

If you are a woman and are (or were) employed in a U.S. Costco warehouse as a Senior Staff Manager or Assistant General Manager, then a proposed class action settlement could affect your rights.

If you take no action, you will be bound by the settlement. Your rights will be impacted.

The federal court authorized this notice.

- Read this notice carefully. This notice is *different* from the notice that you may have received in December 2012. This notice explains the lawsuit, the settlement, and your legal rights.
- This notice describes a proposed class action settlement that, if approved by the Court, would provide for certain changes in Costco’s system for promotions to Assistant General Manager (“AGM”) and for an assessment of possible changes in Costco’s system for promotions to General Manager (“GM”). (See Section 7)
- **The proposed settlement, if approved by the Court, also would create an arbitration claims process in which women may make claims for economic damages resulting from unlawful denial of promotions because of their sex. Unless you win your claim, you will not receive any money. The proposed settlement provides a fund up to \$8 million to compensate women who bring successful claims. (See Sections 6 and 8).**
- The court has not decided whether Costco did anything wrong. But your legal rights may be affected, and you have a choice to make now:

| YOUR LEGAL RIGHTS AND OPTIONS | |
|--|---|
| DO NOTHING; REMAIN PART OF THE SETTLEMENT | If you are satisfied with the terms of the proposed settlement, then you do not need to do anything now. If the Court approves the settlement, then you will receive a claims notice. You can file a claim seeking money in a claims process if you believe you were unlawfully denied a promotion because of your sex, or you can choose not to file a claim. An arbitrator will decide if your claim has merit. |
| OPT OUT | If you want to file your own lawsuit against Costco for sex discrimination for denying you an AGM or GM promotion, or if you do not want to be bound by this lawsuit, then you should exclude yourself (“opt-out”) from the settlement. |
| OBJECT | If you are not satisfied with the terms of the proposed settlement, then you may write about that to the Class Administrator. You may also appear in Court to explain why you don’t like it. |

- These rights and options—and the deadlines to exercise them—are explained in this notice.

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BASIC INFORMATION

1. Why Did I Get This Notice?

Costco's records show that you now work for Costco as either a Senior Staff Manager or an AGM in a U.S. warehouse, or have worked in one of those positions at some time on or after January 3, 2002.

This notice advises you of a proposed settlement of this class action lawsuit, and about your options, before the Court decides whether to approve the settlement. If the Court approves the settlement, and after objections and appeals (if any) are resolved, then there will be a claims process and arbitrators will decide who, if anyone, was unlawfully denied an AGM promotion or a GM promotion because of her sex and entitled to compensation.

2. What Is This Lawsuit About?

This lawsuit claims that Costco unlawfully discriminated against female employees based on their sex, by denying them opportunities for promotion to AGM or GM.

Costco denies it did anything wrong and no court has found that Costco did anything wrong. Costco retains its right to defend itself against any claim brought against it.

3. What Is a Class Action?

In a class action, one or more people, called Named Plaintiffs (in this case, Shirley "Rae" Ellis, Leah Horstman, and Elaine Sasaki), bring a lawsuit on behalf of people who a court finds have similar claims. These people, considered members of the same Class, are called Class Members. One court resolves the case for all Class Members, except for those who exclude themselves from the Class.

4. Why Is There a Settlement?

The Court did not decide in favor of Plaintiffs or in favor of Costco. Instead, both sides agreed to a settlement to avoid a court trial, to provide a process to re-evaluate and change, as appropriate, the promotion process, and to create a way to resolve money claims through a relatively quick arbitration process. The Named Plaintiffs and the attorneys appointed to represent the Class think the settlement is best for everyone in the Class.

5. How Do I Know If I am Part of the Settlement?

The class is defined as all current or former female Costco employees employed at any U.S. Costco warehouse at any time on or after January 3, 2002 who have ever been Senior Staff Managers or Assistant General Managers.

Some women who have already excluded themselves from the lawsuit (called “opting out”) are not Class Members and are not part of the settlement.

If you aren’t sure about your status, then you can contact Class Counsel at 1-866-501-2300 or through the website address below or the Class Administrator at the address identified in Section 28 below.

THE PROPOSED SETTLEMENT — ESSENTIAL TERMS

6. What Are the Terms of the Proposed Settlement?

The settlement provides a process to evaluate and implement program changes and an arbitration process to resolve claims of discriminatory denial of promotions.

Program Changes - Costco will implement job posting for AGM vacancies and will permit AGMs to formally register interest in specific GM positions. Costco will, in good faith, consider changes in its processes for making promotions to AGM and GM.

Claims Process for Money - If you bring a claim and an arbitrator decides that you were denied an AGM or GM promotion because of your sex, then you will receive compensation. The proposed settlement would create an \$8 million fund, from which any successful claimants would be paid. (For more description, see Sections 18-22).

PROGRAM CHANGES

7. What Changes Will Costco Make to the AGM and GM Promotion System?

- (1) An agreed-upon outside expert will analyze the AGM and GM jobs, evaluate the promotion process for these jobs, and recommend to Costco written selection criteria and tools for the AGM and GM promotion process.
- (2) Costco has agreed to post openings for AGM promotions within the geographic area where the opening occurs and candidates who meet the posted qualifications will be allowed to apply for the position.
- (3) Costco has agreed to implement a system that will allow AGMs to register an interest in GM positions in specific warehouses. Costco will consult the list of those who have registered an interest in that warehouse when it makes a GM selection. Registering an interest will help ensure that Costco is aware of who is interested in being considered for the promotion.
- (4) Costco will offer a merchandising training class for current Senior Staff managers who have not received merchandising experience relevant to promotion to AGM as a way of encouraging acquisition of that experience.

(5) Costco will communicate with and train its managers concerning any program changes.

(6) Costco will submit reports about these changes for two years after they are made.

These changes will apply to both women and men applying for promotions to AGM and GM.

THE CLAIMS PROCESS

8. How Does the Claims Process Work?

You will have two different ways to make a claim if you choose to make one. You can make a written claim (called a Claim by Written Submission) or you can make a claim in person before a neutral arbitrator (called a Claim by Formal Arbitration).

If you are a current employee, then you also may choose to make a written claim confidentially so that your current AGM and GM (if you are a Senior Staff Manager) and your GM and Regional Operating Manager (if you are an AGM), will not know you are making a claim.

Every Claimant can challenge at least one specific promotion that she did not receive. She may challenge up to two additional promotions if she meets certain experience requirements stated in Section 5.3 of the Settlement Agreement.

The arbitrator will be given information about why you believe that you were interested and qualified for promotion to a specific AGM or GM position and why you believe the decision not to promote you to that position was a result of unlawful sex discrimination. Costco, too, may submit information to the arbitrator that Costco believes shows that your sex was not a factor in the decision not to promote you to that position. The arbitrator will decide whether or not you were denied promotion because of your sex.

If you choose, Class Counsel will represent you. If you win your claim, then Class Counsel will be entitled to ask that certain fees and costs be paid by Costco. You may instead hire your own lawyer and, if you win your claim, your lawyer will be entitled to ask that certain fees and costs be paid by Costco.

Whether you win or lose, you will not be charged any fee for participating in the claims process.

9. How Much Will I Get If I Win?

If you win, you will receive your actual losses up to a cap: lost salary, bonus, and the value of restricted stock units plus interest. Under certain circumstances, your award amount may be increased up to a second cap or decreased, which is explained in Section 20.

| Type of Claim | Denial of Promotion into Which Position | Actual Damages Up to First Cap |
|---------------|---|--------------------------------|
| Written | AGM | \$150,000 cap |

| | | |
|-------------|-----|---------------|
| Written | GM | \$300,000 cap |
| Arbitration | AGM | \$250,000 cap |
| Arbitration | GM | \$600,000 cap |

Lower award amounts apply if you make a confidential claim. (See Section 17.)

The settlement does not provide for an award of emotional distress or punitive damages.

10. What Happens If I Lose My Claim?

You will receive no money if the arbitrator finds that your claim is not valid.

11. How Does the Claims Process Differ from Having My Own Case in Federal Court?

In the Claims Process, an arbitrator rather than a judge will decide your claim. Class Counsel will represent you without charge. Claims decided by an arbitrator often are resolved more quickly than claims decided by a judge or jury. Your wage loss is capped, as explained in Sections 9 and 21. You cannot seek emotional distress or punitive damages or an order giving you a promotion. If you choose to make an arbitration claim, there are limits on how long the arbitration lasts, what discovery tools your lawyer can use to get information, and what evidence can be used to support your claim. The number of promotions you may challenge is explained in Section 8. The outcome of the Claims Process is confidential. Neither side can appeal the result.

If you brought your own lawsuit in federal court, then your case would be decided by a jury or a judge. You would have to find a lawyer to represent you. The limits on discovery tools and evidence that apply in the Claims Process would not apply in the same way in court. You would be entitled to seek emotional distress and punitive damages (up to a cap of \$300,000) in addition to your wage loss and an order promoting you. The number of promotions you could challenge would not be subject to any limits and would depend on the evidence. The court proceedings and the outcome would be public. Either side could appeal the result.

12. Do I Need to Decide Now Whether to File a Claim or Which Kind of Claim to File?

No. Right now, the only decision you need to make is whether to opt out of the settlement or to object to the settlement. Both of those options are explained below.

13. Can I Get Help in Deciding What Kind of Claim to File? Will I Have a Lawyer in the Claims Process?

If the Court approves the settlement, then you will be able to consult with Class Counsel and decide if you will file a claim, and what kind of claim to file. There is information available about the past promotions, and who was selected, that will assist you in making a decision. There is no charge to you for consulting with the lawyers to decide whether to file a claim, or for preparing your claim. If you do decide to file a claim, Class Counsel will represent you through all stages of the Claims Process at no charge to you. You also can choose to hire your own lawyer.

14. Will My Job or Future Promotions Be Affected If I Participate in the Claims Process?

No. Costco supports the right of Class Members who believe they have been subject to sex discrimination in promotion to have their claims determined by a neutral arbitrator in the Claims Process. Retaliation is illegal. If you believe that you are being subjected to any kind of retaliation in connection with the case or the Claims Process, then you can notify Class Counsel, notify your own independent counsel, or use Costco’s Open Door process (if you are a current Costco employee).

15. Can I File a Claim If I Have Been Promoted to AGM or GM But I Believe That I Should Have Been Promoted Sooner?

Yes. If you win your claim, your economic losses would be based on the time period before you received the promotion.

16. If I Win, Then Can The Arbitrator Order Costco to Promote Me?

No. The Claims Process provides for only money damages. By staying in the case and not opting out, you give up your right to have a court order that you be promoted to AGM or GM.

17. Can I Make a Confidential Claim?

If you are a current Costco employee, then you can choose to make a written claim on a confidential basis so that the manager directly above you, and his or her direct manager, will not know about your claim. If you choose to make a confidential claim, then the maximum that you can receive if you are successful is:

| Type of Claim | Denial of Promotion into Which Position | Actual Damages Up to Cap |
|----------------------|---|--------------------------|
| Written/Confidential | AGM | \$25,000 cap |
| Written/Confidential | GM | \$50,000 cap |

Under certain circumstances, where Costco takes the position that it would be unfair for the claim to be heard on a confidential basis, Costco may ask the arbitrator to remove the confidentiality. If the arbitrator removes the confidentiality, then you will have the right to change your claim to non-confidential or to withdraw it.

18. If I Win My Claim, Then When Would I Get My Payment?

Payments will be made at the completion of the Claims Process, which may be more than a year after the Court approves the settlement.

19. If I Win My Claim, Then Will Everyone Know How Much I Got? Or, If I Lose My Claim, Will Everyone Know that I Lost?

No. All outcomes in the claims process (win or lose) will be kept confidential. To participate in the claims process, you will sign an agreement to keep the outcome confidential (with a few exceptions like your spouse or tax advisor). The agreement will explain the legal and financial consequences if you do not keep the outcome confidential.

Costco is bound by the same duty to keep the outcomes confidential.

20. Under What Circumstances Can My Award Be Increased or Decreased?

If the total amount of successful claims results in award amounts of less than \$8 million, then the award amounts will be increased as follows. Any Claimant whose actual award amount exceeded the first cap (see Section 9) will get the rest of her award amount, subject to a second cap.

| Type of Claim | Denial of Promotion into Which Position | Actual Damages Over First Cap Up to Additional Second Cap |
|----------------------|---|---|
| Written Confidential | AGM | \$12,500 cap |
| Written Confidential | GM | \$25,000 cap |
| Written | AGM | \$100,000 cap |
| Written | GM | \$200,000 cap |
| Arbitration | AGM | \$175,000 cap |
| Arbitration | GM | \$300,000 cap |

If the total amount of successful claims results in award amounts exceeding \$8 million, then each successful claimant's award amount will be reduced pro rata.

21. What Happens If The Total of The Award Amounts Is Less Than \$8 Million?

If the total of the award amounts does not reach \$8 million, then all of the money not allocated to award amounts and certain settlement-related expenses will be donated to Network for Executive Women, Consumer Products/Retail to fund scholarships or otherwise assist women pursuing leadership roles in retail management.

22. What Claims Are Released by the Settlement?

All class members who do not opt out of the settlement are giving up (also called “releasing”) their rights to sue Costco for money damages for gender discrimination in connection with a failure to promote them to AGM or GM since January 3, 2002. Class members give up these rights whether or not they choose to make a claim in the Claims Process. Class members who are current employees also give up their individual rights to seek certain injunctive relief, i.e., a court order that requires an employer to change its promotion practices.

NAMED PLAINTIFFS

23. What Can the Three Named Plaintiffs Get Under the Settlement?

The three Named Plaintiffs may make a promotion claim in the Claims Process or may choose a trial before the Court.

They also may ask the Court to award a service payment of \$10,000 each, to be paid from the settlement fund. A service payment is not for damages for discrimination, but would be a payment for services the Named Plaintiffs have provided to the Class in obtaining the settlement. The Court may grant this payment, approve the request at a lower amount, or award no service payment.

THE LAWYERS REPRESENTING YOU

24. Do I have a Lawyer in this Case?

The Court appointed the law firms of the Impact Fund; Lewis, Feinberg, Lee, Renaker & Jackson, PC; Lieff Cabraser, Heimann & Bernstein, LLP; Davis, Cowell & Bowe, LLP; and Altshuler Berzon, LLP to represent you and other Class Members. Together, the lawyers are called Class Counsel.

25. How Will the Lawyers be Paid?

Class Counsel will ask the Court for an award of attorneys’ fees and costs, to be paid by Costco, in the amount of \$4,583,959.64 for the services that they have provided to the Class up to the date that the proposed settlement agreement is approved by the Court. They also will ask for fees for anticipated services in monitoring and administering the settlement in the amount of \$300,000.

You can review the request for attorneys’ fees at www.GenderClassActionAgainstCostco.com. You can submit a written objection to the request. The Court will examine the fees request of Class Counsel at the Fairness Hearing, as well as any objections to that request, and determine the amount of fees to award, if any.

Attorneys’ fees and costs will not be paid from the settlement fund.

OPTING OUT OF THE SETTLEMENT

26. Who Should Opt Out of the Class?

If (1) you want to keep the right to sue or continue to sue Costco on your own for sex discrimination in unlawfully denying an AGM or GM promotion, or (2) you do not want to be bound by the settlement of this lawsuit, then you should take steps to get out of the settlement. This is called “opting out.”

27. How Do I Opt Out of the Class?

To opt out of the settlement, you must complete the Opt Out form included with this notice. Be sure to include your name, address, telephone number, and your signature. You must mail your completed Opt Out form postmarked no later than **April 28, 2014** to:

Class Administrator
Ellis v. Costco Wholesale Corp. Opt Outs
Post Office Box 10847
Tallahassee, Florida 32302-2847

You cannot opt out by phone or email.

If you ask to opt out, then you cannot participate in the Claims Process, and you cannot object to the settlement. You will not be legally bound by anything that happens in this lawsuit.

You cannot exclude yourself from the program changes called for by the proposed settlement.

OBJECTING TO THE SETTLEMENT

28. How Do I Tell the Court That I Don't Like the Settlement?

If you're a Class Member, then you can object to the settlement if you don't like any part of it, and the Court will consider your views.

To object, you must send a letter saying that you object to the *Ellis v. Costco* proposed settlement. Be sure to include your name, address, telephone number, signature, and the reasons you object to the proposed settlement. Mail your objection to the Class Administrator postmarked no later than **April 28, 2014**.

Class Administrator
Ellis v. Costco Wholesale Corp. Objections
Post Office Box 10847
Tallahassee, Florida 32302-2847

29. What's the Difference Between Objecting and Opting Out?

If you **object**, then you are telling the Court that you don't like something about the proposed settlement. You can object only if you stay in the Class.

If you **opt out**, then you are telling the Court that you don't want to be bound by this settlement. If you opt out, then you cannot object to the proposed settlement, because then the case would no longer affect you.

THE COURT'S FAIRNESS HEARING

30. When and Where Will the Court Decide Whether to Approve the Settlement?

The Court will hold a Fairness Hearing on Thursday, May 22, 2014, at 1:30 p.m. at the United States District Court for the Northern District of California, 450 Golden Gate Avenue, San Francisco, CA in Courtroom 5.

At this hearing, the Court will consider whether the settlement is fair, reasonable, and adequate. If there are objections, then the Court will consider them. The Court will decide whether to approve the proposed settlement. We do not know how long these decisions will take.

31. Do I Have to Come to the Hearing?

No. Class Counsel and Costco's counsel will answer questions the judge may have of them. If you send an objection, then you don't have to come to Court to talk about it. As long as you mailed your written objection on time, the Court will consider it. However, you may appear in person or have your own lawyer attend.

32. May I Speak at the Hearing?

You may ask the Court for permission to speak at the Fairness Hearing or hire your own lawyer to speak for you. To do so, you must send a letter saying that it is your "Notice of Intention to Appear in *Ellis v. Costco*." Be sure to include your name, address, telephone number, and signature. Your Notice of Intention to Appear must be postmarked no later than **May 12, 2014**, and be sent to the Class Administrator, at the address in Section 28.

IF YOU DO NOTHING

33. What Happens if I Do Nothing at All?

If you do nothing, then you'll be entitled to file a claim in the claims process or choose not to file a claim.

You will be releasing your right to bring your own independent lawsuit, continue with such a lawsuit, or be part of any other lawsuit against Costco about the legal issues in this case.

GETTING MORE INFORMATION

34. How Do I Get More Information?

This notice summarizes the proposed settlement. More details are in the Settlement Agreement. You can get a copy by contacting Class Counsel identified below, by visiting the case website, www.GenderClassActionAgainstCostco.com, or by calling Costco Human Resources to leave a message at extension 6095 or by sending an email to bweber@Costco.com.

Do not contact the Court for information.

| COURT | CLASS COUNSEL | COSTCO COUNSEL |
|--|---|--|
| Clerk of the Court U.S. District Court for the Northern District of California 450 Golden Gate Ave. San Francisco, CA 94102-3489 | Jocelyn Larkin The Impact Fund 125 University Avenue Suite 102 Berkeley, CA 94710 www.GenderClassActionAgainstCostco.com 1-866-501-2300 | David D. Kadue Seyfarth Shaw LLP 2029 Century Park East Suite 3500 Los Angeles, CA 90067 |