

September 30, 2012

VIA EMAIL

Office of Chief Counsel  
Division of Corporation Finance  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549  
Email address: [shareholderproposals@sec.gov](mailto:shareholderproposals@sec.gov)

**Re: Shareowner Proposal of Myra K. Young to Costco Wholesale Corporation**

Dear Sir or Madam:

I am writing in response to the September 21, 2012 letter (the “Costco Letter”) submitted to the Commission by Mr. John Sullivan on behalf of Costco Wholesale Corporation (“Costco” or the “Company”), which expresses the Company’s intention to omit from its proxy statement for the 2013 annual meeting, an amended shareowner proposal (the “Proposal”) submitted to Costco by me on behalf of Myra K. Young. The Proposal requests the Costco Board to hold a competition (the “Competition”) for giving advice on the voting items in the 2014 Costco proxy.

The Costco Letter cites Rules 14a-8(i)(2) (‘violation of law’), 14a-8(i)(3) (‘violation of proxy rules’) and 14a-8(i)(8) (‘relates to director elections’) as bases for its request for relief from enforcement action. Reasons are given below why I believe the Proposal may not be properly omitted under Rule 14a-8.

**Rule 14a-8(i)(2) -- ‘violation of law’**

Winners of the Competition would not be determined by chance, so the Competition is not a lottery. Winners would be chosen by shareowner vote, after the shareowners have had the opportunity to read the competitors’ proxy voting advice. The Competition would ask Costco shareowners to vote for competitors who “deserve cash awards for how they have been informing Costco shareowners”. As Costco shareowners would then be voting on the proxy items, and shareowners often seek proxy voting advice, we can reasonably expect that shareowners would have estimations of the value of such advice.

Costco shareowners are the beneficial owners of the Costco funds that would be paid to the Competition winners, so the prizes would be, in effect, fees paid by shareowners for the service of advising shareowners. Shareowners can reasonably be expected to allocate those fees to the advisors that gave advice that the shareowners valued more highly than that of the other competitors. Thus the selection process would be determined by these shareowner judgments, not by chance.

The Competition entry fee would compensate the Company for the advertising each entrant would receive by having its name and website URL appear in the proxy statement. If there were no entry fee, some organizations might enter just for the free advertising. That is why there is a fee. The fee is not a consideration for a chance in a lottery.

Therefore implementing the Proposal would not cause the Company to violate state law.

### **Rule 14a-8(i)(3) -- ‘violation of proxy rules’**

The Proposal defines a form of proxy that would give Costco shareowners an opportunity to specify by boxes a choice between approval or disapproval of, or abstention with respect to, each matter it would refer to. To specify approval of awarding a prize to any competitor, a shareowner would check the box next to that competitor’s name. To specify disapproval of awarding a prize to any competitor, a shareowner would leave blank the box next to that competitor’s name. To specify abstention from voting in the Competition, a shareowner would leave all its boxes blank. So the Proposal would not be contrary to Rule 14a-4(b)(1).

If the Costco Board is nonetheless concerned that Costco shareowners should be offered a more explicit option to specify abstention, the Proposal does not forbid the Board from adding a check-box to enable a shareowner to further clarify that they are abstaining.

Similarly, if Costco would prefer that such a check-box be specified by amending the Proposal, we would be willing to amend the third bullet point to become:

- Winners would be determined by shareowner vote on the Costco 2014 proxy. The Costco Board would include this voting item in that proxy: “Which of the following proxy advisors do you think deserve cash awards for how they have been informing Costco shareowners? (You may vote for as many advisors as you like. See each advisor’s website for their information for Costco shareowners.)” Then the name and website address of each advisor entered would be listed in chronological order of entry, with a check-box next to each. There would also be one check-box at the end of the list of advisors, with the words “Check this box to abstain from voting on all the above proxy advisors.” The advisor receiving the most votes would get first prize, and so on.

### **Rule 14a-8(i)(8) -- ‘relates to director elections’**

As the Costco Letter correctly states, Rule 14a-8(i)(8) as amended in 2010 provides for excluding a shareowner proposal if it “(v) [o]therwise could affect the outcome of the upcoming election of directors.” Costco’s upcoming election of directors will be in 2013, conducted via Costco’s 2013 proxy. The Proposal would not pay for proxy voting advice regarding Costco’s 2013 proxy, so it would not affect the outcome of the upcoming election of directors. Thus the Proposal can not be excluded on the basis of Rule 14a-8(i)(8)(v).

Even in Costco's subsequent election of directors in 2014 (an election which Rule 14a-8(i)(8) does not mention), the Proposal would not change the process of the election. It is merely another way of paying for proxy advice, a practise that is already pervasive in the proxy voting system.

As the Costco Letter correctly points out, it is likely that in advising on the 2014 Costco election, proxy advisors will question the competence, business judgment, or character of one or more nominees or directors. However, Rule 14a-8(i)(8)(iii) does not permit exclusion on such grounds. It only permits exclusion if *the Proposal* questions the competence, business judgment, or character of one or more nominees or directors.

The Proposal does no such thing. As mentioned above, it is merely another way of paying for proxy advice. Proxy advice is pervasive in the existing proxy voting system, and those advisors are already sometimes questioning the competence, business judgment, or character of one or more nominees or directors.

### **Conclusion**

Based on the foregoing, I respectfully request that the Commission staff not concur with the views expressed in the Costco Letter regarding exclusion of the Proposal from the Costco proxy statement. Please feel free to contact me at (604) 806-0652 with any questions, and direct responses to me via email to [mark@votermedia.org](mailto:mark@votermedia.org).

Sincerely,



Mark Latham  
Founder, VoterMedia.org

cc via email:

- John Sullivan (Costco)
- Myra K. Young (Proponent)