

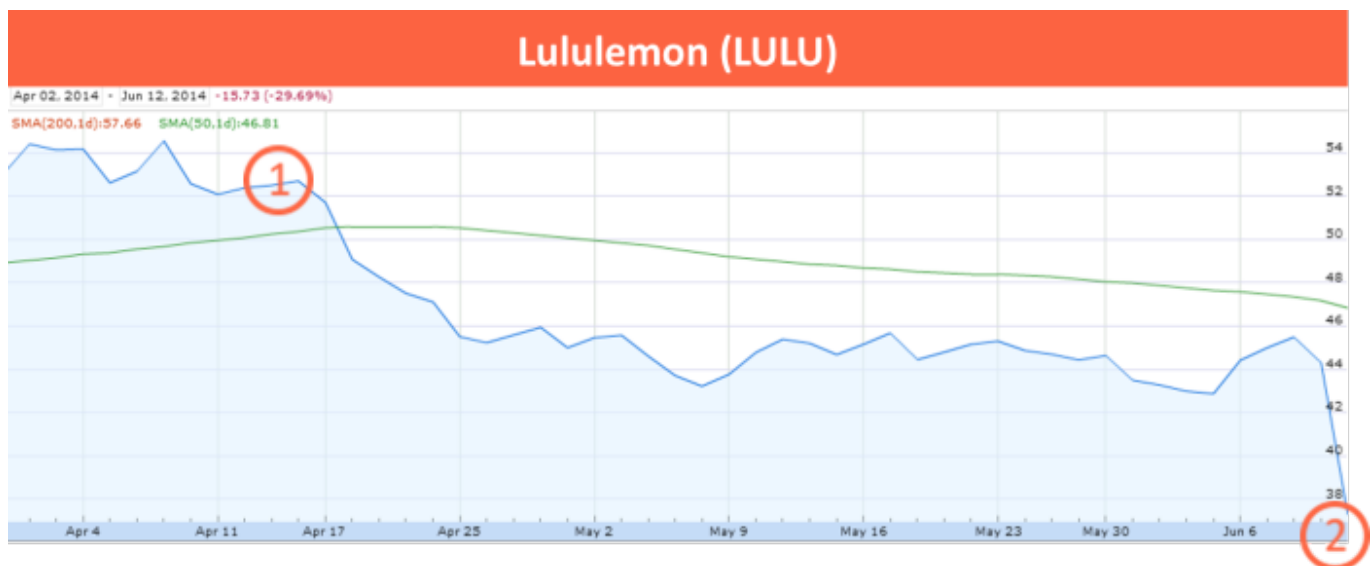
## Lululemon (LULU) – The Downward Dog

Date: June 13, 2014

On April 15, I sent out a note ([here](#)) asking, "Would you short this company?"

My conclusion was simple: **it was time to short LULU.**

That was at \$52.50. Here's what's happened since:



Yesterday, with the stock down 16% I found myself tempted to cover. But then I began reading the rather sharp words Chip Wilson had for the Board ([here](#)):

*I am concerned that the board is not aligned with the core values of product and innovation on which lululemon was founded and on which the company thrived.*

*I have found a palpable imbalance in board representation, which is heavily weighted towards short-term results at the expense of product, culture and brand and longer-term corporate goals. I believe this is impacting the company's prospects. My vote today sends a signal to the financial community that the company must address this imbalance if lululemon is to fully recover.*

And I tried to rationalize why the Company would publish such an apathetic response ([here](#)):

*Contrary to Mr. Wilson's assertions, lululemon's Board members are aligned with the Company's core values and possess the necessary expertise to successfully lead lululemon forward.*

After some contemplation, I came to another rather simple conclusion: **the Company is headed**

**for a rather long Shavasana and there's no compelling reason to cover the short. So I press on.**

Addendum: An angry Chip Wilson is a frightening thought; he is, after all, the single largest shareholder with nearly 28% of the stock ([source](#)).