATION BY THE COMPANY

Section 2.1. Acknowledgement of Indemnification Obligations. The Company hereby acknowledges and agrees that in connection with the Offering and the filing of the Registration Statement, the Company is required to indemnify the Holders in the manner and to the extent provided in Section 6.2(f) of the Reorganization Agreement.

Section 2.2. No Limitation of Company's Indemnification Obligations. The Company hereby acknowledges and agrees that this Agreement shall in no way limit the Company's indemnification obligations under Section 6.2(f) of the Reorganization Agreement or otherwise excuse the Company from indemnifying the Holders as provided in Section 6.2(f) of the Reorganization Agreement.

ARTICLE III
MISCELLANEOUS

Section 3.1. No Agreement as to Underwriter Status. The execution of this Agreement shall not be construed as an admission or other confirmation that any of the Holders are underwriters within the meaning of Section 11 of the Securities Act or otherwise.

Section 3.2. Effective Date and Termination. This Agreement shall be effective as of the date first written above and, if the Underwriting Agreement has not been entered into on or before December 31, 2007, this Agreement shall terminate on December 31, 2007.

Section 3.3. Rules of Construction. In this Agreement, unless otherwise specified or where the context otherwise requires: (a) the headings of particular provisions of this Agreement are inserted for convenience only and will not be construed as a part of this Agreement or serve as a limitation or expansion on the scope of any term or provision of this Agreement; (b) words importing any gender shall include other genders; (c) words importing the singular only shall include the plural and vice versa; (d) the words "include," "includes" or "including" shall be deemed to be followed by the words "without limitation"; (e) the words "hereof," "herein" and "herewith" and words of similar import shall, unless otherwise stated, be construed to refer to this Agreement as a whole and not to any particular provision of this Agreement; (f) unless the context otherwise requires, references to "Articles" or "Sections" shall be to Articles or Sections of this Agreement; (g) references to any person include the successors and permitted assigns of such person; (h) references to any agreement or contract, unless otherwise stated, are to such agreement or contract as amended, modified or supplemented from time to time in accordance with the terms hereof and thereof; and (i) the parties hereto have participated jointly in the negotiation and drafting of this Agreement; accordingly, in the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties hereto, and no presumption or burden of proof shall arise favoring or disfavoring any party hereto by virtue of the authorship of any provisions of this Agreement.

Section 3.4. Notices. All statements, requests, notices and agreements hereunder shall be in writing, and shall be delivered or sent by mail, telex or facsimile transmission to the parties hereto at their respective addresses as set forth on the signature pages hereto. Any such statements, requests, notices or agreements shall take effect upon receipt thereof.

Section 3.5. Benefits of Agreement; Assignment. All the terms and provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. Except as expressly provided herein, this Agreement shall not confer any rights or remedies upon any individual or entity other than the foregoing. This Agreement may not be assigned, in whole or in part, by any party, whether by operation of law or otherwise, without the consent of the other parties hereto, *provided, that* any such party may assign its right to receive a payment entitled to be received by such party pursuant to this Agreement as if such assignee were an original signatory to this Agreement.

Section 3.6. Governing Law. This Agreement shall be construed and enforced in accordance with the laws of the State of New York without regard to the application of the principles of conflicts or choice of laws.

Section 3.7. Jurisdiction. Each of the parties hereto submits to the jurisdiction of the courts of the State of New York and the courts of the United States of America located in the State of New York over any suit, action or proceeding with respect to this Agreement or the transactions contemplated hereby. Any suit, action or proceeding with respect to this Agreement may be brought only in the courts of the State of New York or the courts of the United States of America, in each case, located in the Borough of Manhattan, City of New York, State of New York. Each of the parties hereto waives any objection that it may have to the venue

of such suit, action or proceeding in any such court or that such suit, action or proceeding in such court was brought in an inconvenient forum and agrees not to plead or claim the same.

Section 3.8. **WAIVER OF JURY TRIAL. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.**

Section 3.9. Entire Agreement. This Agreement supersedes all prior agreements among the parties with respect to the subject matter hereof. This Agreement contains the entire agreement among the parties with respect to the subject matter hereof except where expressly otherwise stated herein. The parties acknowledge that (a) the Reorganization Agreement, Underwriting Agreement and Indemnification Contribution Agreement contain separate indemnification and contribution provisions which are independent of the obligations of the parties hereto and (b) the indemnification and contribution provisions of the Reorganization Agreement, Underwriting Agreement and Indemnification Contribution Agreement do not conflict with the terms hereof.

Section 3.10. Severability. Any provision of this Agreement which is invalid or unenforceable in any jurisdiction shall be ineffective to the extent of such invalidity or unenforceability without invalidating or rendering unenforceable the remaining provisions hereof, and any such invalidity or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 3.11. Counterparts. This Agreement may be executed in any number of counterparts, which when taken together, shall constitute but one and the same instrument. Any and all counterparts may be executed by facsimile.

[*Signature Page Follows*]

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed as of the date first written above.

lululemon athletica inc.

By: /s/ Robert Meers
Name: Robert Meers
Title: Authorized Person

Address for Notices:

Address for Notices:
c/o lululemon athletica inc.
1945 McLean Drive
Vancouver, BC, V5N3J7
Attention: Chief Executive Officer
Facsimile Number: (604) 874-6124

SLINKY INVESTMENTS ULC

By: /s/ Dennis Wilson
Name: Dennis Wilson
Title: Authorized Person

Address for Notices:

#2 - 2108 West 4th Avenue
Vancouver, BC, V6K 1N6
Attention: Dennis Wilson
Facsimile Number: (604) 737-7267

with a copy to (which shall not constitute notice):

McCullough O'Connor Irwin LLP
#1100 888 Dunsmuir St.
Vancouver, BC V6C 3K4
Facsimile: (604) 687-7099
Attention: Jonathan McCullough

/s/ Dennis Wilson
Dennis Wilson

Address for Notices:

#2 - 2108 West 4th Avenue
Vancouver, BC, V6K 1N6
Attention: Dennis Wilson
Facsimile Number: (604) 737-7267

with a copy to (which shall not constitute notice):

McCullough O'Connor Irwin LLP
#1100 888 Dunsmuir St.
Vancouver, BC V6C 3K4
Facsimile: (604) 687-7099
Attention: Jonathan McCullough

ADVENT HOLDERS:

ADVENT INTERNATIONAL GPE V LIMITED PARTNERSHIP
ADVENT INTERNATIONAL GPE V-A LIMITED PARTNERSHIP
ADVENT INTERNATIONAL GPE V-B LIMITED PARTNERSHIP
ADVENT INTERNATIONAL GPE V-G LIMITED PARTNERSHIP
ADVENT INTERNATIONAL GPE V-I LIMITED PARTNERSHIP

By: GPE V GP Limited Partnership, General Partner

By: Advent International LLC, General Partner

By: Advent International Corporation, Manager

By: /s/ Steven J. Collins
Name: Steven J. Collins
Title: Vice President

ADVENT PARTNERS III LIMITED PARTNERSHIP
ADVENT PARTNERS GPE V LIMITED PARTNERSHIP
ADVENT PARTNERS GPE V-A LIMITED PARTNERSHIP
ADVENT PARTNERS GPE V-B LIMITED PARTNERSHIP

By: Advent International LLC, General Partner

By: Advent International Corporation, Manager

By: /s/ Steven J. Collins
Name: Steven J. Collins
Title: Vice President

Address for Notices:
c/o Advent International Corporation
75 State Street
Boston, MA 02109
Facsimile: (617) 951-0568
Attention: Steven J. Collins

with a copy to (which shall not constitute notice):
Pepper Hamilton LLP
3000 Two Logan Square
Eighteenth & Arch Streets
Philadelphia, PA 19103
Facsimile: (215) 981-4750
Attention: Barry M. Abelson
Robert A. Friedel

HIGHLAND HOLDERS

HIGHLAND CAPITAL PARTNERS VI LIMITED PARTNERSHIP

By: Highland Management Partners VI Limited Partnership, its General Partner

By: Highland Management Partners VI, Inc., its General Partner

By: /s/ Sean M. Dalton
Name: Sean M. Dalton
Title: Managing General Partner

HIGHLAND CAPITAL PARTNERS VI-B LIMITED PARTNERSHIP

By: Highland Management Partners VI Limited Partnership, its General Partner

By: Highland Management Partners VI, Inc., its General Partner

By: /s/ Sean M. Dalton
Name: Sean M. Dalton
Title: Managing General Partner

HIGHLAND CAPITAL ENTREPRENEURS' FUND VI LIMITED PARTNERSHIP

By: HEF VI Limited Partnership, its General Partner

By: Highland Management Partners VI, Inc., its General Partner

By: /s/ Sean M. Dalton
Name: Sean M. Dalton
Title: Managing General Partner

Address for Notices:
c/o Highland Capital Partners, Inc.
92 Hayden Avenue
Lexington, Massachusetts 02421
Facsimile: (781) 861-5499
Attention: Kathleen A. Barry, Chief Financial Officer

with a copy to (which shall not constitute notice):
Goodwin Procter LLP
53 State Street
Boston MA 02109
Facsimile Number: (617) 523-1231
Attention: William J. Schnoor, Jr.

BROOKE HOLDERS:

BROOKE PRIVATE EQUITY ADVISORS FUND I-A, L.P.
BROOKE PRIVATE EQUITY ADVISORS FUND I(D), L.P.

By: Brooke Private Equity Advisors, L.P., its General Partner

By: Brooke Private Equity Management LLC,
its General Partner

By: /s/ John Brooke
Name: John Brooke
Title: Manage

Address for Notices:
c/o Brooke Private Equity Advisors
84 State Street, Suite 320
Boston, MA 02109
Attention: Charlie Bridge
Facsimile Number: 617-227-4128

with a copy to (which shall not constitute notice):

Attention:
Facsimile Number:

Exhibit 31.1

I, Robert Meers, certify that:

1. I have reviewed this quarterly report on Form 10-Q of lululemon athletica inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 10, 2007

By: /s/ Robert Meers
Robert Meers
Chief Executive Officer and Director
(Principal Executive Officer)

Exhibit 31.2

I, John E. Currie, certify that:

1. I have reviewed this quarterly report on Form 10-Q of lululemon athletica inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 10, 2007

By: /s/ JOHN E. CURRIE
John E. Currie
Chief Financial Officer
(Principal Financial Officer and
Principal Accounting Officer)

Exhibit 32.1

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF
THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of lululemon athletica inc (the "Company") on Form 10-Q for the three months ended July 31, 2007, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to such officer's knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: September 10, 2007

/s/ Robert Meers
Robert Meers
Chief Executive Officer and Director
(Principal Executive Officer)

/s/ John E. Currie
John E. Currie
Chief Financial Officer
(Principal Financial Officer)

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.