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Headnote

Securities Act s. 48, 76 Employees & Consultants - Exemption from s. 34(1)(a) requirement to be registered as a dealer in connection with a trade and s. 61 requirement to file a prospectus in connection with a distribution involving employees, consultants, past employees and similar persons - Trades by an issuer of its securities to employees, directors, officers, consultants, or similar persons, of another business that is related, but not technically a “related entity”, of the issuer - The issuer is owned by the same shareholder group that owns another issuer; each issuer is part of the same business organization. Separately, each of the persons in the shareholder group do not exercise control (as it means in s. 2.23 of NI 45-106) over either issuer; each issuer will only issue securities to its employee or the employee of the other issuer; the employee voluntarily enters into its issuer’s employee investment plan; under the plan the employee can acquire securities of the issuer or the other issuer; the issuers are not reporting; the issuers’ securities are not listed

Exemption Order

Lululemon Athletica Inc. (LAI)

and

Lululemon Athletica USA Inc. (USA)

Sections 48 and 76 of the *Securities Act*, R.S.B.C. 1996, c. 418

Background

- ¶ 1 LAI and USA have applied for an exemption from the requirements to be registered to trade and to file and obtain receipts for a preliminary prospectus and prospectus in sections 34(1)(a) and 61 of the Act (the registration and prospectus requirements) for certain trades of securities of LAI under its 2005 Equity Incentive Plan, as amended from time to time (the LAI Plan) to employees of USA and its subsidiaries and certain trades of securities of USA under its 2005 Equity Incentive Plan, as amended from time to time (the USA Plan and, together with the LAI Plan, the Plans) to employees of LAI and its subsidiaries.

Representations

- ¶ 2 LAI and USA represent that:
1. LAI is incorporated under the laws of British Columbia; its head office is located in Vancouver, British Columbia;

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2. the authorized capital of LAI consists of an unlimited number of Class A Shares without par value, an unlimited number Class B Shares without par value, an unlimited number of Class C Shares without par value, an unlimited number of Class D Shares without par value and an unlimited number of Preferred Shares without par value, of which 106,702 Class A Shares and 115,594 Class B Shares were outstanding as at February 24, 2006;
3. LAI is not, and has no present intention of becoming, a reporting issuer or the equivalent in British Columbia or in any other jurisdiction;
4. USA is incorporated under the laws of Nevada; its head office is located in Vancouver, British Columbia;
5. the authorized capital of USA consists of 222,296 shares of participating preferred stock, 10,000 shares of non-participating preferred stock and 10,000,000 shares of common stock, of which 222,296 shares of participating preferred stock and 10,000 shares of non-participating preferred stock were outstanding as at February 24, 2006;
6. USA is not, and has no present intention of becoming, a reporting issuer or the equivalent in British Columbia or in any other jurisdiction;
7. Dennis Wilson (Wilson) indirectly owns shares carrying 52% of the votes attaching to the issued and outstanding shares of LAI and 12.45% of the votes attaching to the issued and outstanding shares of USA;
8. The remaining shares of LAI and USA are owned indirectly by various limited partnerships, which are affiliated with Advent International Corporation and Highland Capital Partners (collectively, the Funds);
9. Wilson and the Funds do not act in concert;
10. USA is not a “related entity” of LAI and vice versa, within the meaning of that term under Part 2, Division 4 of National Instrument 45-106 *Prospectus and Registration Exemptions*;
11. the Funds and Wilson collectively exercise *de facto* control over LAI and USA and, pursuant to shareholders’ agreements governing each of USA and LAI, no such party may transfer its interest in LAI or USA without also transferring its interest in the other company;

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12. the Plans will provide for employees of LAI, USA and their respective subsidiaries a convenient and economical way to acquire an equity interest in LAI and USA and an opportunity to participate in the value they help create;
13. any person who is an employee of LAI, USA or any of their respective subsidiaries may be invited by the board of LAI or USA to participate in the LAI Plan or the USA Plan (an Eligible Employee);
14. pursuant to the LAI Plan, LAI may grant to Eligible Employees options (LAI Options) to acquire Class C Shares of LAI (LAI Shares), stock appreciation rights, restricted stock and restricted stock units (collectively, LAI Securities);
15. pursuant to the USA Plan, USA may grant to Eligible Employees options (USA Options) to acquire shares of common stock of USA (USA Shares), stock appreciation rights, restricted stock and restricted stock units (collectively, USA Securities);
16. participation in the Plans is voluntary and Eligible Employees will not be induced to participate in the Plans by expectation of employment or continued employment;
17. a copy of the LAI Plan or USA Plan will be made available to each Eligible Employee to whom LAI Securities or USA Securities, respectively, are granted;
18. there is no market for the LAI Shares or USA Shares and neither LAI nor USA intend to list any of its securities on any stock market in Canada;
19. there are no available exemptions from the Registration Requirement and the Prospectus Requirement for distributions, from time to time, of LAI Securities under the LAI Plan to Eligible Employees of USA or its subsidiaries or of USA Securities under the USA Plan to Eligible Employees of LAI or its subsidiaries; and
20. there are no available exemptions from the Registration Requirement for first trades in LAI Shares issued in connection with the LAI Plan by Eligible Employees (including former employees) of USA or its subsidiaries or for first trades in USA Shares issued in connection with the USA Plan by Eligible Employees (including former employees) of LAI or its subsidiaries.

Order

- ¶ 3 Because it is not prejudicial to the public interest, the decision maker orders:

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1. under sections 48 and 76 of the Act, that the prospectus and registration requirement shall not apply to the distribution, from time to time, of
 - (a) LAI Securities in connection with the LAI Plan to Eligible Employees of USA or any of its subsidiaries; and
 - (b) USA Securities in connection with the USA Plan to Eligible Employees of LAI or any of its subsidiaries; and
2. under section 76 of the Act, that the first trade in any securities acquired under this order is deemed to be a distribution unless the conditions in section 2.6(3) (subject to section 2.7) of National Instrument 45-102 *Resale of Securities* are satisfied.

¶ 4 March 22, 2006

Martin Eady, CA
Director, Corporate Finance
British Columbia Securities Commission