
**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 August 2, 2015

or

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
(State or other jurisdiction of
incorporation or organization)

20-3842867
(I.R.S. Employer
Identification No.)

1818 Cornwall Avenue
Vancouver, British Columbia
(Address of principal executive offices)

V6J 1C7
(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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

At September 4, 2015 , there were 130,710,657 shares of the registrant's common stock, par value \$0.005 per share, outstanding.

Exchangeable and Special Voting Shares:

At September 4, 2015 , there were outstanding 9,832,541 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 4, 2015 , the registrant had outstanding 9,832,541 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.

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PART I
FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

lululemon athletica inc.
CONSOLIDATED BALANCE SHEETS
(Unaudited; Amounts in thousands, except per share amounts)

	August 2, 2015	February 1, 2015
ASSETS		
Current assets		
Cash and cash equivalents	\$ 541,262	\$ 664,479
Accounts receivable	12,209	13,746
Inventories	280,607	208,116
Prepaid expenses and other current assets	84,191	64,671
	<u>918,269</u>	<u>951,012</u>
Property and equipment, net	324,093	296,008
Goodwill and intangible assets, net	25,611	26,163
Deferred income tax assets	15,667	16,018
Other non-current assets	10,581	7,012
	<u>\$ 1,294,221</u>	<u>\$ 1,296,213</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 7,488	\$ 9,339
Accrued inventory liabilities	35,545	22,296
Accrued compensation and related expenses	33,050	29,932
Income taxes payable	1,239	20,073
Unredeemed gift card liability	36,148	46,252
Other accrued liabilities	34,638	31,989
	<u>148,108</u>	<u>159,881</u>
Deferred income tax liabilities	3,545	3,633
Other non-current liabilities	47,100	43,131
	<u>198,753</u>	<u>206,645</u>
Stockholders' equity		
Undesignated preferred stock, \$0.01 par value, 5,000 shares authorized, none issued and outstanding	—	—
Exchangeable stock, no par value, 60,000 shares authorized, issued and outstanding 9,833 and 9,833	—	—
Special voting stock, \$0.000005 par value, 60,000 shares authorized, issued and outstanding 9,833 and 9,833	—	—
Common stock, \$0.005 par value, 400,000 shares authorized, issued and outstanding 131,104 and 132,112	656	661
Additional paid-in capital	249,078	241,695
Retained earnings	1,035,903	1,020,619
Accumulated other comprehensive loss	(190,169)	(173,407)
	<u>1,095,468</u>	<u>1,089,568</u>
	<u>\$ 1,294,221</u>	<u>\$ 1,296,213</u>

See accompanying notes to the interim consolidated financial statements

lululemon athletica inc.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

(Unaudited; Amounts in thousands, except per share amounts)

	Thirteen Weeks Ended August 2, 2015	Thirteen Weeks Ended August 3, 2014	Twenty-Six Weeks Ended August 2, 2015	Twenty-Six Weeks Ended August 3, 2014
Net revenue	\$ 453,010	\$ 390,708	\$ 876,554	\$ 775,326
Cost of goods sold	240,985	193,401	458,652	382,275
Gross profit	212,025	197,307	417,902	393,051
Selling, general and administrative expenses	145,446	129,419	283,287	255,362
Income from operations	66,579	67,888	134,615	137,689
Other income, net	842	1,890	1,371	3,533
Income before provision for income taxes	67,421	69,778	135,986	141,222
Provision for income taxes	19,753	21,030	40,508	73,493
Net income	<u>\$ 47,668</u>	<u>\$ 48,748</u>	<u>\$ 95,478</u>	<u>\$ 67,729</u>
Other comprehensive (loss) income:				
Foreign currency translation adjustment	(39,368)	3,664	(16,762)	16,054
Comprehensive income	<u>\$ 8,300</u>	<u>\$ 52,412</u>	<u>\$ 78,716</u>	<u>\$ 83,783</u>
Basic earnings per share	\$ 0.34	\$ 0.34	\$ 0.67	\$ 0.47
Diluted earnings per share	\$ 0.34	\$ 0.33	\$ 0.67	\$ 0.46
Basic weighted-average number of shares outstanding	141,372	145,180	141,656	145,282
Diluted weighted-average number of shares outstanding	141,644	145,544	141,977	145,715

See accompanying notes to the interim consolidated financial statements

lululemon athletica inc.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited; Amounts in thousands)

	Exchangeable Stock		Special Voting Stock		Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
	Shares	Par Value	Shares	Par Value	Shares	Par Value				
Balance at February 1, 2015	9,833	\$ —	9,833	\$ —	132,112	\$ 661	\$ 241,695	\$ 1,020,619	\$ (173,407)	\$ 1,089,568
Net income								95,478		95,478
Foreign currency translation adjustment									(16,762)	(16,762)
Stock-based compensation expense							6,021			6,021
Excess tax benefit from stock-based compensation							649			649
Common stock issued upon settlement of stock-based compensation					285	1	4,120			4,121
Shares withheld related to net share settlement of stock-based compensation					(23)	—	(1,464)			(1,464)
Repurchase of common stock					(1,270)	(6)	(1,798)	(80,194)		(81,998)
Registration fees associated with prospectus supplement							(145)			(145)
Balance at August 2, 2015	<u>9,833</u>	<u>\$ —</u>	<u>9,833</u>	<u>\$ —</u>	<u>131,104</u>	<u>\$ 656</u>	<u>\$ 249,078</u>	<u>\$ 1,035,903</u>	<u>\$ (190,169)</u>	<u>\$ 1,095,468</u>

See accompanying notes to the interim consolidated financial statements

lululemon athletica inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited; Amounts in thousands)

	Twenty-Six Weeks Ended August 2, 2015	Twenty-Six Weeks Ended August 3, 2014
Cash flows from operating activities		
Net income	\$ 95,478	\$ 67,729
Items not affecting cash		
Depreciation and amortization	32,791	26,097
Stock-based compensation expense	6,021	3,369
Deferred income taxes	(11)	27,789
Excess tax benefits from stock-based compensation	(649)	(46)
Other, including net changes in other non-cash balances		
Prepaid taxes	(13,614)	(5,819)
Other prepaid expenses and other current assets	(5,434)	(8,649)
Inventories	(74,010)	9,418
Accounts payable	(1,809)	(5,709)
Accrued inventory liabilities	13,666	5,050
Other accrued liabilities	2,828	4,886
Income taxes payable	(18,463)	(207)
Accrued compensation and related expenses	3,394	7,013
Other non-cash balances	(8,027)	(6,936)
Net cash provided by operating activities	32,161	123,985
Cash flows from investing activities		
Purchase of property and equipment	(65,118)	(52,102)
Net cash used in investing activities	(65,118)	(52,102)
Cash flows from financing activities		
Proceeds from settlement of stock-based compensation	4,121	2,251
Excess tax benefits from stock-based compensation	649	46
Taxes paid related to net share settlement of equity awards	(1,464)	(3,660)
Repurchase of common stock	(81,998)	(55,804)
Registration fees associated with prospectus supplement	(145)	—
Net cash used in financing activities	(78,837)	(57,167)
Effect of exchange rate changes on cash and cash equivalents	(11,423)	11,708
(Decrease) increase in cash and cash equivalents	(123,217)	26,424
Cash and cash equivalents, beginning of period	\$ 664,479	\$ 698,649
Cash and cash equivalents, end of period	\$ 541,262	\$ 725,073

See accompanying notes to the interim consolidated financial statements

lululemon athletica inc.
NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands, except per share and store count information, unless otherwise indicated)

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, distribution, and retail of healthy lifestyle inspired athletic apparel, which is sold through a chain of company-operated stores, direct to consumer through e-commerce, showrooms, a network of wholesale accounts, outlets and warehouse sales. The Company operates stores in the United States, Canada, Australia, New Zealand, the United Kingdom, Singapore, and Hong Kong. There were a total of 336 and 302 company-operated stores in operation as of August 2, 2015 and February 1, 2015, respectively.

Basis of presentation

The unaudited interim consolidated financial statements as of August 2, 2015 and for the thirteen and twenty-six weeks ended August 2, 2015 and August 3, 2014 are presented in United States dollars and have been prepared by the Company under the rules and regulations of the Securities and Exchange Commission ("SEC"). The financial information is presented in accordance with United States generally accepted accounting principles ("GAAP") for interim financial information and, accordingly, does not include all of the information and footnotes required by GAAP for complete financial statements. The financial information as of February 1, 2015 is derived from the Company's audited consolidated financial statements and notes for the fiscal year ended February 1, 2015, included in Item 8 in the Company's fiscal 2014 Annual Report on Form 10-K filed with the SEC on March 26, 2015. These unaudited interim consolidated financial statements reflect all adjustments which are in the opinion of management necessary to a fair statement of the results for the interim periods presented. These unaudited interim consolidated financial statements should be read in conjunction with the Company's consolidated financial statements and related notes included in the Company's fiscal 2014 Annual Report on Form 10-K.

The Company's fiscal year ends on the Sunday closest to January 31 of the following year, typically resulting in a 52 week year, but occasionally giving rise to an additional week, resulting in a 53 week year. Fiscal 2015 will end on January 31, 2016 and will be a 52 week year.

The Company's business is affected by the pattern of seasonality common to most retail apparel businesses. Historically, the Company has recognized a significant portion of its operating profit in the fourth fiscal quarter of each year as a result of increased sales during the holiday season.

Certain comparative figures have been reclassified to conform to the financial presentation adopted for the current year.

NOTE 2. RECENT ACCOUNTING PRONOUNCEMENTS

In May 2014, the FASB issued ASC Topic 606, *Revenue from Contracts with Customers* ("ASC 606"), which supersedes the revenue recognition requirements in ASC Topic 605 Revenue Recognition, including most industry-specific revenue recognition guidance throughout the Industry Topics of the Codification. This guidance requires that an entity recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services, and expands the related disclosure requirements. In July 2015, the FASB voted to defer the effective date for public companies to years, and interim periods within those years, beginning after December 15, 2017, with early application permitted only as of years, and interim periods within those years, beginning after December 15, 2016. This guidance will be effective for the Company beginning in its first quarter of fiscal 2018. The Company is currently evaluating the timing of adoption and impact that this new guidance may have on its consolidated financial statements.

In June 2014, the FASB amended ASC Topic 718, *Compensation - Stock Compensation* ("ASC 718") for share-based payments in which the terms of the award provide that a performance target can be achieved after the requisite service period. The amendments require that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. This guidance is effective for public companies for years, and interim periods within those years, beginning on or after December 15, 2015, and early application is permitted. This guidance will be effective for the Company beginning in its first quarter of fiscal 2016. The Company is currently evaluating the impact that this new guidance may have on its consolidated financial statements.

In April 2015, the FASB amended ASC Subtopic 350-40, *Intangibles - Goodwill and Other - Internal-Use Software* ("ASC 350-40") to provide guidance to customers about whether a cloud computing arrangement includes a software license. This guidance requires that if a cloud computing arrangement includes a software license, the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. This guidance is effective for public companies for years, and interim periods within those years, beginning on or after December 15, 2015, and early application is permitted. This guidance will be effective for the Company beginning in its first quarter of fiscal 2016. The Company is currently evaluating the impact that this new guidance may have on its consolidated financial statements.

In July 2015, the FASB amended ASC Topic 330, *Inventory* ("ASC 330") to simplify the measurement of inventory. The amendments require that an entity measure inventory at the lower of cost and net realizable value instead of the lower of cost and market. This guidance is effective for public companies for years, and interim periods within those years, beginning on or after December 15, 2016, with earlier application permitted as of the beginning of an interim or annual reporting period. This guidance will be effective for the Company beginning in its first quarter of fiscal 2017. The Company is currently evaluating the impact that this new guidance may have on its consolidated financial statements.

NOTE 3. STOCK-BASED COMPENSATION

Stock-based compensation plans

The Company's eligible employees participate in various stock-based compensation plans, which are provided by the Company directly.

Stock-based compensation expense charged to income for the plans was \$6,021 and \$3,369 for the twenty-six weeks ended August 2, 2015 and August 3, 2014, respectively. Total unrecognized compensation cost for all stock-based compensation plans was \$37,169 at August 2, 2015, which is expected to be recognized over a weighted-average period of 2.5 years.

Company stock options, performance-based restricted stock units, restricted shares and restricted stock units

A summary of the Company's stock option, performance-based restricted stock unit, restricted share and restricted stock unit activity as of August 2, 2015 and changes during the twenty-six week period then ended is presented below:

	Stock Options		Performance-Based Restricted Stock Units		Restricted Shares		Restricted Stock Units	
	Number	Weighted-Average Exercise Price	Number	Weighted-Average Grant Date Fair Value	Number	Weighted-Average Grant Date Fair Value	Number	Weighted-Average Grant Date Fair Value
Balance at February 1, 2015	879	\$ 39.25	452	\$ 59.27	62	\$ 42.86	186	\$ 45.75
Granted	154	64.85	138	64.87	19	66.07	181	64.89
Exercised/vested	219	18.85	46	66.55	30	39.08	5	49.95
Forfeited	111	54.75	121	63.93	4	38.25	34	49.17
Balance at August 2, 2015	703	\$ 48.74	423	\$ 58.97	47	\$ 54.97	328	\$ 55.89
Exercisable at August 2, 2015	210	\$ 35.47						

The fair value of each stock option granted is estimated on date of grant using the Black-Scholes model. The assumptions used to calculate the fair value of options granted are evaluated and revised, as necessary, to reflect market conditions and the Company's historical experience. The expected term of the options is based upon historical experience of similar awards, giving consideration for expectations of future employee behavior. Expected volatility is based upon the historical volatility of the Company's common stock for the period corresponding with the expected term of the options. The risk-free interest rate is based on the U.S. Treasury yield curve for the period corresponding with the expected term of the options. The following assumptions were used in calculating the fair value of stock options granted in fiscal 2015 :

	Stock Options Granted During Fiscal 2015
Expected term	4.0 years
Expected volatility	42.73%
Risk-free interest rate	0.98%
Dividend yield	—%

The Company's performance-based restricted stock units are awarded to eligible employees and entitle the grantee to receive a maximum of two shares of common stock per performance-based restricted stock unit if the Company achieves specified performance goals and the grantee remains employed during the vesting period. The fair value of performance-based restricted stock units is based on the closing price of the Company's common stock on the award date. Expense for performance-based restricted stock units is recognized when it is probable that the performance goal will be achieved.

The fair value of the restricted shares and restricted stock units is based on the closing price of the Company's common stock on the award date.

Employee stock purchase plan

The Company's board of directors and stockholders approved the Company's Employee Share Purchase Plan ("ESPP") in September 2007. Contributions are made by eligible employees, subject to certain limits as defined in the ESPP, and the Company matches one-third of the contribution. The maximum number of shares available under the ESPP is 6,000 shares. During the thirteen weeks ended August 2, 2015, there were 29 shares purchased under the ESPP in the open market.

NOTE 4. EARNINGS PER SHARE

The details of the computation of basic and diluted earnings per share are as follows:

	Thirteen Weeks Ended August 2, 2015	Thirteen Weeks Ended August 3, 2014	Twenty-Six Weeks Ended August 2, 2015	Twenty-Six Weeks Ended August 3, 2014
Net income	\$ 47,668	\$ 48,748	\$ 95,478	\$ 67,729
Basic weighted-average number of shares outstanding	141,372	145,180	141,656	145,282
Assumed conversion of dilutive stock options and awards	272	364	321	433
Diluted weighted-average number of shares outstanding	141,644	145,544	141,977	145,715
Basic earnings per share	\$ 0.34	\$ 0.34	\$ 0.67	\$ 0.47
Diluted earnings per share	\$ 0.34	\$ 0.33	\$ 0.67	\$ 0.46

The Company's calculation of weighted-average shares includes the common stock of the Company as well as the exchangeable shares. Exchangeable shares are the equivalent of common shares in all material respects. All classes of stock have in effect the same rights and share equally in undistributed net income. For the twenty-six weeks ended August 2, 2015 and August 3, 2014, 60 and 288 stock options and awards, respectively, were anti-dilutive to earnings per share and therefore have been excluded from the computation of diluted earnings per share.

On June 11, 2014, the Company's board of directors approved a program to repurchase shares of the Company's common stock up to an aggregate value of \$450,000. The common stock is to be repurchased in the open market at prevailing market prices, with the timing and actual number of shares to be repurchased depending upon market conditions and other factors. The repurchases may be made up until June 2016. During the twenty-six weeks ended August 2, 2015 and August 3, 2014, 1,270 and 1,422 shares, respectively, were repurchased under the program at a total cost of \$81,998 and \$55,804, respectively. Subsequent to August 2, 2015, and up to September 4, 2015, 402 shares were repurchased at a total cost of \$25,324.

NOTE 5. SUPPLEMENTARY FINANCIAL INFORMATION

A summary of certain balance sheet accounts is as follows:

	August 2, 2015	February 1, 2015
Inventories:		
Finished goods	\$ 287,357	\$ 214,113
Provision to reduce inventory to market value	(6,750)	(5,997)
	<u>\$ 280,607</u>	<u>\$ 208,116</u>
Prepaid expenses and other current assets:		
Prepaid taxes	\$ 54,811	\$ 40,547
Prepaid expenses	29,380	24,124
	<u>\$ 84,191</u>	<u>\$ 64,671</u>
Property and equipment:		
Land	\$ 59,226	\$ 60,548
Buildings	29,263	29,099
Leasehold improvements	205,235	176,677
Furniture and fixtures	62,287	55,320
Computer hardware	40,776	35,457
Computer software	100,780	84,854
Equipment and vehicles	11,957	11,908
Accumulated depreciation	(185,431)	(157,855)
	<u>\$ 324,093</u>	<u>\$ 296,008</u>
Goodwill and intangible assets:		
Goodwill	\$ 25,496	\$ 25,496
Changes in foreign currency exchange rates	(1,236)	(1,083)
	24,260	24,413
Intangibles—reacquired franchise rights	10,150	10,150
Accumulated amortization	(8,674)	(8,264)
Changes in foreign currency exchange rates	(125)	(136)
	1,351	1,750
	<u>\$ 25,611</u>	<u>\$ 26,163</u>
Other accrued liabilities:		
Sales tax collected	\$ 9,968	\$ 8,579
Accrued rent	4,943	5,567
Other	19,727	17,843
	<u>\$ 34,638</u>	<u>\$ 31,989</u>
Other non-current liabilities:		
Deferred lease liability	\$ 22,333	\$ 20,837
Tenant inducements	24,767	22,294
	<u>\$ 47,100</u>	<u>\$ 43,131</u>

NOTE 6. LEGAL PROCEEDINGS

In addition to the legal matters described below, the Company is, from time to time, involved in routine legal matters incidental to the conduct of its business, including legal matters such as initiation and defense of proceedings to protect intellectual property rights, personal injury claims, product liability claims, and similar matters. The Company believes the ultimate resolution of any such current proceeding will not have a material adverse effect on its continued financial position, results of operations or cash flows.

On July 2, 2013, plaintiff Houssam Alkhoury filed a putative shareholder class action entitled *Alkhoury v. lululemon athletica inc., et al.*, No. 13-CV-4596 (S.D.N.Y.) against lululemon, a certain director and a certain officer of the Company. This proceeding is discussed in the Company's Annual Report on Form 10-K filed with the SEC on March 26, 2015, and in its Quarterly Report on Form 10-Q filed with the SEC on June 9, 2015. On April 18, 2014, the Court dismissed all of Lead Plaintiff's claims for failure to state a claim. Lead Plaintiff appealed this decision and on May 15, 2015, the Court of Appeals dismissed the plaintiff's appeal.

On July 15, 2015, plaintiffs Hallandale Beach Police Officers and Firefighters' Personnel Retirement Fund and Laborers' District Council Industry Pension Fund filed in the Delaware Court of Chancery a derivative lawsuit on behalf of lululemon against certain current and former directors of lululemon, captioned *Laborers' District Council Industry Pension Fund v. Bensoussan, et al.*, C.A. No. 11293-CB. Plaintiffs claim that the individual defendants breached their fiduciary duties to lululemon by allegedly failing to investigate certain trades of lululemon stock owned by Dennis J. Wilson in 2013. Plaintiffs also claim that Mr. Wilson breached his fiduciary duties by making his broker aware of certain non-public, material events prior to executing sales of lululemon stock on Mr. Wilson's behalf. On August 18, 2015, the individual defendants (including Mr. Wilson) filed motions to dismiss the action pursuant to Court of Chancery Rules 23.1 and 12(b)(6) for failure to adequately plead that demand on the board was excused and for failure to state a claim upon which relief may be granted. Also on August 18, 2015, the Company filed a motion to dismiss the action pursuant to Court of Chancery Rule 23.1 for failure to adequately plead that demand on the board was excused.

NOTE 7. SEGMENT REPORTING

The Company applies ASC Topic 280, *Segment Reporting* ("ASC 280"), in determining reportable segments for its financial statement disclosure. The Company reports segments based on the financial information it uses in managing its business. The Company's reportable segments are comprised of company-operated stores and direct to consumer. Direct to consumer represents sales from the Company's e-commerce websites. Outlet sales, showroom sales, sales to wholesale accounts, warehouse sales, and sales from temporary locations have been combined into other. Information for these segments is detailed in the table below:

	Thirteen Weeks Ended August 2, 2015	Thirteen Weeks Ended August 3, 2014	Twenty-Six Weeks Ended August 2, 2015	Twenty-Six Weeks Ended August 3, 2014
Net revenue:				
Company-operated stores	\$ 339,779	\$ 294,040	\$ 653,873	\$ 582,142
Direct to consumer	82,239	63,481	165,875	129,455
Other	30,992	33,187	56,806	63,729
	<u>\$ 453,010</u>	<u>\$ 390,708</u>	<u>\$ 876,554</u>	<u>\$ 775,326</u>
Income from operations before general corporate expense:				
Company-operated stores	\$ 67,441	\$ 74,891	\$ 136,664	\$ 150,596
Direct to consumer	32,250	24,087	67,121	51,182
Other	1,820	3,496	2,801	6,786
	101,511	102,474	206,586	208,564
General corporate expense	34,932	34,586	71,971	70,875
Income from operations	66,579	67,888	134,615	137,689
Other income, net	842	1,890	1,371	3,533
Income before provision for income taxes	<u>\$ 67,421</u>	<u>\$ 69,778</u>	<u>\$ 135,986</u>	<u>\$ 141,222</u>
Capital expenditures:				
Company-operated stores	\$ 24,788	\$ 15,805	\$ 41,632	\$ 31,671
Direct to consumer	1,479	3,751	1,932	4,863
Corporate	10,915	7,099	21,554	15,568
	<u>\$ 37,182</u>	<u>\$ 26,655</u>	<u>\$ 65,118</u>	<u>\$ 52,102</u>
Depreciation and amortization:				
Company-operated stores	\$ 11,736	\$ 9,027	\$ 23,013	\$ 17,424
Direct to consumer	1,599	1,255	3,135	2,261
Corporate	3,360	3,354	6,643	6,412
	<u>\$ 16,695</u>	<u>\$ 13,636</u>	<u>\$ 32,791</u>	<u>\$ 26,097</u>

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 within the meaning of Section 27A of the Securities Act of 1933 and the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts, included or incorporated in this Form 10-Q are forward-looking statements, particularly statements which 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," "estimates," "intends," "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 "Risk Factors" and elsewhere in this report.

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 and are expressly qualified in their entirety by the cautionary statements included in this Form 10-Q. Except as required by applicable securities law, 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.

This information should be read in conjunction with the consolidated financial statements and the notes included in Item 1 of Part I of this Form 10-Q and the audited consolidated financial statements and notes, and Management's Discussion and Analysis of Financial Condition and Results of Operations, contained in our Annual Report on Form 10-K.

We disclose material non-public information through one or more of the following channels: our investor relations website (<http://investor.lululemon.com/>), the social media channels identified on our investor relations website, press releases, SEC filings, public conference calls, and webcasts.

Overview

lululemon is a designer, distributor, and retailer of technical athletic apparel. Since our inception, we have developed a distinctive corporate culture with a mission to produce products which create transformational experiences for people to live happy, healthy, fun lives. We promote a set of core values in our business which include, developing the highest quality products, operating with integrity, leading a balanced and fun life, and nurturing entrepreneurial spirit. These core values attract passionate and motivated employees who are driven to succeed and share our purpose of "elevating the world from mediocrity to greatness."

Our healthy lifestyle inspired athletic apparel is marketed under the lululemon athletica and ivivva athletica brand names. We offer a comprehensive line of apparel and accessories for women, men and female youth. Our apparel assortment includes items such as pants, shorts, tops and jackets designed for healthy lifestyle and athletic activities such as yoga, running, other sweaty pursuits, and dance-inspired apparel for female youth.

Financial Highlights

- Our net revenue increased from \$390.7 million in the second quarter of fiscal 2014 to \$453.0 million in the second quarter of fiscal 2015, representing a growth rate of 16%. This increase resulted primarily from the addition of 66 new company-operated stores and increased direct to consumer net revenue.
- Total comparable sales, which includes comparable store sales and direct to consumer, increased 6% in the second quarter of fiscal 2015, and increased by 11% on a constant dollar basis.
- Company-operated stores accounted for 75.0% of net revenue in the second quarter of fiscal 2015 compared to 75.3% of net revenue in the second quarter of fiscal 2014. Comparable store sales increased by 6% on a constant dollar basis for the second quarter of fiscal 2015 primarily as a result of increased traffic and increased dollar value per transaction.

- Our direct to consumer segment is an increasingly substantial part of our growth strategy, and represented 18.2% of our net revenue in the second quarter of fiscal 2015 compared to 16.2% in the second quarter of fiscal 2014 . Direct to consumer net revenue increased 35% on a constant dollar basis primarily as the result of higher conversion rates and traffic on our e-commerce websites.
- Gross profit for the second quarter of fiscal 2015 increased by 7% to \$212.0 million , from \$197.3 million in the second quarter of fiscal 2014 . Gross profit as a percentage of net revenue, or gross margin, decreased to 46.8% compared to 50.5% in the second quarter of fiscal 2014 . The decrease in gross margin was primarily due to decreased product margin, increased occupancy and depreciation costs, an unfavorable impact of foreign exchange rates on gross margin, and increased air freight costs.
- Income from operations for the second quarter of fiscal 2015 decrease d by 2% to \$66.6 million , from \$67.9 million in the second quarter of fiscal 2014 . As a percentage of net revenue, income from operations decreased to 14.7% compared to 17.4% of net revenue in the second quarter of fiscal 2014 .
- Provision for income taxes for the second quarter of fiscal 2015 decreased by 6% to \$19.8 million , from \$21.0 million in the second quarter of fiscal 2014 . The effective tax rate was 29.3% in the second quarter of fiscal 2015 compared to 30.1% in the second quarter of fiscal 2014 .
- Diluted earnings per share for the second quarter of fiscal 2015 were \$0.34 compared to \$0.33 in the second quarter of fiscal 2014 .

Refer to the non-GAAP reconciliation tables contained in the "Results of Operations" section of this Management's Discussion and Analysis of Financial Condition and Results of Operations for reconciliations of constant dollar total comparable sales, constant dollar comparable store sales, and constant dollar changes in direct to consumer net revenue to measures calculated in accordance with United States generally accepted accounting principles ("GAAP").

Results of Operations

Thirteen Week Results

The following table summarizes key components of our results of operations for the thirteen weeks ended August 2, 2015 and August 3, 2014 . The operating results are expressed in dollar amounts. The percentages are presented as a percentage of net revenue.

	Thirteen Weeks Ended August 2, 2015 and August 3, 2014			
	2015		2014	
	(In thousands)		(Percentages)	
Net revenue	\$ 453,010	\$ 390,708	100.0%	100.0%
Cost of goods sold	240,985	193,401	53.2	49.5
Gross profit	212,025	197,307	46.8	50.5
Selling, general and administrative expenses	145,446	129,419	32.1	33.1
Income from operations	66,579	67,888	14.7	17.4
Other income, net	842	1,890	0.2	0.5
Income before provision for income taxes	67,421	69,778	14.9	17.9
Provision for income taxes	19,753	21,030	4.4	5.4
Net income	\$ 47,668	\$ 48,748	10.5%	12.5%

Net Revenue

Net revenue increased \$62.3 million, or 16% , to \$453.0 million for the second quarter of fiscal 2015 from \$390.7 million for the second quarter of fiscal 2014 . Assuming the average exchange rates for the second quarter of fiscal 2015 remained constant with the average exchange rates for the second quarter of fiscal 2014 , our net revenue would have increased \$82.6 million , or 21% .

The net revenue increase was driven primarily by sales from new company-operated stores and the growth of our direct to consumer segment. Total comparable sales, which includes comparable store sales and direct to consumer, increased 6% in the second quarter of fiscal 2015 . Excluding the effect of foreign currency fluctuations, total comparable sales would have increased 11% .

Our net revenue on a segment basis for the thirteen weeks ended August 2, 2015 and August 3, 2014 is summarized below. Net revenue is expressed in dollar amounts. The percentages are presented as a percentage of total net revenue.

	Thirteen Weeks Ended August 2, 2015 and August 3, 2014			
	2015		2014	
	(In thousands)		(Percentages)	
Company-operated stores	\$ 339,779	\$ 294,040	75.0%	75.3%
Direct to consumer	82,239	63,481	18.2	16.2
Other	30,992	33,187	6.8	8.5
Net revenue	\$ 453,010	\$ 390,708	100.0%	100.0%

Company-operated Stores. Net revenue from our company-operated stores segment increased \$45.7 million , or 16% , to \$339.8 million in the second quarter of fiscal 2015 from \$294.0 million in the second quarter of fiscal 2014 . The following contributed to the increase in net revenue from our company-operated stores segment:

- Net revenue from company-operated stores we opened subsequent to August 3, 2014 , and therefore not included in comparable store sales, contributed \$44.3 million to the increase . We have opened 66 new company-operated stores since the second quarter of fiscal 2014 , including 53 stores in the United States, six stores in Canada, three stores in the United Kingdom, two stores in Singapore, and one store in each of Australia and Hong Kong; and
- A comparable store sales increase of 1% in the second quarter of fiscal 2015 resulted in a \$1.4 million increase to net revenue, including the effect of foreign currency fluctuations. Excluding the effect of foreign currency fluctuations, comparable store sales would have increased 6% , or \$14.2 million , in the second quarter of fiscal 2015 . The increase in comparable store sales was primarily as a result of increased traffic and increased dollar value per transaction.

Direct to Consumer. Net revenue from our direct to consumer segment increased \$18.8 million , or 30% , to \$82.2 million in the second quarter of fiscal 2015 from \$63.5 million in the second quarter of fiscal 2014 . Excluding the effect of foreign exchange fluctuations, direct to consumer revenue would have increased 35% . The increase in net revenue was primarily the result of higher conversion rates and traffic on our e-commerce websites, including traffic driven by our Canadian and U.S. online warehouse sales.

Other. Other net revenue decreased \$2.2 million , or 7% , to \$31.0 million in the second quarter of fiscal 2015 from \$33.2 million in the second quarter of fiscal 2014 . This decrease was primarily the result of fewer temporary locations being open during the second quarter of fiscal 2015 compared to the second quarter of fiscal 2014 .

Gross Profit

Gross profit increased \$14.7 million , or 7% , to \$212.0 million for the second quarter of fiscal 2015 from \$197.3 million for the second quarter of fiscal 2014 .

Gross profit as a percentage of net revenue, or gross margin, decreased by 370 basis points, to 46.8% in the second quarter of fiscal 2015 from 50.5% in the second quarter of fiscal 2014 . The decrease in gross margin was primarily the result of:

- a decrease in product margin of 110 basis points primarily due to increased product costs;
- an increase in occupancy costs and depreciation relative to the increase in net revenue which contributed to a decrease in gross margin of 110 basis points primarily due lease renewals, store relocations and renovations, and international expansion;
- an unfavorable impact of foreign exchange rates which contributed to a decrease in gross margin of 70 basis points;
- an increase in air freight costs of 50 basis points; and
- an increase in markdowns of 30 basis points due primarily to our online warehouse sale.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased \$16.0 million , or 12% , to \$145.4 million in the second quarter of fiscal 2015 from \$129.4 million in the second quarter of fiscal 2014 . The increase in selling, general and administrative expenses was principally comprised of:

- an increase in head office costs of \$9.4 million primarily as a result of increased professional fees, marketing costs, and head office employee costs;
- an increase in employee costs of \$9.3 million primarily from a growth in labor hours and bonuses associated with new company-operated stores and showrooms;
- an increase in variable costs such as credit card fees, distribution costs, and packaging, of \$2.8 million primarily as a result of new company-operated stores as well as increased sales volume from our direct to consumer segment; and
- an increase in other costs, including repairs and maintenance costs, of \$1.7 million .

The increase in selling, general and administrative expenses was partially offset by an increase in net foreign exchange revaluation gains of \$6.9 million and a decrease in administrative costs related to our direct to consumer segment of \$0.3 million .

As a percentage of net revenue, selling, general and administrative expenses decreased 100 basis points, to 32.1% in the second quarter of fiscal 2015 from 33.1% in the second quarter of fiscal 2014 .

Income from Operations

Income from operations decreased \$1.3 million , or 2% , to \$66.6 million in the second quarter of fiscal 2015 from \$67.9 million in the second quarter of fiscal 2014 . The decrease was primarily the result of an increase in selling, general and administrative costs of \$16.0 million , partially offset by an increase in gross profit of \$14.7 million .

On a segment basis, we determine income from operations without taking into account our general corporate expenses.

Income from operations before general corporate expenses for the thirteen weeks ended August 2, 2015 and August 3, 2014 is summarized below and is expressed in dollar amounts. The percentages are presented as a percentage of net revenue of the respective operating segments.

	Thirteen Weeks Ended August 2, 2015 and August 3, 2014			
	2015		2014	
	(In thousands)		(Percentages)	
Company-operated stores	\$ 67,441	\$ 74,891	19.8%	25.5%
Direct to consumer	32,250	24,087	39.2	37.9
Other	1,820	3,496	5.9	10.5
Income from operations before general corporate expense	101,511	102,474		
General corporate expense	34,932	34,586		
Income from operations	\$ 66,579	\$ 67,888		

Company-operated Stores. Income from operations from our company-operated stores segment decreased \$7.5 million , or 10% , to \$67.4 million for the second quarter of fiscal 2015 from \$74.9 million for the second quarter of fiscal 2014 primarily due to an increase in employee costs as well as operating expenses associated with new stores, partially offset by increase d gross profit of \$8.6 million . Income from operations as a percentage of company-operated stores revenue decreased by 570 basis points primarily due to lower gross margin and deleverage of selling, general and administrative expenses.

Direct to Consumer. Income from operations from our direct to consumer segment increased \$8.2 million , or 34% , to \$32.2 million for the second quarter of fiscal 2015 from \$24.1 million for the second quarter of fiscal 2014 . The increase was primarily the result of increased gross profit of \$7.9 million primarily due to increased net revenue resulting from higher conversion rates and increased traffic on our e-commerce websites, partially offset by increased selling, general and administrative expenses. Income from operations as a percentage of direct to consumer revenue increased by 130 basis points.

Other. Other income from operations decreased \$1.7 million , or 48% , to \$1.8 million for the second quarter of fiscal 2015 from \$3.5 million for the second quarter of fiscal 2014 . The decrease was primarily the result of decreased gross profit of \$1.8 million in the second quarter of fiscal 2015 . Income from operations as a percentage of other net revenue decreased by 460 basis points primarily due to decreased net revenues, lower gross margin, deleverage of selling, general and administrative expenses, and due to an increased number of showrooms in new international markets which have a higher cost structure than North America.

General Corporate Expense. General corporate expense increased \$0.3 million , or 1% , to \$34.9 million for the second quarter of fiscal 2015 from \$34.6 million for the second quarter of fiscal 2014 . This was primarily due to increased head office costs as a result of the overall growth of our business and investment in strategic initiatives and projects.

Other Income, Net

Other income, net, decrease d \$1.0 million , or 55% , to \$0.8 million for the second quarter of fiscal 2015 from \$1.9 million for the second quarter of fiscal 2014 . The decrease was primarily due to less interest earned on our decreased cash and cash equivalents balance compared to the second quarter of fiscal 2014 and due to a higher proportion of cash held in the U.S., where we earn lower rates of interest. During fiscal 2014, we distributed dividends from foreign subsidiaries to the U.S. parent entity to fund the share repurchase program.

Provision for Income Taxes

Provision for income taxes decreased \$1.3 million , or 6% , to \$19.8 million in the second quarter of fiscal 2015 from \$21.0 million in the second quarter of fiscal 2014 . In the second quarter of fiscal 2015 , our effective tax rate was 29.3% compared to 30.1% in the second quarter of fiscal 2014 .

Net Income

Net income decreased \$1.1 million to \$47.7 million for the second quarter of fiscal 2015 from \$48.7 million for the second quarter of fiscal 2014 . The decrease in net income was primarily the result of an increase in selling, general and administrative expenses of \$16.0 million and a decrease in other income, net of \$1.0 million , partially offset by an increase in gross profit of \$14.7 million and a decrease in provision for income taxes of \$1.3 million .

Twenty-Six Week Results

The following table summarizes key components of our results of operations for the twenty-six week periods ended August 2, 2015 and August 3, 2014 . The operating results are expressed in dollar amounts. The percentages are presented as a percentage of net revenue.

	Twenty-Six Weeks Ended August 2, 2015 and August 3, 2014			
	2015		2014	
	(In thousands)		(Percentages)	
Net revenue	\$ 876,554	\$ 775,326	100.0%	100.0%
Cost of goods sold	458,652	382,275	52.3	49.3
Gross profit	417,902	393,051	47.7	50.7
Selling, general and administrative expenses	283,287	255,362	32.3	32.9
Income from operations	134,615	137,689	15.4	17.8
Other income, net	1,371	3,533	0.2	0.4
Income before provision for income taxes	135,986	141,222	15.6	18.2
Provision for income taxes	40,508	73,493	4.7	9.5
Net income	\$ 95,478	\$ 67,729	10.9%	8.7%

Net Revenue

Net revenue increased \$101.2 million , or 13% , to \$876.6 million for the first two quarters of fiscal 2015 from \$775.3 million for the first two quarters of fiscal 2014 . Assuming the average exchange rates for the first two quarters of fiscal 2015 remained constant with average exchange rates for the first two quarters of fiscal 2014 , our net revenue would have increased \$137.0 million , or 18% .

The net revenue increase was driven by sales from new company-operated stores and the growth of our direct to consumer segment. Total comparable sales, which includes comparable store sales and direct to consumer, increased 4% in the first two quarters of fiscal 2015 . Excluding the effect of foreign currency fluctuations, total comparable sales would have increased 8% .

Our net revenue on a segment basis for the twenty-six week periods ended August 2, 2015 and August 3, 2014 is summarized below. Net revenue is expressed in dollar amounts. The percentages are presented as a percentage of total net revenue.

	Twenty-Six Weeks Ended August 2, 2015 and August 3, 2014			
	2015		2014	
	(In thousands)		(Percentages)	
Company-operated stores	\$ 653,873	\$ 582,142	74.6%	75.1%
Direct to consumer	165,875	129,455	18.9	16.7
Other	56,806	63,729	6.5	8.2
Net revenue	\$ 876,554	\$ 775,326	100.0%	100.0%

Company-operated Stores. Net revenue from our company-operated stores segment increased \$71.7 million , or 12% , to \$653.9 million in the first two quarters of fiscal 2015 from \$582.1 million in the first two quarters of fiscal 2014 . Net revenue from company-operated stores we opened subsequent to August 3, 2014 , and therefore not included in comparable store sales, contributed \$82.5 million to the increase. We have opened 66 new company-operated stores since the second quarter of fiscal 2014 , including 53 stores in the United States, six stores in Canada, three stores in the United Kingdom, two stores in Singapore, and one store in each of Australia and Hong Kong. The increase in net revenue from our company-operated stores segment was offset by a comparable store sales decrease of 2% in the first two quarters of fiscal 2015 , which resulted in a \$10.7 million decrease to net revenue, including the effect of foreign currency fluctuations. Excluding the effect of foreign currency fluctuations, comparable store sales would have increased 2% , or \$11.8 million , in the first two quarters of fiscal 2015 . The increase in comparable store sales, excluding the effect of foreign currency fluctuations, was primarily as a result of increased traffic and increased dollar value per transaction.

Direct to Consumer. Net revenue from our direct to consumer segment increased \$36.4 million , or 28% , to \$165.9 million in the first two quarters of fiscal 2015 from \$129.5 million in the first two quarters of fiscal 2014 . Excluding the effect of

foreign exchange fluctuations, direct to consumer revenue would have increased 33% . The increase in net revenue was primarily the result of higher conversion rates and traffic on our e-commerce websites, including traffic driven by our Canadian and U.S. online warehouse sales held during the second quarter of fiscal 2015.

Other. Other net revenue decreased \$6.9 million , or 11% , to \$56.8 million in the first two quarters of fiscal 2015 from \$63.7 million in the first two quarters of fiscal 2014 . This decrease was primarily the result of a warehouse sale held during the first quarter of fiscal 2014 as well as fewer temporary locations being open during the first two quarters of fiscal 2015 compared to the first two quarters of fiscal 2014 and decreased outlet sales.

Gross Profit

Gross profit increased \$24.9 million , or 6% , to \$417.9 million for the first two quarters of fiscal 2015 from \$393.1 million for the first two quarters of fiscal 2014 .

Gross profit as a percentage of net revenue, or gross margin, decreased by 300 basis points, to 47.7% in the first two quarters of fiscal 2015 from 50.7% in the first two quarters of fiscal 2014 . The decrease in gross margin was primarily the result of:

- an increase in fixed costs, including occupancy costs and depreciation, relative to the increase in net revenue, which contributed to a decrease in gross margin of 130 basis points. This was primarily due lease renewals, store relocations and renovations, and international expansion;
- an increase in air freight costs of 70 basis points;
- an unfavorable impact of foreign exchange rates which contributed to a decrease in gross margin of 70 basis points; and
- a decrease in product margin of 30 basis points.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased \$27.9 million , or 11% , to \$283.3 million in the first two quarters of fiscal 2015 from \$255.4 million in the first two quarters of fiscal 2014 . The increase in selling, general and administrative expenses was principally comprised of:

- an increase in employee costs of \$17.4 million primarily from a growth in labor hours and bonuses associated with new company-operated stores and showrooms;
- an increase in head office costs of \$7.7 million primarily as a result of increased marketing costs, professional fees, and head office employee costs;
- an increase in variable costs such as credit card fees, distribution costs, and packaging, of \$4.2 million primarily as a result of new company-operated stores as well as increased sales volume from our direct to consumer segment; and
- an increase in other costs, including repairs and maintenance costs, of \$2.5 million .

The increase in selling, general and administrative expenses was partially offset by an increase in net foreign exchange revaluation gains of \$3.9 million .

As a percentage of net revenue, selling, general and administrative expenses decreased 60 basis points, to 32.3% in the first two quarters of fiscal 2015 from 32.9% in the first two quarters of fiscal 2014 .

Income from Operations

Income from operations decreased \$3.1 million , or 2% , to \$134.6 million in the first two quarters of fiscal 2015 from \$137.7 million in the first two quarters of fiscal 2014 . The decrease was primarily the result of an increase in selling, general and administrative costs of \$27.9 million , partially offset by increased gross profit of \$24.9 million .

On a segment basis, we determine income from operations without taking into account our general corporate expenses.

Income from operations before general corporate expenses for the twenty-six week periods ended August 2, 2015 and August 3, 2014 is summarized below and is expressed in dollar amounts. The percentages are presented as a percentage of net revenue of the respective operating segments.

	Twenty-Six Weeks Ended August 2, 2015 and August 3, 2014					
	2015		2014			
	(In thousands)		(Percentages)			
Company-operated stores	\$	136,664	\$	150,596	20.9%	25.9%
Direct to consumer		67,121		51,182	40.5	39.5
Other		2,801		6,786	4.9	10.6
Income from operations before general corporate expense		206,586		208,564		
General corporate expense		71,971		70,875		
Income from operations	\$	134,615	\$	137,689		

Company-operated Stores. Income from operations from our company-operated stores segment decreased \$13.9 million , or 9% , to \$136.7 million for the first two quarters of fiscal 2015 from \$150.6 million for the first two quarters of fiscal 2014 primarily due to an increase in employee costs as well as operating expenses associated with new stores partially offset by increased gross profit of \$12.4 million . Income from operations as a percentage of company-operated stores revenue decreased by 500 basis points primarily due to lower gross margin and deleverage of selling, general and administrative expenses.

Direct to Consumer. Income from operations from our direct to consumer segment increased \$15.9 million , or 31% , to \$67.1 million for the first two quarters of fiscal 2015 from \$51.2 million for the first two quarters of fiscal 2014 . The increase was primarily the result of increased gross profit of \$16.7 million primarily due to increased net revenue resulting from higher conversion rates and increased traffic on our e-commerce websites, partially offset by increased selling, general and administrative expenses related to our long-term strategy for developing this channel. Income from operations as a percentage of direct to consumer revenue increased by 100 basis points.

Other. Other income from operations decreased \$4.0 million , or 59% , to \$2.8 million for the first two quarters of fiscal 2015 from \$6.8 million for the first two quarters of fiscal 2014 . The decrease was primarily the result of decreased gross profit of \$4.3 million in the second quarter of fiscal 2015 . Income from operations as a percentage of other net revenue decreased by 570 basis points primarily due to decreased net revenues, lower gross margin, deleverage of selling, general and administrative expenses, and due to an increased number of showrooms in new international markets which have a higher cost structure than North America.

General Corporate Expense. General corporate expense increased \$1.1 million , or 2% , to \$72.0 million for the first two quarters of fiscal 2015 from \$70.9 million for the first two quarters of fiscal 2014 . This was primarily due to increased head office costs as a result of the overall growth of our business and investment in strategic initiatives and projects.

Other Income, Net

Other income, net decreased \$2.2 million , or 61% , to \$1.4 million in the first two quarters of fiscal 2015 from \$3.5 million in the first two quarters of fiscal 2014 . The decrease was primarily due to less interest earned on our decreased cash and cash equivalents balance compared to the first two quarters of fiscal 2014 and due to a higher proportion of cash held in the U.S., where we earn lower rates of interest. During fiscal 2014, we distributed dividends from foreign subsidiaries to the U.S. parent entity to fund the share repurchase program.

Provision for Income Taxes

Provision for income taxes decreased \$33.0 million , or 45% , to \$40.5 million in the first two quarters of fiscal 2015 from \$73.5 million in the first two quarters of fiscal 2014 . In the first two quarters of fiscal 2015 , our effective tax rate was 29.8% compared to 52.0% in the first two quarters of fiscal 2014 . The decrease in our effective tax rate was a result of a tax expense of \$31.3 million recorded during the first two quarters of fiscal 2014 to provide for U.S. income and applicable foreign withholding taxes on dividends which were distributed during fiscal 2014 from foreign subsidiaries to the U.S. parent entity to fund the share repurchase program.

Net Income

Net income increased \$27.8 million to \$95.5 million for the first two quarters of fiscal 2015 from \$67.7 million for the first two quarters of fiscal 2014 . The increase in net income was primarily a result of a decrease in provision for income taxes

of \$33.0 million and an increase in gross profit of \$24.9 million , partially offset by an increase in selling, general and administrative expenses of \$27.9 million and a decrease in other income, net of \$2.2 million .

Non-GAAP Financial Measures

Net revenue changes in constant dollars, total comparable sales in constant dollars, comparable store sales in constant dollars, and changes in direct to consumer net revenue in constant dollars are non-GAAP performance measures.

We separately track comparable store sales, which reflect net revenue at company-operated stores that have been open for at least 12 months. Net revenue from a store is included in comparable store sales beginning with the first month for which the store has a full month of comparable prior year sales. Non-comparable store sales include sales from new stores that have not been open for 12 months or from stores which have been significantly remodeled or relocated. Also included in non-comparable stores sales are sales from direct to consumer sales, outlets, wholesale, warehouse sales, showrooms, temporary locations, and sales from company-operated stores which we have closed. Total comparable sales combines comparable store sales and direct to consumer sales. By measuring the change in year-over-year net revenue in stores that have been open for 12 months or more as well as direct to consumer sales, total comparable sales allows us to evaluate our performance eliminating the impact of newly opened stores.

We provide constant dollar changes in net revenue, total comparable sales, comparable store sales, and changes in direct to consumer net revenue because we use these measures to understand the underlying growth rate of net revenue excluding the impact of changes in foreign exchange rates, which are not under management's control. We believe that disclosing these measures on a constant dollar basis is useful to investors because it enables them to better understand the level of growth of our business.

The presentation of this financial information is not intended to be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP. A reconciliation of the non-GAAP financial measures follows, which includes more detail on the GAAP financial measure that is most directly comparable to each non-GAAP financial measure, and the related reconciliations between these financial measures.

The below performance measures show the dollar and percentage change compared to the corresponding period in the prior year.

Constant dollar changes in net revenue

	Thirteen Weeks Ended August 2, 2015 and August 3, 2014			
	2015		2014	
	(In thousands)		(Percentages)	
Net revenue increase	\$ 62,302	\$ 46,195	16%	13%
Adjustments due to foreign exchange rate changes	20,293	5,082	5	2
Net revenue increase in constant dollars	<u>\$ 82,595</u>	<u>\$ 51,277</u>	<u>21%</u>	<u>15%</u>

	Twenty-Six Weeks Ended August 2, 2015 and August 3, 2014			
	2015		2014	
	(In thousands)		(Percentages)	
Net revenue increase	\$ 101,228	\$ 85,031	13%	12%
Adjustments due to foreign exchange rate changes	35,788	15,212	5	3
Net revenue increase in constant dollars	<u>\$ 137,016</u>	<u>\$ 100,243</u>	<u>18%</u>	<u>15%</u>

Constant dollar total comparable sales

	Thirteen Weeks Ended August 2, 2015 and August 3, 2014		Twenty-Six Weeks Ended August 2, 2015 and August 3, 2014	
	2015	2014	2015	2014
	(Percentages)		(Percentages)	
Total comparable sales ¹	6%	(1)%	4%	(1)%
Adjustments due to foreign exchange rate changes	5	1	4	2
Total comparable sales in constant dollars ¹	11%	— %	8%	1 %

¹Total comparable sales includes comparable store sales and direct to consumer sales. Comparable store sales reflects net revenue at company-operated stores that have been open for at least 12 months.

Constant dollar comparable store sales

	Thirteen Weeks Ended August 2, 2015 and August 3, 2014			
	2015	2014	2015	2014
	(In thousands)		(Percentages)	
Comparable store sales ¹	\$ 1,390	\$ (18,914)	1%	(7)%
Adjustments due to foreign exchange rate changes	12,833	3,382	5	2
Comparable store sales in constant dollars ¹	\$ 14,223	\$ (15,532)	6%	(5)%

	Twenty-Six Weeks Ended August 2, 2015 and August 3, 2014			
	2015	2014	2015	2014
	(In thousands)		(Percentages)	
Comparable store sales ¹	\$ (10,748)	\$ (36,258)	(2)%	(7)%
Adjustments due to foreign exchange rate changes	22,531	10,126	4	2
Comparable store sales in constant dollars ¹	\$ 11,783	\$ (26,132)	2 %	(5)%

¹Comparable store sales reflects net revenue at company-operated stores that have been open for at least 12 months.

Constant dollar changes in direct to consumer revenue

	Thirteen Weeks Ended August 2, 2015 and August 3, 2014		Twenty-Six Weeks Ended August 2, 2015 and August 3, 2014	
	2015	2014	2015	2014
	(Percentages)		(Percentages)	
Change in direct to consumer revenue	30%	29%	28%	25%
Adjustments due to foreign exchange rate changes	5	1	5	2
Change in direct to consumer revenue in constant dollars	35%	30%	33%	27%

Seasonality

Our business is affected by the general seasonal trends common to the retail apparel industry. Our annual net revenue is weighted more heavily toward our fourth fiscal quarter, reflecting our historical strength in sales during the holiday season, while our operating expenses are more equally distributed throughout the year. As a result, a substantial portion of our operating profits are generated in the fourth quarter of our fiscal year.

Liquidity and Capital Resources

Our primary sources of liquidity are our current balances of cash and cash equivalents, cash flows from operations and borrowings available under our revolving credit facility. Our primary cash needs are capital expenditures for opening new stores and remodeling existing stores, making information technology system enhancements and funding working capital requirements. We may also use cash to repurchase shares of our common stock. Cash and cash equivalents in excess of our needs are held in interest bearing accounts with financial institutions.

At August 2, 2015, our working capital (excluding cash and cash equivalents) was \$228.9 million and our cash and cash equivalents were \$541.3 million.

The following table summarizes our net cash flows provided by and used in operating, investing and financing activities for the periods indicated:

	Twenty-Six Weeks Ended August 2, 2015 and August 3, 2014	
	2015	2014
	(In thousands)	
Total cash provided by (used in):		
Operating activities	\$ 32,161	\$ 123,985
Investing activities	(65,118)	(52,102)
Financing activities	(78,837)	(57,167)
Effect of exchange rate changes on cash	(11,423)	11,708
(Decrease) increase in cash and cash equivalents	<u>\$ (123,217)</u>	<u>\$ 26,424</u>

Operating Activities

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

Cash provided by operating activities decreased \$91.8 million, to \$32.2 million for the second quarter of fiscal 2015 compared to \$124.0 million for the second quarter of fiscal 2014. The decrease was primarily the result of increased inventory purchased during the first two quarters of fiscal 2015 compared to the first two quarters of fiscal 2014 as well as an increase in prepaid taxes. Inventory increased during the first two quarters of fiscal 2015 primarily due to the opening of new stores, increased inventory levels to support the sales growth in our direct to consumer and store segments, and due to the timing of product deliveries.

Investing Activities

Investing Activities relate entirely to capital expenditures. Cash used in investing activities increased \$13.0 million to \$65.1 million for the first two quarters of fiscal 2015 from \$52.1 million for the first two quarters of fiscal 2014. The increase was primarily the result of increased capital expenditures related to new company-operated stores as well as computer software to support our growth.

Financing Activities

Financing Activities consist primarily of cash used to repurchase shares of our common stock, cash received on the exercise of stock options, taxes paid related to the net share settlement of stock-based compensation, and excess tax benefits from stock-based compensation. Cash used in financing activities increased \$21.7 million, to \$78.8 million for the first two quarters of fiscal 2015 compared to \$57.2 million for the first two quarters of fiscal 2014. We began our stock repurchase program in the second quarter of fiscal 2014, and our cash used in financing activities for the first two quarters of fiscal 2015 included \$82.0 million to repurchase 1.3 million shares compared to \$55.8 million to repurchase 1.4 million shares for the first two quarters of fiscal 2014.

We believe that our cash and cash equivalent balances, cash generated from operations, 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 12 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 "Item 1A. Risk Factors". In addition, we may make discretionary capital improvements with respect to our stores, distribution facilities, headquarters, or other systems, which we would expect to fund through the use of cash, 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 and cash equivalents and cash generated from operations.

Revolving Credit Facility

In November 2013, we entered into unsecured demand revolving credit facilities with HSBC Bank Canada and Bank of America, N.A., Canada Branch, for up to \$15.0 million in the aggregate to support the issuance of letters of credit and to fund

our working capital requirements. Borrowings under the uncommitted credit facilities are made on a when-and-as-needed basis at our discretion. These facilities were renewed for a one year period in November 2014.

Borrowings under the credit facility can be made either as (i) U.S. Dollar Loans - U.S. Dollar Loans bear interest a rate equal to U.S. LIBOR plus 100 basis points or U.S. prime rate, at our option; (ii) Letters of Credit - Borrowings drawn down under standby letters of credit issued by the banks bear a fee of 100 basis points; and (iii) CDN Dollar Loans - CDN Dollar Loans bear interest at a rate equal to the CDOR Rate plus 100 basis points or the Canadian Prime Rate, at our option.

At August 2, 2015, aside from letters of credit, there were no borrowings outstanding under these credit facilities.

Off-Balance Sheet Arrangements

We enter into standby letters of credit to secure certain of our obligations, including leases, taxes and duties. As of August 2, 2015, letters of credit totaling \$3.1 million have been issued.

Other than our operating leases and 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 Annual Report on Form 10-K for our 2014 fiscal year end filed with the SEC on March 26, 2015 and in Note 2 included in Item 1 of Part I of this Quarterly Report on Form 10-Q.

Operating Locations

Our company-operated stores by brand and by country as of August 2, 2015 and February 1, 2015, are summarized in the table below.

	August 2, 2015	February 1, 2015
lululemon athletica		
United States	215	200
Canada	48	46
Australia	26	26
New Zealand	5	5
United Kingdom	4	2
Singapore	2	1
Hong Kong	1	—
	301	280
ivivva athletica		
United States	23	11
Canada	12	11
	35	22
Total	336	302

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. The functional currency of our foreign subsidiaries is generally the applicable local currency. Our consolidated financial statements are presented in U.S. dollars. Therefore, the net revenues, expenses, assets and liabilities of our foreign subsidiaries are translated from their functional currencies into U.S. dollars. Fluctuations in the value of the U.S. Dollar affect the reported amounts of net revenue, expenses, assets and liabilities. Foreign exchange differences which arise on translation of our foreign subsidiaries' balance sheets into U.S. dollars are recorded as a cumulative translation adjustment in accumulated other comprehensive income within stockholders' equity.

We also have exposure to changes in foreign exchange rates associated with transactions which are undertaken by our subsidiaries in currencies other than their functional currency. Such transactions include intercompany transactions and inventory purchases denominated in currencies other than the functional currency of the purchasing entity. As a result, we have been impacted by changes in exchange rates and may be impacted materially for the foreseeable future. The potential impact of currency fluctuation increases as international expansion increases.

We currently generate a significant portion of our net revenue and incur a significant portion of our expenses in Canada. We also hold a significant portion of our net assets in Canada. The reporting currency for our consolidated financial statements is the U.S. dollar. A strengthening of the U.S. dollar against the Canadian dollar results in:

- a decrease in our net revenue upon translation of the sales made by our Canadian operations into U.S. dollars for the purposes of consolidation;
- a decrease in our selling, general and administrative expenses incurred by our Canadian operations into U.S. dollars for the purposes of consolidation; and
- foreign exchange gains by our Canadian subsidiaries on U.S. dollar cash and receivables denominated in U.S. dollars.

During the first two quarters of fiscal 2015, the change in the relative value of the U.S. dollar against the Canadian dollar resulted in a \$18.1 million increase in accumulated other comprehensive loss within stockholders' equity. During the first two quarters of fiscal 2014, the change in the relative value of the U.S. dollar against the Canadian dollar resulted in a \$15.7 million reduction in accumulated other comprehensive loss within stockholders' equity.

A 10% appreciation in the relative value of the U.S. dollar against the Canadian dollar compared to the exchange rates in effect for the first two quarters of fiscal 2015 would have resulted in additional income from operations of approximately \$1.7 million in the first two quarters of fiscal 2015. This assumes a consistent 10% appreciation in the U.S. dollar against the Canadian dollar throughout the first two quarters of fiscal 2015. The timing of changes in the relative value of the U.S. dollar combined with the seasonal nature of our business, can affect the magnitude of the impact that fluctuations in foreign exchange rates have on our income from operations.

We have not historically hedged 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. We do not, and do not intend to, engage in the practice of trading derivative securities for profit.

Interest Rate Risk. Our revolving credit facilities provide us with available borrowings in amount up to \$15.0 million in the aggregate. Because our revolving credit facilities bear 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. As of August 2, 2015, aside from letters of credit, we had no outstanding balances under our revolving facilities. 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 under our revolving facility, 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 contracts, option contracts, or interest rate swaps. We do not, and do not intend to, engage in the practice of trading derivative securities for profit.

Inflation

Inflationary factors such as increases in the cost of our product and overhead costs may adversely affect our operating results. Although we do not believe that inflation has had a material impact on our financial position or results of operations to date, a high rate of inflation in the future may have an adverse effect on our ability to maintain current levels of gross margin

and selling, general and administrative expenses as a percentage of net revenue if the selling prices of our products do not increase with these increased costs.

ITEM 4. CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed by us in the reports we file or submit under the Securities Exchange Act of 1934, or the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial officer), to allow timely decisions to be made regarding required disclosure. We have established a Disclosure Committee, consisting of certain members of management, to assist in this evaluation. The Disclosure Committee meets on a quarterly basis, and as needed.

Our management, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Exchange Act), at August 2, 2015 . Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, at August 2, 2015 , our disclosure controls and procedures were effective.

There was no change in internal control over financial reporting during the thirteen weeks ended August 2, 2015 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

In addition to the legal matters described below, we are, from time to time, involved in routine legal matters incidental to the conduct of our business, including legal matters such as initiation and defense of proceedings to protect intellectual property rights, personal injury claims, product liability claims, and similar matters. We believe the ultimate resolution of any such current proceeding will not have a material adverse effect on our continued financial position, results of operations or cash flows.

On July 2, 2013, plaintiff Houssam Alkhoury filed a putative shareholder class action entitled *Alkhoury v. lululemon athletica inc., et al.*, No. 13-CV-4596 (S.D.N.Y.) against lululemon, a certain director and a certain officer of ours. This proceeding is discussed in our Annual Report on Form 10-K filed with the SEC on March 26, 2015, and in its Quarterly Report on Form 10-Q filed with the SEC on June 9, 2015. On April 18, 2014, the Court dismissed all of Lead Plaintiff's claims for failure to state a claim. Lead Plaintiff appealed this decision and on May 15, 2015, the Court of Appeals dismissed the plaintiff's appeal.

On July 15, 2015, plaintiffs Hallandale Beach Police Officers and Firefighters' Personnel Retirement Fund and Laborers' District Council Industry Pension Fund filed in the Delaware Court of Chancery a derivative lawsuit on behalf of lululemon against certain of our current and former directors, captioned *Laborers' District Council Industry Pension Fund v. Bensoussan, et al.*, C.A. No. 11293-CB. Plaintiffs claim that the individual defendants breached their fiduciary duties to lululemon by allegedly failing to investigate certain trades of lululemon stock owned by Dennis J. Wilson in 2013. Plaintiffs also claim that Mr. Wilson breached his fiduciary duties by making his broker aware of certain non-public, material events prior to executing sales of lululemon stock on Mr. Wilson's behalf. On August 18, 2015, the individual defendants (including Mr. Wilson) filed motions to dismiss the action pursuant to Court of Chancery Rules 23.1 and 12(b)(6) for failure to adequately plead that demand on the board was excused and for failure to state a claim upon which relief may be granted. Also on August 18, 2015, we filed a motion to dismiss the action pursuant to Court of Chancery Rule 23.1 for failure to adequately plead that demand on the board was excused.

We have indemnification agreements with certain of our current and former officers and directors that may require us, among other things, to indemnify such current or former officers and directors against certain liabilities that may arise by reason of their status or service as directors or officers and to advance their expenses incurred as a result of any proceeding against them as to which they could be indemnified.

We are unable at this time to predict the amount of our legal expenses associated with these proceedings and any settlement or damages associated with these matters. In the event that we are unsuccessful in our defense, or if we pursue settlement with regard to any of these actions, we could be required to pay significant final settlement amounts and/or judgments that exceed the limits of our insurance policies or the carriers may decline to fund such final settlements and/or judgments, which could have a material adverse effect on our financial condition and liquidity. Regardless of whether any of the claims asserted against us in these actions are valid, or whether we are ultimately held liable, such litigation may be expensive to defend and may divert resources away from our operations and negatively impact earnings. Further, we may not be able to obtain adequate insurance to protect us from these types of litigation matters or extraordinary business losses.

ITEM 1A. RISK FACTORS

In addition to the other information contained in this Form 10-Q and in our Annual Report on Form 10-K for our 2014 fiscal year, the following risk factors should be considered carefully in evaluating our business. Our business, financial condition or results of operations could be materially adversely affected by any of these risks. Please note that additional risks not presently known to us or that we currently deem immaterial could also impair our business and operations.

Our success depends on our ability to maintain the value and reputation of our brand.

Our success depends on the value and reputation of the lululemon athletica brand. The lululemon athletica name is integral to our business as well as to the implementation of our strategies for expanding our business. Maintaining, promoting and positioning our brand will depend largely on the success of our marketing and merchandising efforts and our ability to provide a consistent, high quality product and guest experience. We rely on social media, as one of our marketing strategies, to have a positive impact on both our brand value and reputation. Our brand and reputation could be adversely affected if we fail to achieve these objectives, if our public image was to be tarnished by negative publicity, if we fail to deliver innovative and high quality products acceptable to our guests, or if we face a product recall. Negative publicity regarding the production methods of any of our suppliers or manufacturers could adversely affect our reputation and sales and force us to locate

alternative suppliers or manufacturing sources. Additionally, while we devote considerable efforts and resources to protecting our intellectual property, if these efforts are not successful the value of our brand may be harmed. Any harm to our brand and reputation could have a material adverse effect on our financial condition.

If any of our products are unacceptable to us or our guests, our business could be harmed.

We have occasionally received, and may in the future continue to receive, shipments of products that fail to comply with our technical specifications or that fail to conform to our quality control standards. We have also received, and may in the future continue to receive, products that either meet our technical specifications but that are nonetheless unacceptable to us, or products that are otherwise unacceptable to us or our guests. Under these circumstances, unless we are able to obtain replacement products in a timely manner, we risk the loss of net revenue resulting from the inability to sell those products and related increased administrative and shipping costs. Additionally, if the unacceptability of our products are not discovered until after such products are purchased by our guests, our guests could lose confidence in the technical attributes of our products or we could face a product recall and our results of operations could suffer and our business, reputation, and brand could be harmed.

Our reliance on suppliers to provide fabrics for and to produce our products could cause problems in our supply chain.

We do not manufacture our products or the raw materials for them and rely instead on suppliers. Many of the specialty fabrics used in our products are technically advanced textile products developed and manufactured by third parties and may be available, in the short-term, from only one or a very limited number of sources. For example, Luon fabric, which is included in many of our products, is supplied to the garment factories we use by a limited number of manufacturers, and the components used in manufacturing Luon fabric may each be supplied to our manufacturers by single companies. In fiscal 2014, approximately 63% of our products were produced by our top five manufacturing suppliers, 40% of raw materials were produced by a single manufacturer. We have no long-term contracts with any of our suppliers or manufacturing sources for the production and supply of our fabrics and garments, and we compete with other companies for fabrics, raw materials, production and import quota capacity.

We have experienced, and may in the future continue to experience, a significant disruption in the supply of fabrics or raw materials from current sources and we may be unable to locate alternative materials suppliers of comparable quality at an acceptable price, or at all. In addition, if we experience significant increased demand, or if we need to replace an existing supplier or manufacturer, we may be unable to locate additional supplies of fabrics or raw materials or additional manufacturing capacity on terms that are acceptable to us, or at all, or we may be unable to locate any supplier or manufacturer with sufficient capacity to meet our requirements or to fill our orders in a timely manner. Identifying a suitable supplier is an involved process that requires us to become satisfied with its quality control, responsiveness and service, financial stability and labor and other ethical practices. Even if we are able to expand existing or find new manufacturing or fabric sources, we may encounter delays in production and added costs as a result of the time it takes to train our suppliers and manufacturers in our methods, products and quality control standards. Delays related to supplier changes could also arise due to an increase in shipping times if new suppliers are located farther away from our markets or from other participants in our supply chain. Any delays, interruption or increased costs in the supply of fabric or manufacture of our products could have an adverse effect on our ability to meet guest demand for our products and result in lower net revenue and income from operations both in the short and long term.

An economic downturn or economic uncertainty in our key markets may adversely affect consumer discretionary spending and demand for our products.

Many of our products may be considered discretionary items for consumers. Factors affecting the level of consumer spending for such discretionary items include general economic conditions, particularly those in North America and other factors such as consumer confidence in future economic conditions, fears of recession, the availability of consumer credit, levels of unemployment, tax rates and the cost of consumer credit. As global economic conditions continue to be volatile or economic uncertainty remains, trends in consumer discretionary spending also remain unpredictable and subject to reductions due to credit constraints and uncertainties about the future. Unfavorable economic conditions may lead consumers to delay or reduce purchases of our products. Consumer demand for our products may not reach our targets, or may decline, when there is an economic downturn or economic uncertainty in our key markets, particularly in North America. Our sensitivity to economic cycles and any related fluctuation in consumer demand may have a material adverse effect on our financial condition.

We operate in a highly competitive market and the size and resources of some of our competitors may allow them to compete more effectively than we can, resulting in a loss of our market share and a decrease in our net revenue and profitability.

The market for technical athletic apparel is highly competitive. Competition may result in pricing pressures, reduced profit margins or lost market share or a failure to grow our market share, any of which could substantially harm our business and results of operations. We compete directly against wholesalers and direct retailers of athletic apparel, including large, diversified apparel companies with substantial market share and established companies expanding their production and marketing of technical athletic apparel, as well as against retailers specifically focused on women's athletic apparel. We also face competition from wholesalers and direct retailers of traditional commodity athletic apparel, such as cotton T-shirts and sweatshirts. Many of our competitors are large apparel and sporting goods companies with strong worldwide brand recognition. Because of the fragmented nature of the industry, we also compete with other apparel sellers, including those specializing in yoga apparel and other activewear. Many of our competitors have significant competitive advantages, including longer operating histories, larger and broader customer bases, more established relationships with a broader set of suppliers, greater brand recognition and greater financial, research and development, store development, marketing, distribution and other resources than we do. In addition, our technical athletic apparel is sold at a price premium to traditional athletic apparel.

Our competitors may be able to achieve and maintain brand awareness and market share more quickly and effectively than we can. In contrast to our "grassroots" marketing approach, many of our competitors promote their brands through traditional forms of advertising, such as print media and television commercials, and through celebrity endorsements, and have substantial resources to devote to such efforts. Our competitors may also create and maintain brand awareness using traditional forms of advertising more quickly than we can. Our competitors may also be able to increase sales in their new and existing markets faster than we do by emphasizing different distribution channels than we do, such as catalog sales or an extensive franchise network, as opposed to distribution through retail stores, wholesale or internet, and many of our competitors have substantial resources to devote toward increasing sales in such ways.

In addition, because we hold limited patents and exclusive intellectual property rights in the technology, fabrics or processes underlying our products, our current and future competitors are able to manufacture and sell products with performance characteristics, fabrication techniques and styling similar to our products.

Our sales and profitability may decline as a result of increasing product costs and decreasing selling prices.

Our business is subject to significant pressure on pricing and costs caused by many factors, including intense competition, constrained sourcing capacity and related inflationary pressure, pressure from consumers to reduce the prices we charge for our products and changes in consumer demand. These factors may cause us to experience increased costs, reduce our prices to consumers or experience reduced sales in response to increased prices, any of which could cause our operating margin to decline if we are unable to offset these factors with reductions in operating costs and could have a material adverse effect on our financial conditions, operating results and cash flows.

If we are unable to anticipate consumer preferences and successfully develop and introduce new, innovative and updated products, we may not be able to maintain or increase our sales and profitability.

Our success depends on our ability to identify and originate product trends as well as to anticipate and react to changing consumer demands in a timely manner. All of our products are subject to changing consumer preferences that cannot be predicted with certainty. If we are unable to introduce new products or novel technologies in a timely manner or our new products or technologies are not accepted by our guests, our competitors may introduce similar products in a more timely fashion, which could hurt our goal to be viewed as a leader in technical athletic apparel innovation. Our new products may not receive consumer acceptance as consumer preferences could shift rapidly to different types of athletic apparel or away from these types of products altogether, and our future success depends in part on our ability to anticipate and respond to these changes. Our failure to anticipate and respond in a timely manner to changing consumer preferences could lead to, among other things, lower sales and excess inventory levels. Even if we are successful in anticipating consumer preferences, our ability to adequately react to and address those preferences will in part depend upon our continued ability to develop and introduce innovative, high-quality products. Our failure to effectively introduce new products that are accepted by consumers could result in a decrease in net revenue and excess inventory levels, which could have a material adverse effect on our financial condition.

Our results of operations could be materially harmed if we are unable to accurately forecast guest demand for our products.

To ensure adequate inventory supply, we must forecast inventory needs and place orders with our manufacturers based on our estimates of future demand for particular products. Our ability to accurately forecast demand for our products could be affected by many factors, including an increase or decrease in guest demand for our products or for products of our

competitors, our failure to accurately forecast guest acceptance of new products, product introductions by competitors, unanticipated changes in general market conditions, and weakening of economic conditions or consumer confidence in future economic conditions. If we fail to accurately forecast guest demand we may experience excess inventory levels or a shortage of products available for sale in our stores or for delivery to guests.

Inventory levels in excess of guest demand may result in inventory write-downs or write-offs and the sale of excess inventory at discounted prices, which would cause our gross margin to suffer and could impair the strength and exclusivity of our brand. Conversely, if we underestimate guest demand for our products, our manufacturers may not be able to deliver products to meet our requirements, and this could result in damage to our reputation and guest relationships.

Our inability to safeguard against security breaches with respect to our information technology systems could disrupt our operations.

Our business employs systems and websites that allow for the storage and transmission of proprietary or confidential information regarding our business, guests and employees including credit card information. Security breaches could expose us to a risk of loss or misuse of this information and potential liability. We may not have the resources or technical sophistication to be able to anticipate or prevent rapidly evolving types of cyber-attacks. Actual or anticipated attacks may cause us to incur increasing costs including costs to deploy additional personnel and protection technologies, train employees and engage third party experts and consultants. Advances in computer capabilities, new technological discoveries or other developments may result in the technology used by us to protect transaction or other data being breached or compromised. Data and security breaches can also occur as a result of non-technical issues including intentional or inadvertent breach by employees or persons with whom we have commercial relationships that result in the unauthorized release of personal or confidential information. Any compromise or breach of our security could result in a violation of applicable privacy and other laws, significant litigation and potential liability and damage to our brand and reputation or other harm to our business.

Any material disruption of our information systems could disrupt our business and reduce our sales.

We are increasingly dependent on information systems to operate our e-commerce websites, process transactions, respond to guest inquiries, manage inventory, purchase, sell and ship goods on a timely basis and maintain cost-efficient operations. Any material disruption or slowdown of our systems, including a disruption or slowdown caused by our failure to successfully upgrade our systems, system failures, viruses, computer "hackers" or other causes, could cause information, including data related to guest orders, to be lost or delayed which could—especially if the disruption or slowdown occurred during the holiday season—result in delays in the delivery of products to our stores and guests or lost sales, which could reduce demand for our products and cause our sales to decline. If changes in technology cause our information systems to become obsolete, or if our information systems are inadequate to handle our growth, we could lose guests.

If we continue to grow at a rapid pace, we may not be able to effectively manage our growth and the increased complexity of our business and as a result our brand image and financial performance may suffer.

We have expanded our operations rapidly since our inception in 1998 and our net revenue has increased from \$40.7 million in fiscal 2004 to \$1.8 billion in fiscal 2014. If our operations continue to grow at a rapid pace, we may experience difficulties in obtaining sufficient raw materials and manufacturing capacity to produce our products, as well as delays in production and shipments, as our products are subject to risks associated with overseas sourcing and manufacturing. We could be required to continue to expand our sales and marketing, product development and distribution functions, to upgrade our management information systems and other processes and technology, and to obtain more space for our expanding workforce. This expansion could increase the strain on our resources, and we could experience operating difficulties, including difficulties in hiring, training and managing an increasing number of employees. These difficulties could result in the erosion of our brand image which could have a material adverse effect on our financial condition.

The fluctuating cost of raw materials could increase our cost of goods sold and cause our results of operations and financial condition to suffer.

The fabrics used by our suppliers and manufacturers include synthetic fabrics whose raw materials include petroleum-based products. Our products also include silver and natural fibers, including cotton. Our costs for raw materials are affected by, among other things, weather, consumer demand, speculation on the commodities market, the relative valuations and fluctuations of the currencies of producer versus consumer countries and other factors that are generally unpredictable and beyond our control. Increases in the cost of raw materials, including petroleum or the prices we pay for silver and our cotton yarn and cotton-based textiles, could have a material adverse effect on our cost of goods sold, results of operations, financial condition and cash flows.

Our limited operating experience and limited brand recognition in new international markets may limit our expansion strategy and cause our business and growth to suffer.

Our future growth depends in part on our expansion efforts outside of North America. We have limited experience with regulatory environments and market practices internationally, and we may not be able to penetrate or successfully operate in any new market. In connection with our expansion efforts we may encounter obstacles we did not face in North America, including cultural and linguistic differences, differences in regulatory environments, labor practices and market practices, difficulties in keeping abreast of market, business and technical developments and foreign guests' tastes and preferences. We may also encounter difficulty expanding into new international markets because of limited brand recognition leading to delayed acceptance of our technical athletic apparel by guests in these new international markets. Our failure to develop our business in new international markets or experiencing disappointing growth outside of existing markets will harm our business and results of operations.

If we encounter problems with our distribution system, our ability to deliver our products to the market and to meet guest expectations could be harmed.

We rely on our distribution facilities for substantially all of our product distribution. Our distribution facilities include computer controlled and automated equipment, which means their operations are complicated and may be subject to a number of risks related to security or computer viruses, the proper operation of software and hardware, electronic or power interruptions or other system failures. In addition, because substantially all of our products are distributed from four locations, our operations could also be interrupted by labor difficulties, extreme or severe weather conditions or by floods, fires or other natural disasters near our distribution centers. If we encounter problems with our distribution system, our ability to meet guest expectations, manage inventory, complete sales and achieve objectives for operating efficiencies could be harmed.

Our fabrics and manufacturing technology generally are not patented and can be imitated by our competitors.

The intellectual property rights in the technology, fabrics and processes used to manufacture our products generally are owned or controlled by our suppliers and are generally not unique to us. Our ability to obtain intellectual property protection for our products is therefore limited and we do not generally own patents or hold exclusive intellectual property rights in the technology, fabrics or processes underlying our products. As a result, our current and future competitors are able to manufacture and sell products with performance characteristics, fabrics and styling similar to our products. Because many of our competitors have significantly greater financial, distribution, marketing and other resources than we do, they may be able to manufacture and sell products based on our fabrics and manufacturing technology at lower prices than we can. If our competitors do sell similar products to ours at lower prices, our net revenue and profitability could suffer.

Our failure or inability to protect our intellectual property rights could diminish the value of our brand and weaken our competitive position.

We currently rely on a combination of copyright, trademark, trade dress and unfair competition laws, as well as confidentiality procedures and licensing arrangements, to establish and protect our intellectual property rights. We cannot assure you that the steps taken by us to protect our intellectual property rights will be adequate to prevent infringement of such rights by others, including imitation of our products and misappropriation of our brand. In addition, intellectual property protection may be unavailable or limited in some foreign countries where laws or law enforcement practices may not protect our intellectual property rights as fully as in the United States or Canada, and it may be more difficult for us to successfully challenge the use of our intellectual property rights by other parties in these countries. If we fail to protect and maintain our intellectual property rights, the value of our brand could be diminished and our competitive position may suffer.

We are subject to risks associated with leasing retail and distribution space subject to long-term and non-cancelable leases.

We lease the majority of our stores under operating leases and our inability to secure appropriate real estate or lease terms could impact our ability to grow. Our leases generally have initial terms of between five and ten years, and generally can be extended only in five-year increments if at all. We generally cannot cancel these leases at our option. If an existing or new store is not profitable, and we decide to close it, as we have done in the past and may do in the future, we may nonetheless be committed to perform our obligations under the applicable lease including, among other things, paying the base rent for the balance of the lease term. Similarly, we may be committed to perform our obligations under the applicable leases even if current locations of our stores become unattractive as demographic patterns change. In addition, as each of our leases expire, we may fail to negotiate renewals, either on commercially acceptable terms or at all, which could require us to close stores in desirable locations.

We also lease the majority of our distribution centers and our inability to secure appropriate real estate or lease terms could impact our ability to deliver our products to the market.

Increasing labor costs and other factors associated with the production of our products in South and South East Asia could increase the costs to produce our products.

A significant portion of our products are produced in South and South East Asia and increases in the costs of labor and other costs of doing business in the countries in this area could significantly increase our costs to produce our products and could have a negative impact on our operations, net revenue and earnings. Factors that could negatively affect our business include a potential significant revaluation of the currencies used in these countries, which may result in an increase in the cost of producing products, labor shortage and increases in labor costs, and difficulties in moving products manufactured out of the countries in which they are manufactured and through the ports on the western coast of North America, whether due to port congestion, labor disputes, product regulations and/or inspections or other factors, and natural disasters or health pandemics. A labor strike or other transportation disruption affecting these ports could significantly disrupt our business. Also, the imposition of trade sanctions or other regulations against products imported by us from, or the loss of "normal trade relations" status with any country in which our products are manufactured, could significantly increase our cost of products imported into North America and/or Australia and harm our business.

We may not be able to successfully open new store locations in a timely manner, if at all, which could harm our results of operations.

Our growth will largely depend on our ability to successfully open and operate new stores. Our ability to successfully open and operate new stores depends on many factors, including, among others, our ability to:

- identify suitable store locations, the availability of which is outside of our control;
- negotiate acceptable lease terms, including desired tenant improvement allowances;
- hire, train and retain store personnel and field management;
- immerse new store personnel and field management into our corporate culture;
- source sufficient inventory levels; and
- successfully integrate new stores into our existing operations and information technology systems.

Successful new store openings may also be affected by our ability to initiate our grassroots marketing efforts in advance of opening our first store in a new market. We typically rely on our grassroots marketing efforts to build awareness of our brand and demand for our products. Our grassroots marketing efforts are often lengthy and must be tailored to each new market based on our emerging understanding of the market. Accordingly, there can be no assurance that we will be able to successfully implement our grassroots marketing efforts in a particular market in a timely manner, if at all. Additionally, we may be unsuccessful in identifying new markets where our technical athletic apparel and other products and brand image will be accepted or the performance of our stores will be considered successful.

Our failure to comply with trade and other regulations could lead to investigations or actions by government regulators and negative publicity.

The labeling, distribution, importation, marketing and sale of our products are subject to extensive regulation by various federal agencies, including the Federal Trade Commission, Consumer Product Safety Commission and state attorneys general in the United States, the Competition Bureau and Health Canada in Canada, as well as by various other federal, state, provincial, local and international regulatory authorities in the countries in which our products are distributed or sold. If we fail to comply with any of these regulations, we could become subject to enforcement actions or the imposition of significant penalties or claims, which could harm our results of operations or our ability to conduct our business. In addition, the adoption of new regulations or changes in the interpretation of existing regulations may result in significant compliance costs or discontinuation of product sales and could impair the marketing of our products, resulting in significant loss of net revenue.

Our international operations are also subject to compliance with the U.S. Foreign Corrupt Practices Act, or FCPA, and other anti-bribery laws applicable to our operations. In many foreign countries, particularly in those with developing economies, it may be a local custom that businesses operating in such countries engage in business practices that are prohibited by the FCPA or other U.S. and foreign laws and regulations applicable to us. Although we have implemented procedures designed to ensure compliance with the FCPA and similar laws, there can be no assurance that all of our employees, agents and other channel partners, as well as those companies to which we outsource certain of our business operations, will not take actions in violation of our policies. Any such violation could have a material and adverse effect on our business.

Our future success is substantially dependent on the continued service of our senior management.

Our future success is substantially dependent on the continued service of our senior management and other key employees. In the last several years, several members of our senior management team have left us and we have focused time and resources on recruiting the new members of our current management team. The continued turnover of senior management and the loss of key members of our executive team could have a negative impact on our ability to manage and grow our business effectively.

We do not maintain a key person life insurance policy on any of the members of our senior management team. As a result, we would have no way to cover the financial loss if we were to lose the services of members of our senior management team.

Our business is affected by seasonality.

Our business is affected by the general seasonal trends common to the retail apparel industry. Our annual net revenue is weighted more heavily toward our fourth fiscal quarter, reflecting our historical strength in sales during the holiday season, while our operating expenses are more equally distributed throughout the year. As a result, a substantial portion of our operating profits are generated in the fourth quarter of our fiscal year. For example, we generated approximately 42%, 39% and 41% of our full year operating profit during the fourth quarters of fiscal 2014, fiscal 2013 and fiscal 2012, respectively. This seasonality may adversely affect our business and cause our results of operations to fluctuate, and, as a result, we believe that comparisons of our operating results between different quarters within a single fiscal year are not necessarily meaningful and that results of operations in any period should not be considered indicative of the results to be expected for any future period.

Because a significant portion of our net revenue and expenses are generated in countries other than the United States, fluctuations in foreign currency exchange rates have negatively affected our results of operations and may continue to do so in the future.

The functional currency of our foreign subsidiaries is generally the applicable local currency. Our consolidated financial statements are presented in U.S. dollars. Therefore, the net revenues, expenses, assets and liabilities of our foreign subsidiaries are translated from their functional currencies into U.S. dollars. Fluctuations in the value of the U.S. Dollar affect the reported amounts of net revenue, expenses, assets and liabilities. Foreign exchange differences which arise on translation of our foreign subsidiaries' balance sheets into U.S. dollars are recorded as a cumulative translation adjustment in accumulated other comprehensive income within stockholders' equity. We also have exposure to changes in foreign exchange rates associated with transactions which are undertaken by our subsidiaries in currencies other than their functional currency. Such transactions include intercompany transactions and inventory purchases denominated in currencies other than the functional currency of the purchasing entity. As a result, we have been impacted by changes in exchange rates and may be impacted materially for the foreseeable future. The potential impact of currency fluctuation increases as international expansion increases.

We currently generate a significant portion of our net revenue and incur a significant portion of our expenses in Canada. We also hold a significant portion of our net assets in Canada. The reporting currency for our consolidated financial statements is the U.S. dollar. A strengthening of the U.S. dollar against the Canadian dollar results in:

- a decrease in our net revenue upon translation of the sales made by our Canadian operations into U.S. dollars for the purposes of consolidation;
- a decrease in our selling, general and administrative expenses incurred by our Canadian operations into U.S. dollars for the purposes of consolidation; and
- foreign exchange gains by our Canadian subsidiaries on U.S. dollar cash and receivables denominated in U.S. dollars.

During the first two quarters of fiscal 2015, the change in the relative value of the U.S. dollar against the Canadian dollar resulted in a \$18.1 million increase in accumulated other comprehensive loss within stockholders' equity. During the first two quarters of fiscal 2014, the change in the relative value of the U.S. dollar against the Canadian dollar resulted in a \$15.7 million reduction in accumulated other comprehensive loss within stockholders' equity.

A 10% appreciation in the relative value of the U.S. dollar against the Canadian dollar compared to the exchange rates in effect for the first two quarters of fiscal 2015 would have resulted in additional income from operations of approximately \$1.7 million in the first two quarters of fiscal 2015. This assumes a consistent 10% appreciation in the U.S. dollar against the Canadian dollar throughout the first two quarters of fiscal 2015. The timing of changes in the relative value of the U.S. dollar combined with the seasonal nature of our business, can affect the magnitude of the impact that fluctuations in foreign exchange rates have on our income from operations.

We have not historically hedged 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. We do not, and do not intend to, engage in the practice of trading derivative securities for profit.

The operations of many of our suppliers are subject to additional risks that are beyond our control and that could harm our business, financial condition and results of operations.

Almost all of our suppliers are located outside of North America. During fiscal 2014, approximately 59% of our products were produced in South East Asia, approximately 23% in South Asia, approximately 11% in China, approximately 1% in North America and the remainder in other countries. As a result of our international suppliers, we are subject to risks associated with doing business abroad, including:

- political unrest, terrorism, labor disputes and economic instability resulting in the disruption of trade from foreign countries in which our products are manufactured;
- the imposition of new laws and regulations, including those relating to labor conditions, quality and safety standards, imports, duties, taxes and other charges on imports, as well as trade restrictions and restrictions on currency exchange or the transfer of funds;
- reduced protection for intellectual property rights, including trademark protection, in some countries, particularly China;
- disruptions or delays in shipments; and
- changes in local economic conditions in countries where our manufacturers, suppliers or guests are located.

These and other factors beyond our control could interrupt our suppliers' production in offshore facilities, influence the ability of our suppliers to export our products cost-effectively or at all and inhibit our suppliers' ability to procure certain materials, any of which could harm our business, financial condition and results of operations.

Our ability to source our merchandise profitably or at all could be hurt if new trade restrictions are imposed or existing trade restrictions become more burdensome.

The United States and the countries in which our products are produced or sold internationally have imposed and may impose additional quotas, duties, tariffs, or other restrictions or regulations, or may adversely adjust prevailing quota, duty or tariff levels. We have expanded our relationships with suppliers outside of China, which among other things has resulted in increased costs and shipping times for some products. Countries impose, modify and remove tariffs and other trade restrictions in response to a diverse array of factors, including global and national economic and political conditions, which make it impossible for us to predict future developments regarding tariffs and other trade restrictions. Trade restrictions, including tariffs, quotas, embargoes, safeguards and customs restrictions, could increase the cost or reduce the supply of products available to us or may require us to modify our supply chain organization or other current business practices, any of which could harm our business, financial condition and results of operations.

Our trademarks and other proprietary rights could potentially conflict with the rights of others and we may be prevented from selling some of our products.

Our success depends in large part on our brand image. We believe that our trademarks and other proprietary rights have significant value and are important to identifying and differentiating our products from those of our competitors and creating and sustaining demand for our products. We have obtained and applied for some United States and foreign trademark registrations, and will continue to evaluate the registration of additional trademarks as appropriate. However, we cannot guarantee that any of our pending trademark applications will be approved by the applicable governmental authorities. Moreover, even if the applications are approved, third parties may seek to oppose or otherwise challenge these registrations. Additionally, we cannot assure you that obstacles will not arise as we expand our product line and the geographic scope of our sales and marketing. Third parties may assert intellectual property claims against us, particularly as we expand our business and the number of products we offer. Our defense of any claim, regardless of its merit, could be expensive and time consuming and could divert management resources. Successful infringement claims against us could result in significant monetary liability or prevent us from selling some of our products. In addition, resolution of claims may require us to redesign our products, license rights from third parties or cease using those rights altogether. Any of these events could harm our business and cause our results of operations, liquidity and financial condition to suffer.

We are subject to periodic claims and litigation that could result in unexpected expenses and could ultimately be resolved against us.

From time to time, we are involved in litigation and other proceedings, including matters related to product liability claims, stockholder class action and derivative claims, commercial disputes and intellectual property, as well as trade, regulatory and other claims related to our business. Any of these proceedings could result in significant settlement amounts, damages, fines or other penalties, divert financial and management resources and result in significant legal fees. Although we cannot predict the outcome of any particular proceeding, an unfavorable outcome could exceed the limits of our insurance policies or the carriers may decline to fund such final settlements and/or judgments and could have an adverse impact on our business, financial condition and results of operations. In addition, any proceeding could negatively impact our reputation among our guests and our brand image.

Our business could be negatively affected as a result of actions of activist stockholders, and such activism could impact the trading value of our securities.

Responding to actions by activist stockholders can be costly and time-consuming, disrupting our operations and diverting the attention of management and our employees. Such activities could interfere with our ability to execute our strategic plan. In addition, a proxy contest for the election of directors at our annual meeting would require us to incur significant legal fees and proxy solicitation expenses and require significant time and attention by management and our board of directors. The perceived uncertainties as to our future direction also could affect the market price and volatility of our securities.

Anti-takeover provisions of Delaware law and our certificate of incorporation and bylaws could delay and discourage takeover attempts that stockholders may consider to be favorable.

Certain provisions of our certificate of incorporation and bylaws and applicable provisions of the Delaware General Corporation Law may make it more difficult or impossible for a third-party to acquire control of us or effect a change in our board of directors and management. These provisions include:

- the classification of our board of directors into three classes, with one class elected each year;
- prohibiting cumulative voting in the election of directors;
- the ability of our board of directors to issue preferred stock without stockholder approval;
- the ability to remove a director only for cause and only with the vote of the holders of at least 66 2/3% of our voting stock;
- a special meeting of stockholders may only be called by our chairman or Chief Executive Officer, or upon a resolution adopted by an affirmative vote of a majority of the board of directors, and not by our stockholders;
- prohibiting stockholder action by written consent; and
- our stockholders must comply with advance notice procedures in order to nominate candidates for election to our board of directors or to place stockholder proposals on the agenda for consideration at any meeting of our stockholders.

In addition, we are governed by Section 203 of the Delaware General Corporation Law which, subject to some specified exceptions, prohibits "business combinations" between a Delaware corporation and an "interested stockholder," which is generally defined as a stockholder who becomes a beneficial owner of 15% or more of a Delaware corporation's voting stock, for a three-year period following the date that the stockholder became an interested stockholder. Section 203 could have the effect of delaying, deferring or preventing a change in control that our stockholders might consider to be in their best interests.

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

The following table provides information regarding our purchases of shares of our common stock during the thirteen weeks ended August 2, 2015 related to our stock repurchase program:

Period ⁽¹⁾	Total Number of Shares Purchased ⁽²⁾	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs ⁽²⁾	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs ⁽²⁾
May 4, 2015 - May 31, 2015	295,479	\$ 63.86	295,479	\$ 264,964,678
June 1, 2015 - July 5, 2015	379,120	64.43	379,120	240,537,912
July 6, 2015 - August 2, 2015	313,017	63.47	313,017	220,669,923
Total	987,616		987,616	

⁽¹⁾ Monthly information is presented by reference to our fiscal periods during our second quarter of fiscal 2015 .

⁽²⁾ Our stock repurchase program was approved by our board of directors in June 2014. Common shares are repurchased in the open market at prevailing market prices, with the timing and actual number of common shares to be repurchased depending upon market conditions, eligibility to trade, and other factors. The repurchases may be made up until June 2016, and the maximum dollar value of shares to be repurchased is \$450 million.

The following table provides information regarding our purchases of shares of our common stock during the thirteen weeks ended August 2, 2015 related to our Employee Share Purchase Plan:

Period ⁽¹⁾	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs ⁽²⁾	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs ⁽²⁾
May 4, 2015 - May 31, 2015	8,033	\$ 63.34	8,033	5,248,869
June 1, 2015 - July 5, 2015	12,156	65.03	12,156	5,236,713
July 6, 2015 - August 2, 2015	8,595	62.98	8,595	5,228,118
Total	28,784		28,784	

⁽¹⁾ Monthly information is presented by reference to our fiscal periods during our second quarter of fiscal 2015 .

⁽²⁾ Our Employee Share Purchase Plan (ESPP) was approved by our board of directors and stockholders in September 2007. All shares purchased under the ESPP are purchased on the Nasdaq Global Select Market (or such other stock exchange as we may designate from time to time). Unless our board of directors terminates the ESPP earlier, the ESPP will continue until all shares authorized for purchase under the ESPP have been purchased. The maximum number of shares authorized to be purchased under the ESPP is 6,000,000.

Excluded from this disclosure are shares repurchased to settle statutory employee tax withholding related to the vesting of stock-based compensation awards.

ITEM 6. EXHIBITS

Exhibit No.	Exhibit Title	Filed Herewith	Incorporated by Reference			
			Form	Exhibit No.	File No.	Filing Date
10.1*	Executive Employment Agreement, effective as of June 4, 2015 between lululemon athletica inc. and Miguel Almeida	X				
10.2	Second Amended and Restated Registration Rights Agreement, dated June 18, 2015, by and among lululemon athletica inc. and the parties named therein	X				
31.1	Certification of Chief Executive Officer Pursuant to Exchange Act Rule 13a-14(a)	X				
31.2	Certification of Chief Financial Officer Pursuant to Exchange Act Rule 13a-14(a)	X				
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					
101	The following financial statements from the Company's 10-Q for the fiscal quarter ended May 3, 2015, formatted in XBRL: (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations and Comprehensive Income, (iii) Consolidated Statements of Stockholders' Equity, (iv) Consolidated Statements of Cash Flows (v) Notes to the Consolidated Financial Statements	X				

* Denotes a compensatory plan, contract or arrangement, in which our directors or executive officers may participate.

** Furnished herewith

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.

By: /s/ S TUART H ASELDEN

Stuart Haselden

Chief Financial Officer

*(Principal Financial Officer and
Principal Accounting Officer)*

Dated: September 9, 2015

Exhibit Index

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* Denotes a compensatory plan, contract or arrangement, in which our directors or executive officers may participate.

** Furnished herewith



Private & Confidential

This Agreement is dated June 4, 2015, (the “ **Effective Date** ”).

To: **Miguel Almeida**

Re: **Executive Employment Agreement**

Dear Miguel:

This Agreement contains the terms and conditions of our offer of employment in the position of **Executive Vice President, Digital** . This Agreement will take effect as of the Effective Date and will continue until terminated in accordance with its terms.

If you accept employment on the terms and conditions set out below, please execute this Agreement where indicated.

ARTICLE 1 - INTERPRETATION

1.01 **Definitions**

In this Agreement, unless something in the subject matter or context is inconsistent therewith:

“ **Affiliate** ” has the meaning attributed to such term in the *Canada Business Corporations Act* and includes each direct and indirect subsidiary of the Company and any other entities, including joint ventures and franchises, in which the Company has an interest.

“ **Agreement** ” means this agreement, including its recitals and schedules, as amended from time to time in accordance with Section 6.04.

“ **Approvals** ” means, collectively, a Canadian work permit and all other necessary authorizations and approvals for the Executive to work in Canada.

“ **Base Salary** ” has the meaning attributed to such term in Section 3.01.

“ **Board** ” means the board of directors of the Company in office from time to time.

“ **Bonus Plan** ” means the Company's executive bonus plan in effect from time to time.

“ **Cause** ” includes, without limitation, the usual meaning of just cause under the common law or the laws of British Columbia.

“ **Company** ” means lululemon athletica inc., a Delaware corporation.

“ **Compensation Committee** ” means the compensation committee of the Board.

“**Confidential Information**” means information disclosed to or known by the Executive as a consequence of or through the Executive’s employment with the Company about the Company’s or any of its Affiliates’ products, operations, research, processes or services, including but not limited to all information relating to research, development, inventions, copyrights, patents, industrial designs, licenses, manufacture, production, distribution, purchasing, accounting, financing, engineering, marketing, merchandising, selling, and other technical or business information or trade secrets of the Company or any of its Affiliates, or about any of the Company’s or any of its Affiliates’ customers, suppliers, vendors or business affiliates and also includes any information that the Company has received from others that the Company is obligated to treat as confidential or proprietary, but Confidential Information does not include information which is or becomes generally available to the public through no fault of the Executive or which the Executive can establish, through written records, was in the Executive’s possession prior to its disclosure to the Executive as a result of the Executive’s work for the Company.

“ **Effective Date** ” has the meaning attributed to such term in the preamble of this Agreement.

“ **Executive** ” means Miguel Almeida.

“ **Plan** ” means the Company’s 2014 Equity Incentive Plan, as amended or replaced from time to time.

“ **Relocation** ” has the meaning ascribed to such term in Section 2.03(1).

“ **Restrictive Covenant Agreement** ” has the meaning attributed to such term in Section 4.06.

“ **Start Date** ” means such date as the Executive and the Company agree, but in no event later than 15 days following the date the Approvals are granted.

“ **Termination Date** ” has the meaning attributed to such term in Section 5.01.

ARTICLE 2 - EMPLOYMENT

2.01 Employment

(1) Subject to the terms and conditions of this Agreement, the Company will, commencing on the Start Date, employ the Executive in the position of **Executive Vice President, Digital** , on the terms and conditions set out herein.

(2) The Executive will report to the **Chief Executive Officer** .

(3) The Executive shall perform duties and responsibilities as are normally provided by an **Executive Vice President, Digital** of a corporation in a business and of a size similar to the Company and such other duties and responsibilities as may reasonably be assigned from time to time, subject always to the control and direction of the Chief Executive Officer.

2.02 Term

The term of this Agreement will commence on the Effective Date and the Executive’s employment under this Agreement will commence on the Start Date and will continue for an indefinite period, subject to termination in accordance with the terms of this Agreement.

2.03 Place of Employment

(1) Within 30 days after the Approvals are granted, the Executive will relocate the Executive’s primary residence to Vancouver, B.C. (the “ **Relocation** ”) and will perform the Executive’s duties and responsibilities for

the Company at the principal executive offices of the Company and the Executive will reside within a reasonable daily commuting distance of such offices.

(2) The Executive acknowledges that the performance of the Executive's duties and responsibilities will necessitate frequent travel to other places.

ARTICLE 3 - REMUNERATION AND BENEFITS

3.01 Base Salary

The Company will pay the Executive a base salary (the "**Base Salary**") in the amount of **USD \$550,000** per annum after the Start Date, payable in accordance with the Company's usual payroll practices and dates, in arrears by direct deposit, and subject to deductions required by law or authorized by the Executive.

3.02 Bonus

The Executive will be eligible to receive an annual bonus pursuant to the terms and conditions of the Bonus Plan. The Executive's bonus target under the Bonus Plan shall be **seventy five percent (75%)** of Base Salary.

3.03 Retention Bonus

In exchange for the Executive accepting employment with Company and remaining employed for a period of twelve (12) months from the Start Date (the "**Retention Period**"), the Company agrees to provide the Executive with a retention bonus in the amount of **USD \$450,000** (the "**Retention Bonus**"), less applicable tax and other withholdings.

The Company will pay the Retention Bonus to the Executive, in advance of the completion of the Retention Period and prior to the Executive actually having earned it in anticipation of retaining the Executive's services for the whole of the Retention Period. Therefore, in the event the Executive's employment is terminated at any time prior to completing the Retention Period, by reason of voluntary resignation or termination by the Company for cause, the Executive will repay the Retention Bonus to the Company within 15 days of such resignation or termination date. Should the Company terminate the Executive's employment for any reason other than for Cause or due to the Executive's death or disability at any time prior to the Executive completing the Retention Period, the Retention Bonus shall be considered earned in full on the date of termination.

3.04 Payment of Base Salary and Bonus

The Executive acknowledges and agrees that the Base Salary and Bonus will be paid on the following terms:

(1) The Executive must establish and maintain a United States domiciled or Canadian domiciled US dollar bank account (the "USD Account"), and must provide the Company with all information about the USD Account required to facilitate payment of the Base Salary and Bonus in accordance with this Agreement;

(2) The Executive will continue to be subject to Canadian taxes and standard withholdings in Canada. For this purpose, the Executive's Base Salary and/or Bonus will be converted to Canadian dollars (CAD) using the average noon exchange rate for the pay period in which the Base Salary and/or Bonus is payable; and

(3) The Executive's net Base Salary and/or Bonus will be delivered in USD on regular pay days in accordance with the Company's usual payroll practices and dates, in arrears, and by way of direct deposit into the

USD Account. The Executive acknowledges and agrees that the net Base Salary and/or Bonus will fluctuate each pay period in which it is payable due to the conversation required to calculate the Canadian withholdings.

3.05 **Incentives**

(1) As an employee of the Company, the Executive will be eligible for annual equity awards as determined by the Compensation Committee, in its sole discretion. These potential equity awards currently consist of stock options and performance share units.

(2) Subject to the approval of the Compensation Committee, on or about the Start Date, the Executive will be awarded a one-time grant of a number of Restricted Share Units (RSUs) determined by dividing USD \$300,000 by the fair market value of a share of the Company's common stock determined in accordance with the Plan as of the effective date of the grant. Subject to the Executive's continued employment, the RSUs will vest over a three-year period, with one-third of the award vesting on or about each of the first, second, and third anniversaries of the grant date. RSU grants are subject to the terms of the Plan, the applicable grant agreements, and the Company's practices and policies on granting RSU awards, including the Company's standard RSU award agreement.

3.06 **Benefits**

The Executive will be entitled to participate in applicable employee benefit plans as are in effect from time to time, subject to and in accordance with the terms and conditions of such plans, subject to any express limitations by this Agreement or unless a greater benefit is expressly provided to the Executive under this Agreement.

3.07 **Plan documents and right to change**

(1) Some of the compensation and benefit plans and programs referred to in this offer are governed by insurance contracts and other plan or policy documents, which will in all cases govern.

(2) The Company reserves the right to amend, change or terminate any or all of its plans, programs, policies and benefits at any time for any reason without notice to the Executive, including without limitation bonus, commission, benefit, or compensation plans and programs.

3.08 **Vacation**

The Executive will be entitled to four (4) weeks paid vacation each year. Such vacation entitlement will be pro-rated for any part of a year. The Executive will take such vacation at times having regard to the best interests of the Company. Except as may be required by applicable employment standards legislation, the Executive will lose the entitlement to unused vacation and the Executive will not be paid for any accrued but unused vacation. The Executive agrees that any unearned advanced vacation may be deducted from the Executive's final pay should the Executive's employment with the Company end for any reason.

3.09 **Relocation**

Conditioned upon and following the Executive's receipt of the Approvals, the Executive is eligible for relocation services as per the attached summary.

3.10 **Expenses**

The Company will reimburse the Executive for all reasonable out-of-pocket expenses properly incurred by the Executive in the course of the Executive's employment with the Company, in accordance with the

Company's expense reimbursement policy in effect as at the date the Executive incurs any such expenses. The Executive will provide the Company with appropriate statements and receipts verifying such expenses as the Company may require.

ARTICLE 4 - EXECUTIVE'S COVENANTS

4.01 Full Time Service

The Executive will devote all of the Executive's time, attention and effort to the business and affairs of the Company, will well and faithfully serve the Company and will use the Executive's best efforts to promote the interests of the Company and its Affiliates. The Executive will not engage in other employment or consulting work while employed by the Company.

4.02 Duties and Responsibilities

In the performance of the Executive's duties, the Executive agrees to give the Company the full benefit of the Executive's knowledge, expertise, skill and ingenuity and to exercise the degree of care, diligence and skill that a prudent executive would exercise in comparable circumstances.

4.03 Policies, Rules and Regulations

The Executive will be bound by and will faithfully observe and abide by all of the policies, rules and regulations of the Company from time to time in force which are applicable to senior executives of the Company and which are brought to the Executive's notice or of which the Executive should reasonably be aware including but not limited to the Company's Code of Business Conduct.

4.04 Conflict of Interest

(1) The Executive will not, during the Executive's employment with the Company, engage in any business, enterprise or activity that is contrary to or detracts from the due performance of the business of the Company or the Executive's duties.

(2) The Executive will refrain from any situation in which the Executive's personal interest conflicts or may appear to conflict with the Executive's duties to the Company or the interests of the Company. The Executive agrees that if there is any doubt in this respect, the Executive will inform the CEO and obtain written authorization prior to engaging in such situation.

4.05 Business Opportunities:

During the Executive's employment, the Executive will communicate to the Company all knowledge, business and customer contacts and any other information that could concern or be in any way beneficial to the business of the Company. Any such information communicated to the Company as aforesaid will be and remain the property of the Company notwithstanding any subsequent termination of the Executive's employment.

4.06 Restrictive Covenants

The Executive agrees to be bound by the terms and conditions of the Restrictive Covenant Agreement (the "**Restrictive Covenant Agreement**") between the Company and the Executive, a copy of which is attached to this Agreement as Schedule A and is incorporated by reference and deemed to be a part of this Agreement.

4.07 **Pre-existing Obligations**

The Executive is hereby requested and directed by the Company not to disclose confidential or proprietary information of any kind belonging to the Executive's former employer or any other person. The Company is not employing the Executive to obtain the confidential information business information, intellectual property or business opportunities of the Executive's former employer or any other person.

4.08 **Anti-bribery and Compliance with Handbook**

During the Executive's on-boarding and employment the Executive will be required to read and comply with the Company's Handbook. The Handbook provides additional details regarding the Executive's employment, employee discounts, personal accountability, integrity (regarding hours worked), yoga benefits, the Code of Business Conduct (including policies related to gifts and entertainment and prohibiting bribes) and other benefits and time off programs. Failure to follow any of the Company's policies may lead to immediate termination of employment. Additional information and resources are on youlu, which is available following the Executive's first day of work.

4.09 **Confidential Information**

- (1) The Executive acknowledges and agrees that the Executive shall not acquire any right, title or interest in or to the Confidential Information.
- (2) At all times during and subsequent to the termination of the Executive's employment with the Company, the Executive:
 - (a) will not use, copy or reproduce the Confidential Information except as may be reasonably required for the Executive to perform the Executive's duties for the Company, and the Executive will not directly or indirectly use, disseminate or disclose any Confidential Information for the Executive's own benefit or the benefit of any other person or entity; and
 - (b) the Executive you will take all necessary precautions against unauthorized disclosure of the Confidential Information.
- (3) If the Executive is requested or ordered by law to disclose any Confidential Information, the Executive will advise the Company forthwith of such request or order and provide to the Executive all information concerning such request or order and the opportunity for the Company to object or intervene, prior to making any disclosure of Confidential Information.

ARTICLE 5 - TERMINATION

5.01 **Termination by the Company**

The Company may terminate the Executive's employment with the Company at any time, with or without cause, by giving notice in writing to the Executive and stipulating the last day of employment (the "**Termination Date**").

5.02 **Termination by the Executive**

The Executive may terminate the Executive's employment with the Company at any time by giving the Company thirty (30) days' notice in writing (the "**Notice of Resignation Period**"). The Company may waive such notice, in whole or in part, in which case the Executive shall only be entitled to (i) payment of the Executive's Base Salary for the period from the effective date of the waiver of the Notice of Resignation Period to the end of the

Notice of Resignation Period; (ii) continued group benefit coverage under Section 3.06 subject to and in accordance with the terms and conditions of the applicable plans, for the period ending the last day of the Notice of Resignation Period; (iii) the value of the pro-rated vacation leave with pay for that portion of the calendar year up to the end of the Notice of Resignation Period, and (iv) any payments or entitlements under the Bonus Plan that the Executive would otherwise receive during the Notice of Resignation Period.

5.03 Payments on Termination Without Cause

- (1) If the Executive's employment with the Company is terminated by the Company without Cause, the Executive will only be entitled to the following payments and benefits:
- (a) Accrued Compensation. The Company will pay the Executive's Base Salary accrued and unpaid up to and including the Termination Date, including accrued vacation pay, at the rate in effect at the time notice of termination is given by the Company.
 - (b) Bonus Compensation. The Executive shall not receive any bonus payment whatsoever pursuant to Section 3.02 or the Bonus Plan except such bonus which is already earned and due to be paid up to and including the Termination Date, notwithstanding any period following the Termination Date during which the Executive may receive any payments or benefits under the terms of this Agreement or at law.
 - (c) Restricted Share Units, Performance Share Units and Stock Options. The Executive's rights regarding any Restricted Share Units, Performance Share Units or stock options from the Company will be governed by the terms of the Plan and the applicable Performance Share Unit agreements, stock option agreements, and policies.
 - (d) Notice or Pay in lieu/Severance. The Executive will be entitled to fifteen months' notice or payment of Base Salary (at the rate in effect as of the date of termination) in lieu, or a combination of notice and payment (the "**Severance Payment**"), as determined at the election of the Company (which election shall be made by the Company no later than five business days after such termination). Any payment made pursuant to this Section 5.03(1)(d) shall be:
 - i. less any termination or severance pay paid pursuant to the *Employment Standards Act* (British Columbia);
 - ii. subject to regular and statutory withholdings;
 - iii. paid in equal instalments on the Company's normal paydays beginning on the first regular payday occurring after the date of termination; and
 - iv. for any payment above the minimum required under the *Employment Standards Act* (British Columbia), contingent upon the Executive's compliance with all surviving provisions of this Agreement and the Executive's execution of a full general release in a form acceptable to the Company releasing all claims, known or unknown, that the Executive may have against the company arising out of or any way related to the Executive's employment or termination of employment with Company, and such release has become effective in accordance with its terms prior to the 60th day following the Termination Date. If the release has not become effective by such deadline, such amounts payable after (but not before) such deadline will be forfeited.
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- (e) RCA. Any amounts owing to the Executive pursuant to Section 5.03(d) that are above the minimum required under the Employment Standards Act (British Columbia) shall be forfeited if the Executive fails to comply with the Restrictive Covenant Agreement.
- (f) Deductions. The Company may deduct from the amounts payable by it to the Executive or for the Executive's benefit pursuant to Section 5.03(1)(a), (b), (c), or (d) any amounts owing to the Company by the Executive.
- (g) Fair and Reasonable. The parties agree that the provisions of Section 5.03 are fair and reasonable and that the amounts payable by the Company to the Executive or for the Executive's benefit pursuant to Section 5.03 are reasonable.
- (h) No Other Payments or Benefits. The terms and conditions of this Section 5.03 and the amounts paid and the benefits provided to the Executive hereunder are in full satisfaction of any payments or benefits which the Executive may otherwise have been entitled to receive in relation to the termination of this Agreement and the Executive's employment hereunder pursuant to the common law and any applicable laws, including, without limitation, the British Columbia Employment Standards Act, or any of the Company's programs, policies, plans, contracts or agreements, whether written or verbal. Upon receipt of the payments and benefits described herein, the Executive will have no action, cause of action, claim or demand against the Company, the Company's Affiliates or any other person arising out of or in relation to the Executive's employment under this Agreement or the termination of this Agreement and the Executive's employment hereunder, other than to enforce the terms of this Agreement and remedy any breach thereof by the Company.
- (i) No Mitigation. The Executive shall not be required to mitigate the amount of any payments provided for under Section 5.03 of this Agreement by seeking other employment nor shall any payment provided for in such Section be reduced by any compensation or remuneration and/or benefits earned by the Executive as a result of employment by another employer or the rendering of services after the date of termination.

5.04

Payments on Termination by Company for Cause

If the Executive's employment with the Company is terminated by the Company for Cause, the Executive will only be entitled to receive the following compensation:

- (a) Accrued Base Salary. The Company will pay the Executive's Base Salary accrued but unpaid up to and including the Termination Date, including accrued vacation pay, at the rate in effect at the time the notice of termination is given.
 - (b) Accrued Expenses. The Company will reimburse the Executive for any business expenses reasonably incurred by the Executive up to and including the Termination Date in accordance with the Company's normal expenses policy applicable to the Executive at that time.
 - (c) Bonus Compensation. The Executive shall not receive any bonus payment whatsoever pursuant to Section 3.02 or the Bonus Plan except such bonus which is already earned and due to be paid up to and including the Termination Date, notwithstanding any period following the Termination Date during which the Executive may receive any payments or benefits under the terms of the Agreement.
 - (d) Restricted Share Units, Performance Share Units and Stock Options. The Executive's rights regarding any Restricted Share Units, Performance Share Units or stock options from the Company will be governed by the terms of the Plan and the applicable Performance Share Unit agreements, stock option agreements, and policies.
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5.05 **Fair and Reasonable**

The Executive acknowledges and agrees that the payments and/or benefits pursuant to this Article 5 will be in full satisfaction of all terms or requirements regarding termination of the Executive's employment, including without limitation common law notice of termination or compensation in lieu of such notice and compensation for length of service and any other entitlement pursuant to the British Columbia *Employment Standards Act* as amended from time to time. Except as expressly provided in this Article 5, the Executive will not be entitled to any termination payments, damages, or compensation whatsoever, notwithstanding any changes in the terms and conditions of the Executive's employment which may occur in the future, including any change in position, duties or compensation.

5.06 **Return of Property**

Upon termination of the Executive's employment with the Company, the Executive will deliver or cause to be delivered to the Company promptly all books, documents, money, securities or other property of the Company that are in the possession, charge, control or custody of the Executive, without retaining any copies or records of any Confidential Information whatsoever.

5.07 **Resignation as Director and Officer**

Upon any termination of the Executive's employment under this Agreement, the Executive will be deemed to have resigned as a director and officer of all Affiliates of the Company contemporaneously with the date of termination of the Executive's employment for any reason and will immediately, on request of the Company, sign forms of resignation indicating – the Executive's resignation as a director and officer of the Company and any Affiliates of the Company and of any other entities of which the Executive occupies similar positions as part of or in connection with the performance by the Executive of the duties under this Agreement, if applicable.

5.08 **Provisions which Operate Following Termination**

Notwithstanding any termination of the Executive's employment under this Agreement for any reason whatsoever and with or without cause, all provisions of this Agreement necessary to give efficacy thereto, including without limitation the Restrictive Covenant Agreement attached as Schedule A, will continue in full force and effect following such termination.

ARTICLE 6 - MISCELLANEOUS

6.01 **Application of Section 409A**

(1) Notwithstanding anything set forth in this Agreement to the contrary, no amount payable pursuant to this Agreement which constitutes a "deferral of compensation" within the meaning of the Treasury Regulations issued pursuant to Section 409A of the Code (the "**Section 409A Regulations**") shall be paid unless and until the Executive has incurred a "separation from service" within the meaning of the Section 409A Regulations. Furthermore, to the extent that the Executive is a "specified employee" within the meaning of the Section 409A Regulations as of the date of the Executive's separation from service, no amount that constitutes a deferral of compensation which is payable on account of the Executive's separation from service shall be paid to the Executive before the date (the "**Delayed Payment Date**") which is first day of the seventh month after the date of the Executive's separation from service or, if earlier, the date of the Executive's death following such separation from service. All such amounts that would, but for this Section, become payable prior to the Delayed Payment Date will be accumulated and paid on the Delayed Payment Date.

(2) The Company intends that income provided to the Executive pursuant to this Agreement will not be subject to taxation under Section 409A of the Code. The provisions of this Agreement shall be interpreted and construed in favor of satisfying any applicable requirements of Section 409A of the Code. However, the Company

does not guarantee any particular tax effect for income provided to the Executive pursuant to this Agreement. In any event, except for the Company's responsibility to withhold applicable income and employment taxes from compensation paid or provided to the Executive, the Company shall not be responsible for the payment of any applicable taxes on compensation paid or provided to the Executive pursuant to this Agreement.

(3) Notwithstanding anything herein to the contrary, the reimbursement of expenses or in-kind benefits provided pursuant to this Agreement shall be subject to the following conditions: (1) the expenses eligible for reimbursement or in-kind benefits in one taxable year shall not affect the expenses eligible for reimbursement or in-kind benefits in any other taxable year; (2) the reimbursement of eligible expenses or in-kind benefits shall be made promptly, subject to the Company's applicable policies, but in no event later than the end of the year after the year in which such expense was incurred; and (3) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit.

(4) For purposes of Section 409A of the Code, the right to a series of installment payments under this Agreement shall be treated as a right to a series of separate payments.

6.02 **Deductions**

The Company will deduct all statutory deductions and any amounts authorized by the Executive from any amounts to be paid to the Executive under this Agreement.

6.03 **Entire Agreement**

This Agreement, including the Schedules to this Agreement, the Bonus Plan, the Plan, the Restrictive Covenant Agreement, the Company's standard stock option agreement and the Company's standard RSU agreement, constitutes the entire agreement between the parties with respect to the subject matter of this Agreement and cancels and supersedes any prior understandings and agreements between the parties to this Agreement with respect to the subject matter of this Agreement and any rights which the Executive may have by reason of any such prior agreements. There are no representations, warranties, forms, conditions, undertakings or collateral agreements, express, implied or statutory between the parties other than as expressly set forth in this Agreement.

6.04 **Severability**

If any provision of this Agreement is determined to be invalid or unenforceable in whole or in part, such invalidity or unenforceability will attach only to such provision or part of such provision and the remaining part of such provision and all other provisions of this Agreement will continue in full force and effect.

6.05 **Amendments and Waivers**

No amendment to this Agreement will be valid or binding unless set forth in writing and duly executed by both of the parties. No waiver of any breach of any provision of this Agreement will be effective or binding unless made in writing and signed by the party purporting to give the same and, unless otherwise provided in the written waiver, will be limited to the specific breach waived.

6.06 **Notices**

Any demand, notice or other communication to be given in connection with this Agreement must be given in writing and will be given by personal delivery, by registered mail, or by electronic means of communication addressed to the recipient as follows:

To the Company:

lululemon athletica canada inc.
1818 Cornwall Avenue
Vancouver, BC
V6J 1C7
Attention: **Vice President of Legal**

To the Executive:

Miguel Almeida

or such other address, individual or electronic communication number as may be designated by notice given by either party to the other.

6.07 **Equitable Remedies**

The Executive hereby acknowledges and agrees that a breach of the Executive's obligations under this Agreement would result in damages to the Company that could not be adequately compensated for by monetary award. Accordingly, in the event of any such breach by the Executive, in addition to all other remedies available to the Company at law or in equity, the Company will be entitled as a matter of right to apply to a court of competent jurisdiction for such relief by way of restraining order, injunction, decree or otherwise, as may be appropriate to ensure compliance with the provisions of this Agreement.

6.08 **Governing Law**

Before the Relocation, this Agreement will be governed by and construed in accordance with the laws of Delaware. After the Relocation, this Agreement will be governed by and construed in accordance with the laws of the Province of British Columbia and the laws of Canada applicable therein.

6.09 **Attornment**

For the purpose of all legal proceedings this Agreement will be deemed to have been performed in the Province of British Columbia. The courts of competent jurisdiction located in Vancouver, British Columbia will have jurisdiction to entertain any action arising under this Agreement and the Company and the Executive each hereby attorns to the courts of competent jurisdiction located in Vancouver, British Columbia.

Yours truly,

lululemon athletica inc.

By: /s/ LAURENT POTDEVIN

Laurent Potdevin
Chief Executive Officer

/s/ MIGUEL ALMEIDA

Miguel Almeida

**SECOND AMENDED AND RESTATED
REGISTRATION RIGHTS AGREEMENT
BY AND AMONG
LULULEMON ATHLETICA INC.
AND
THE HOLDERS LISTED ON SCHEDULE A
Dated as of June 18, 2015**

SECOND AMENDED AND RESTATED REGISTRATION RIGHTS AGREEMENT

THIS SECOND AMENDED AND RESTATED REGISTRATION RIGHTS AGREEMENT (this “**Agreement**”) is entered into as of June 18, 2015, by and among:

- lululemon athletica inc., a Delaware corporation (the “**Company**”); and
- each of the stockholders of the Company’s common stock (“**Common Stock**”), whose names and addresses are set forth under Schedule A (the “**Holders**”).

BACKGROUND

The Company and certain stockholders entered into that certain Amended and Restated Registration Rights Agreement, dated December 12, 2012 (that agreement, the “**Prior Registration Rights Agreement**”).

On September 9, 2014, the Advent Holders (defined below) acquired shares of Common Stock and became Holders under the Prior Registration Rights Agreement in accordance with the provisions of Section 3.3(a).

Pursuant to Section 3.6(a) of the Prior Registration Rights Agreement, the Prior Registration Rights Agreement may be amended by an instrument in writing making specific reference to such agreement and signed by the Company and the Holders of Registrable Securities representing at least a majority of the Registrable Securities held by the Holders.

The Company and the Holders (representing at least a majority of the Registrable Securities held by the Holders) 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 Holders**” means each of the holders of Common Stock whose names and addresses are set forth under Schedule A as “Advent Holders,” as well as their permitted transferees and assigns who become holders of Registrable Securities in accordance with Section 3.3(a).

“**Adverse Disclosure**” means public disclosure of non-public information (i) relating to a material proposed acquisition, disposition, financing, reorganization, recapitalization or similar transaction involving the Company or one of its Affiliates, or (ii) that the Company has a bona fide business purpose for preserving as confidential, 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**” has the meaning set forth in Rule 12b-2 promulgated under the Exchange Act.

“**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 July 26, 2007, 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 B.

“ **Cutback Notice** ” has the meaning set forth in Section 2.1(i)(5).

“ **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.

“ **FINRA** ” means the Financial Industry Regulatory Authority.

“ **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 or a Shelf Registration.

“ **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).

“ **Initial Advent Holders** ” means each of the holders of Common Stock whose names and addresses are set forth under Schedule A as “Advent Holders,” together with any of their Affiliates who become holders of Registrable Securities in accordance with Section 3.3(a).

“ **Initial Wilson Holders** ” means each of the holders of Common Stock whose names and addresses are set forth under Schedule A as “Wilson Holders,” together with any of their Affiliates who become holders of Registrable Securities in accordance with Section 3.3(a).

“ **Initiating Holders** ” means the Holder or Holders who made the Request to initiate a Demand Registration or a Shelf Registration, as applicable, together with all Affiliates of such Holder or Holders.

“ **Loss** ” or “ **Losses** ” has the meaning set forth in Section 2.7(a).

“ **Minimum Demand Amount** ” means an amount of Registrable Securities that (i) is equal to or greater than 1,000,000 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) and (ii) has an Aggregate Offering Price of at least \$100 million.

“ **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).

“ **Participation Notice** ” has the meaning set forth in 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.

“ **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; provided, however, that such term does not include any non-U.S. prospectus, including any prospectus filed or to be filed with any Canadian provincial securities commission.

“ **Registrable Securities** ” means (a) shares of Common Stock acquired pursuant to the Agreement and Plan of Reorganization, (b) shares of Common Stock issued or issuable 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 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” (1) 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, (2) to the extent that they have been sold to the public either pursuant to a registration or pursuant to Rule 144 or Rule 145 (or any similar provisions then in force) under the Securities Act, (3) to the extent they have been sold in a private transaction in which the transferor’s rights under this Agreement are not assigned pursuant to Section 3.3(a), or (4) to the extent they are eligible for resale without registration by the holder thereof pursuant to Rule 144 (or any similar provision then in force) under the Securities Act during any 90 day period without volume limitations.

“ **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 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(h).

“ **Shelf Registration** ” has the meaning set forth in Section 2.1(b).

“ **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 Right** ” has the meaning set forth in Section 2.1(b).

“ **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, 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).

“ **Wilson Holders** ” means each of the holders of Common Stock whose names and addresses are set forth under Schedule A as “Wilson Holders,” as well as their permitted transferees and assigns who become holders of Registrable Securities in accordance with Section 3.3(a).

ARTICLE 2 REGISTRATION RIGHTS

Section 2.1 Requested Registration.

(a) Demand Registrations. At any time that the Company is not legally eligible to file a Shelf Registration Statement, the Holders constituting (i) either or both of a majority in interest of the Registrable Securities then held by the Initial Advent Holders and a majority in interest of the Registrable Securities then held by the Initial Wilson Holders or (ii) the holders of not less than a majority of the Registrable Securities then held by Holders shall have the right to request 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. Subject to Section 2.1(d), if the Company shall receive a Request specifying a registration pursuant to a Demand Right, 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 such registration, but not including a Shelf Registration, 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(g). Notwithstanding the foregoing provisions, the Company shall not be obligated to effect, or to take any action to effect, any such Demand Registration pursuant to this Section 2.1(a) after the Company has initiated two such registrations subsequent to the date hereof pursuant to this Section 2.1(a) (counting for these purposes only registrations which have been declared effective and registrations which have been withdrawn by the Holders as to which the Holders have not borne the registration expenses pursuant to Section 2.6). 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.

(b) Shelf Registrations. In addition to the rights contained in Section 2.1(a), the Holders shall have the right, at any time that the Company is legally eligible to file a Shelf Registration Statement, to request registrations on a Shelf Registration Statement (each such right, a “ **Shelf Right** ”); provided, that each registration made pursuant to a Shelf Right must include Registrable Securities in an amount not less than the Minimum Demand Amount. Notwithstanding the foregoing, to the extent the Initiating Holders do not include any Initial Advent Holders or Initial Wilson Holders, then such Initiating Holders shall only have a Shelf Right if they beneficially own 20% or more of the outstanding Registrable Securities beneficially owned by all Holders. Subject to Section 2.1(d), if the Company shall receive a Request specifying a registration pursuant to a Shelf Right, the Company shall file with the SEC, as expeditiously as reasonably possible after the initiation of a Shelf Right, 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 (each such registration, a “ **Shelf Registration** ”) 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(g).

(c) Demand Notice. All requests to initiate a registration pursuant to a Demand Right or a Shelf Right must be made by notice (each such request, a “ **Request** ”):

- (1) provided to the Company in writing;
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- (2) stating that it is a notice to initiate a registration pursuant to a Demand Right or a Shelf Right, as applicable, under this Agreement;
- (3) identifying the Holder(s) effecting the request; and
- (4) stating the number of Registrable Securities to be included and the intended method of disposition.

(d) Subsequent Requests. After a Request has been given by any Holder for a Demand Registration or a Shelf Registration, another Request cannot be given by such Holder, or its Affiliates or their permitted transferees and assigns who become holders of Registrable Securities in accordance with Section 3.3(a), until the date that is 180 days following the date of withdrawal or the effective date of the Registration Statement relating to such previous Demand Registration or Shelf Registration.

(e) Participations in Demand Rights and Shelf Rights. Within ten days following receipt of any Request, the Company shall deliver written notice of such request (each such notice, a “ **Participation Notice** ”) to all Holders of Registrable Securities other than the Initiating Holders. Thereafter, the Company shall include in such Demand Registration or Shelf Registration, as applicable, any additional Registrable Securities which the Holder or Holders thereof have, within 15 days after the Participation Notice has been given, requested in writing be included in such Demand Registration or Shelf Registration. All such requests shall specify the aggregate amount of Registrable Securities to be registered.

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

(g) Effective Registration. The Company shall be deemed to have effected a Demand Registration or Shelf 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, for the Shelf Period;
- (2) if it is a Shelf Registration that is a Shelf Underwritten Offering, for the Underwritten Period;
- (3) if it is not a Shelf Registration and is not an Underwritten Offering, for the Non-Underwritten Period; or
- (4) if it is not a Shelf Registration and is an Underwritten Offering, for the Underwritten Period.

Notwithstanding the foregoing, no Demand Registration or Shelf Registration shall be deemed to have been effected if an Underwritten Offering is contemplated by such Demand Registration or if a Shelf Underwritten Offering is contemplated by such Shelf Registration and the conditions to closing specified in the applicable underwriting agreement are not satisfied. Subject to Section 2.1(h), 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.

(h) Delay or Suspension of Registration. If the filing, initial effectiveness or continued use of a Registration Statement in respect of a Demand Registration or Shelf 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 or Shelf Registration, as applicable, 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(h) and Section 2.2(c), (i) more than two times during any 12-month period, (ii) for a period exceeding 60 days on any one occasion or (iii) for a period exceeding 120 days in any 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 or Shelf Registration, as the case may be, 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 (h). The Company agrees that, in the event it exercises its rights under this Section 2.1 (h), it shall, as promptly as reasonably practicable following the completion or abandonment of the transaction giving rise to the Company's suspension notice, and in any event within the time requirements set forth in this Section 2.1(h), 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 during the period that is 60 days before the Company's good faith estimate of the date of filing of, and ending on a date that is 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.

(i) Underwritten Offerings.

(1) Demand Registrations. Any offering pursuant to a Demand Registration shall be in the form of an Underwritten Offering upon the request of (A) to the extent either or both of the Initial Advent Holders and/or the Initial Wilson Holders are participating in the offering pursuant to a Demand Registration, the consent of (I) the holders of a majority of the Registrable Securities held by the Initial Advent Holders included in such offering and (II) the holders of a majority of the Registrable Securities held by the Initial Wilson Holders included in such offering, or (B) to the extent neither the Initial Advent Holders nor the Initial Wilson Holders are participating in the offering pursuant to a Demand Registration, the consent of the holders of not less than a majority of the Registrable Securities included in the offering pursuant to a Demand Registration ((A) or (B) as applicable, the “**Demand Registration Requesting Holders**”).

(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(i)(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 five 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(i)(5); and

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

(3) Selection of Underwriters. In the event that a Demand Registration is an Underwritten Offering, the managing underwriter or underwriters for the offering shall be selected by the Demand Registration Requesting Holders. In the event that a Shelf Registration is an Underwritten Offering, the managing underwriter or underwriters for the offering shall be selected by the Initiating Holders holding a majority of the Registrable Securities to be included in such offering by the Initiating Holders. In all cases, the underwriters must be (x) nationally recognized investment banking firm(s), and (y) reasonably acceptable to the Company.

(4) Similar Securities. Without (A) the prior written consent of the managing underwriter or managing underwriters of any Underwritten Offering, and (B) the consent of (x) the Demand Registration Requesting Holders, in the case of a Demand Registration, and (y) Initiating Holders holding a majority of the Registrable Securities to be included in such offering by the Initiating Holders, in the case of a Shelf Registration, 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(i)(2)(B)) of Registrable Securities included in a Demand Registration informs the Holders of such Registrable Securities in writing (such notice, 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 (i), 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.

(j) Registration Statement Form. Demand Registrations shall be effected by filing a Registration Statement on such appropriate registration form of the SEC as shall be selected by the Initiating

Holders of the Demand Registration and as shall be reasonably acceptable to the Company. Shelf Registrations shall be effected by filing a Registration Statement on Form S-3 (or any successor form under the Securities Act).

Section 2.2 Incidental Registrations.

(a) Participation in Company Registrations.

(1) If the Company at any time, or from time to 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) pursuant to Section 2.1, (B) a registration on Form S-4, F-4, F-8, F-10 or S-8 or any successor form to such forms, (C) 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 (D) a registration of non-convertible debt securities) then, as expeditiously as reasonably possible, the Company shall give written notice (such notice, an “**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 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 (such notice, 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 with respect to stockholders of the Company pursuant to the exercise of contractual demand registration rights (other than pursuant to Section 2.1),

(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 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(h), (i) more than two times during any 12- month period, (ii) for a period exceeding 60 days on any one occasion or (iii) for a period exceeding 120 days in any 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, 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 Company'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) who 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(h) 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 holders of a majority of the Registrable Securities held by 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, 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 FINRA;

(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 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, 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, 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, by promptly amending any Shelf Registration Statement or Demand Registration Statement, or taking such other action as may be necessary to satisfy the foregoing; 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 or Shelf Registration that is an 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 Registration) 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 Holder's 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, the price, underwriting discount and other financial terms for the sale of the Registrable Securities shall be determined by the Demand Registration Requesting Holders. In the case of a Shelf Registration that is an Underwritten Offering, the price, underwriting discount and other financial terms for the sale of the Registrable Securities shall be determined by Initiating Holders holding a majority of the Registrable Securities to be included in such offering by the Initiating Holders. In the case of any Incidental Registration that is an Underwritten Offering (excluding any Demand Registration or Shelf Registration), 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 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 FINRA, (ii) all fees and expenses of compliance with U.S. 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 U.S. securities exchange, Nasdaq, or other U.S. 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 Company 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).

(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, and all such fees and expenses relating to securities so registered, including all underwriting discounts, selling commissions, stock transfer taxes attributable to the sale of Registrable Securities, the fees and expenses of counsel to the Holders or the underwriters (other than the fees and disbursements of counsel set forth in Section 2.6(a)) and all fees and expenses incurred by the Company or Holders in connection with the preparation and filing of any non-U.S. prospectus or other filing (including, but not limited to, any prospectus filed or to be filed with any Canadian provincial securities commission), shall be borne by the Initiating Holders pro rata based upon the number of Registrable Securities that were to be included in the registration and such Holders shall pay, and, if applicable, shall reimburse the Company for, all such fees and expenses, including such fees and expenses incurred in connection with the preparation and filing of any such non-U.S. prospectus.

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 U.S. 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

(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 Company 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.

Section 2.11 Termination of Registration Rights. The right of any Holder to request registration or inclusion in any registration pursuant to Section 2.1 or Section 2.2 shall terminate on the date as all shares of Registrable Securities held or entitled to be held upon conversion by such Holder may immediately be sold under Rule 144 (or any similar provision then in force) under the Securities Act during any 90 day period without volume limitations.

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 or e-mail transmission with confirmation of transmission by the transmitting equipment, by registered or certified mail, postage pre-paid, or by courier or overnight carrier, to the Persons at the addresses, facsimile numbers or e-mail addresses set forth in Schedule A in the case of a Holder and to the addresses, facsimile numbers or e-mail addresses set forth below in the case of the Company (or at such other address, facsimile number or e-mail address as a party may designate by notice to the other parties), and shall be deemed to have been delivered (a) on the date of delivery if delivered personally, or by facsimile or e-mail upon confirmation of transmission by the transmitting equipment, (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 athletica inc.
1818 Cornwall Avenue
Vancouver, BC Canada V6J 1C7
Facsimile:
E-mail:
Attention: Chief Executive Officer

with copy to:

DLA Piper LLP
701 Fifth Avenue, Suite 7000
Seattle, Washington 98104
Facsimile: (206) 839-4801
E-mail: michael.hutchings@dlapiper.com
Attention: Michael Hutchings

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 by a Holder only to a transferee or assignee of no less than 100,000 shares of Registrable Securities (as presently constituted and subject to adjustments for stock splits, stock dividends, reverse stock splits, and the like); 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 (stating the name and address of the transferee or assignee and identifying the securities with respect to which such registration rights are being transferred or assigned) and a written agreement of the assignee to be bound by the provisions of this Agreement by executing a Counterpart Signature Page in the form attached to this Agreement as Schedule B. 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 shall be deemed to be amended to add any party delivering a Counterpart Signature Page pursuant to 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 (i) the Company, (ii) the holders of a majority of the Registrable Securities held by the Advent Holders, and (iii) the holders of a majority of the Registrable Securities held by the Wilson 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. 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 whether the Amendment provides a disproportionate benefit to any Holder, shall be based on such Holder’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 athletica inc.

By: /s/ STUART HASELDEN

Name: Stuart Haselden

Title: Chief Financial Officer

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

DENNIS WILSON

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

FIVE BOYS INVESTMENT, ULC

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

OYOYO HOLDINGS, INC.

By: /s/ DENNIS WILSON
Name: Dennis Wilson
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

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

ADVENT PUMA ACQUISITION LIMITED

By: /s/ MICHAEL RISTAINO
Name: Michael Ristaino
Title: Sole Director

ADVENT PARTNERS GPE VII LIMITED PARTNERSHIP
ADVENT PARTNERS GPE VII CAYMAN LIMITED PARTNERSHIP
ADVENT PARTNERS GPE VII — A LIMITED PARTNERSHIP
ADVENT PARTNERS GPE VII — A CAYMAN LIMITED PARTNERSHIP
ADVENT PARTNERS GPE VII — B CAYMAN LIMITED PARTNERSHIP
ADVENT PARTNERS GPE VII 2014 LIMITED PARTNERSHIP
ADVENT PARTNERS GPE VII 2014 CAYMAN LIMITED PARTNERSHIP
ADVENT PARTNERS GPE VII — A 2014 LIMITED PARTNERSHIP
ADVENT PARTNERS GPE VII — A 2014 CAYMAN LIMITED PARTNERSHIP

By: Advent International GPE VII, LLC, General Partner
By: Advent International Corporation, Manager

By: /s/ MICHAEL RISTAINO
Name: Michael Ristaino
Title: Vice President of Finance – Funds

SCHEDULE A
“Wilson Holders”

Name of Stockholder	Address for Notice
Dennis Wilson	<p>21 Water Street, Suite 600 Vancouver, BC, V6B 1A1 Facsimile Number: (604) 737-7267 E-mail: Attention: Dennis Wilson</p> <p>with copies to:</p> <p>McCullough O’Connor Irwin LLP Suite 2600 Oceanic Plaza Vancouver, BC V6E 3X1 Facsimile: (604) 687-7099 E-mail: jmccullough@moisolicitors.com Attention: Jonathan McCullough</p> <p>and</p> <p>Choate, Hall & Stewart LLP Two International Place Boston, MA 02110 Facsimile: (617) 248-5000 E-mail: jpitfield@choate.com Attention: John R. Pitfield</p>
Five Boys Investment ULC	<p>21 Water Street, Suite 600 Vancouver, BC, V6B 1A1 Facsimile Number: (604) 737-7267 E-mail: Attention: Dennis Wilson</p> <p>with copies to:</p> <p>McCullough O’Connor Irwin LLP Suite 2600 Oceanic Plaza Vancouver, BC V6E 3X1 Facsimile: (604) 687-7099 E-mail: jmccullough@moisolicitors.com Attention: Jonathan McCullough</p> <p>and</p> <p>Choate, Hall & Stewart LLP Two International Place Boston, MA 02110 Facsimile: (617) 248-5000 E-mail: jpitfield@choate.com Attention: John R. Pitfield</p>

Name of Stockholder**Address for Notice**

Oyoyo Holdings, Inc.

21 Water Street, Suite 600
Vancouver, BC, V6B 1A1
Facsimile Number: (604) 737-7267
E-mail:
Attention: Dennis Wilson

with copies to:

McCullough O'Connor Irwin LLP
Suite 2600 Oceanic Plaza
Vancouver, BC V6E 3X1
Facsimile: (604) 687-7099
E-mail: jmccullough@moisolicitors.com
Attention: Jonathan McCullough

and

Choate, Hall & Stewart LLP
Two International Place
Boston, MA 02110
Facsimile: (617) 248-5000
E-mail: jpitfield@choate.com
Attention: John R. Pitfield

LIPO Investments (USA) Inc.

21 Water Street, Suite 600
Vancouver, BC, V6B 1A1
Facsimile Number: (604) 737-7267
E-mail:
Attention: Dennis Wilson

with copies to:

McCullough O'Connor Irwin LLP
Suite 2600 Oceanic Plaza
Vancouver, BC V6E 3X1
Facsimile: (604) 687-7099
E-mail: jmccullough@moisolicitors.com
Attention: Jonathan McCullough

and

Choate, Hall & Stewart LLP
Two International Place
Boston, MA 02110
Facsimile: (617) 248-5000
E-mail: jpitfield@choate.com
Attention: John R. Pitfield

Name of Stockholder

Slinky Financial ULC

Address for Notice

21 Water Street, Suite 600
Vancouver, BC, V6B 1A1
Facsimile Number: (604) 737-7267
E-mail:
Attention: Dennis Wilson

with copies to:

McCullough O'Connor Irwin LLP
Suite 2600 Oceanic Plaza
Vancouver, BC V6E 3X1
Facsimile: (604) 687-7099
E-mail: jmccullough@moisolicitors.com
Attention: Jonathan McCullough

and

Choate, Hall & Stewart LLP
Two International Place
Boston, MA 02110
Facsimile: (617) 248-5000
E-mail: jpitfield@choate.com
Attention: John R. Pitfield

“Advent Holders”

Name of Stockholder

Address for Notice

Advent Puma Acquisition Limited

Ugland House, South Church Street
P.O. Box 309
George Town, Grand Cayman KY1-1104
E-mail:
Attention: Michael Ristaino

with copies to:

Advent International Corporation
75 State Street
Boston, Massachusetts 02109
Attention: David Mussafer, Steve Collins and James Westra
Facsimile: (617) 951-0568
E-mail: dmm@adventinternational.com
scollins@adventinternational.com, and
jwestra@adventinternational.com

and

Weil, Gotshal & Manges LLP
100 Federal Street
Boston, Massachusetts 02110
Attention: Marilyn French
Facsimile: (617) 772-8333
E-mail: Marilyn.French@weil.com

Advent Partners GPE VII Limited Partnership
Advent Partners GPE VII Cayman Limited Partnership
Advent Partners GPE VII – A Limited Partnership
Advent Partners GPE VII – A Cayman Limited Partnership
Advent Partners GPE VII – B Cayman Limited Partnership
Advent Partners GPE VII 2014 Limited Partnership
Advent Partners GPE VII 2014 Cayman Limited Partnership
Advent Partners GPE VII – A 2014 Limited Partnership
Advent Partners GPE VII – A 2014 Cayman Limited
Partnership

All c/o Advent International Corporation
75 State Street
Boston, Massachusetts 02109
Attention: David Mussafer, Steve Collins and James Westra
Facsimile: (617) 951-0568
E-mail: dmm@adventinternational.com
scollins@adventinternational.com, and
jwestra@adventinternational.com

with copies to:

Weil, Gotshal & Manges LLP
100 Federal Street
Boston, Massachusetts 02110
Attention: Marilyn French
Facsimile: (617) 772-8333
E-mail: Marilyn.French@weil.com

SCHEDULE B

**COUNTERPART SIGNATURE PAGE
TO
SECOND AMENDED AND RESTATED REGISTRATION RIGHTS AGREEMENT**

The undersigned hereby acknowledges receipt of a copy of that certain Second Amended and Restated Registration Rights Agreement, dated as of June 18, 2015, as amended to date, by and among the Company and the Holders referred to therein (such agreement, as hereafter amended from time to time, the "Registration Rights Agreement"), and hereby certifies to the other parties thereto that it has read and fully understands the Registration Rights Agreement, that it has had an opportunity to read and fully discuss the terms and conditions of the Registration Rights Agreement with its legal counsel and other advisors, and that it agrees to be bound by the terms and conditions of the Registration Rights Agreement as a Holder and as if it were an original signatory thereto.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed on this ____ day of _____, 20__.

HOLDER:

Print Name of Holder

Signature

Print Title of Signatory, if Applicable

Address for Notices:

Email:

Fascimile:

I, Laurent Potdevin, 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) 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

(d) 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.

By: /s/ L AURENT P OTDEVIN

Laurent Potdevin
Chief Executive Officer and Director
(Principal Executive Officer)

Date: September 9, 2015

I, Stuart Haselden, 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) 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

(d) 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.

By: /s/ S TUART H ASELDEN

Stuart Haselden
Chief Financial Officer
(Principal Financial Officer and
Principal Accounting Officer)

Date: September 9, 2015

**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 second quarter of fiscal 2015 , 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.

By: /s/ L AURENT P OTDEVIN
Laurent Potdevin
Chief Executive Officer and Director
(Principal Executive Officer)

Date: September 9, 2015

By: /s/ S TUART H ASELDEN
Stuart Haselden
Chief Financial Officer
(Principal Financial Officer)

Date: September 9, 2015

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.