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UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON
SEATTLE DIVISION

JAMES JOHNSON, Individually and on
Behalf of All Others Similarly Situated,

Plaintiff,

vs.

COSTCO WHOLESALE CORPORATION,
a Washington corporation; W. CRAIG
JELINEK; and RICHARD A. GALANTI,

Defendants.

No.

COMPLAINT FOR VIOLATIONS OF THE
FEDERAL SECURITIES LAW

CLASS ACTION

JURY TRIAL DEMANDED

Plaintiff James Johnson (“Plaintiff”), by his attorneys, except for his own acts, which are based on knowledge, alleges the following based upon the investigation of counsel, which included a review of United States Securities and Exchange Commission (“SEC”) filings by Costco Wholesale Corporation (“Costco” or the “Company”), as well as regulatory filings and reports, securities analyst reports and advisories by the Company, press releases and other public statements issued by the Company, and media reports about the Company. Plaintiff believes that additional evidentiary support will exist for the allegations set forth herein after a reasonable opportunity for discovery.

I. NATURE OF ACTION

1. This is a federal securities class action on behalf of all investors who purchased or otherwise acquired Costco common stock between June 6, 2018, and October 25, 2018,

1 inclusive (the “Class Period”), seeking remedies under the Securities Exchange Act of 1934 (the
2 “Exchange Act”).

3 **II. JURISDICTION AND VENUE**

4 2. The federal law claims asserted herein arise under and pursuant to Sections 10(b)
5 and 20(a) of the Exchange Act (15 U.S.C. §§ 78j(b) and 78t(a)) and Rule 10b-5 promulgated
6 thereunder by the SEC (17 C.F.R. § 240.10b-5).

7 3. This Court has jurisdiction over the subject matter of this action pursuant to 28
8 U.S.C. § 1331, Section 27 of the Securities Act (15 U.S.C. § 78aa.). This Court has jurisdiction
9 over each Defendant named herein because each Defendant is an individual who has sufficient
10 minimum contacts with this District so as to render the exercise of jurisdiction by the District
11 Court permissible under traditional notions of fair play and substantial justice.

12 4. Venue is proper in this District pursuant to Section 27 of the Exchange Act and
13 28 U.S.C. § 1391(b) because certain of the acts alleged herein, including the preparation and
14 dissemination of material false and/or misleading information, occurred in this District.

15 **III. PARTIES**

16 5. Plaintiff James Johnson purchased Costco common stock within the Class Period
17 and, as a result, was damaged thereby. Plaintiff’s certification evidencing his transactions is
18 attached hereto as Exhibit A.

19 6. Defendant Costco is incorporated in Washington and maintains its principal
20 offices located at 999 Lake Drive, Issaquah, WA 98027. Costco’s common stock trades on the
21 NasdaqGS under the ticker symbol “COST.”

22 7. Defendant W. Craig Jelinek (“Jelinek”) was the Company’s Chief Executive
23 Officer (“CEO”), President, and Director at all relevant times.

24 8. Defendant Richard A. Galanti (“Galanti”) was the Company’s Chief Financial
25 Officer (“CFO”), Executive Vice President, and Director at all relevant times.

26 9. Defendants in paragraphs 7-8 are collectively referred to herein as the
27 “Individual Defendants.”

1 10. Each of the Individual Defendants:

2 (a) directly participated in the management of the Company;

3 (b) was directly involved in the day-to-day operations of the Company at the
4 highest levels;

5 (c) was directly or indirectly involved in drafting, producing, reviewing and/or
6 disseminating the false and misleading statements and information alleged
7 herein;

8 (d) was directly or indirectly involved in the oversight or implementation of the
9 Company's internal controls;

10 (e) was aware of or deliberately recklessly disregarded the fact that the false
11 and misleading statements were being issued concerning the Company;
12 and/or

13 (f) approved or ratified these statements in violation of the federal securities
14 laws.

15 11. Because of the Individual Defendants' positions within the Company, they had
16 access to undisclosed information about Costco's business, operations, operational trends,
17 financial statements, markets and present and future business prospects via access to internal
18 corporate documents (including the Company's operating plans, budgets and forecasts and
19 reports of actual operations and performance), conversations and connections with other
20 corporate officers and employees, attendance at management and Board meetings and
21 committees thereof and via reports and other information provided to them in connection
22 therewith.

23 12. As officers of a publicly held company whose securities were, and are, registered
24 with the SEC pursuant to the federal securities laws of the United States, the Individual
25 Defendants each had a duty to disseminate prompt, accurate and truthful information with
26 respect to the Company's financial condition and performance, growth, operations, financial
27 statements, business, markets, management, earnings and present and future business prospects,

1 and to correct any previously-issued statements that had become materially misleading or
2 untrue, so that the market price of the Company's publicly-traded securities would be based
3 upon truthful and accurate information. The Individual Defendants' misrepresentations and
4 omissions during the Class Period violated these specific requirements and obligations.

5 13. The Individual Defendants, because of their positions with the Company,
6 possessed the power and authority to control the contents of Costco's reports to the SEC, press
7 releases, and presentations to securities analysts, money and portfolio managers, and
8 institutional investors, i.e., the market. Each Individual Defendant was provided with copies of
9 the Company's reports and press releases alleged herein to be misleading prior to, or shortly
10 after, their issuance and had the ability and opportunity to prevent their issuance or cause them
11 to be corrected. Because of their positions and access to material non-public information
12 available to them, each of these defendants knew that the adverse facts specified herein had not
13 been disclosed to, and were being concealed from, the public, and that the positive
14 representations which were being made were then materially false and/or misleading. The
15 Individual Defendants are liable for the false statements pleaded herein, as those statements
16 were each "group-published" information, the result of the collective actions of the Individual
17 Defendants.

18 14. Each of the Individual Defendants are liable as a participant in a fraudulent
19 scheme and course of business that operated as a fraud or deceit on purchasers of Costco
20 common stock by disseminating materially false and misleading statements and/or concealing
21 material adverse facts. The scheme: (i) deceived the investing public regarding Costco's
22 business, operations, management and the intrinsic value of its securities and (ii) caused
23 Plaintiff and other shareholders to purchase Costco securities at artificially inflated prices.

24 **IV. SUBSTANTIVE ALLEGATIONS**

25 **A. Company Background**

26 15. Costco engages in the operation of membership warehouses in the United States
27 (U.S.) and Puerto Rico, Canada, United Kingdom (U.K.), Mexico, Japan, Australia, Spain,

1 France, Iceland and through majority-owned subsidiaries in Taiwan and Korea. As of
2 September 3, 2017, Costco operated 741 warehouses worldwide. Through the membership
3 warehouses, Costco aims at offering low prices on a limited selection of national products in
4 certain categories to produce high sales volumes and rapid inventory turnover.

5 16. On October 18, 2017, Costco filed a Form 10-K with the SEC announcing the
6 Company’s financial and operating results for the fiscal fourth quarter and fiscal year ended
7 September 3, 2017 (“2017 10-K”), which was signed and certified under the Sarbanes-Oxley
8 Act of 2002 by the Individual Defendants. Therein, Costco stated in pertinent part:

9 Item 1A—Risk Factors (Continued)

10 * * *

11 *We rely extensively on information technology to process*
12 *transactions, compile results, and manage our businesses.* Failure
13 or disruption of our primary and back-up systems could adversely
14 affect our businesses. A failure to adequately update our existing
systems and implement new systems could harm our businesses
and adversely affect our results of operations.

15 Given the very high volume of transactions we process each year it
16 is important that we maintain uninterrupted operation of our
17 business-critical computer systems. Our systems, including our
18 back-up systems, are subject to damage or interruption from power
19 outages, computer and telecommunications failures, computer
20 viruses, internal or external security breaches, catastrophic events
21 such as fires, earthquakes, tornadoes and hurricanes, and errors by
our employees. If our systems are damaged or cease to function
properly, we may have to make significant investments to fix or
replace them, and we may suffer interruptions in our operations in
the interim. Any material interruption in these systems could have
a material adverse effect on our business and results of operations.

22 * * *

23 **If we do not maintain the privacy and security of member-**
24 **related and other business information, we could damage our**
reputation with members, incur substantial additional costs,
and become subject to litigation.

25 We receive, retain, and transmit personal information about our
26 members and entrust that information to third-party business
27 associates, including cloud service providers that perform activities
for us. Our warehouse and online businesses depend upon the
secure transmission of encrypted confidential information over
public networks, including information permitting cashless

1 payments. A compromise of our security systems or those of our
2 business associates, that results in our members' information being
3 obtained by unauthorized persons, could adversely affect our
4 reputation with our members and others, as well as our operations,
5 results of operations, financial condition and liquidity, and could
6 result in litigation against us or the imposition of penalties. In
7 addition, a breach could require that we expend significant
8 additional resources related to the security of information systems
9 and could disrupt our operations.

10 The use of data by our business and our business associates is
11 regulated at the national and state or local level in all of our
12 operating countries. Privacy and information-security laws and
13 regulations change, and compliance with them may result in cost
14 increases due to necessary systems changes and the development
15 of new processes. If we or those with whom we share information
16 fail to comply with these laws and regulations, our reputation
17 could be damaged, possibly resulting in lost future business, and
18 we could be subjected to additional legal risk as a result of non-
19 compliance.

20 *Our security measures may be undermined due to the actions of*
21 *outside parties, employee error, internal or external malfeasance,*
22 *or otherwise, and, as a result an unauthorized party may obtain*
23 *access to our data systems and misappropriate business and*
24 *personal information.* Because the techniques used to obtain
25 unauthorized access, disable or degrade service, or sabotage
26 systems change frequently and may not immediately produce signs
27 of intrusion, we may be unable to anticipate these techniques,
timely discover or counter them, or implement adequate
preventative measures. Any such breach or unauthorized access
could result in significant legal and financial exposure, damage to
our reputation, and potentially have an adverse effect on our
business.

18 Emphasis added.

19 17. Regarding disclosure controls and procedures, Costco stated in relevant part:

20 **Disclosure Controls and Procedures**

21 As of the end of the period covered by this Annual Report on Form
22 10-K, we performed an evaluation under the supervision and with
23 the participation of management, including our Chief Executive
24 Officer and Chief Financial Officer, of our disclosure controls and
25 procedures (as defined in Rules 13a-15(e) or 15d-15(e) under the
26 Securities and Exchange Act of 1934 (the Exchange Act)). *Based*
27 *upon that evaluation, our Chief Executive Officer and Chief*
Financial Officer concluded that, as of the end of the period
covered by this Annual Report, our disclosure controls and
procedures are effective.

There has been no change in our internal control over financial
reporting (as defined in Rules 13a-15(f) or 15d-15(f) of the

1 Exchange Act) during our fiscal quarter ended September 3, 2017,
2 that has materially affected or is reasonably likely to materially
3 affect our internal control over financial reporting.

4 Emphasis added.

5 **B. Material Misstatements and Omissions during the Class Period**

6 18. The Class Period begins on June 6, 2018, when after the market close, Costco
7 filed a Form 10-Q with the SEC announcing the Company's financial and operating results for
8 the third fiscal quarter and nine months ended May 13, 2018 ("Q3 2018 10-Q"), which was
9 signed and certified under the Sarbanes-Oxley Act of 2002 by the Individual Defendants.

10 Therein, the Company stated in relevant part:

11 Item 4—Controls and Procedures (Continued)

12 Chief Financial Officer, of our disclosure controls and procedures
13 (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities
14 and Exchange Act of 1934 (the Exchange Act)). *Based upon that
15 evaluation, our Chief Executive Officer and Chief Financial
16 Officer concluded that, as of the end of the period covered by this
17 Quarterly Report, our disclosure controls and procedures are
18 effective.*

19 There have been no changes in our internal control over financial
20 reporting (as defined in Rules 13a-15(f) or 15d-15(f) of the
21 Exchange Act) during our most recently completed fiscal quarter
22 that have materially affected or are reasonably likely to materially
23 affect our internal control over financial reporting.

24 * * *

25 Item 1A—Risk Factors

26 In addition to the other information set forth in the Quarterly
27 Report on Form 10-Q, you should carefully consider the factors
discussed in Part I, Item 1A, "Risk Factors" in our Annual Report
on Form 10-K, for the fiscal year ended September 3, 2017. *There
have been no material changes in our risk factors from those
disclosed in our Annual Report on Form 10-K.*

28 Emphasis added.

29 19. The statements in paragraphs ¶ 18 above were materially false and/or misleading
30 because they misrepresented and failed to disclose the following adverse facts pertaining to the
31 Company's business, operations, and prospects, which were known to Defendants or recklessly
32 disregarded by them. Specifically, Defendants failed to disclose that: (i) Costco lacked effective

1 internal control over financial reporting; (ii) as a result of the foregoing, Defendants' statements
 2 about Costco's business, operations, and prospects, were false and misleading and/or lacked a
 3 reasonable basis.

4 **C. The Truth Begins to Emerge**

5 20. On October 4, 2018, Costco issued a press release, also attached as exhibit 99.1
 6 to the Form 8-K filed with the SEC announcing the Company's financial and operating results
 7 for the fourth fiscal quarter and year ended September 2, 2018 ("FY 2018 Press Release").

8 Therein, Costco stated in relevant part:

9 **COSTCO WHOLESALE CORPORATION REPORTS**
 10 **FOURTH QUARTER AND FISCAL YEAR**
 11 **2018 OPERATING RESULTS**

12 ISSAQUAH, Wash., October 4, 2018—Costco Wholesale
 13 Corporation ("Costco" or the "Company") (Nasdaq: COST) today
 14 announced its operating results for the 16-week fourth quarter and
 15 the 52-week fiscal year ended September 2, 2018.

16 Net sales for the 16-week fourth quarter were \$43.4 billion, an
 17 increase of 5.0 percent from \$41.4 billion in the 17-week fourth
 18 quarter last year. Net sales for the 52-week fiscal year were
 19 \$138.4 billion, an increase of 9.7 percent from \$126.2 billion in
 20 the 53-week fiscal year of 2017.

21 * * *

22 *While the Company is still completing its assessment of the*
 23 *effectiveness of its internal control over financial reporting as of*
 24 *September 2, 2018, in its upcoming fiscal 2018 Annual Report on*
 25 *Form 10-K, it expects to report a material weakness in internal*
 26 *control. The weakness relates to general information technology*
 27 *controls in the areas of user access and program change-*
management over certain information technology systems that
support the Company's financial reporting processes. The access
issues relate to the extent of privileges afforded users authorized
to access company systems. As of the date of this release, there
 have been no misstatements identified in the financial statements
 as a result of these deficiencies, and the Company expects to
 timely file its Form 10-K.

Remediation efforts have begun; the material weakness will not be
 considered remediated until the applicable controls operate for a

1 sufficient period of time and management has concluded, through
2 testing, that these controls are operating effectively. The Company
3 expects that the remediation of this material weakness will be
4 completed prior to the end of fiscal year 2019.

5 Emphasis added.

6 21. On this news, the price of the Company's common stock declined \$12.86 from a
7 close on October 4, 2018 at \$231.68 per share of Costco common stock, to a close on October 5,
8 2018 at \$218.82 per share of Costco common stock, *a drop of approximately 5.55%*.

9 22. On October 26, 2018, Costco filed a Form 10-K with the SEC announcing the
10 Company's financial and operating results for the fiscal fourth quarter and fiscal year ended
11 September 2, 2018 ("2018 10-K"), which was signed and certified under the Sarbanes-Oxley
12 Act of 2002 by the Individual Defendants. Therein, Costco stated in pertinent part:

13 *We identified a material weakness in internal control related to*
14 *ineffective information technology general controls (ITGCs) in*
15 *the areas of user access and program change-management over*
16 *certain information technology (IT) systems that support the*
17 *Company's financial reporting processes. Our business process*
18 *controls (automated and manual) that are dependent on the*
19 *affected ITGCs were also deemed ineffective because they could*
20 *have been adversely impacted. We believe that these control*
21 *deficiencies were a result of: IT control processes lacking*
22 *sufficient documentation such that the successful operation of*
23 *ITGCs was overly dependent upon knowledge and actions of*
24 *certain individuals with IT expertise, which led to failures*
25 *resulting from changes in IT personnel; insufficient training of*
26 *IT personnel on the importance of ITGCs; and risk-assessment*
27 *processes inadequate to identify and assess changes in IT*
environments that could impact internal control over financial
reporting. The material weakness did not result in any identified
misstatements to the financial statements, and there were no
changes to previously released financial results. Based on this
material weakness, the Company's management concluded that
at September 2, 2018, the Company's internal control over
financial reporting was not effective.

28 Emphasis added.

29 23. On this news, the price of the Company's common stock declined \$8.21 from a
30 close on October 25, 2018 at \$226.40 per share of Costco common stock, to a close on October
31 26, 2018 at \$218.19 per share of Costco common stock, *a drop of approximately 3.63%*.

1 **V. ADDITIONAL SCIENTER ALLEGATIONS**

2 24. As alleged herein, Defendants acted with scienter in that they knew that the
3 public documents and statements issued or disseminated in the name of the Company were
4 materially false and misleading; knew that such statements or documents would be issued or
5 disseminated to the investing public; and knowingly and substantially participated or acquiesced
6 in the issuance or dissemination of such statements or documents as primary violations of the
7 federal securities laws. As set forth elsewhere herein in detail, Defendants, by virtue of their
8 receipt of information reflecting the true facts regarding Costco, their control over, and/or
9 receipt and/or modification of Costco's allegedly materially misleading statements and/or their
10 associations with the Company which made them privy to confidential proprietary information
11 concerning Costco, participated in the fraudulent scheme alleged herein.

12 **VI. LOSS CAUSATION AND ECONOMIC LOSS**

13 25. During the Class Period, as detailed herein, Defendants engaged in a scheme to
14 deceive the market and a course of conduct that artificially inflated the Company's stock price,
15 and operated as a fraud or deceit on acquirers of the Company's common stock. As detailed
16 above, when the truth about Costco's misconduct and its lack of operational and financial
17 controls was revealed, the value of the Company's common stock declined precipitously as the
18 prior artificial inflation no longer propped up its stock price. The decline in Costco's common
19 stock price was a direct result of the nature and extent of Defendants' fraud finally being
20 revealed to investors and the market. The timing and magnitude of the common stock price
21 decline negates any inference that the loss suffered by Plaintiff and other members of the Class
22 was caused by changed market conditions, macroeconomic or industry factors or Company-
23 specific facts unrelated to the Defendants' fraudulent conduct. The economic loss, i.e., damages,
24 suffered by Plaintiff and other Class members was a direct result of Defendants' fraudulent
25 scheme to artificially inflate the Company's stock price and the subsequent significant decline in
26 the value of the Company's share, price when Defendants' prior misrepresentations and other
27 fraudulent conduct was revealed.

1 26. At all relevant times, Defendants' materially false and misleading statements or
2 omissions alleged herein directly or proximately caused the damages suffered by the Plaintiff
3 and other Class members. Those statements were materially false and misleading through their
4 failure to disclose a true and accurate picture of Costco's business, operations and financial
5 condition, as alleged herein. Throughout the Class Period, Defendants publicly issued materially
6 false and misleading statements and omitted material facts necessary to make Defendants'
7 statements not false or misleading, causing Costco's common stock to be artificially inflated.
8 Plaintiff and other Class members purchased Costco's common stock at those artificially
9 inflated prices, causing them to suffer the damages complained of herein

10 **VII. PRESUMPTION OF RELIANCE; FRAUD-ON-THE-MARKET**

11 27. At all relevant times, the market for Costco common stock was an efficient
12 market for the following reasons, among others:

- 13 (a) Costco common stock met the requirements for listing, and were listed and
14 actively traded on the NasdaqGS, a highly efficient market;
- 15 (b) During the Class Period, Costco common stock were actively traded,
16 demonstrating a strong presumption of an efficient market;
- 17 (c) As a regulated issuer, Costco filed with the SEC periodic public reports
18 during the Class Period;
- 19 (d) Costco regularly communicated with public investors via established market
20 communication mechanisms;
- 21 (e) Costco was followed by securities analysts employed by major brokerage
22 firms who wrote reports that were distributed to the sales force and certain
23 customers of brokerage firms during the Class Period. Each of these reports
24 was publicly available and entered the public marketplace; and
- 25 (f) Unexpected material news about Costco was rapidly reflected in and
26 incorporated into the Company's stock price during the Class Period.
- 27

1 28. As a result of the foregoing, the market for Costco common stock promptly
2 digested current information regarding Costco from all publicly available sources and reflected
3 such information in Costco’s stock price. Under these circumstances, all purchasers of Costco
4 common stock during the Class Period suffered similar injury through their purchase of
5 Costco’s common stock at artificially inflated prices and a presumption of reliance applies.

6 29. Alternatively, reliance need not be proven in this action because the action
7 involves omissions and deficient disclosures. Positive proof of reliance is not a prerequisite to
8 recovery pursuant to ruling of the United States Supreme Court in *Affiliated Ute Citizens of*
9 *Utah v. United States*, 406 U.S. 128 (1972). All that is necessary is that the facts withheld be
10 material in the sense that a reasonable investor might have considered the omitted information
11 important in deciding whether to buy or sell the subject security. Here, the facts withheld are
12 material because an investor would have considered the Company’s financials and adequacy of
13 internal controls over financial reporting when deciding whether to purchase and/or sell stock in
14 Costco.

15 **VIII. NO SAFE HARBOR; INAPPLICABILITY OF BESPEAKS**
16 **CAUTION DOCTRINE**

17 30. The statutory safe harbor provided for forward-looking statements under certain
18 circumstances does not apply to any of the material misrepresentations and omissions alleged in
19 this Complaint.

20 31. To the extent certain of the statements alleged to be misleading or inaccurate
21 may be characterized as forward looking, they were not identified as “forward-looking
22 statements” when made and there were no meaningful cautionary statements identifying
23 important factors that could cause actual results to differ materially from those in the
24 purportedly forward-looking statements.

25 32. Defendants are also liable for any false or misleading “forward-looking
26 statements” pleaded because, at the time each “forward-looking statement” was made, the
27 speaker knew the “forward-looking statement” was false or misleading and the “forward-

1 looking statement” was authorized and/or approved by an executive officer of Costco who knew
2 that the “forward-looking statement” was false. Alternatively, none of the historic or present-
3 tense statements made by the defendants were assumptions underlying or relating to any plan,
4 projection, or statement of future economic performance, as they were not stated to be such
5 assumptions underlying or relating to any projection or statement of future economic
6 performance when made, nor were any of the projections or forecasts made by the defendants
7 expressly related to or stated to be dependent on those historic or present-tense statements when
8 made.

9 **IX. CLASS ACTION ALLEGATIONS**

10 33. Plaintiff brings this action on behalf of all individuals and entities who
11 purchased or otherwise acquired Costco common stock on the public market during the Class
12 Period, and were damaged, excluding the Company, the defendants and each of their immediate
13 family members, legal representatives, heirs, successors or assigns, and any entity in which any
14 of the defendants have or had a controlling interest (the “Class”).

15 34. The members of the Class are so numerous that joinder of all members is
16 impracticable. Throughout the Class Period, Costco securities were actively traded on the
17 NasdaqGS. While the exact number of Class members is unknown to Plaintiff at this time and
18 can be ascertained only through appropriate discovery, Plaintiff believes that there are hundreds
19 or thousands of members in the proposed Class. Record owners and other members of the Class
20 may be identified from records maintained by Costco or its transfer agent and may be notified
21 of the pendency of this action by mail, using the form of notice similar to that customarily used
22 in securities class actions. Upon information and belief, as of May 30, 2018, Costco had
23 approximately 438,541,544 shares of common stock outstanding. Upon information and belief,
24 these shares are held by thousands if not millions of individuals located geographically
25 throughout the country and possibly the world. Joinder would be highly impracticable.
26
27

1 35. Plaintiff's claims are typical of the claims of the members of the Class as all
2 members of the Class are similarly affected by the defendants' respective wrongful conduct in
3 violation of the federal laws complained of herein.

4 36. Plaintiff has and will continue to fairly and adequately protect the interests of the
5 members of the Class and have retained counsel competent and experienced in class and
6 securities litigation. Plaintiff has no interests antagonistic to or in conflict with those of the
7 Class.

8 37. Common questions of law and fact exist as to all members of the Class and
9 predominate over any questions solely affecting individual members of the Class. Among the
10 questions of law and fact common to the Class are:

- 11 (a) whether the federal securities laws were violated by the defendants'
12 respective acts as alleged herein;
- 13 (b) whether the defendants acted knowingly or with deliberate recklessness in
14 issuing false and misleading financial statements;
- 15 (c) whether the price of Costco securities during the Class Period was
16 artificially inflated because of the defendants' conduct complained of
17 herein; and
- 18 (d) whether the members of the Class have sustained damages and, if so, what is
19 the proper measure of damages.

20 38. A class action is superior to all other available methods for the fair and efficient
21 adjudication of this controversy since joinder of all members is impracticable. Furthermore, as
22 the damages suffered by individual Class members may be relatively small, the expense and
23 burden of individual litigation make it impossible for members of the Class to individually
24 redress the wrongs done to them. There will be no difficulty in the management of this action as
25 a class action.

X. CAUSES OF ACTION

COUNT I

**For Violation of Section 10(b) of the Exchange Act and
Rule 10b-5 Promulgated Thereunder Against all Defendants**

39. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

40. During the Class Period, Defendants carried out a plan, scheme and course of conduct which was intended to and, throughout the Class Period, did: (1) deceive the investing public, including Plaintiff and other Class members, as alleged herein; and (2) cause Plaintiff and other members of the Class to purchase Costco common stock at artificially inflated prices. In furtherance of this unlawful scheme, plan and course of conduct, each of the Defendants took the actions set forth herein.

41. Defendants: (a) employed devices, schemes, and artifices to defraud; (b) made untrue statements of material fact and/or omitted to state material facts necessary to make the statements not misleading; and (c) engaged in acts, practices, and a course of business that operated as a fraud and deceit upon the purchasers of the Company's common stock in an effort to maintain artificially high market prices for Costco securities in violation of Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder. All Defendants are sued either as primary participants in the wrongful and illegal conduct charged herein or as controlling persons as alleged below.

42. Defendants, individually and in concert, directly and indirectly, by the use, means or instrumentalities of interstate commerce and/or of the mails, engaged and participated in a continuous course of conduct to conceal adverse material information about the business, operations and future prospects of Costco as specified herein.

43. These Defendants employed devices, schemes, and artifices to defraud while in possession of material adverse non-public information, and engaged in acts, practices, and a course of conduct as alleged herein in an effort to assure investors of Costco's value and performance and continued substantial growth, which included the making of, or participation

1 in the making of, untrue statements of material facts and omitting to state material facts
2 necessary in order to make the statements made about Costco and its business operations and
3 future prospects in the light of the circumstances under which they were made, not misleading,
4 as set forth more particularly herein, and engaged in transactions, practices and a course of
5 business that operated as a fraud and deceit upon the purchasers of Costco common stock during
6 the Class Period.

7 44. Individual Defendants' primary liability, and controlling person liability, arises
8 from the following facts: (1) Individual Defendants were high-level executives, directors, and/or
9 agents at the Company during the Class Period and members of the Company's management
10 team or had control thereof; (2) each Individual Defendant, by virtue of his responsibilities and
11 activities as a senior officer and/or director of the Company, was privy to and participated in the
12 creation, development and reporting of the Company's financial condition; (3) each Individual
13 Defendant enjoyed significant personal contact and familiarity with the other Individual
14 Defendant and was advised of and had access to other members of the Company's management
15 team, internal reports and other data and information about the Company's finances, operations,
16 and sales at all relevant times; and (4) each Individual Defendant was aware of the Company's
17 dissemination of information to the investing public which they knew or recklessly disregarded
18 was materially false and misleading.

19 45. Defendants had actual knowledge of the misrepresentations and omissions of
20 material facts set forth herein, or acted with reckless disregard for the truth in that they failed to
21 ascertain and to disclose such facts, even though such facts were available to them. Such
22 Defendants' material misrepresentations and/or omissions were done knowingly or recklessly
23 and for the purpose and effect of concealing Costco's operating condition and future business
24 prospects from the investing public and supporting the artificially inflated price of its securities.
25 As demonstrated by Defendants' overstatements and misstatements of the Company's financial
26 condition throughout the Class Period, Defendants, if they did not have actual knowledge of the
27 misrepresentations and omissions alleged, were reckless in failing to obtain such knowledge by

1 deliberately refraining from taking those steps necessary to discover whether those statements
2 were false or misleading.

3 46. As a result of the dissemination of the materially false and misleading
4 information and failure to disclose material facts, as set forth above, the market price of
5 Costco's securities was artificially inflated during the Class Period. In ignorance of the fact that
6 market prices of Costco's publicly-traded securities were artificially inflated, and relying
7 directly or indirectly on the false and misleading statements made by Defendants, or upon the
8 integrity of the market in which the common stock trades, and/or on the absence of material
9 adverse information that was known to or recklessly disregarded by Defendants but not
10 disclosed in public statements by Defendants during the Class Period, Plaintiff and the other
11 members of the Class acquired Costco's common stock during the Class Period at artificially
12 high prices and were or will be damaged thereby.

13 47. At the time of said misrepresentations and omissions, Plaintiff and other
14 members of the Class were ignorant of their falsity, and believed them to be true. Had Plaintiff
15 and the other members of the Class and the marketplace known the truth regarding Costco's
16 financial results, which was not disclosed by Defendants, Plaintiff and other members of the
17 Class would not have purchased or otherwise acquired their Costco securities, or, if they had
18 acquired such securities during the Class Period, they would not have done so at the artificially
19 inflated prices that they paid.

20 48. By virtue of the foregoing, Defendants have violated Section 10(b) of the
21 Exchange Act, and Rule 10b-5 promulgated thereunder.

22 49. As a direct and proximate result of Defendants' wrongful conduct, Plaintiff and
23 the other members of the Class suffered damages in connection with their respective purchases
24 and sales of the Company's common stock during the Class Period.

25 50. This action was filed within two years of discovery of the fraud and within five
26 years of each plaintiff's purchases of common stock giving rise to the cause of action.
27

COUNT II

**For Violation of Section 20(a) of the Exchange Act
Against the Individual Defendants**

1
2
3 51. Plaintiff repeats and realleges each and every allegation contained above as if
4 fully set forth herein.

5 52. The Individual Defendants acted as controlling persons of Costco within the
6 meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of their high-level
7 positions, agency, ownership and contractual rights, and participation in and/or awareness of the
8 Company's operations and/or intimate knowledge of the false financial statements filed by the
9 Company with the SEC and disseminated to the investing public, the Individual Defendants had
10 the power to influence and control, and did influence and control, directly or indirectly, the
11 decision-making of the Company, including the content and dissemination of the various
12 statements that Plaintiff contends are false and misleading. The Individual Defendants provided
13 with or had unlimited access to copies of the Company's reports, press releases, public filings
14 and other statements alleged by Plaintiff to have been misleading prior to and/or shortly after
15 these statements were issued and had the ability to prevent the issuance of the statements or to
16 cause the statements to be corrected.

17 53. In particular, each of these Defendants had direct and supervisory involvement in
18 the day-to-day operations of the Company and, therefore, is presumed to have had the power to
19 control or influence the particular transactions giving rise to the securities violations as alleged
20 herein, and exercised the same.

21 54. As set forth above, Costco, the Individual Defendants each violated Section
22 10(b), and Rule 10b-5 promulgated thereunder, by their acts and omissions as alleged in this
23 Complaint.

24 55. By virtue of their positions as controlling persons, the Individual Defendants are
25 liable pursuant to Section 20(a) of the Exchange Act. As a direct and proximate result of
26 Defendants' wrongful conduct, Plaintiff and other members of the Class suffered damages in
27 connection with their purchases of the Company's common stock during the Class Period.

1 56. This action was filed within two years of discovery of the fraud and within five
 2 years of each Plaintiff’s purchases of common stock giving rise to the cause of action.

3 **XI. PRAYER FOR RELIEF**

4 WHEREFORE, Plaintiff prays for judgment as follows:

- 5 A. Declaring this action to be a proper class action pursuant to Fed. R. Civ. P. 23;
- 6 B. Awarding Lead Plaintiffs and the members of the Class damages, including
 7 interest;
- 8 C. Awarding Lead Plaintiffs reasonable costs and expenses incurred in this action,
 9 including attorneys’ fees and expert fees; and
- 10 D. Awarding such equitable/injunctive or other relief as the Court may deem just
 11 and proper.

12 **XII. JURY TRIAL DEMANDED**

13 Lead Plaintiffs hereby demand a trial by jury.

14
 15 DATED: November 5, 2018.

16 BRESKIN JOHNSON TOWNSEND, PLLC

17 By: *s/ Roger Townsend*
 18 Roger Townsend, WSBA #25525
 19 1000 Second Avenue, Suite 3670
 Seattle, WA 98104
 Tel: (206)652-8660
 rtownsend@bjtlegal.com

20
 21 LEVI & KORSINSKY, LLP (Trial Counsel)
 Eduard Korsinsky*
 22 55 Broadway, 10th Floor
 New York, NY 10006
 Tel: (212) 363-7500
 Fax: (212) 363-7171
 Email:ek@zlk.com
 *Pro hac vice application forthcoming

23
 24 *Attorneys for Plaintiff and Proposed Lead
 25 Counsel for the Class*
 26
 27

EXHIBIT A

CERTIFICATION OF NAMED PLAINTIFF PURSUANT TO FEDERAL SECURITIES LAWS


I, James Johnson, duly certify and say, as to the claims asserted under the federal securities laws, that:

1. I have reviewed the complaint and authorized its filing.
2. I did not purchase the security that is the subject of this action at the direction of plaintiff's counsel or in order to participate in this private action.
3. I am willing to serve as a representative party on behalf of the class, including providing testimony at deposition and trial, if necessary.
4. My transaction(s) in Costco Wholesale Corporation which are the subject of this litigation during the class period set forth in the complaint are set forth in the chart attached hereto.
5. Within the last 3 years, I have not sought to serve nor have I served as a class representative in any federal securities fraud case.
6. I will not accept any payment for serving as a representative party on behalf of the class beyond the Plaintiff's pro rata share of any recovery, except as ordered or approved by the court, including any award for reasonable costs and expenses (including lost wages) directly relating to the representation of the class.

I certify under penalty of perjury under the laws of the United States of America that the foregoing is true and correct. Executed this October 24, 2018.

Name: James Johnson

Signed:

 Clear

Schedule A

James Johnson

Transactions in Costco Wholesale Corporation (COST) Common Stock

Class Period: June 6, 2018 and October 25, 2018, inclusive

Date of Transaction	Acc #1	Quantity	Price (\$)
	Buy (B) or Sell (S)		
6/12/2018	B	100	204.8199
8/9/2018	B	20	218.7890
8/20/2018	S	(10)	227.5800
8/27/2018	S	(10)	229.7801
10/5/2018	S	(30)	218.7601
10/8/2018	B	20	223.0399

CIVIL COVER SHEET

The JS 44 civil cover sheet and the information contained herein neither replace nor supplement the filing and service of pleadings or other papers as required by law, except as provided by local rules of court. This form, approved by the Judicial Conference of the United States in September 1974, is required for the use of the Clerk of Court for the purpose of initiating the civil docket sheet. (SEE INSTRUCTIONS ON NEXT PAGE OF THIS FORM.)

I. (a) PLAINTIFFS

James Johnson, individually and on behalf of all others similarly situated,

(b) County of Residence of First Listed Plaintiff Ontario, Canada (EXCEPT IN U.S. PLAINTIFF CASES)

(c) Attorneys (Firm Name, Address, and Telephone Number) Roger Townsend (WSBA #25525), Breskin Johnson & Townsend PLLC, 1000 2nd Ave., Ste. 3670, Seattle, WA 98104, 206-652-8660

DEFENDANTS

Costco Wholesale Corporation, a Washington corporation, et al

County of Residence of First Listed Defendant King Co., WA (IN U.S. PLAINTIFF CASES ONLY)

NOTE: IN LAND CONDEMNATION CASES, USE THE LOCATION OF THE TRACT OF LAND INVOLVED.

Attorneys (If Known)

II. BASIS OF JURISDICTION (Place an "X" in One Box Only)

- 1 U.S. Government Plaintiff, 2 U.S. Government Defendant, 3 Federal Question (U.S. Government Not a Party), 4 Diversity (Indicate Citizenship of Parties in Item III)

III. CITIZENSHIP OF PRINCIPAL PARTIES (Place an "X" in One Box for Plaintiff and One Box for Defendant)

- Citizen of This State, Citizen of Another State, Citizen or Subject of a Foreign Country, PTF DEF, Incorporated or Principal Place of Business In This State, Incorporated and Principal Place of Business In Another State, Foreign Nation

IV. NATURE OF SUIT (Place an "X" in One Box Only)

Click here for: Nature of Suit Code Descriptions.

Table with 5 columns: CONTRACT, REAL PROPERTY, TORTS, CIVIL RIGHTS, PRISONER PETITIONS, FORFEITURE/PENALTY, LABOR, IMMIGRATION, BANKRUPTCY, SOCIAL SECURITY, FEDERAL TAX SUITS, OTHER STATUTES. Contains various legal categories and checkboxes.

V. ORIGIN (Place an "X" in One Box Only)

- 1 Original Proceeding, 2 Removed from State Court, 3 Remanded from Appellate Court, 4 Reinstated or Reopened, 5 Transferred from Another District (specify), 6 Multidistrict Litigation - Transfer, 8 Multidistrict Litigation - Direct File

VI. CAUSE OF ACTION

Cite the U.S. Civil Statute under which you are filing (Do not cite jurisdictional statutes unless diversity): 15 U.S.C. §§ 78j(b) and 78t(a)
Brief description of cause: federal securities class action

VII. REQUESTED IN COMPLAINT:

CHECK IF THIS IS A CLASS ACTION UNDER RULE 23, F.R.Cv.P. DEMAND \$ CHECK YES only if demanded in complaint: JURY DEMAND: Yes No

VIII. RELATED CASE(S) IF ANY

(See instructions): JUDGE DOCKET NUMBER

DATE 11/05/2018 SIGNATURE OF ATTORNEY OF RECORD s/Roger Townsend (WSBA #25525)

FOR OFFICE USE ONLY

RECEIPT # AMOUNT APPLYING IFP JUDGE MAG. JUDGE

AO 440 (Rev. 06/12) Summons in a Civil Action

UNITED STATES DISTRICT COURT

for the

Western District of Washington

JAMES JOHNSON, individually and on behalf of a class of similarly situated individuals,

Plaintiff(s)

v.

COSTCO WHOLESALE CORPORATION, a Washington corporation; W. CRAIG JELINEK; and RICHARD A. GALANTI,

Defendant(s)

Civil Action No.

SUMMONS IN A CIVIL ACTION

To: (Defendant's name and address)

COSTCO WHOLESALE CORPORATION

A lawsuit has been filed against you.

Within 21 days after service of this summons on you (not counting the day you received it) — or 60 days if you are the United States or a United States agency, or an officer or employee of the United States described in Fed. R. Civ. P. 12 (a)(2) or (3) — you must serve on the plaintiff an answer to the attached complaint or a motion under Rule 12 of the Federal Rules of Civil Procedure. The answer or motion must be served on the plaintiff or plaintiff's attorney, whose name and address are:

Roger Townsend
Breskin Johnson & Townsend PLLC
1000 Second Ave., Ste. 3670
Seattle, WA 98104
206-652-8660

If you fail to respond, judgment by default will be entered against you for the relief demanded in the complaint. You also must file your answer or motion with the court.

CLERK OF COURT

Date:

Signature of Clerk or Deputy Clerk

Civil Action No. _____

PROOF OF SERVICE

(This section should not be filed with the court unless required by Fed. R. Civ. P. 4 (l))

This summons for *(name of individual and title, if any)* _____
was received by me on *(date)* _____ .

I personally served the summons on the individual at *(place)* _____
_____ on *(date)* _____ ; or

I left the summons at the individual's residence or usual place of abode with *(name)* _____
_____, a person of suitable age and discretion who resides there,
on *(date)* _____ , and mailed a copy to the individual's last known address; or

I served the summons on *(name of individual)* _____ , who is
designated by law to accept service of process on behalf of *(name of organization)* _____
_____ on *(date)* _____ ; or

I returned the summons unexecuted because _____ ; or

Other *(specify)*: _____

My fees are \$ _____ for travel and \$ _____ for services, for a total of \$ _____ 0.00 _____ .

I declare under penalty of perjury that this information is true.

Date: _____

Server's signature

Printed name and title

Server's address

Additional information regarding attempted service, etc:

AO 440 (Rev. 06/12) Summons in a Civil Action

UNITED STATES DISTRICT COURT

for the

Western District of Washington

JAMES JOHNSON, individually and on behalf of a class of similarly situated individuals,

Plaintiff(s)

v.

COSTCO WHOLESALE CORPORATION, a Washington corporation; W. CRAIG JELINEK; and RICHARD A. GALANTI,

Defendant(s)

Civil Action No.

SUMMONS IN A CIVIL ACTION

To: (Defendant's name and address)

W. CRAIG JELINEK

A lawsuit has been filed against you.

Within 21 days after service of this summons on you (not counting the day you received it) — or 60 days if you are the United States or a United States agency, or an officer or employee of the United States described in Fed. R. Civ. P. 12 (a)(2) or (3) — you must serve on the plaintiff an answer to the attached complaint or a motion under Rule 12 of the Federal Rules of Civil Procedure. The answer or motion must be served on the plaintiff or plaintiff's attorney, whose name and address are:

Roger Townsend
Breskin Johnson & Townsend PLLC
1000 Second Ave., Ste. 3670
Seattle, WA 98104
206-652-8660

If you fail to respond, judgment by default will be entered against you for the relief demanded in the complaint. You also must file your answer or motion with the court.

CLERK OF COURT

Date:

Signature of Clerk or Deputy Clerk

Civil Action No. _____

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I left the summons at the individual's residence or usual place of abode with *(name)* _____
_____, a person of suitable age and discretion who resides there,
on *(date)* _____ , and mailed a copy to the individual's last known address; or

I served the summons on *(name of individual)* _____ , who is
designated by law to accept service of process on behalf of *(name of organization)* _____
_____ on *(date)* _____ ; or

I returned the summons unexecuted because _____ ; or

Other *(specify)*: _____

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I declare under penalty of perjury that this information is true.

Date: _____

Server's signature

Printed name and title

Server's address

Additional information regarding attempted service, etc:

AO 440 (Rev. 06/12) Summons in a Civil Action

UNITED STATES DISTRICT COURT

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v.

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Defendant(s)

Civil Action No.

SUMMONS IN A CIVIL ACTION

To: (Defendant's name and address)

RICHARD A. GALANTI

A lawsuit has been filed against you.

Within 21 days after service of this summons on you (not counting the day you received it) — or 60 days if you are the United States or a United States agency, or an officer or employee of the United States described in Fed. R. Civ. P. 12 (a)(2) or (3) — you must serve on the plaintiff an answer to the attached complaint or a motion under Rule 12 of the Federal Rules of Civil Procedure. The answer or motion must be served on the plaintiff or plaintiff's attorney, whose name and address are:

Roger Townsend
Breskin Johnson & Townsend PLLC
1000 Second Ave., Ste. 3670
Seattle, WA 98104
206-652-8660

If you fail to respond, judgment by default will be entered against you for the relief demanded in the complaint. You also must file your answer or motion with the court.

CLERK OF COURT

Date:

Signature of Clerk or Deputy Clerk

Civil Action No. _____

PROOF OF SERVICE

(This section should not be filed with the court unless required by Fed. R. Civ. P. 4 (l))

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_____ on *(date)* _____ ; or

I left the summons at the individual's residence or usual place of abode with *(name)* _____
_____, a person of suitable age and discretion who resides there,
on *(date)* _____, and mailed a copy to the individual's last known address; or

I served the summons on *(name of individual)* _____, who is
designated by law to accept service of process on behalf of *(name of organization)* _____
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I returned the summons unexecuted because _____ ; or

Other *(specify)*: _____

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I declare under penalty of perjury that this information is true.

Date: _____

Server's signature

Printed name and title

Server's address

Additional information regarding attempted service, etc:

ClassAction.org

This complaint is part of ClassAction.org's searchable class action lawsuit database and can be found in this post: [Costco, Top Executives Hit with Stock-Drop Class Action in Washington](#)
