

## **Certain Relationships and Transactions**

John W. Meisenbach is a principal shareholder of MCM, A Meisenbach Company. MCM provided consulting and brokerage services in managing the Company's employee benefit and member insurance programs. For these services, MCM received total compensation from third-party insurers and the Company of \$2.78 million in fiscal 2010.

Richard D. DiCerchio's brother-in-law was employed by the Company during fiscal 2010 at an annual salary of \$204,000, and received a bonus of \$42,840 and an RSU grant of 2,700 shares. James D. Sinegal's son was employed by the Company during fiscal year 2010 at an annual salary of \$263,000 and received a bonus of \$50,000 and an RSU grant of 12,500 shares. Cash bonuses were awarded under terms and conditions comparable to those applicable to other employees of the Company similarly situated. RSU grants are subject to terms and conditions affecting employees generally, including vesting over five years. Mr. Sinegal's son also received reimbursements of the type received by other expatriate officers designed to offset higher costs associated with living and working abroad. The payments related to housing, education, travel, automobile, tax preparation and tax equalization, and were in the amount of approximately \$995,000 associated with fiscal 2010. These individuals also participate in benefit plans generally available to employees. No family members of executive officers or directors are executive officers of the Company.

A company controlled by Mr. DiCerchio's wife sold merchandise to the Company for resale, for which the Company paid \$191,000.

These relationships and transactions were approved by the Audit Committee. The charter of the Audit Committee requires the Committee to review and approve all related-person transactions that are required to be disclosed under SEC Item 404(a) of Regulation S-K . There were no transactions required to be reported in this Proxy Statement since the beginning of fiscal 2010 where this policy did not require review, approval or ratification or where this policy was not followed.

## **SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Under SEC rules, the Company's directors, executive officers and beneficial owners of more than 10% of the Company's equity security are required to file periodic reports of their ownership, and changes in that ownership, with the SEC. Based solely on its review of copies of these reports and representations of such reporting persons, the Company believes that during fiscal 2010, such SEC filing requirements were satisfied, except Dr. Carson and Mr. Raikes each filed a late Form 4 related to one transaction.

### **Report of the Audit Committee**

As of October 12, 2010

To the Board of Directors of Costco Wholesale Corporation:

We have reviewed and discussed with management the Company's audited consolidated financial statements as of and for the fiscal year ended August 29, 2010.

We have discussed with the independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61, as amended, as adopted by the Public Company Accounting Oversight Board in Rule 3200T.