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May 27, 2009

James Sinegal
President, Chief Executive Officer and Director
Costco Wholesale Corporation
999 Lake Drive
Issaquah, WA 98027

Re: Food Stamps

Dear Mr. Sinegal:

Over the past several weeks, we have had ongoing discussions concerning Costco's refusal to accept food stamps, especially at your company's new East Harlem location. To be clear, my office's position is that your refusal to accept food stamps in your East Harlem store violates the Empowerment Zone benefits afforded this project.

As you are well aware, the store Costco plans to open will lie in the heart of the Upper Manhattan Empowerment Zone and was made possible by at least \$60 million in tax-exempt bonds and loans. I have personal experience with the Empowerment Zone Program and its purpose. The public monies are designed specifically to improve local communities and assist local residents, not to exclude them from being able to enjoy the ultimate benefits of the development. As such, Costco's policy of refusing to accept food stamps from the approximately 30,000 residents of East Harlem who receive food stamps violates the clear design and purpose of the community development benefits received by this project.

Costco Directly Benefits from Public Monies & Must Honor its Obligations

Costco's direct benefit from these bonds and loans is undeniable. As you know, the Upper Manhattan Empowerment Zone Development Corporation ("UMEZ") and the New York City Economic Development Corporation extended a total of \$20 million in low-interest financing to support this project. In addition, the New York City Industrial Development Agency issued \$40 million in tax-exempt bonds exclusively to fund construction of the parking garage that Costco requires to effectively serve its customers, at an estimated cost of \$10 million to New York taxpayers. Such funding is unavailable to retail establishments except when they reside in an Empowerment Zone. The purpose of the \$60 million in loans and tax-exempt bonds is to

further the Empowerment Zone mission of enhancing the well-being of distressed communities, including East Harlem. With its food stamp policy, Costco is effectively refusing to service approximately 25% of the East Harlem community it is has the responsibility to serve and benefit.

In addition, by operating in an Empowerment Zone (“EZ”), Costco’s costs will be dramatically reduced by its ability to take advantage of the EZ Employment Credit program, through which it will be eligible to receive an annual tax credit of up to \$3,000 for each Costco employee who lives and works in the Empowerment Zone. Given Costco’s obligation to ensure that at least 35% of its East Harlem workforce resides in the Upper Manhattan Empowerment Zone, and based on estimates that the East Harlem location will employ 400 workers, this amounts to up to, at a minimum, \$420,000 in tax credits annually. Over the life of a twenty year lease, this amounts to approximately \$8.4 million in EZ Employment Credits. This is on top of any tax benefits accrued through the Work Opportunity Tax Credit (“WOTC”) program, through which Costco can receive a tax credit of up to \$2,400 for each new employee between 18-39 years old who lives in the Empowerment Zone. As such, Costco is engaging in conduct that undermines a fundamental purpose of the millions of dollars in public funding that it is directly benefiting from.

There is No Legitimate Business Justification for Refusing Food Stamps

There is no justifiable business rationale for this policy. There is no cost to vendors to become participants in the food stamp program, and installation of the necessary equipment can be provided free of charge. Moreover, Costco is a \$16.84 billion company with recent quarterly net income of almost \$240 million. Thus, even if there were any administrative costs associated with accepting food stamps, they could not justify denying access to a large segment of the community Costco has a responsibility to serve. Moreover, this policy effectively deprives Costco of 30,000 potential customers who would inherently generate significant revenue for the company. The extraordinary economic benefits Costco will enjoy by being located in an Empowerment Zone obliterate any argument that acceptance of food stamps is too costly. From an economic standpoint, the company’s food stamp policy simply makes no sense.

Any purported business justification is further belied by the fact that your primary competitors, including BJ’s Wholesale and Sam’s Club, have amended their policies to accept food stamps at all of their locations nationwide, undermining any assertion that Costco’s business model cannot accommodate customers who rely on food stamps. Ironically, Costco’s insistence on refusing to service customers at the East Harlem location who use food stamps may put your company at a competitive disadvantage.

There is simply no justification for Costco’s decision to exclude thousands of New Yorkers from shopping at its new East Harlem location.

Costco’s Policy Harms the Community

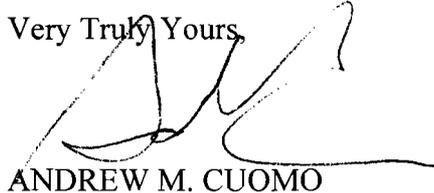
The current downturn in the economy has contributed to unprecedented participation in the Food Stamp Program known as Supplemental Nutrition Assistance Program. With the New

York City jobless rate at over 8% in February and March 2009 and some projections that it could reach above 10%, approximately 1.4 million New York City residents received food stamps in April 2009, including approximately 30,000 residents of East Harlem, the community in which the new Costco will reside. This community traditionally has fewer options in the vicinity for healthy and affordable food, and this lack of access to nutritious food has contributed to a high incidence rate of diet-related illnesses, including childhood diabetes. Providing equal access to these Empowerment Zone residents who rely on food stamps to the high quality and affordable food Costco offers could directly impact the health of this community which Costco has chosen to serve with the benefit of tax dollars. It is simply unconscionable that Costco would choose to create an additional barrier to accessing healthy foods to thousands of New Yorkers.

Moreover, the East Harlem community in which this store will be situated is a diverse community, where racial minorities comprise approximately 90% of residents. Your proposed policy will inherently affect minority residents disproportionately by denying food stamp recipients in East Harlem and similar surrounding communities access to Costco's services.

If Costco does not change its policy and agree to accept food stamps when the new store opens in East Harlem, my office will take legal action to ensure that all New York City residents have equal access to the facility, regardless of race, ethnicity, or use of food stamp benefits and also seek repayment of the Empowerment Zone benefits violated by this refusal to serve the community.

Very Truly Yours,

A handwritten signature in black ink, appearing to read 'AMC', with a long horizontal flourish extending to the right.

ANDREW M. CUOMO