

COSTCO WHOLESALE CORP /NEW  
Form S-3/A  
July 19, 2005

As filed with the Securities and Exchange Commission on July 19, 2005

Registration No. 333-125637

**SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 20549**

AMENDMENT NO. 2 to

FORM S-3

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

**COSTCO WHOLESALE CORPORATION**

(Exact name of registrant as specified in its charter)

**WASHINGTON**

(State or other jurisdiction of  
incorporation or organization)  
**999 Lake Drive**

**91-1223280**

(I.R.S. Employer  
Identification Number)

**Issaquah, Washington 98027**

**(425) 313-8100**

(Address, including zip code, and telephone number, including  
area code, of registrant's principal executive offices)

RICHARD J. OLIN

Vice President and General Counsel

Costco Wholesale Corporation

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999 Lake Drive

Issaquah, Washington 98027

(425) 313-8100

(Name, address, including zip code, and telephone number,

including area code, of agent for service)

COPIES TO:

David R. Wilson

Heller Ehrman LLP

701 Fifth Avenue

Seattle, Washington 98104

**Approximate date of commencement of proposed sale to the public: as soon as practicable after the registration statement becomes effective.**

If the only securities being registered on this form are being offered pursuant to dividend or interest reinvestment plans, please check the following box:

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box:

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act of 1933, as amended, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box.

**The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with section 8(a) of the securities act of 1933 or until the registration statement shall become effective on such date as the commission, acting pursuant to said section 8(a), may determine.**

THE INFORMATION IN THIS PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. WE MAY NOT SELL THESE SECURITIES UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES, AND WE ARE NOT SOLICITING OFFERS TO BUY THESE SECURITIES IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

**Subject to Completion, dated July 19, 2005**

PRELIMINARY PROSPECTUS

**COSTCO WHOLESALE CORPORATION**

1,301,441 SHARES

COMMON STOCK

**RESCISSION OFFER**

Costco Wholesale Corporation offers, under the terms and conditions described in the prospectus, to rescind the previous purchase of up to 1,301,441 shares of Costco Wholesale common stock by the trustee of the Costco Wholesale Corporation 401(k) Retirement Plan, on behalf of certain current and former participants in the 401(k) Plan from November 16, 2003 through November 15, 2004 for:

( if the participant continues to own these shares, the consideration they paid for such common stock, plus interest from the date of purchase, less dividends received on such common stock, or

( if any such participant has caused the sale of such common stock at a loss, the consideration paid, less the proceeds from the sale, plus interest from the date of purchase to the date of sale, less dividends received on such common stock.

This Rescission Offer applies to purchases of Costco Wholesale common stock during the period from November 16, 2003 through November 15, 2004, at prices ranging from \$33.64 per share to \$49.74 per share. The Rescission Offer only applies to purchases made with salary deferral, employer matching, rollover or after-tax contributions, but does not apply to Discretionary Contributions or Company Contributions (as shown on your Transaction Statement).

Our common stock is listed on the NASDAQ National Market under the symbol COST. The closing sale price of our common stock on July \_\_, 2005 was \$\_\_\_\_. Our principal executive offices are located at 999 Lake Drive, Issaquah, Washington 98027, and our telephone number is (425) 313-8100.

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YOU ARE NOT REQUIRED TO ACCEPT THE RESCISSION OFFER. IF YOU ELECT TO ACCEPT THE RESCISSION OFFER FOR SHARES THAT CONTINUE TO BE HELD IN THE 401(K) PLAN, YOU MUST TENDER TO COSTCO WHOLESALE CORPORATION ALL OF YOUR COSTCO WHOLESALE COMMON STOCK THAT YOU HOLD THAT WAS PURCHASED ON YOUR BEHALF WITH SALARY DEFERRAL, EMPLOYER MATCHING, ROLLOVER OR AFTER-TAX CONTRIBUTIONS UNDER THE 401(K) PLAN FROM NOVEMBER 16, 2003 THROUGH NOVEMBER 15, 2004. IF YOUR ACCEPTANCE IS NOT RECEIVED IN GOOD ORDER BY [EXPIRATION DATE], YOU WILL BE DEEMED BY COSTCO WHOLESALE CORPORATION TO HAVE REJECTED THE RESCISSION OFFER. NO EXTENSIONS WILL BE GRANTED.

The Rescission Offer will expire 30 days from the date of this prospectus at the close of business on [expiration date], the expiration date. The shares of Costco Wholesale common stock subject to the Rescission Offer may not have been registered under the Securities Act of 1933 in a timely manner. These shares have now been registered by means of the Registration Statement on Form S-3 of which this prospectus forms a part. Accordingly, whether or not you accept this Rescission Offer, shares of common stock that you may own are now properly registered effective as of the date of this prospectus. We have not retained an underwriter in connection with the Rescission Offer.

**AN INVESTMENT IN OUR COMMON STOCK INVOLVES RISKS AND UNCERTAINTIES DESCRIBED IN THE SECTION ENTITLED RISK FACTORS BEGINNING ON PAGE 5.**

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**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.**

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The date of this prospectus is \_\_\_\_\_, 2005

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APPENDIX A: ACCEPTANCE FORM A

For Participants Who Hold Shares in their 401(k) Plan Account or Who

Have a 401(k) Plan Account and

Sold Shares in that Account A-1

APPENDIX B: ACCEPTANCE FORM B

For Participants Who Took a Distribution from the 401(k)

Plan B-1

You should rely on the information contained in this prospectus. We have not authorized anyone to provide you with information different from that contained or incorporated by reference in this prospectus. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of the shares of common stock. In this prospectus, Costco, Costco Wholesale, we, us and our refer to Costco Wholesale Corporation.





[Costco Wholesale Corporation Letterhead]

**NOTICE AND SUMMARY**

\_\_\_\_\_, 2005

Dear Current or Former 401(k) Plan Participant:

This letter and the accompanying document called a Prospectus contain important information.

Costco Wholesale Corporation is sending you these materials because you are a current or former participant in the Costco Wholesale Corporation 401(k) Retirement Plan and you purchased Costco Wholesale Corporation common stock in your 401(k) Plan account during the period from November 16, 2003 through November 15, 2004. We are offering to buy back this common stock at the original purchase price, less dividends received, plus interest, and/or reimburse you or your 401(k) Plan account for losses you may have incurred if you already sold the stock. This offer is called a Rescission Offer.

We are making the Rescission Offer because our common stock may not have been registered under the federal securities laws in a timely manner.

The following questions and answers may help you in determining whether you should accept the Rescission Offer.

1. DO YOU STILL OWN STOCK THAT YOU PURCHASED IN YOUR 401(K) PLAN ACCOUNT WITH SALARY DEFERRAL, EMPLOYER MATCHING, ROLLOVER OR AFTER-TAX CONTRIBUTIONS DURING THE PERIOD FROM NOVEMBER 16, 2003 THROUGH NOVEMBER 15, 2004? If yes, go to Question 3. If no, go to Question 2. If you both still hold some stock and sold some stock, see both Question 2 and 3.
  
2. DID YOU SELL THE STOCK AT A LOSS? If yes, you should consider accepting the Rescission Offer so that you can be compensated for your loss. If no, you should not accept the Rescission Offer since no compensation is available to you for the stock you sold.
  
3. DO YOU WANT US TO BUY YOUR STOCK ON [EXPIRATION DATE], WHICH IS THE EXPIRATION DATE OF THE RESCISSION OFFER? If yes, accept the Rescission Offer and we will buy your stock at your purchase price, less dividends received, plus 10% interest. Note: If your aggregate purchase price less dividends received, plus interest on that amount, for all purchases during the Rescission Period is less than the market value of the stock on the expiration date of the Rescission Offer, then you will be deemed to have rejected the Rescission Offer. If you do not want us to buy your stock, you do not need to accept the Rescission Offer or take

any action.

If you accept the Rescission Offer, you will be unable to conduct any transactions involving Costco Wholesale common stock within your 401(k) Plan account for a period of three business days after [expiration date] (the expiration date of the Rescission Offer), while we perform the administrative tasks required to give effect to the rescission. See "NOTICE OF BLACKOUT PERIOD " and "RISK FACTORS" for more information.

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To help you further understand this offer, you will find the following information contained in this package after this letter:

- A. SUMMARY: This summary is intended to give you a broad overview of what is happening and how the offer may affect you.
- B. PROSPECTUS: This document contains information to help you decide whether or not you should accept the Rescission Offer. This Prospectus is composed of the following parts:
- ( RISK FACTORS: This section provides a discussion of some of the risks and uncertainties involved in investing in our stock and in accepting or rejecting this Rescission Offer.
  - ( QUESTIONS AND ANSWERS: This part of the Prospectus will answer how the offer works, how to accept the offer, how to reject the offer, what effect accepting the offer will have on you, information if you no longer have a 401(k) Plan account and how to get more information.
  - ( MORE INFORMATION: This part will tell you where you can go to get more information, documents that are made part of the Prospectus and information on Costco Wholesale Corporation and the price of its common stock.
  - 1 RESCISSION OFFER: This part provides detail about the offer itself.
  - ( APPENDIX A: Acceptance Form A: This is the form that you will use if you are a current participant in the 401(k) Plan and want to accept the Rescission Offer and you still hold shares in the 401(k) Plan or sold those shares at a loss, or if you are a former employee who still has an account in the 401(k) Plan.
  - ( APPENDIX B: Acceptance Form B: This is the form that you will use only if you are a former employee and (i) took a distribution in stock certificates, either as a rollover to an IRA or another eligible retirement plan or directly to you, and you want to accept the Rescission Offer or (ii) you took a cash distribution, either as a rollover to an IRA or another eligible retirement plan or directly to you, and shares were sold at a loss prior to that distribution.
- C. TRANSACTION STATEMENT: This Statement shows your transactions (such as purchases, sales and/or distributions) involving Costco Wholesale common stock in your 401(k) Plan account during the period and may not reflect the current balance in your account. Your Transaction Statement will help you determine if you are entitled to any payment under this Rescission Offer. To determine the purchase price of the shares of Costco Wholesale common stock purchased during the period, look at the section of the Transaction Statement headed "Transaction Detail," and under the column headed "Growth", find the heading "Costco Stock". Purchases will be shown as Contributions, Loan Repayments, Exchanges In, and Credits. Sales will be shown as an Exchange Out, Loan Withdrawal, Fee, Debit or Other Withdrawal. Sales after November 16, 2004 will not be shown on this Transaction Statement and you should consult T. Rowe Price for sale price information.

If you accept the Rescission Offer, you must accept with respect to all shares held by you, in your 401(k) account (or in a rollover account) that are subject to the Rescission Offer. Accordingly, if the aggregate repurchase price (less dividends received plus interest) of Costco Wholesale

common stock you

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would receive is less than the aggregate market value of those shares (based on the closing price of the common stock on the NASDAQ National Market on the date the Rescission Offer expires), your acceptance of the Rescission Offer will be rejected.

THE RESCISSION OFFER DEADLINE IS [EXPIRATION DATE]. IF YOU WANT TO ACCEPT THE RESCISSION OFFER, YOUR ACCEPTANCE FORM AND ALL OTHER REQUIRED DOCUMENTATION MUST BE **RECEIVED** AT THE ADDRESS INDICATED ON THE APPLICABLE ACCEPTANCE FORM ON OR BEFORE THIS DEADLINE.

We encourage you to read the entire Prospectus for complete information. If you still have questions after reading this material, please call T. Rowe Price at 1-800-922-9945 between the hours of 7:00 a.m. and 10:00 p.m. (Eastern Time), Monday through Friday. If you are a former employee who no longer has a 401(k) Plan account, you may call Costco Wholesale at 1-800-284-4882 between the hours of 8:30 a.m. and 4:30 p.m. (Pacific Time), Monday through Friday, with any questions concerning the Rescission Offer.

Very truly yours,

Richard. A. Galanti

Executive Vice President and

Chief Financial Officer

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

## SUMMARY

This following summary is provided to give a brief overview of the Rescission Offer. Specific details of the offer are contained in the Prospectus. If there is any conflict between this summary and the information presented in the Prospectus, the Prospectus will govern.

## WHAT HAPPENS IF YOU ACCEPT THE RESCISSION OFFER?

1. IF YOU ARE AN ACTIVE OR FORMER EMPLOYEE OF COSTCO WHOLESALE CORPORATION WHO HAS A COSTCO WHOLESALE CORPORATION 401(K) RETIREMENT PLAN ACCOUNT BALANCE,

( and YOUR 401(K) PLAN ACCOUNT STILL HOLDS SHARES of our common stock that you purchased from November 16, 2003 through November 15, 2004 (the Period) with salary deferral, employer matching, rollover or after-tax contributions in your 401(k) Plan account, then we will repurchase those shares in exchange for a cash deposit to your 401(k) Plan account in the amount of your original purchase price of those shares, less dividends received, plus interest. The deposit will be invested in your 401(k) Plan account according to the same investment instructions you have on file for new contributions with T. Rowe Price.

However, if the aggregate purchase price of the shares to be repurchased, less dividends received, plus interest would be less than the fair market value of Costco Wholesale common stock on the date the Rescission Offer expires, we will deem you to have rejected the offer; or

( YOU SOLD SHARES of our common stock in the 401(k) Plan prior to the expiration date of the Rescission Offer that you purchased during the Period with salary deferral, employer matching, rollover or after-tax contributions at a loss (resulting from a transfer from Costco Wholesale common stock to another fund, a cash distribution from the 401(k) Plan, or taking a loan from the 401(k) Plan), then we will make a cash deposit to your 401(k) Plan account for the difference between (a) the original purchase price of those shares and (b) the sale price of those shares, less dividends received, plus interest, and the deposit will be invested in your 401(k) Plan account according to the same investment instructions you have on file for new contributions with T. Rowe Price.

You may still hold some shares and have sold some shares, in which case both of the above situations will apply to you.

2. IF YOU ARE A FORMER EMPLOYEE WHO NO LONGER HAS A 401(K) PLAN ACCOUNT, BUT WHO PURCHASED COSTCO WHOLESALE COMMON STOCK FROM NOVEMBER 16, 2003 THROUGH NOVEMBER 15, 2004 WITH SALARY DEFERRAL, EMPLOYER MATCHING, ROLLOVER OR AFTER-TAX CONTRIBUTIONS IN YOUR 401(K) PLAN ACCOUNT,

( and YOU ROLLED OVER OR TOOK A DISTRIBUTION OF THOSE SHARES OF OUR COMMON STOCK FROM THE 401(K) PLAN and you (or your IRA or eligible retirement plan) requested that T. Rowe Price send you stock certificates for the shares of our common stock you purchased during the

Period and YOU STILL HOLD SOME OR ALL OF THE SHARES, then we will repurchase those shares in exchange for a cash payment directly to you (or your IRA or eligible retirement plan) for your original purchase price of those shares, less dividends received, plus interest.

However, if the aggregate purchase price of the shares to be repurchased, less dividends received, plus interest would be less than the fair market value of Costco Wholesale Corporation common stock on the date the Rescission Offer expires, we will deem you to have rejected the offer.

( YOU ROLLED OVER OR TOOK A DISTRIBUTION OF SOME OR ALL OF THOSE SHARES OF OUR COMMON STOCK FROM THE 401(K) PLAN and received stock certificates for the shares purchased during the Period and YOU HAVE SINCE SOLD THOSE SHARES AT A LOSS, then we will make a cash payment directly to you (or your IRA or your eligible retirement plan) equal to the difference between (a) the original purchase price of those shares and (b) the sale price of those shares, less dividends received, plus interest.

YOU ROLLED OVER OR TOOK A DISTRIBUTION FROM THE 401(K) PLAN AND SOLD THOSE SHARES OF COSTCO WHOLESALE COMMON STOCK PRIOR TO TAKING THE DISTRIBUTION, OR YOU INSTRUCTED T. ROWE PRICE TO SELL THE STOCK AND DISTRIBUTE CASH TO YOU OR YOUR IRA OR ELIGIBLE RETIREMENT PLAN AND SOME OR ALL OF THOSE SHARES OF COSTCO WHOLESALE COMMON STOCK WERE SOLD AT A LOSS, then we will make a cash payment directly to you equal to the difference between (a) the original purchase price of those shares and (b) the sale price of those shares, less dividends received, plus interest.

You may still hold some shares and have sold some shares, in which case both of the above situations will apply to you.

#### **WHAT HAPPENS IF YOU DO NOT ACCEPT THE RESCISSION OFFER?**

If you do not accept the Rescission Offer, this operates as a rejection of the offer. There will be no change in your 401(k) Plan account. You do not need to take any action. The shares of Costco Wholesale common stock will remain in your 401(k) Plan account and this Rescission Offer will not affect your ability to sell these shares or any of your rights with respect to Costco Wholesale common stock.

Our primary purpose in making the rescission offer is to extinguish or reduce our contingent liabilities under federal and state securities laws. It is unclear whether our rescission offer will extinguish our liability, if any, for our potential securities law violations. Whether our rescission offer will extinguish our contingent liability depends in part on whether a court or the SEC would view acceptance or non-acceptance of our rescission offer as a waiver precluded by applicable federal or state securities laws. The staff of the SEC takes the position that a person's federal right of rescission may survive a rescission offer. Nevertheless, there have been certain instances in which a court has indicated that non-acceptance of a rescission offer could terminate a company's liability for rescission damages under federal law. Each person is urged to consider this possibility with respect to our rescission offer. Generally, the statute of limitations for non-compliance with the requirement to register securities under the federal securities laws is one year and non-compliance with the requirement to provide proper disclosure is five years (reduced to two years after the discovery of the facts constituting the violation). Statutes of limitations under state

laws vary by state, with the limitation time period under many state statutes typically not beginning until the facts giving rise to a violation are known. We may assert, among other defenses, in any litigation initiated by a person eligible to participate in this rescission offer who accepts or rejects the rescission offer, that such person is estopped from asserting such claims. Our rescission offer is not an admission that we did not comply with federal securities registration requirements or federal and state disclosure requirements nor is it a waiver by us of any applicable statute of limitations.

The above discussion relates primarily to your potential rescission rights and does not address in detail the antifraud provisions of applicable federal and state securities laws or rights under common law or equity.



## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This prospectus and our filings with the Securities and Exchange Commission (SEC) include forward-looking information, which is subject to the safe harbor created by Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. We may make forward-looking statements in other SEC filings, press releases, news articles, conference calls with Wall Street analysts and shareholders and when we are speaking on behalf of Costco Wholesale Corporation. Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts. Often, they include the words believe, expect, anticipate, intend, plan, estimate, project, or v similar meaning, or future or conditional verbs such as will, would, should, could, or may. These forward-looking statements are intended to provide investors with additional information with which they may assess our future potential. All of these forward-looking statements are based on assumptions about an uncertain future and are based on information available at the date such statements are issued. We do not undertake to update forward-looking statements to reflect facts, circumstances, assumptions or events that occur after the date the forward-looking statements are made. There are numerous risks and uncertainties that could and will cause actual results to differ materially from those discussed in our forward-looking statements. Many of these factors are beyond our ability to control or predict and could have a material adverse effect on our stock price, financial condition, and results of operations or prospects. Such risks and uncertainties include, but are not limited to, the following factors:

- domestic and international economic conditions, including exchange rates,
- the effects of competition and regulation,
- consumer and small business spending patterns and debt levels,
- conditions affecting the acquisition, development, ownership or use of real property,
- actions of vendors,
- rising costs associated with employees (including health care and workers' compensation costs), and
- geopolitical conditions.

## RISK FACTORS

In deciding whether to accept or reject the Rescission Offer, you should consider the following risks in addition to the risks discussed in our periodic reports with the SEC, including our Annual Report on Form 10-K for the fiscal year ended August 29, 2004, which are incorporated in this prospectus by reference, as well as the other matters discussed in this document.

## RISKS RELATED TO THIS RESCISSION OFFER

**We may continue to have potential liability even after this Rescission Offer is made owing to our issuances of securities in possible violation of securities laws.**

The sale of shares of our common stock within the 401(k) Plan were not exempt from registration under federal securities laws. As a result, we may have failed to comply with the registration requirements of federal securities laws because we did not register all these stock issuances under federal securities laws.

We are making this Rescission Offer to all those persons who purchased shares of common stock with salary deferral, employer matching, rollover or after-tax contributions within the 401(k) Plan from November 16, 2003 through November 15, 2004. The Rescission Offer is being made pursuant to a

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registration statement filed under the Securities Act of 1933. The federal securities laws do not expressly provide that a Rescission Offer will terminate a purchaser's right to rescind a sale of stock that was not registered under the federal securities laws as required. The staff of the SEC has taken the position that a person's federal right of rescission may survive a rescission offer. If a person accepts the rescission offer, we believe our potential liability to that person will be eliminated. If any offerees reject or fail to respond to the Rescission Offer, we may continue to be potentially liable under the Securities Act to those offerees for the purchase price of their shares which may not have been issued in compliance with this Act. The aggregate purchase price of shares subject to the Rescission Offer was \$51,975,996. Based on estimates using the current market price of our Common Stock, we believe that approximately 10% of participants will have a claim under the Rescission Offer and that any liability resulting from the failure to register the stock issuances subject to the Rescission Offer is not material to our results of operations. However, the Rescission Offer will not prevent regulators from pursuing enforcement actions or imposing penalties and fines against us with respect to any violations of securities laws.

**Your federal right of rescission may not survive if you affirmatively reject or fail to accept the Rescission Offer.**

If you reject or fail to accept the Rescission Offer, it is unclear whether or not your federal right of rescission will remain preserved. The staff of the SEC takes the position that a person's federal right of rescission may survive the Rescission Offer. However, federal courts in the past have ruled that a person who rejects or fails to accept a Rescission Offer is precluded from later seeking similar relief.

The above discussion relates primarily to your potential rescission rights and does not address in detail the antifraud provisions of applicable federal securities laws or rights under state securities laws, common law or equity. The purchases subject to this Rescission Offer were made by residents of more than 36 states. Costco believes that all the sales of shares of its common stock which are the subject of the Rescission Offer were exempt from registration under the laws of such states and that no violation of state securities laws occurred in connection with such sales. Costco also believes that this Rescission Offer is exempt from registration under the laws of such states and thus need not comply with the laws of such states regulating such offers. Thus, Costco does not make any representation as to the compliance of this Rescission Offer with state law. However, under state law, acceptance or rejection of the Rescission Offer may preclude you from maintaining an action against Costco in connection with the shares of Costco common stock purchased during the Period. You may wish to consult with an attorney regarding all of your legal rights and remedies before deciding whether or not to accept the Rescission Offer.

**If you accept the Rescission Offer, you will not be permitted to conduct any transactions involving Costco Wholesale common stock within your 401(k) account for three business days following the expiration date of the Rescission Offer.**

Since you will not be permitted to conduct any transactions with respect to Costco Wholesale common stock in your 401(k) account during this period, you will be subject to the risk that due to events in the securities markets, the value of your account could significantly decline during this period and you would not be able to make transfers to avert this result. In addition, any funds you receive for the sale of shares of Costco Wholesale common stock in the Rescission Offer will not be deposited into your 401(k) account for three business days following the expiration date of the Rescission Offer. These funds will be allocated to your account in accordance with your current investment instructions. If your instructions include an allocation to Costco Wholesale common stock, you will be subject to the risk that Costco Wholesale common stock could increase in value prior to the reinvestment of funds in your account, resulting in a loss of value in your 401(k) account. See "NOTICE OF BLACKOUT PERIOD" for additional information.

## QUESTIONS AND ANSWERS ABOUT OUR RESCISSION OFFER

The questions and answers that follow are divided into six major sections:

1. How the Rescission Offer Works
2. Accepting the Rescission Offer
3. Rejecting the Rescission Offer
4. Effect of Accepting the Rescission Offer
5. Special Information for Former Participants Who No Longer Have a 401(k) Plan Account
6. How to Get More Information

### SECTION 1: HOW THE RESCISSION OFFER WORKS

**Q1: WHY IS COSTCO WHOLESALE CORPORATION CONDUCTING THIS RESCISSION OFFER?**

**A1:** Costco Wholesale Corporation is conducting this Rescission Offer because shares of Costco Wholesale common stock that were purchased on your behalf with salary deferral, employer matching, rollover or after-tax contributions under the 401(k) Plan between November 16, 2003 through November 15, 2004 may not have been registered under the Securities Act of 1933 in a timely manner. We may be potentially liable under the Securities Act to 401(k) Plan participants for the purchase price of their Costco Wholesale shares if those shares were not issued in compliance with the Securities Act, and we believe that this Rescission Offer will reduce our potential liability under the Securities Act. Additionally, on November 16, 2004, we registered the shares of Costco Wholesale common stock to be purchased on your behalf in the future with salary deferral, employer matching, rollover or after-tax contributions under the 401(k) Plan from that date forward.

**Q2: DOES THE RESCISSION OFFER EXTEND TO SHARES THAT I PURCHASED OTHER THAN WITH SALARY DEFERRAL, EMPLOYER MATCHING, ROLLOVER OR AFTER-TAX CONTRIBUTIONS OR OTHERWISE OUTSIDE OF THE 401(K) PLAN?**

**A2:** No. This Rescission Offer does not apply to shares of Costco Wholesale common stock that you may have purchased with money other than salary deferral, employer matching, rollover or after-tax contributions or outside of the 401(k) Plan. For example, it does not extend to shares purchased with Discretionary Contributions or Company Contributions (as shown on the accompanying Transaction Statement), to purchases you may have made through your broker, mutual funds, exercises of stock options or the

dividend reinvestment plan.

Q3: MAY I ACCEPT THE RESCISSION OFFER FOR ONLY A PORTION OF THE SHARES I OWN AND THAT WERE PURCHASED WITH MY SALARY DEFERRAL, EMPLOYER MATCHING, ROLLOVER OR AFTER-TAX

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CONTRIBUTIONS TO THE 401(K) PLAN BETWEEN NOVEMBER 16, 2003 THROUGH NOVEMBER 15, 2004?

A3: No. If you accept the Rescission Offer, then you must accept the offer for all of the shares of Costco Wholesale common stock that you still hold that were purchased on your behalf with salary deferral, employer matching, rollover or after-tax contributions under the 401(k) Plan during this Period. See Section 4 of these Questions and Answers to understand how your acceptance of the Rescission Offer will affect you.

**SECTION 2: ACCEPTING THE RESCISSION OFFER**

Q4: HOW DO I ACCEPT THIS RESCISSION OFFER?

A4: If you are a current 401(k) Plan participant, or are no longer an employee but still have a 401(k) Plan account, you must complete and submit Acceptance Form A (Appendix A, page A-1), and we must receive the Acceptance Form, by [expiration date] to accept the Rescission Offer.

If you are a former 401(k) Plan participant (or beneficiary) and you or your IRA or eligible retirement plan received a distribution from the 401(k) Plan in the form of Costco Wholesale common stock, you must complete and submit the following forms and documentation, and we must receive them, by [expiration date] in order for the Rescission Offer to be validly accepted:

ACCEPTANCE FORM B (Appendix B, page B-1),

Substitute Form W-9 (as described in the Instructions to Acceptance Form B); and

One of the three following options, depending on your individual circumstances:

1. The stock certificate (if you have not sold the shares that you received in the distribution), signed by the owner(s) with a Medallion Signature Guarantee (from a bank or a broker) or accompanied by a stock power with a Medallion Signature Guarantee;
2. Documentation of the date and price of the sale of Costco Wholesale common stock, such as a broker's confirmation or monthly account statement (if you have sold all of the shares that you received in the distribution); or
3. The stock certificate for the shares that you did not sell, signed by the owner(s) with a Medallion Signature Guarantee or accompanied by a stock power with a Medallion Signature Guarantee, AND documentation of the date and price of the sale of Costco Wholesale common stock, such as a broker's confirmation (if you sold some, but not all, of the shares that you received in the distribution).

Q5: MAY I STILL ACCEPT THIS RESCISSION OFFER IF I PREVIOUSLY HAVE SOLD SOME OR ALL OF THE SHARES OF COSTCO WHOLESALE COMMON STOCK THAT WERE PURCHASED DURING THE PERIOD FROM NOVEMBER 16, 2003 THROUGH NOVEMBER 15, 2004?

A5: Yes. If you have already sold some or all of the shares of Costco Wholesale common stock that were purchased on your behalf with salary deferral, employer matching, rollover or after-tax contributions under the 401(k) Plan during the period from November 16, 2003 through November 15, 2004, and if you sold any of the shares for less than the purchase price, you may accept this Rescission Offer with respect to shares you still hold and with respect to any shares you may have sold at a loss.

The Rescission Offer is not applicable to the shares of Costco Wholesale common stock that were purchased during this Period if the shares have been sold for more than the purchase price. However, if you have sold shares at a gain but have also sold shares at a loss, you may still accept the Rescission Offer with respect to the shares sold at a loss.

Q6: WHERE DO I SEND MY ACCEPTANCE OF THE RESCISSION OFFER?

A6: If you are a current participant in the Costco 401(k) Plan, or a former employee who has maintained an account in the 401(k) Plan, ACCEPTANCE FORM A, including all supporting documents, should be returned to:

By Mail:

T. Rowe Price Retirement Plan Services

Mail Code: OM-4302

P.O. Box 17215

Baltimore, MD 21297-1215

By Overnight Delivery:

T. Rowe Price Retirement Plan Services

Mail Code: OM-4302

4515 Painters Mill Road

Owings Mills, Maryland 21117-4093

If you are a former employee who no longer has an account in the 401(k) Plan, ACCEPTANCE FORM B, including all supporting documents, should be returned to:

Costco Wholesale Corporation

Edgar Filing: COSTCO WHOLESALE CORP /NEW - Form S-3/A

999 Lake Drive

Issaquah, WA 98027

Attn: Employee Benefits Department

You must send your originally signed acceptance forms and other required documents by United States postal service or other recognized overnight mail delivery service. **If you are sending us stock certificates, we strongly recommend that you send the form and accompanying documents by registered or certified mail with return receipt requested.** We will not accept acceptance forms by fax or scanned acceptance forms sent as e-mail attachments.

**In order for your acceptance of the Rescission Offer to be considered, we must receive all required forms and documents no later than the close of business on [expiration date], the expiration date of the Rescission Offer.**



Q7: WHAT IF I CHANGE MY MIND AFTER ACCEPTING THE RESCISSION OFFER?

A7: You may not change your election to accept the Rescission Offer after the expiration date, [expiration date]. However, if, prior to that date, you send your acceptance of the Rescission Offer and subsequently decide that you would prefer to reject the Rescission Offer, then you may reject the Rescission Offer by sending a written notice to:

If you originally sent ACCEPTANCE FORM A:

By Mail:

T. Rowe Price Retirement Plan Services

Mail Code: OM-4302

P.O. Box 17215

Baltimore, MD 21297-1215

By Overnight Delivery:

T. Rowe Price Retirement Plan Services

Mail Code: OM-4302

515 Painters Mill Road

Owings Mills, Maryland 21117-4093

If you originally sent ACCEPTANCE FORM B:

Costco Wholesale Corporation

999 Lake Drive

Issaquah, WA 98027

Attn: Employee Benefits Department

## Edgar Filing: COSTCO WHOLESALE CORP /NEW - Form S-3/A

Your rejection notice must include the plan name (Costco Wholesale Corporation 401(k) Retirement Plan), your name, your social security number and a clear indication that you are rejecting the Rescission Offer and must be received at the above address no later than [expiration date].

Q8: WHAT IS THE DEADLINE FOR ACCEPTING THE RESCISSION OFFER?

A8: We must RECEIVE your acceptance, including all completed and signed forms and supporting documentation, no later than the close of business on [expiration date]. This deadline is not flexible. If you do not submit an acceptance of the offer, or if all forms and documentation required to accept the offer are not received by [expiration date], then you will be automatically deemed to have rejected the Rescission Offer.

### **SECTION 3: REJECTING THE RESCISSION OFFER**

Q9: HOW DO I REJECT THE RESCISSION OFFER?

A9: You need not do anything to reject the Rescission Offer. Simply let the offer expire. You need not contact us to reject the Rescission Offer.

Q10: AM I OBLIGATED TO ACCEPT THE RESCISSION OFFER?

A10: No. You are not obligated in any way to accept the Rescission Offer.

Q11: WHAT ARE THE CONSEQUENCES TO ME IF I DO NOT ACCEPT THE RESCISSION OFFER?

A11: There will be no change in your 401(k) Plan account. The shares of Costco Wholesale stock will remain in your 401(k) Plan account, and the Rescission Offer will not affect your ability to sell these shares or any of your rights as a stockholder of Costco Wholesale (for example, your right to receive dividends declared by the Board of Directors, to vote your shares or to receive distributions in the event of liquidation of Costco Wholesale).

Our primary purpose in making the rescission offer is to extinguish or reduce our contingent liabilities under federal and state securities laws. It is unclear whether our rescission offer will extinguish our liability, if any, for our potential securities law violations. Whether our rescission offer will extinguish our contingent liability depends in part on whether a court or the SEC would view acceptance or non-acceptance of our rescission offer as a waiver precluded by applicable federal or state securities laws. The staff of the SEC takes the position that a person's federal right of rescission may survive a rescission offer. Nevertheless, there have been certain instances in which a court has indicated that non-acceptance of a rescission offer could terminate a company's liability for rescission damages under federal law, and this same result could apply to claims under various state laws. Each person is urged to consider this possibility with respect to our rescission offer. Generally, the statute of limitations for non-compliance with the requirement to register securities under the federal securities laws is one year and non-compliance with the requirement to provide proper disclosure is five years (reduced to two years after the discovery of the facts constituting the violation). Statutes of limitations under state laws vary by state, with the limitation time period under many state statutes typically not beginning until the facts giving rise to a violation are known. We may assert, among other defenses, in any litigation initiated by a person eligible to participate in this Rescission Offer who accepts or rejects the rescission offer, that such person is estopped from asserting such claims. Our Rescission Offer is not an admission that we did not comply with federal securities registration requirements or federal and state disclosure requirements nor is it a waiver by us of any applicable statute of limitations.

The above discussion relates primarily to your potential rescission rights and does not address in detail the antifraud provisions of applicable federal and state securities laws or rights under common law or equity.

#### **SECTION 4: EFFECT OF ACCEPTING THE RESCISSION OFFER**

Q12: WHAT WILL I RECEIVE IF I ACCEPT THE RESCISSION OFFER?

A12: If you accept the Rescission Offer, and if you have not transferred the value of applicable Costco Wholesale common stock to other investment funds under the 401(k) Plan (if you have made a transfer, see below), a two-step process will occur:

First, your 401(k) Plan account will be reduced by the number of shares of Costco Wholesale common stock that were purchased on your behalf with salary deferral, employer matching, rollover or after-tax contributions in the 401(k) Plan during the relevant time period.

Second, your 401(k) Plan account will be credited with an amount based on your purchase price of the applicable Costco Wholesale common stock purchased, less dividends received, plus interest. The amount credited to your 401(k) Plan account will be reinvested pursuant to your current investment elections for new contributions.

**Q13: WHAT WILL I RECEIVE IF I TRANSFERRED THE VALUE OF THE COSTCO WHOLESALE COMMON STOCK PURCHASED DURING THE PERIOD TO OTHER INVESTMENT FUNDS UNDER THE 401(K) PLAN, SO THAT I NO LONGER HAVE COSTCO WHOLESALE COMMON STOCK IN MY ACCOUNT?**

**A13:** If you realized a gain upon the sale of all shares purchased during the Period, then you are not eligible to accept the Rescission Offer. If you realized losses upon the sale of some or all of the shares purchased during the Period, then if you accept the Rescission Offer, your 401(k) Plan account will be credited with an amount based on the price paid for the applicable Costco Wholesale common stock less dividends received on such shares, minus an amount attributable to the price at which you sold your shares for purposes of transferring the value of Costco Wholesale common stock to other investment funds, plus interest. The amount credited to your 401(k) Plan account will be reinvested pursuant to your current investment elections for new contributions.

**Q14: WHAT WILL I RECEIVE IF I TRANSFERRED SOME OF THE VALUE OF THE COSTCO WHOLESALE COMMON STOCK TO OTHER INVESTMENT FUNDS UNDER THE 401(K) PLAN, BUT STILL HAVE SOME OF THE COSTCO WHOLESALE COMMON STOCK IN MY 401(K) PLAN ACCOUNT?**

**A14:** If you accept the Rescission Offer, and if you transferred some but not all of the value of the Costco Wholesale common stock purchased during the Period with salary deferral, employer matching, rollover or after-tax contributions to other investment funds and the aggregate purchase price of the share you still hold, less dividends received plus interest is greater than the fair market value of those shares on the date the Rescission Offer expires, then:

First, your 401(k) Plan account will be reduced by the number of shares of applicable Costco Wholesale common stock that remain in your 401(k) Plan account.

Second, your 401(k) Plan account will be credited with an amount based on your purchase price of the applicable Costco Wholesale common stock that you still hold on the date your acceptance of the Rescission Offer is processed, less dividends received, plus interest.