Costco Wholesale Corporation

Costco Wholesale Membership, Inc.

CWC Travel, Inc.

COSTCO 401(K) RETIREMENT PLAN TABLE OF CONTENTS

Este folleto contiene un resumen en inglés de tu plan de derechos y beneficios bajo el Plan de Retiro Costco 401(k).

Si se te dificulta comprender alguna parte de este folleto, contacta al departamento de Beneficios de Costco al 1-800- 284-4882 o en el 999 Lake Drive, Issaquah, WA 98027. El horario de oficina es de 8:00 a 17:00 hrs. de Lunes a Viernes.

INTRODUCTION

This booklet summarizes the Costco 401(k) Retirement Plan effective July 1, 2006 ("plan"). The information contained here describes the main features of the plan, tells you how it operates and gives you certain information required by law. However, this booklet is not the actual plan, and not every detail is included. In the event of any ambiguity or inconsistency between this summary and the actual plan, the plan will govern.

The plan may be changed in the future. If any changes are made, you will be notified. Officers and employees are not authorized to represent the plan or its Plan Administrator, the Benefits Committee, or to speak on behalf of the plan or Committee. If you have any questions with respect to benefits under the plan, you can speak to a plan service representative by calling the plan trustee, T. Rowe Price, at 1-800-922-9945. If you still have unanswered questions, you should contact the Costco Benefits Department at 1-800-284-4882. The terms of the plan and this summary govern oral or other written communications. The plan is not bound by any oral or written communication that conflicts with plan documents.

The Benefits Committee members are:

Charles Burnett

Julie Cruz

John Eagan

Richard Galanti

Bob Hicok

John Matthews

John McKay

Monica Smith

Jay Tihinen

The members of the Benefits Committee can be reached at the address and phone number listed for the plan sponsor in Section 7.

Enforce Your Rights
If your claim for a benefit under the plan is denied or ignored, in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps you can take to enforce your rights. For instance, if you request a copy of plan documents or the latest annual report from the Plan Administrator and do not receive them within 30 days, you may file suit in a federal court. In such a case, the court may require the Plan Administrator to provide the materials and pay you up to $110 per day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the Plan Administrator. If you have a claim for benefits that is denied or ignored, in whole or in part, you may file suit in a state or federal court. In addition, if you disagree with the plan's decision or lack thereof concerning the qualified status of a Domestic Relations Order, you may file suit in a federal court. If it should happen the plan fiduciaries misuse the plan's money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor or you may file suit in a federal court. The court will decide who should pay court costs and legal fees. If you are successful, the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay the costs and fees, for example, if it finds your claim is frivolous.

Assistance with Your Questions
If you have any questions about the plan, you should contact the Plan Administrator. If you have any questions about this statement or about your rights under ERISA, or if you need assistance in obtaining documents from the Plan Administrator, you should contact the nearest area office of the Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Ave. N.W., Washington, D.C., 20210. You also may obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

Contents of written notice of appeal decision
If you appeal a denied claim, the decision on review will be in writing and will include the following information:

- the specific reason or reasons for the decision;
- a reference to the specific plan provisions on which the decision is based;
- a statement of your right to receive, upon request free of charge, reasonable access to and copies of Relevant Documents; and
- a statement of your right to bring a civil action under Section 502(a) of ERISA.

Relevant Documents
Relevant Document means any document, record or other information that:

- was relied upon in making a decision to deny benefits;
- was submitted, considered or generated in the course of making the decision to deny benefits, whether or not it was relied upon in making the decision to deny benefits; or
- demonstrates compliance with any administrative processes and safeguards designed to confirm that the benefit determination was in accord with the plan and that plan provisions, where appropriate, have been applied consistently regarding similarly situated individuals.

Following these procedures is very important.
The Plan Administrator has the right to refuse to review your claim if it is not appealed within 60 days following your receipt of a benefit claim denial. Moreover, you may not be allowed to bring a lawsuit against the plan in court unless you have first made a written appeal to the Plan Administrator within the applicable 60-day timeline.

In order to bring a lawsuit against the plan, the trust, the Plan Administrator, or any members of the benefits committee, you must file suit within two years after your appeal is denied or, if earlier, the date your cause of action first accrued.

What are some of my other rights under federal law?
As a participant in the Costco 401(k) Retirement Plan, you are entitled to certain rights and protections under the Employee Retirement Income Security Act of 1974 (ERISA), which provides that all plan participants are entitled to:

Receive Information About Your Plan and Benefits
1. Examine, without charge, at the offices of the Plan Administrator, and at other specified locations, such as worksites, all documents governing the plan, and a copy of the latest annual report (Form 5500 Series) filed by the plan with the U.S. Department of Labor and available at the Public Disclosure Room of the Employee Benefits Security Administration.

2. Obtain, upon written request to the Plan Administrator, copies of all documents governing operation of the plan, including any applicable collective bargaining agreements, and copies of the latest annual report (Form 5500 Series) and updated summary plan description. The Plan Administrator may make reasonable charge for the copies.

3. Receive a summary of the plan's annual financial report. The Plan Administrator is required by law to furnish each participant with a copy of this summary annual report.

4. Obtain a statement telling you of your account balance, the amount of vesting in that balance, and how many more years you have to work to become 100% vested. This statement must be requested in writing and is not required to be given more than once every 12 months. The plan must provide the statement free of charge.

Prudent Action by Plan Fiduciaries
In addition to creating rights for plan participants, ERISA imposes duties upon the people who are responsible for the operation of the plan. The people who operate the plan are called "fiduciaries" of the plan. The fiduciaries have a duty to operate the plan prudently and in the interests of you and other plan participants and beneficiaries. No one, including your employer or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a retirement plan benefit or exercising your rights under ERISA.

GENERAL DESCRIPTION OF THE PLAN

The plan is known as a "401(k) Plan" because part of it allows you to save for retirement with tax advantages that are available under Section 401(k) of the Internal Revenue Code ("Code"). The plan is maintained by Costco Wholesale Corporation ("Costco") for the exclusive benefit of eligible employees of Costco and its designated subsidiaries. Schedule A, at the end of this booklet, lists these designated subsidiaries, all referred to herein as "Costco." The plan has two main parts: (1) pre-tax salary deferral and matching contributions, and (2) Costco's discretionary contributions.

Pre-tax Salary Deferral and Matching Contributions
This part of the plan allows you to defer taxation on a portion of your current pay, get a matching contribution from Costco and accumulate investment returns on a tax-deferred basis. (You will have to pay taxes when you take funds out of the plan.) To join this part of the plan, you may elect to have your salary reduced by a specific percentage (not more than 50%) each payroll period. Alternatively, you will be automatically enrolled if you do nothing (as explained below). This is your pre-tax salary deferral contribution and it is deposited into the plan, in a "salary deferral account," in your name.

In addition, Costco may make a matching contribution equal to a percentage of your salary deferral contributions, up to a certain amount for the year. Such percentage and amount are established annually by Costco. Matching contributions are deposited in a "matching contribution account" in your name.

Costco's Discretionary Contributions
Under the second part of the plan, Costco may deposit money into a "discretionary contribution account" in your name. Costco is not legally obligated to make discretionary contributions, but it has done so every year since the feature was added to the plan. You do not need to join the salary deferral part of the plan in order to receive discretionary contributions, but you must have entered the plan for purposes of discretionary contributions (as explained below).

Your salary deferral account is entirely yours and may be distributed to you when you terminate employment with Costco. However, Costco's contributions to your matching and discretionary contribution accounts are subject to a five-year vesting schedule, as described in Section 5. If you terminate employment before you have five years of service with Costco, you will lose a portion of those accounts.

Costco must operate the plan in accordance with strict legal requirements. The plan is governed by a complicated federal law known as ERISA.* In addition, because of the income tax advantages, the plan is subject to extremely technical requirements under the Internal Revenue Code. Some of the requirements are designed to encourage you to keep your savings for retirement purposes, and there are penalty taxes for taking your funds out of the plan too early. Other requirements are designed to ensure that the plan benefits employees at all pay levels.

** Employee Retirement Income Security Act of 1974*

PARTICIPATION IN THE PLAN

Who can participate in the plan?
Employees designated as such on Costco's Issaquah, Washington, payroll system may participate in the plan when they meet the eligibility requirements described below. However, Union employees may participate only to the extent their collective bargaining agreement and the plan specifically provide for coverage. (Union employees are employees who are part of a collective bargaining unit recognized by Costco as such and with respect to whom retirement benefits have been the subject of good faith bargaining.) Employees working and being paid in Puerto Rico are covered by the Costco1165 (e) plan and do not participate in this one. Employees working and being paid in other foreign countries are not eligible to participate in this plan. Leased employees (as defined in the plan) are not eligible to participate.

When can I start making pre-tax contributions?
To be eligible to make pre-tax salary deferral contributions (and receive Costco's matching contributions), you must be at least 18 years of age and you must have completed 90 days of service within a 12 consecutive month period. You may enter the plan on the first pay date following the first day of the month after you work 90 days and meet the age requirement, and any pay date thereafter. For example, if you are at least 18 and your 90th day of employment is July 15, you may enter the plan beginning on the first pay date after August 1. When you enter the plan on a pay date, this means your salary deferrals will apply to all compensation you earned during the pay period for that pay date.

How do I enroll?
An Enrollment Kit will be mailed to your address of record prior to your eligibility date. To begin making salary deferral contributions to the plan, you may contact T. Rowe Price online at rps.troweprice.com or by calling 1-800-922-9945, elect a salary deferral percentage, and make your investment choices. Your election will take effect no later than the second pay date following the date of your request, subject to administrative practicability. Elections may not be changed retroactively. It is your responsibility to review account statements and payroll stubs to verify that the correct amounts are taken from your compensation and contributed to the plan. All salary deferral contributions are final and irrevocable. You must notify the Costco Benefits Department of any error, in which case the error will be fixed prospectively.

What happens if I do nothing?
If you don't make a salary deferral election (i.e., an election to contribute a percentage of your compensation to the plan or an election to contribute nothing) by contacting T. Rowe Price online at rps.troweprice.com or by calling 1-800-922-9945, you will be automatically enrolled in the plan. If you are automatically enrolled, each paycheck will be reduced by 3% of your compensation, which is contributed to the plan. Automatic enrollment works as follows:

- If you are a newly eligible employee who becomes eligible after completing 90 days of service within a 12 consecutive month period, you will be automatically enrolled if you don't make a salary deferral election within 30 days after the first day of the next month.
- If you are a former participant or eligible employee who again becomes eligible to participate as of your date of rehire (as described below), you will be automatically enrolled if you don't make a salary deferral election within 30 days after rehire.

Automatic enrollment will take effect no later than the second pay date following the end of the 30-day period described above, subject to administrative practicability. If you are automatically enrolled, you can change your salary deferral percentage or elect not to participate prospectively at any time by contacting T. Rowe Price, as described in Section 2. (See "May I stop making contributions or change the amount I contribute?")

When am I eligible for Costco's discretionary contributions?
To be eligible to participate in the company's discretionary contributions, you must be at least 18 years of age and you must have completed one year of service. For this purpose, a year of service is an eligibility computation period of 12 consecutive months in which you have worked at least 1,000 hours. The first eligibility computation period is the 12-month period from your first date of hire to your first-year anniversary. If you do not work 1,000 hours during your initial eligibility computation period, the next eligibility computation period is the end of each following biweekly payroll period, looking back to see if you have completed 1,000 hours during the previous 12 months. Each plan year is also an eligibility computation period. As soon as you have worked 1,000 hours during any of these periods, you have met the one year of service requirement for discretionary contributions.

What if my statement is incorrect?
If it is found that years of vesting service, compensation or any other factor used in determining your account balance has been misstated, an adjustment will be made. The benefit payable will be recalculated, in accordance with the provisions of the plan, on the basis of the true years of vesting service, compensation or any other relevant factor.

How do I file a claim for benefits?
T. Rowe Price generally performs the role of claims administrator in processing initial claims for benefits when you request a distribution pursuant to the plan. For most in-service withdrawals and for distributions on termination of employment, you should contact T. Rowe Price online at rps.troweprice.com or by calling 1-800-922-9945 to request a distribution. For hardship or total disability distributions, or if you are a beneficiary or alternate payee, you should contact T. Rowe Price at 1-800-922-9945 for the forms and procedures necessary to process your request, and instructions as to where to submit your claim. You must follow these forms and procedures in order to file a claim for benefits under the plan. If your claim is denied at the initial claim administration level, you may appeal the denial to the Benefits Committee ("Plan Administrator") as explained further below.

What can I do if I am denied benefits under the plan?

Timing of written notice of benefit denial
If your claim for benefits is denied, a written denial notice will generally be provided to you within 90 days after the date your claim is received by the claims administrator. However, if special circumstances require an extension of time for processing the claim beyond the initial 90-day period, written notice of the extension will be furnished to you before the end of the initial 90-day period. An extension of time will not exceed a period of 90 days from the end of the initial 90-day period. An extension notice will explain the reasons for the extension and the expected date of a decision.

Contents of written notice of benefit denial
If your claim for a benefit is denied, you will be notified in writing by the claims administrator. The written notice will include the following:

- the specific reason or reasons for the denial;
- references to the specific plan provisions on which the denial is based;
- a description of any additional material or information necessary in order for you to perfect the claim, and an explanation of why such material or information is needed;
- an explanation of the plan's review procedure for denied claims, including the applicable time limits for submitting your claim for review; and
- a statement of your right to bring a civil action under Section 502(a) of ERISA, if your claim is denied on appeal.

Procedure for appeal of denied claim
If you wish to appeal a denial of a claim for benefits, you or your authorized representative must file a written appeal with the Plan Administrator within 60 days after receipt of written notice of the denial. You or your authorized representative may submit a written statement, documents, records, and other information. You may also, free of charge upon request, have reasonable access to and copies of Relevant Documents. The review will consider all statements, documents, and other information submitted by you or your authorized representative, whether or not such information was submitted or considered under the initial denial decision. Claim determinations are made in accordance with plan documents and, where appropriate, plan provisions are applied consistently to similarly situated claimants.

Timing of written notice of appeal decision
A decision on your appeal will be made by the Plan Administrator not later than 60 days after an appeal is received, unless special circumstances require an extension of time for processing, in which case a decision will be rendered not later than 120 days after an appeal is received. Written notice of any extension of time will be sent before the end of the initial 60-day period explaining the reason for the extension and the expected date of the appeal determination. If an extension is required because you have not provided the information necessary to decide your claim, the time period for processing your claim will not run from the date of notice of an extension until the earlier of 1) the date the plan receives your response or 2) the date set by the plan for your requested response (at least 45 days).

PROTECTION OF YOUR BENEFITS

Can my benefit be attached or pledged?
Your benefit is not normally transferable or assignable and may not be used as collateral for a loan (other than a plan loan). However, the Plan Administrator is required to honor the terms of a court's order regarding child support, alimony payments, or property division due to a divorce, if the order is a Qualified Domestic Relations Order (QDRO). If an order is a QDRO, all or a portion of your benefits may be paid out to your children or former spouse (called your "alternate payee"). The plan has a written procedure for processing domestic relations orders and a sample qualified domestic relations order. A copy of the QDRO procedures and the sample order are available to any participant or beneficiary, without charge, from the Costco Benefits Department at 1-800-284-4882.

What does the plan do if it receives a Qualifying Domestic Relations Order?
If the plan receives a domestic relations order relating to your account, a copy of the sample order and the QDRO procedures will be sent to you, and a temporary hold will be placed on your account while the order is being analyzed. While the hold is in place, you cannot receive a loan or a distribution from the plan. However, you can still make changes to your investments and to the amount you wish to defer.

When can my child or former spouse be paid for amounts due under a QDRO?
The amount of time it takes to determine if a domestic relations order is a QDRO, and to process a QDRO once it is approved, can vary from 45 to 180 days or longer. To expedite the process, you should review the QDRO procedures and sample order carefully.

Once an order is determined to be a QDRO, distribution will be made to the alternate payee unless the nonforfeitable account balance payable to the alternate payee (excluding the rollover contribution account) exceeds $5,000. In that case, the alternate payee may, instead, delay distribution until he/she attains age 65, at which time distribution is mandatory. The alternate payee under an order determined to be a QDRO before March 1, 2005, may delay distribution until the participant turns (or would have turned) age 702 and minimum distributions required by the Internal Revenue Code must begin.

Can any portion of my benefit be forfeited?
If you terminate your employment prior to being 100% vested in the plan, you will forfeit the unvested portion of your matching and discretionary contribution accounts. In addition, if you have less than five years of service, you could forfeit your entire discretionary contribution account if your employer determines (and notifies the Plan Administrator as such) that you committed an act of dishonesty, disclosed confidential information, or engaged in misconduct that resulted or might result in loss or detriment to Costco. The following are examples of misconduct that might constitute grounds for forfeiture of discretionary contributions:

1. Violation of the company policy prohibiting harassment,
2. Violation of the company policy prohibiting discrimination, or
3. Theft of any kind.

In addition, any conduct in the workplace that is of a serious criminal nature, regardless of whether a crime is prosecuted, might constitute grounds for forfeiture of discretionary contributions, as may any outrageous misconduct in the workplace even though the conduct is not criminal in nature.

You may also voluntarily assign your benefits to Costco, in limited circumstances. Ask the Costco Benefits Department for details on the plan's assignment policy.

In addition, your account may be forfeited in accordance with the plan's unclaimed account procedures, as described above.

It is also possible that your accounts could decrease in value because of poor investment results from the funds you have chosen for the investment of your accounts.

Could the plan be amended or discontinued?
Costco or its delegee, the Costco Benefits Committee, may amend or terminate the plan at any time, but no amendment may reduce your vested benefit under the plan or divert plan funds to any purpose other than for the exclusive benefit of plan participants and their beneficiaries.

In the event the plan is terminated, you will automatically become 100% vested in your account balance. Accounts will be distributed when it is administratively practicable to do so, following payment of plan administrative expenses.

When do I start receiving discretionary contributions?
Once you have met the age and service requirements, you enter the plan for purposes of discretionary contributions on the next entry date for discretionary contributions, which occurs twice each year, on January 1 and July 1. For instance, if you were hired on July 15, 2005, and worked at least 1,000 hours by your one-year anniversary, you would have met the service requirement on July 14, 2006. Assuming you were at least 18 years of age, you would enter the plan on the next entry date, which would be January 1, 2007. You would be eligible for discretionary contributions made in 2008 for the 2007 plan year, as long as you were still actively employed on December 31, 2007.

What happens if I am terminated and later am rehired?
If you were participating in the plan at the time you terminated or you were eligible to participate but had not yet entered the plan at the time of your termination, you are eligible to begin participating upon your rehire. If you had not previously met the service requirements, you must become eligible in accordance with the provisions of the plan.

What happens if I take a leave for military service?
Under the Uniformed Services Employment and Reemployment Rights Act ("USERRA"), if you return to work for Costco following qualifying military service, you may be able to make up salary deferral contributions (and receive matching and discretionary contributions) that you missed during your leave. You may also receive service credit for the period of your leave. Your military service and reemployment both must qualify under USERRA. A number of specific timelines and requirements apply. Contact Costco's Benefits Department at 1-800-284-4882 for details.

CONTRIBUTIONS

How much may I contribute to the plan?
You may elect to contribute, by payroll deduction, from 1% to 50% (in 1% increments) of your compensation per pay period up to the maximum amount permitted by the Code each year. For 2006, the maximum is $15,000. This cap on employee pre-tax contributions to the plan will increase for IRS cost of living adjustments in following years.

This limit applies to your contributions to this and any other 401(k) plan, or 403(b) or 408(k) plan during the year. If you exceed these limits and want Costco to reimburse you for the excess, you must notify the Plan Administrator in writing before March 1 of the year following the year in which you exceeded the limits.

These contributions are called salary deferral contributions and are accounted for in an individual account in your name. Remember that any amount you contribute reduces your current taxable income, so you pay less tax today. These contributions are subject to a special IRS test as described in the following paragraph.

What is the IRS test?
Your contributions to the plan are subject to an annual test to ensure that employees at all levels will benefit from the plan on an equitable basis. If you are a highly compensated employee, the test results may require you to reduce your contribution. You will be notified if the test results indicate that the percentage you contribute must change or if contributions made must be returned to you. If it is necessary to reduce contributions (salary deferrals and/or company match), you will be notified as soon as Costco has determined who must reduce their contribution. A refund check will be mailed to you, if possible, by March 15 following the year in question, and it will include any income or loss allocable to the contributions returned. You must include the refund in your taxable income.

Who can make "catch-up" contributions to the plan?
If you are age 50 or older (or if you will turn 50 before the end of the calendar year) you may elect to contribute, by payroll deduction, from 1% to 50% (in 1% increments) of your compensation per pay period up to the maximum permitted by the Code each year as additional "catch-up" contributions. You are eligible to make these additional pre-tax contributions to the plan when your contributions hit a limit imposed by the plan or by law. For 2006, the maximum catch-up contribution is $5,000. This cap will increase for IRS cost of living adjustments in following years.

May I stop making contributions or change the amount I contribute?
Yes. You may stop contributing to the plan at any time by contacting T. Rowe Price online at rps.troweprice.com or by calling 1-800-922-9945. Your request to suspend your contributions should take effect no later than the second pay date following the date of your request. If it does not, you should contact the Costco Benefits Department. You also may restart or amend your contributions at any time by contacting T. Rowe Price as described above and electing a new salary deferral percentage. Your new salary deferral contribution should take effect no later than the second pay date following the date of your request. If it does not, you should contact the Costco Benefits Department.

What happens if I don't have enough net pay in a pay period to make my elected contributions?
Your compensation in any pay period is first reduced for most other deductions, such as state and federal taxes, loan repayments, and most benefits under the Costco Employee Benefits Program. If your net pay after these deductions is insufficient to make your elected contributions for a pay period, you will be treated as having withdrawn your election and no contributions will be made.

Will Costco contribute to the plan?
Costco may make two kinds of contributions to the plan on your behalf:

1. Company matching contribution
Costco may contribute an amount equal to a percentage of your salary deferral contributions made for a year, up to a certain amount. This percentage and amount are established annually by Costco. Additionally, Costco reserves the right to make no matching contribution, and to modify the matching contribution formula within the time prescribed by law. For 2006, the company matching contribution is the lesser of $500 or 50% of your salary deferral contributions.

Union employees (as defined in Section 1) are ineligible for matching contributions except to the extent their collective bargaining agreement provides for a matching contribution. The matching contribution for participants whose work is covered by the collective bargaining agreement with the International Brotherhood of Teamsters in California is that which is required by that agreement and memorialized annually by Costco. For 2006, the company matching contribution for work covered by this collective bargaining agreement is the lesser of $250 or 50% of your salary deferral contributions.

TOP-HEAVY PROVISIONS

What happens if a plan is top-heavy?
A top-heavy plan means that key employees (such as officers) receive 60% or more of the plan's benefits. This plan has never been top-heavy and is not expected to ever be top-heavy. In the unlikely event that the plan is ever considered to be top-heavy, your share of the company's contribution for that year must be at least 3% of your compensation if you are not a key employee. However, if the largest percentage going to a key employee is less than 3%, your share must be at least the same percentage of your compensation that the key employee's share is of his or her compensation. In addition, a special vesting schedule would apply to active participants who are not key employees.

CONTRIBUTION LIMITATIONS

Is the amount of my annual contribution limited by law?
Yes. The Internal Revenue Code imposes a limit on the amount of contributions that can be made to your accounts each year. Such contributions include Costco's contributions and your own salary deferral contributions; it does not include any investment earnings that are allocated to your account or any rollover contributions that you make. For 2006, the limit is the lesser of 100% of your compensation or $44,000. This limit will increase for IRS cost of living adjustments in following years.

If you exceed the limit, the trustee is required to deduct the excess annual additions from your accounts. The excess amounts will be taken first from your company discretionary account. If this is insufficient, amounts will also be removed from your matching contribution account and finally, if necessary, your salary deferral account. The excess amounts are not returned to you. They are held by the trustee in a suspense account and are used to reduce future employer contributions to everyone in the plan. If you believe the annual addition limitation may be a problem for you, ask the Costco Benefits Department for help in figuring out the most you should defer without losing benefits because of this limitation.

If you receive a matching contribution under a collective bargaining agreement for hours worked, you may not also receive a matching contribution under the normal matching contribution schedule for compensation earned with respect to such work, and likewise, if you receive a matching contribution for compensation under the normal schedule, you may not also receive a matching contribution pursuant to a collective bargaining agreement for hours worked with respect to the same compensation.

Matching contributions are subject to a special IRS test to ensure that employees at all levels benefit from the plan on an equitable basis. If you are a highly compensated employee, the test results may require that a portion of the matching contribution made on your behalf be forfeited.

2. Company discretionary contribution
In addition to the company matching contribution, Costco may make a discretionary contribution to your account if you have met the eligibility requirements for discretionary contributions, entered this part of the plan as described on page 4, and are actively employed by Costco on December 31 of the year in question. For purposes of determining eligibility for the discretionary contribution, a former employee who is receiving severance is not considered employed after the termination date specified in the severance agreement. The discretionary contribution, if made, will be a percentage of your compensation based on your years of service. The following chart shows the discretionary contribution that was made for 2005:

Years of Service	Percentage of Compensation Contributed
Less than 1	0
1-3 (less than 4)	3
4 (less than 5)	4
5-9 (less than 10)	5
10-14 (less than 15)	6
15-19 (less than 20)	7
20-24 (less than 25)	8
25 or more	9

For purposes of determining your years of service for any plan contribution, prior service does not count if you terminated employment for a year or more. In addition, an employee who was employed by The Price Company on the effective date of the merger of The Price Company and Costco Wholesale Corporation may not count any previous service with Costco Wholesale Corporation, and an employee who was employed by Costco Wholesale Corporation on the effective date of the merger may not count any previous service with The Price Company.

If you entered the discretionary contribution portion of the plan on the July 1 entry date, your contribution for the first year will be with respect to your compensation paid after then. If you are still employed by Costco at the end of the year but have changed jobs, so that for a portion of the year you were not in "eligible employment," your discretionary contribution will be prorated, and you will receive only the portion of the contribution that relates to the portion of the year that you were in eligible employment.

Union employees (as defined in Section 1) are ineligible for the discretionary contribution except to the extent their collective bargaining agreement provides for a discretionary contribution. The discretionary contribution for employees whose work is covered by the collective bargaining agreement with the International Brotherhood of Teamsters in California is that which is required by that agreement and memorialized annually by Costco. The contribution, if made, will be a contribution amount per straight time hours (STH) worked in the year according to a participant's years of service. For this purpose, "straight time hours" means straight time hours worked, including hours worked on Sunday, up to a maximum of 2,080 for each calendar year of work. Only straight time hours worked pursuant to the collective bargaining agreement and after your entry date for discretionary contributions are taken into account when computing this contribution. The following chart shows the discretionary contribution that was made for 2005 for employees whose work is covered by the collective bargaining agreement with the International Brotherhood of Teamsters in California:

Years of Service	Amount Contributed
1-4 (less than 5)	5¢ x STH
5-9 (less than 10)	20¢ x STH
10 or more	30¢ x STH

*STH = straight time hour

If you receive a discretionary contribution under a collective bargaining agreement for hours worked, you may not also receive a discretionary contribution under the normal discretionary contribution schedule for compensation earned with respect to such work, and likewise, if you receive a discretionary contribution for compensation under the normal schedule, you may not also receive a discretionary contribution pursuant to a collective bargaining agreement for hours worked with respect to the same compensation.

Costco reserves the right to make no discretionary contribution and to modify the discretionary contribution formula or allocation within the time prescribed by law.

What is the plan's definition of compensation?

The plan defines compensation differently for different purposes. Appendix B to the plan sets forth in detail the types of pay that are treated as compensation for each purpose. You can request a copy of Appendix B from the Costco Benefits Department by calling 1-800-284-4882. For your salary deferral contributions and the company matching and discretionary contributions, compensation generally means your regular base pay,* overtime, vacation pay, sick leave, and extra checks. It does not include executive bonuses, deferred compensation, stock options, relocation expenses, ridesharing payments, severance pay, incentives and similar amounts. Compensation taken into account for purposes of your salary deferral contributions and Costco's matching contribution does not include compensation you earned prior to your entry date for salary deferral contributions, and compensation for purposes of the discretionary contribution does not include compensation you earned prior to your entry date for discretionary contributions. The IRS sets a maximum amount of compensation that may be considered by the plan. For 2006, the maximum amount is $220,000. This is adjusted annually for inflation.

** Before reduction for any pre-tax deductions, such as contributions you make for medical benefits or dependent care under the Costco Employee Benefits Program*

Can I make a rollover contribution from my former employer's plan?

Yes. You may make a rollover contribution as long as the amount contributed is an eligible rollover distribution (as defined in Code Section 402(c)) from another qualified plan, a Code Section 403(a) annuity plan or 403(b) tax-sheltered annuity contract, or a Code Section 457(b) governmental plan. In addition, the rollover contribution may not include after-tax contributions, it may not require any changes to the operation or administration of the plan, and it may not require the provision of any form of distribution other than a lump sum distribution. Rollovers must be made within 60 days of the time you received the distribution or they must be transferred directly to this plan from the trustee of your former plan. The plan does not accept IRA rollovers. If you wish to make a rollover contribution, contact T. Rowe Price at 1-800-922-9945 for a rollover kit.

Example 3: You terminate your employment with Costco and decide not to rollover your account but rather leave it invested in the plan. Under these circumstances, the plan may charge against your account certain expenses of administering the plan that are not charged to the accounts of current employees. The Plan Administrator will determine what expenses are included in such charges and how they will be calculated and charged.

Example 4: The Plan Administrator receives a court order assigning your account to a third party. The plan's legal fees and expenses for reviewing the order and determining if it is proper to make the distribution will be charged to your account.

Example 5: If the plan receives a domestic relations order relating to your account, the reasonable legal fees and expenses incurred by the plan in determining if the order is a Qualified Domestic Relations Order (QDRO) will be charged to and withdrawn from your account and the account established for your former spouse (or other alternate payee). For more information, you should review the plan's QDRO procedures. A copy of the procedures is available from the Costco Benefits Department by calling 1-800-284-4882.

The above are examples of situations where your account is charged. There may be other situations in which the Plan Administrator determines that the reasonable or necessary expenses of administering the plan should be charged to your account. Plan participants will be notified of any changes.

Who is the trustee?
T. Rowe Price Trust Company is the plan trustee. The trustee holds all plan assets and performs duties including investing participant accounts as directed by participants and making benefit payments from the plan as directed by the Plan Administrator.

The trustee can be contacted at the following address:
T. Rowe Price Trust Company
100 E. Pratt St.
Baltimore, MD 21202

T. Rowe Price's telephone number is:
1-800-922-9945

Who is the agent for service of legal process?
Costco has appointed its Chief Financial Officer (currently Richard A. Galanti) to be the agent for service of any legal process on the plan, at the address of the plan sponsor shown above. In addition, legal process may be served on any member of the Costco Benefits Committee, or on the plan's trustee, at the addresses shown above for the trustee.

Is my account insured by the Pension Benefit Guaranty Corporation (PBGC)?
No. ERISA requires that certain types of pension plans be insured by the PBGC, a federal agency, to guarantee benefit payment in the event a plan terminates. However, since this plan is a defined contribution type of plan, it is not covered by the PBGC.

What rules apply to written communications with the plan?
Written communications to the Plan Administrator, the plan, the employer, the trustee, the Benefits Committee or other fiduciaries, or their agents or representatives, must be received before the expiration of any time expressed in the plan, this summary plan description or in related documents. These parties' records will be conclusive as to whether a communication has been received and the date of such receipt, unless you procure a United States Postal Service return receipt. The common law "mailbox rule" shall not apply to determine receipt by these parties. The common law mailbox rule shall apply for all other purposes under the plan.

What rules apply to unclaimed accounts?
You have an obligation to keep the Plan Administrator informed of any address changes or other information that will enable the plan to provide you with quarterly statements, notices, and other correspondence related to the plan. If the Plan Administrator is unable to locate you, your account may be forfeited in accordance with the plan's unclaimed account procedures.

What happens if there is a dispute over the ownership of the assets in my account?
If any controversy or disagreement arises with respect to the ownership of the assets of your account (for example, after your death if persons other than your named beneficiaries claim an interest in your account), the Plan may (i) hold your assets until resolution of the disagreement, or (ii) begin a court action known as an "interpleader" to ask the court to resolve the dispute.

Can administrative fees and expenses be charged to my account?
Under certain circumstances, administrative fees and expenses may be charged to and withdrawn from your account. Below are examples:

Example 1: Upon your death, your beneficiary cannot be located or potential beneficiaries dispute their entitlement to your account. The Plan Administrator must engage in a search for your beneficiary or hire counsel to advise it on proper distribution of your account or it may interplead your account into court. The fees and expenses to locate your beneficiary or determine the proper beneficiary, including court costs and attorney's fees, will be deducted from your account.

Example 2: Your child is your beneficiary under the plan. At the time of your death, your child's property is held in trust by a trustee, and the trustee requests that distribution from the plan be made to the trust rather than to your child. The plan's legal fees and expenses for reviewing the trust document and determining if it is proper to make the distribution will be charged to your account.

INVESTMENTS

How are my contributions invested?
You are responsible for directing the investment of your account among the investment funds offered by the plan. You may direct the investment of your entire account into one fund, or you may direct that portions of your account (in any whole percentage) be invested in as many of the funds as you like. The current investment choices include the investment funds listed below, and Costco stock. The portion of the plan invested in Costco stock is an Employee Stock Ownership Plan ("ESOP"). In addition, if you decide to obtain a participant loan from your account (see section below, "Loans and Withdrawals from the Plan"), your loan is considered an investment of your account.

The investment fund choices currently are the T. Rowe Price Spectrum Income Fund, American Funds New Perspective Fund, Davis New York Venture A Fund, T. Rowe Price Equity Index Trust, Julius Baer International Equity A Fund, Vanguard Asset Allocation Fund, T. Rowe Price Mid-Cap Growth Fund, Growth Fund of America, T. Rowe Price Small-Cap Stock Fund, the T. Rowe Price Stable Value Fund, and the T. Rowe Price Retirement Funds listed under "What happens if I don't make investment directions?" below. The above investment fund choices may be changed from time to time by the Plan Administrator (as defined in Section 7).

These investment choices were selected with the goal of providing a range of investment risk. Information in the Enrollment Kit (see the section below "How do I obtain investment information?") describes how you can spread your investment among the funds to achieve the level of risk that you are willing to take. You should decide which combination of available investments will best meet your needs. It is essential that you read the investment information provided in the Enrollment Kit, which includes Fund Fact Sheets for the investments and the annual report on Form 10-K for Costco stock. You should consult with your financial advisers to determine the appropriate mix of investments for your individual needs. With respect to investment in Costco stock, you should be aware that there is a risk to holding a substantial portion of your assets in the securities of one company, as individual securities tend to have wider price swings, up and down, in short periods of time, than investment in diversified funds.

The plan is intended to be an ERISA Section 404(c) plan. This means that you are responsible for making investment decisions for your account and the plan fiduciaries are not responsible for losses resulting from your investment instructions. You should make your investment decisions carefully, after you have read all of the investment information given to you, requested additional information from the plan, if needed, and asked your own investment adviser for further help, if needed.

How are my plan investments valued?
The price of the investment funds and Costco stock varies from day to day. The current value of your investment will depend upon the number of shares or units you own and the most recent price at which the shares or units were traded. The exception is the T. Rowe Price Stable Value Fund which seeks to maintain a constant value of one dollar per unit. Interest is paid on the amount that you invest but its principal value is not expected to change.

How do I obtain investment information?
The following types of information are available:

Prospectuses – These are booklets describing the investments. They are written in a form required by the securities laws. A prospectus for any of the mutual funds is available by contacting T. Rowe Price at 1-800-922-9945. For the Form 10-K for Costco stock, contact T. Rowe Price at 1-800-922-9945.

Fund Fact Sheets – These are short descriptions of the investment options prepared by T. Rowe Price. They are included in the Enrollment Kit. There is no prospectus for the T. Rowe Price Equity Index Trust or the T. Rowe Price Stable Value Fund (since they are not mutual funds), but there are Fund Fact Sheets.

Annual Report on Form 10-K – This is an annual report required by the securities laws. You may request a current copy of the Form 10-K for Costco stock at any time by contacting T. Rowe Price at 1-800-922-9945.

Enrollment Kit – This packet contains a brief outline of the provisions of the plan and your investment options. It also includes information on things to consider when making an investment decision, and Fund Fact Sheets. The Enrollment Kit is mailed to you when you become eligible to participate in the plan. It also is available by contacting T. Rowe Price at 1-800-922-9945.

Annual Report on IRS Form 5500 – This is the federal tax return for the plan. A copy of the most recent annual report is available by contacting the Costco Benefits Department at 1-800-284-4882. A summary of the annual report is distributed to all participants each year.

The prospectuses and annual reports on Form 10-K are not drafted or published by the plan and, except for Costco stock, they are not in the control of Costco. However, these publications, along with the Fund Fact Sheets, should provide you with information that describes the investment objectives of each investment choice (including its risk and return characteristics), identifies the funds' investment managers, details the type and diversification of assets held by the funds, and lists any transaction fees or expenses that could affect your account value.

For each investment option, you are entitled to the following information based on the latest information available to the plan:

- A description of the annual operating expenses of each investment alternative (such as investment management fees, administrative fees and transaction costs) that reduce the rate of return to your account, and the aggregate amount of such expenses expressed as a percentage of the average net assets of the designated investment alternative;
- Copies of any prospectuses, financial statements, reports and any other materials relating to the investment alternatives available under the plan, to the extent such information has been provided to the plan;
- A list of assets comprising the portfolio of each investment alternative, the value of each such asset (or the proportion of the investment alternative which it comprises), and, with respect to any asset that is a fixed-rate investment contract issued by a bank, savings and loan association, or insurance company, the name of the issuer of the contract, the term of the contract and the rate of return on the contract;
- Information concerning the value of shares or units in the investment alternatives available to participants and beneficiaries under the plan, as well as the past and current investment performance of such alternatives, determined, net of expenses, on a reasonable and consistent basis; and
- Information concerning the value of shares or units of the investment alternatives held in your account.

If this information is not available in the materials provided to you, you may request it by contacting T. Rowe Price Retirement Plan Services, 4555 Painters Mill Road, Owings Mills, MD 21117, or by calling 1-800-922-9945.

You may also request copies of Costco's earnings reports online by visiting www.costco.com and clicking on "Investor Relations," or by calling Costco Investor Relations at (425) 313-8100.

In addition, you may make a written or oral request to the Costco Benefits Department, 999 Lake Drive, Issaquah, WA 98027 or by calling 1-800-284-4882 for a free copy of Costco's Annual Report to the Securities and Exchange Commission on Form 10-K, and the description of the common stock contained in Costco's Registration Statement on Form 8-A dated Oct. 19, 1993, including any amendment or report filed for the purpose of updating such description, and all documents subsequently filed by Costco pursuant to Sections 13(a), 13(c), 14, and 15(b) of the Securities Exchange Act of 1934, as amended, prior to the filing of a post-effective amendment, which indicates that all securities offered have been sold or which deregisters all securities then remaining unsold, all of which are incorporated by reference.

The SEC allows Costco to "incorporate by reference" the information Costco files with the SEC. This means that Costco can disclose important information to you by referring you to another document that Costco has filed with the SEC. The information incorporated by reference is an important part of the prospectus, and information that Costco files later with the SEC will automatically update and supersede this information. Costco incorporates by reference the documents listed below and any future filings Costco makes with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act: Costco's Annual Report to Shareholders on Form 10-K for the fiscal year that ended on August 28, 2005; and Costco's Quarterly Reports on Form 10-Q for the quarters that ended on November 30, 2005, and February 12, 2006. You may obtain a copy of these filings (other than exhibits) at no cost, by writing or telephoning Costco Wholesale. Written requests should be directed to Investor Relations, Costco Wholesale Corporation, 999 Lake Drive, Issaquah, WA 98027. Telephonic requests should be directed to Investor Relations at (425) 313-8100.

PLAN ADMINISTRATION

What is the name of the plan?
The name of the plan is the Costco 401(k) Retirement Plan.

What type of plan is it?
The plan is a defined contribution plan. Because of the salary deferral feature, the plan also is known as a 401(k) plan because it operates under Section 401(k) of the Internal Revenue Code. The plan is intended to be a qualified retirement plan under Section 401 of the Internal Revenue Code, and the trust is a tax-exempt trust under Section 501(a) of the Internal Revenue Code. Moreover, because participants make their own investment choices, the plan is also known as an ERISA Section 404(c) plan. Finally, the portion of the Plan invested in Costco stock is an Employee Stock Ownership Plan ("ESOP").

To the extent this plan is maintained pursuant to one or more collective bargaining agreements, participants and beneficiaries may obtain a copy of such agreements upon written request to the Plan Administrator and such agreements are also available for examination.

When is the plan effective?
A prior 401(k) plan for The Price Company was established effective September 2, 1991, and a prior profit sharing plan for The Price Company was established effective August 31, 1987. A prior 401(k) plan for Costco Wholesale Corporation was established effective January 1, 1987. These prior plans were combined into this plan, effective January 1, 1995. In addition, the Costco 401(k) Plan for California Union Employees, established effective June 1, 1995, was merged into this plan, effective December 31, 2002. The plan has been amended from time to time to make changes desired by Costco and to comply with changes in the law.

On what basis are plan records maintained?
Plan records are kept on a calendar year basis, and the Plan Year ends on each December 31. However, eligibility to participate and vesting are calculated from the time you are hired.

Who is the plan sponsor?
Costco Wholesale Corporation sponsors the plan. Costco's employer identification number (EIN) assigned by the IRS is 91-1223280. The plan number assigned by Costco for IRS purposes is 002.

Costco's address is:
Costco Wholesale Corporation
999 Lake Drive
Issaquah, WA 98027

Costco's telephone number is:
(425) 313-8100

Who administers the plan?
The Plan Administrator is the Costco Benefits Committee. The Benefits Committee is also the named fiduciary. The Plan Administrator's duties include (but are not limited to) setting policies for the plan, deciding questions of interpretation of the plan, and making decisions with respect to claims and reviewing appeals of denied claims. The Benefits Committee can be contacted at the address listed for the plan sponsor or by calling the Costco Benefits Department at 1-800-284-4882.

The Costco Benefits Committee exercises sole and exclusive discretionary authority and control over plan administration, the construction and interpretation of all plan and trust documents, booklets, policies, rules or regulations, and granting or denying benefits under the plan, except where such authority and control have been delegated to another person or entity. The Committee has the full power and discretion to determine coverage, eligibility, and benefits by construing and interpreting applicable plan and trust documents. Moreover, the Committee has sole and exclusive discretionary authority and control over the management and disposition of plan assets, except to the extent that the plan is structured to provide participant direction under ERISA Section 404(c). The Committee's exercise of discretion and determinations in all of the above matters are final and binding and entitled to the fullest deference permitted by law.

The Costco Benefits Committee may delegate its authority among Committee members and may also designate persons other than named fiduciaries to carry out its responsibilities under the plan to the extent permitted by ERISA.

DEATH BENEFITS

What happens if I die while working for Costco?
The entire amount in your account will be paid to your beneficiary. If you have an outstanding loan from the plan, distributions will be offset by the amount necessary to repay the loan. You must designate your beneficiary in writing on a form provided by the Plan Administrator. If you are married, your beneficiary must be your spouse, unless you obtain the necessary consent described below. If no effective beneficiary designation is on file when you die, your vested account balance will be paid to your spouse, if you are married. Otherwise, it will be paid to your issue (children or grandchildren of a deceased child) in equal shares, by right of representation. If you don't have any issue, your vested account balance will be paid to your estate or heirs at law. If no heirs can be found, your account will be treated as an unclaimed account and may be forfeited unless claimed by your heirs. If any beneficiary is a minor or incompetent, the plan may instead distribute benefits to that person's parent (if a minor), legal conservator or guardian, custodian, trustee, or to a responsible adult.

Can I name a beneficiary other than my spouse?
Only if your spouse agrees. Your spouse's agreement must be in writing on the form provided by the Plan Administrator, and must be received by the Plan Administrator prior to your death. Your spouse's signature must be witnessed by a notary public. If you designate a beneficiary other than your spouse and your spouse has not consented in writing on the applicable form, your account will be paid to your spouse and not your designated beneficiary. If you have designated a beneficiary and then get married, the prior designation will be ineffective unless you obtain the written consent of your new spouse or a qualified domestic relations order provides otherwise.

Can I designate more than one beneficiary?
Yes. You can name multiple beneficiaries. However, unless you specify the percentage each is to receive, they will receive equal shares. You may also designate beneficiaries as either primary or secondary. Secondary beneficiaries are entitled to a distribution only if no primary beneficiary survives you.

What happens if I get divorced?
Unless a qualified domestic relations order provides otherwise, designation of your spouse as beneficiary is automatically revoked upon the final dissolution (or annulment) of your marriage. In the event of your death, your account would be paid out as if your former spouse had died before you. If you still want your former spouse to be the beneficiary, or if a court has ordered you to keep your former spouse as beneficiary, you must fill out a new beneficiary designation form after the divorce to reinstate your former spouse as your beneficiary.

When will distribution be made to my beneficiary?
If the nonforfeitable account balance payable to your beneficiary does not exceed $5,000 (excluding your rollover contribution account), it will be automatically distributed to your beneficiary. If your beneficiary's nonforfeitable account balance exceeds this amount, your beneficiary may, instead, delay distribution until December 31 of the calendar year containing the 5th anniversary of your death. If your beneficiary is your spouse, he or she may delay distribution until December 31 of the calendar year in which you would have attained age 70½, at which time minimum distributions required by the Internal Revenue Code must begin.

If your beneficiary dies before distribution in full of your account to him/her, the remaining account will be distributed to the beneficiary designated by your beneficiary on the form provided by the Plan Administrator. If no effective beneficiary designation is on file with the Plan Administrator when your beneficiary dies, distribution will be made to your beneficiary's estate.

How do I make investment choices?
When you enroll for the first time, you may make your investment selections on the T. Rowe Price plan account line (PAL) telephone number (1-800-922-9945) or online at rps.troweprice.com. Changes in your investments may be made at any time online or by calling the above telephone number. The timing of your changes is discussed below. Representatives of T. Rowe Price are available to assist you on business days at the above telephone number between 8:30 a.m. and 10 p.m. Eastern Standard Time (EST). After your investment direction is carried out, a letter confirming your transaction will be mailed to your home address.

What is the timing of changes I make to my investments?
If your investment instruction is received on a business day after the time that the New York Stock Exchange closes (after 4 p.m. EST), it will not be carried out until the next business day. If your instruction is to exchange from one mutual fund into another mutual fund and you enter your instruction on a business day before the 4 p.m. EST deadline, both the purchase and sale will post to your account that day, using that day's closing prices. There is always a one-business-day delay when your transaction involves Costco stock. For example, if your instruction is to sell a mutual fund and purchase Costco stock and you enter your instruction on a business day before the 4 p.m. EST deadline, you will receive that day's closing price for the mutual fund, and the purchase of Costco stock will post to your account the next business day at that day's closing price. If your instruction is to sell Costco stock and to purchase a mutual fund and you enter your instruction on a business day prior to the 4 p.m. EST deadline, the sale of Costco stock will post to your account on the following business day at the closing price that day, and the purchase of the mutual fund will post to your account two business days later, at the closing price on that day. Note that there may be situations, such as excessive trading situations, where your instructions will not be completed within these time frames.

What happens if I don't direct investment of my account?
If you don't contact T. Rowe Price to direct investment of your plan account, all contributions made to your account will be invested in the T. Rowe Price Retirement Fund listed below, based on your birth date.

If you were born . . .	Your Account will be invested in this T. Rowe Price Retirement Fund
in 1973 or after	Retirement 2040 Fund
between 1968 and 1972	Retirement 2035 Fund
between 1963 and 1967	Retirement 2030 Fund
between 1958 and 1962	Retirement 2025 Fund
between 1953 and 1957	Retirement 2020 Fund
between 1948 and 1952	Retirement 2015 Fund
between 1943 and 1947	Retirement 2010 Fund
between 1938 and 1942	Retirement 2005 Fund
in 1937 or before	Retirement Income Fund

Your failure to direct the investment of your account by contacting T. Rowe Price is considered your affirmative investment election to direct the investment of your account into the T. Rowe Price Retirement Fund listed above.

Contributions made to your account before March 16, 2005, were invested in the T. Rowe Price Stable Value Fund if you hadn't contacted T. Rowe Price to direct investment of your account.

Are there any redemption fees or other limitations or restrictions that might apply to my investment directions?
Yes. Please note that some of the investment funds assess redemption fees. Redemption fees are intended to protect a fund and its long-term investors, and are charged to investors who sell shares of the fund in certain circumstances before expiration of the fund's minimum holding period. Redemption fees (if imposed) are in addition to other fees and expenses charged by a fund.

Some of the funds also have excessive trading policies. If an excessive trading policy applies to a fund, you may not exceed one purchase and sale, or one sale and purchase, in that fund during a specified period, unless an exception applies.

You will be advised through the T. Rowe Price online and phone transaction services if you are making a transaction that may be impacted by a redemption fee. In addition, any redemption fees, excessive trading policies, or other trading limitations or restrictions that may apply to an investment fund are described in the investment fund's current fund fact sheet or prospectus. To obtain a current fund fact sheet or prospectus, or if you need any assistance in identifying whether a particular investment fund charges redemption fees or has excessive trading restrictions, call T. Rowe Price at 1-800-922-9945.

In addition, certain individuals may not trade Costco stock during regularly scheduled time periods called blackout periods. These restrictions relate to securities law. If you are subject to this prohibition, you will receive a notice and blackout calendar.

Do I have the right to vote the Costco stock held in my account?
Yes. If you have invested in Costco stock, you will be provided with the same information given to other stockholders. You will be able to direct the trustee (by completing the proxy card that you receive in the mail) as to how to vote your shares or exercise other shareholder ownership rights. This is called pass-through voting. If you choose not to vote your shares, they will remain unvoted (or untendered if there was a tender offer).

What confidentiality procedures apply to my investments in Costco stock?
The Plan does not distribute to Costco or its employees information related to whether you have decided to hold, purchase, or sell Costco stock, unless required to comply with law or efficiently administer the plan.

The confidentiality of your voting and exercise of rights is also protected by the following procedures. Your proxy card showing how you voted should be mailed in the enclosed envelope addressed to the proxy tabulation company. This company, which is independent of Costco, adds up the votes and sends the numeric results (with no individual identifying information) to T. Rowe Price. T. Rowe Price forwards the results to Costco in time for the annual meeting of Costco shareholders. Costco has appointed its Chief Financial Officer (currently Richard A. Galanti, 999 Lake Drive, Issaquah, WA 98027, (425) 313-8100) to be responsible for maintaining procedures to safeguard the confidentiality of information regarding your purchase, holding and sale of Costco stock and the manner in which you exercise your ownership rights. In the event of sensitive issues, such as a tender offer, exchange offer or contested board election, the Chief Financial Officer will appoint an independent outside fiduciary (someone not affiliated with the company) to further safeguard the confidentiality of this information.

Do I have any special rights with respect to dividends paid on Costco stock held in my account?
Yes. Because the portion of the Plan invested in Costco stock is an ESOP, you have the following choice when Costco pays a dividend on Costco stock held in your plan account on a dividend record date: You may elect either to receive payment of such dividends in a check or to reinvest them in Costco stock within the ESOP.

Unless you affirmatively elect to receive dividend checks, your dividends will be used within the plan to purchase additional shares of Costco stock. If you want to receive dividend checks, you must contact T. Rowe Price by no later than 4:00 p.m. Eastern Standard Time on the last business day before the next dividend payment date. Dividend checks will be taxed to you as ordinary income, and they are not eligible for rollover to an IRA. Your dividend election will continue in effect unless you change your election by contacting T. Rowe Price by phone at 1-800-922-9945.

ESOP dividends are 100% vested at all times. You may not take a loan from reinvested dividends.

Do I have voting rights for other investments?
The plan currently permits pass-through voting (and the exercise of other ownership rights, if any) for other investment funds. If there are any such rights, you will be provided the same information given to the trustee and any other investors in the fund, and you may direct the trustee as to how to vote or exercise your ownership rights. If you do not choose to exercise this right, your shares will remain unvoted (or untendered if there is a tender offer).

How often will I receive a statement of my account?
Following the end of each calendar quarter, you will receive an account statement that will show the contributions credited, investments held, and the total value of your account balances as of the end of the quarter. You can obtain account balance and investment information at any time by contacting T. Rowe Price online at rps.troweprice.com or by calling 1-800-922-9945.

Can I delay taking a distribution after I terminate employment?
It depends. If your nonforfeitable account balance does not exceed $5,000 (excluding your rollover contribution account), your entire nonforfeitable account will be distributed to you or automatically rolled over, as explained in the following paragraph. If your nonforfeitable account exceeds $5,000 (excluding your rollover contribution account), you may delay distribution until April 1 of the year following the year in which you turn age 702, at which time minimum distributions required by the Internal Revenue Code must begin.

If you have not yet reached age 65, and the total value of your nonforfeitable account is $5,000 or less (excluding your rollover contribution account) but more than $1,000 (including your rollover contribution account), your entire nonforfeitable account will automatically be rolled over to an IRA established in your name. Prior to the rollover, you may timely elect to have your nonforfeitable account paid directly to you, or rolled over to an IRA or qualified retirement plan of your choice. If the value of your nonforfeitable account is $1,000 or less, the entire amount will be automatically distributed directly to you. Your account will not be automatically rolled over to an IRA, and you may not elect to delay distribution of your benefits.

If your account is automatically rolled over to an IRA, it will be established in your name and invested in a fund designed to preserve your principal account balance, provide a reasonable rate of return, and maintain liquidity. Fees and expenses charged for the establishment and maintenance of your IRA will be paid directly from your IRA. For further information concerning the Plan's automatic rollover provision, the IRA provider, the investment fund, and the fees and expenses charged for establishing and maintaining the IRA, please contact the plan recordkeeper, T. Rowe Price at 1-800-922-9945.

How will my benefit be paid?
Your total vested balance will be paid to you in one lump-sum cash payment. If you have money invested in Costco stock, you may elect to have that portion paid to you in the form of a stock certificate. Any partial shares will be paid in cash.

What happens if I am rehired?
If you received a distribution of the vested portion of your account when you terminated employment, and then you are rehired within five years, any amount forfeited (because it was not completely vested) will be restored to your account if you repay the amount that was distributed to you. You must make the repayment within five years of your reemployment date. If you do not do so, the previously forfeited amounts will remain forfeited. If this applies to you, contact the Costco Benefits Department at 1-800-284-4882. Also, regardless of whether you took a distribution, if you not rehired within five years, any amount that was not vested when you terminated employment will be permanently forfeited.

How are my distributions taxed?
Your contributions to the plan are not taxed when made, and earnings accumulate in the plan without tax. However, when your account is paid out to you, or to your beneficiary in the event of your death, income tax will be due, unless an exception applies. Under current rules, 20% of your termination distribution must be withheld for federal income tax, unless you elect to transfer your payment directly from this plan to an individual retirement account (IRA), another qualified retirement plan, a Code Section 403(a) annuity plan or 403(b) tax-sheltered annuity contract, or a Code Section 457(b) government plan. This is called a "direct rollover." There is also an income tax penalty of 10% (in addition to income tax) for distributions received before you are 592 years of age, unless an exception, such as disability, applies.* Consult your tax adviser for details and possible exceptions.

** Some states also impose an income tax penalty on distributions before age 592, such as the 2.5% penalty imposed by California.*

RETIREMENT DATE, VESTING AND PLAN BENEFITS

What is my normal retirement age?
Your normal retirement age is age 65. You are automatically 100% vested in your account balance at your normal retirement age if you are still in active employment at Costco at such time.

Can I delay retirement past age 65?
Yes. You may elect to continue to work beyond your normal retirement age and may continue to participate in the plan. You are eligible to begin withdrawing your vested balance once you reach the age of 592 as detailed in Section 4. You must, however, begin receiving a distribution no later than April 1 of the year following the year in which you turn 702, or if later, terminate employment.

What are my benefits if I terminate employment prior to age 65?
Your salary deferral account is entirely yours and may be distributed to you after you terminate employment. However, the company matching and discretionary contribution accounts are subject to a vesting schedule. The term vesting refers to the percentage of Costco's contributions you are entitled to take with you if you terminate your employment. It is also known as your vested interest. Your vested interest with respect to Costco's contributions is based on the following schedule:

Years of Service	Percentage Vested in Costco Contributions
Under 2 Years	0%
2 Years	20%
3 Years	40%
4 Years	60%
5 Years	100%

However, if you resign or are discharged and your employer determines (and notifies the Plan Administrator as such) that you committed an act of dishonesty, disclosed confidential information, or engaged in misconduct that resulted or might result in loss or detriment to Costco, your vested interest in your discretionary contribution account is determined in accordance with an alternative vesting schedule for misconduct set forth in the plan. Under this schedule, if your years of service are less than five, you will be 0% vested; if your years of service are five or more, you will be 100% vested. Regardless of which vesting schedule applies, your vested interest will automatically increase to 100% if you become 65 while employed by Costco, if you terminate employment with Costco as a result of total disability (as defined by the plan), or if you die while employed by Costco.

What happens to the unvested portions of my company matching and discretionary contribution accounts?
The portions of your matching and discretionary contribution accounts that are not vested when you terminate employment with Costco are forfeited. The forfeited funds stay in the trust to be used first to pay administrative expenses and second to reduce future employer contributions to the plan for other participants. No forfeitures go back to Costco.

How do I earn vesting service?
You will earn vesting credit for a full year of service on each annual anniversary of your employment. If you terminate employment but then return within 12 months, your absence is ignored. Also ignored are the following: approved leaves of absence of less than 12 months duration, military leave (to the extent provided in the plan), and maternity or paternity leave (to the extent provided in the plan). Otherwise, an absence of more than 12 months ends the preceding period of service, and a new period of service begins on your return. If you have more than one period of service, you will receive credit for a year of vesting for every 365 days of employment. If you have prior service that should be considered for the purpose of calculating vesting, please contact the Costco Benefits Department at 1-800-284-4882.

How do I apply for distribution when I retire or terminate employment?
In order to take a distribution of your vested account balance when you retire or otherwise terminate employment, you must apply by telephone by contacting T. Rowe Price online at rps.troweprice.com or by calling 1-800-922-9945. A check will be mailed to your address of record within an administratively practicable period after your application for benefits is approved.

LOANS AND WITHDRAWALS FROM THE PLAN

May I take a loan or withdrawal from my account while still employed?
Yes. While you are employed by Costco, you may request a loan or four kinds of withdrawals as follows:

Loans
You may borrow limited amounts from your own contributions (your salary deferral and rollover accounts) and from Costco's matching contributions that have vested. Two types of loans are available: standard loans and principal residence loans. Both types of loans are subject to the following guidelines:

- There is an application fee for each loan, which will be redeemed from your eligible accounts at the time the loan is made. (If you reside in Florida, you also will have to pay a documentary stamp tax.) The current application fee is $50.
- You may have only one outstanding loan at a time, and loans may not be amended or refinanced.
- You may not borrow from your discretionary contribution accounts or from the portion of your matching contribution account that is not yet vested. Also, you may not borrow from your ESOP dividend reinvestment account, QNEC account or rescission account.
- You may borrow up to 45% of your vested account balance (measured at the time of your request) or $50,000 (reduced by the highest outstanding loan balance over the last 12 months), whichever is less. Also, your loan cannot exceed 50% of your vested account balance at the time it is made. Up to 50% of your vested account balance will be used as security for the loan.
- You may not receive a loan to the extent it would require loan repayments that exceed 25% of your normal biweekly pay that is available for payroll deduction.
- The minimum loan amount is $1,000.
- Your loan is taken from your investment funds on a pro-rata basis, but you can change your investment mix at any time after the loan is made.
- A loan is treated as a direction of investment by you under the plan and Section 3 of this booklet.
- The interest rate is set by the Costco Benefits Committee on a quarterly basis, and is similar to the rates charged by commercial lenders for similar types of loans.
- You have a maximum of four years to repay a standard loan and 15 years to repay a primary residence loan. You may request a shorter term. Your loan is due within 30 days of termination of employment.
- Loan repayments are invested according to your investment direction at the time of repayment.
- Loan repayments are automatically deducted from your paycheck and credited to your account. If you are not receiving a paycheck from Costco for any reason, including because you are on approved leave of absence, you must make the payments directly to the plan on the same biweekly schedule. The plan does not suspend the repayment obligation of participants on leave of absence. There are income tax penalties for failure to repay a plan loan on schedule. If any payment remains overdue at the end of the applicable cure period (90 days after the date the missed payment was due for loans issued after 2003; the end of the calendar quarter following the quarter in which it was due for loans issued before 2004), the plan is required to report the outstanding balance of your loan to the IRS as a "deemed distribution," and you will owe income tax on the entire amount, including interest accrued to that date (not just the portion that is overdue) as if you had received a distribution from the plan rather than a loan (including a penalty tax if you are under 592 years of age). After a loan is deemed distributed, salary reductions for loan payments will stop.
- If you fail to make a loan payment by the end of the applicable cure period, or if you already have had a deemed distribution with respect to a loan that is still in default, and you are age 592, become totally disabled, die or terminate employment with Costco, your account balance will be reduced ("offset") by the amount necessary to repay the loan and all accrued interest in full, and the amount of the offset will be reported to the IRS. A loan offset will also occur if you fail to pay the entire outstanding balance of a loan within 30 days of termination of employment, or if you die with an outstanding loan. An offset loan will be treated as paid in full and you will have no further obligation with respect to the loan.
- If you default on a loan, you may not apply for a subsequent loan until at least six months after the initial loan is paid in full.

If you wish to take a loan from your retirement account, contact T. Rowe Price by phone at 1-800-922-9945 or online at rps.troweprice.com. For standard loans, you must apply for the loan over the phone or online. For principal residence loans, you must select the amount and length of your loan over the phone or online, and you will then receive a loan application package from T. Rowe Price in a few days. Return the completed loan documents to T. Rowe Price in the envelope provided. Upon approval of your loan, T. Rowe Price will send a check to your address of record within 30 days.

In-Service Withdrawals

1. Rollover withdrawals
If you have rolled over funds from a previous plan, you may withdraw those funds at any time. A rollover withdrawal does not require a reason. It is subject to applicable state and federal income tax and early withdrawal penalties if you are not yet 592 years of age.

2. After-tax withdrawals
The prior Price Company Retirement Plan, which merged into this plan, offered an after-tax savings option. If you participated in that option and still have an after-tax account, you may withdraw those funds at any time.

3. Age 592 distributions
If you are over the age of 592, you may withdraw any portion of your vested account balance at any time. The withdrawal does not require a reason, nor does a penalty apply. It is subject to applicable state and federal income taxes.

In order to take a rollover withdrawal, after-tax withdrawal, or age 592 distribution, you must apply by telephone by calling T. Rowe Price at 1-800-922-9945, or online at rps.troweprice.com. A check will be mailed to your address of record within an administratively practicable period after your application for benefits is approved.

4. Hardship distributions
Very limited hardship distributions are available if you cannot meet certain immediate and heavy financial needs with your own resources or by taking a loan from the plan. However, hardship distributions are governed by strict IRS rules designed to ensure that funds set aside for retirement are not used for other purposes unless absolutely necessary. A hardship distribution is treated as taxable income and, in most cases, you will incur an early distribution penalty tax if you are younger than 592. (The current federal income tax penalty is 10%, and some states have a penalty as well, such as the 2.5% state income tax penalty imposed by California.)

Hardship distributions cannot exceed your salary deferral contributions (excluding amounts received as a loan), excluding earnings. You may not withdraw company matching contributions, company discretionary contributions, or any investment income earned on any of your accounts. You may qualify for a hardship distribution only if you satisfy the deemed hardship distribution standards of the Treasury Regulations and the plan. Under these standards, an immediate and heavy financial need may arise only from the following:

- Expenses for (or necessary to obtain) medical care for you, your spouse or your dependents (as defined in Internal Revenue Code Section 152, without regard to subsections (b)(1), (b)(2), or (d)(1)(B)). Such expenses must be deductible for federal income tax purposes under Code Section 213(d) (determined without regard to whether the expenses exceed 7.5% of adjusted gross income).
- Costs directly related to the purchase of your principal residence (excluding mortgage payments).
- Payments necessary to prevent your eviction from your principal residence or foreclosure of the mortgage on your principal residence.
- Payment of tuition, related educational fees, and room and board expenses for up to the next 12 months of post-secondary education for yourself, your spouse, your children or your dependents (as defined in Code Section 152, without regard to subsections (b)(1), (b)(2), or (d)(1)(B)).
- Payments for burial or funeral expenses for your deceased parent, spouse, child, or dependent (as defined in Code Section 152, without regard to subsection 152(d)(1)(B)).
- Expenses for the repair of damage to your principal residence that would qualify for the casualty deduction determined under Code Section 165 (determined without regard to whether the loss exceeds 10% of adjusted gross income).

In addition, a distribution will meet the deemed hardship distribution standards only if the following requirements are met:

- The distribution is not in excess of the amount of your immediate and heavy financial need (including amounts necessary to pay any state, federal or local income taxes or penalties reasonably anticipated to result from the distribution);
- You have obtained all currently available distributions (including payment by check of Costco stock dividends as described under "Do I have any special rights with respect to dividends paid on Costco stock held in my account?" above), other than hardship distributions, and all nontaxable (at the time of the loan) loans under this Plan and all other retirement or deferred compensation plans maintained by Costco; and
- You do not make any further salary deferral contributions (or any other employee contributions) to this or any other retirement or deferred compensation plan, employee stock purchase plan, or stock option plan maintained by Costco for six months following your hardship distribution.

You must submit a written application for a hardship distribution to T. Rowe Price. The application form is available online at rps.troweprice.com or by calling T. Rowe Price at 1-800-922-9945. The form requires you to detail the reason for the hardship request, and you must submit a statement that you have taken all distributions and loans available under all company benefit plans. You must also provide the documentation described in the application that supports the reason for your withdrawal and the dollar amount that you are requesting. If your application is approved, a check will be mailed to your address of record within an administratively practicable period.

If you receive a hardship distribution, you must suspend your salary deferrals to the plan for six months, after which time you may restart salary deferrals by contacting T. Rowe Price online at rps.troweprice.com or by calling 1-800-922-9945. Your salary deferral contributions will take effect as described in Section 2 of this booklet.

May I take a distribution if I become totally disabled?
Yes. If you become totally disabled as defined in the plan, you may withdraw any portion of your vested account balance. Total disability must be evidenced by proof of eligibility for Social Security disability benefits. Disability distributions are not subject to early-withdrawal penalties; however, they are subject to applicable state and federal income tax. A written request for disability distribution must be made, along with satisfactory proof of total disability. The disability distribution form is available online at rps.troweprice.com or by calling T. Rowe Price at 1-800-922-9945. A check will be mailed to your address of record within an administratively practicable period after receipt of all required documents and approval of your application for benefits.