

LEGAL NOTICE BY ORDER OF COURT

Pearlstone v. Costco Wholesale Corporation, No. 4:18-cv-00630-SRC (E.D. Mo.)

If you cancelled your Costco executive membership and did not receive a full cash refund of your membership or upgrade fee, you may be entitled to a benefit from a class action settlement.

The U.S. District Court for the Eastern District of Missouri authorized this notice to inform Settlement class members about their rights. This is not an advertisement from a lawyer.

This notice provides important information about a proposed settlement in a class action lawsuit against Costco Wholesale Corporation (“Costco”). The lawsuit involves claims that Costco violated the law by failing to refund membership and upgrade fees to Costco executive members who cancelled their executive membership. Although the court presiding over the case has not decided who is right or wrong, the parties have reached a compromise to end the lawsuit and provide compensation to those who may have been affected. **Please read this notice carefully. It summarizes the rights and options under the settlement. You can access and read the full settlement agreement at www.cwexecfeerefundclassaction.com.**

If you fit the description of the settlement class (as defined below in Part 1), then you have the following options under the settlement:

- 1) **File a Claim:** You can submit a claim to receive a benefit from the settlement fund. Under the settlement, all settlement class members who timely submit a valid claim are eligible to receive one of two options: (A) a free, non-refundable one-year gift of a Costco membership card usable for either a regular one-year Costco membership or a one-year extension to your existing membership; or (B) a payment of up to \$15. Please see below.
- 2) **Exclude Yourself:** You can exclude yourself from the settlement. If you pursue this option, you will not receive a cash payment or any other benefits from the settlement, but you will retain the right to bring your own lawsuit against Costco. Your request to exclude yourself must be submitted by mail postmarked no later than November 24, 2020. You must follow the process described in Part 8 below. If the settlement is approved and you do not exclude yourself, you will be bound by the settlement and will release certain claims described below.
- 3) **Object:** You can object to the settlement. The deadline for objecting to the settlement is postmarked by November 24, 2020. All objections must be mailed to the parties’ lawyers and the Settlement Administrator. See Part 7 below for details.

NOTE: PLEASE DO NOT CALL OR WRITE THE COURT, THE COURT CLERK’S OFFICE, COSTCO, OR COSTCO’S ATTORNEYS. THEY WILL NOT BE ABLE TO ASSIST YOU. If you have questions, or if you’d like more information, please visit www.cwexecfeerefundclassaction.com.

BASIC INFORMATION

In a putative class action lawsuit entitled *Pearlstone v. Costco Wholesale Corporation*, No. 4:18-cv-00630-SRC (E.D. Mo.), Plaintiff’s Complaint alleges, among other things, that Costco enters into contracts with its customers which permit customers who enroll in a Costco executive membership to cancel their membership at any time and receive a full refund of their membership and upgrade fees. Plaintiff asserts that Costco breached the contracts by failing to provide certain cancelling executive members with a full cash refund and instead Costco partially refunded the membership fee by subtracting the amount of any outstanding rewards certificate from the refund.

Costco denies that they did anything wrong, and the court has not decided who is right or wrong. Rather, the parties have reached a compromise to end the lawsuit and avoid the uncertainties and costs associated with further litigation. If the court presiding over the lawsuit approves the settlement, the members of the settlement class will be eligible to receive benefits from the settlement, including the ability to receive individual cash payments.

The settlement class members’ rights and options under the settlement—and the deadlines to exercise them—are explained below.

SUBMIT A CLAIM FORM

This is the only way to receive a benefit from the settlement. Settlement class members who submit a valid claim form by the deadline of November 24, 2020 will be eligible to receive a payment as described below.

DO NOTHING

If you do nothing, you will not receive any benefit from the settlement, but *you will still give up your rights to sue Costco* and its educational institution clients as described below.

EXCLUDE YOURSELF FROM THE SETTLEMENT

If you exclude yourself, you will not receive anything from the settlement, but you can hire your own attorneys and bring your own lawsuit at your own expense. The deadline for excluding yourself is postmarked by November 24, 2020.

OBJECT

You may file an objection if you wish to object to the settlement. The deadline to object to the Settlement is November 24, 2020.

These rights and options—and the deadlines to exercise them—are explained in this notice. The court still has to decide whether to grant final approval to the settlement. If finally approved, benefits will be distributed to those who qualify. Please be patient.

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1. Who’s part of the settlement?

If you received notice of the settlement by email, then you may be a member of the settlement class. But even if you did not receive a notice, you may still be a member of the settlement class if you fall within the settlement class definition. The “settlement class” is defined as:

All individuals in the United States who, during the Class Period as defined in the settlement agreement, purchased a Costco executive membership and subsequently cancelled their membership but were not refunded the full membership and upgrade fees they originally paid without any credit for a rewards certificate received prior to cancellation.

Excluded from the settlement class are Costco; any entity that is a subsidiary of or is controlled by Costco; any officer, director, or employee of Costco and any immediate family member of such officer, director, or employee; any members of the judiciary assigned to preside over the lawsuit, his or her spouse, and members of his or her staff; and any persons who elected to exclude themselves pursuant to and in compliance with the settlement agreement.

The United States District Court for the Eastern District of Missouri (Judge Stephen R. Clark) has conditionally certified a settlement class for settlement purposes only.

If you are not sure whether you are in the settlement class, or have any other questions about the settlement, visit the settlement website at www.cwexecfeerefundclassaction.com.

2. What is this litigation about?

The Defendant, Costco, is a members-only retailer. Customers must buy a one-year Costco membership in order to shop at Costco. There are multiple types of memberships, one of which is an executive membership. Plaintiff alleges that Costco promises its executive members that they may cancel their membership at any time and receive a full refund of their membership and upgrade fees.

Plaintiff brought a lawsuit against Costco. Plaintiff's Complaint alleges, among other things, that Costco enters into contracts with its customers which permit customers who enroll in a Costco executive membership to cancel their membership at any time and receive a full refund of their membership and upgrade fees. Plaintiff asserts that Costco breached the contracts by failing to provide certain cancelling executive members with a full cash refund and instead Costco partially refunded the membership fee by subtracting the amount of any outstanding rewards certificate from the refund. This is just a summary of the allegations. The complaint in the lawsuit is posted at www.cwexecfeerefundclassaction.com and contains all of the allegations.

Costco denies Plaintiff's allegations and that it has violated the law. However, in order to avoid the expense, inconvenience, and distraction of continued litigation, Costco has agreed to the settlement outlined in this notice.

3. Who represents me?

In a class action, one or more people called "class representatives" sue on behalf of other people who have similar claims. In this case, the Plaintiff, Scott Pearlstone, sued Costco and sought to represent other consumers who similarly had claims against Costco based on Costco's allegedly unlawful practices regarding the refund of executive membership and upgrade fees. The court has appointed Plaintiff for settlement purposes to be the class representative for all settlement class members in this case.

The court also appointed the law firm McGuire Law, P.C. as class counsel to represent the settlement class members. If you want to be represented by your own lawyer, you may hire one at your own expense.

4. What benefits can I receive from the settlement?

If the court finally approves the settlement, each settlement class member who timely submits a valid claim form will be eligible to choose one of two options: (A) a free, non-refundable one-year gift of a Costco membership card usable for either a regular one-year Costco membership or a one-year extension to their existing membership; or (B) a payment of up to \$15.

The settlement provides for creation of a settlement fund totaling \$525,000, which will be used to make payments to settlement class members who elect to receive a cash payment, after first making deductions for notice and administration costs, incentive awards to the class representative, and an award of attorneys' fees and expenses for class counsel.

If the number of claims filed would exhaust the settlement fund, the amount of payments to the settlement class members will be reduced proportionally. Accordingly, the exact amount of final payments to each settlement class member is unknown at this time; the final amount of each payment will depend on the number of claims submitted and the amount available in the settlement fund after the deductions.

5. Do I have to pay the lawyers representing me?

No. Class counsel will ask the court for an award of attorneys' fees and expenses for investigating the facts, litigating the case, and negotiating the settlement. This award is subject to court approval and can be up to 33% of the settlement fund, or \$175,000. To date, class counsel have not received any payment for their services in litigating the case on behalf of the class representatives and the settlement class, nor have class counsel been reimbursed for their costs and expenses directly relating to their representation of the settlement class. Class counsel's contact information is as follows:

Myles McGuire
Paul T. Geske
Brendan Duffner
MCGUIRE LAW, P.C.
55 West Wacker Drive, Suite 900
Chicago, Illinois 60601
mmcguire@mcgpc.com
pgeske@mcgpc.com
bduffner@mcgpc.com
Tel: (312) 893-7002

Class counsel will also request that an Incentive Award of \$5,000 be awarded to the class representative in recognition of his service to the settlement class. The amount of any fee or service award will be subject to approval by the court.

6. What am I agreeing to by remaining in the settlement class in this case?

If you are a member of the settlement class, and you choose to remain in the settlement class (i.e., you do not exclude yourself), then you will be eligible to submit a claim to receive one of the benefit options listed above. Settlement class members will also be bound by the release of claims in the settlement. This means that if the settlement is finally approved, settlement class members cannot sue, continue to sue, or be part of any lawsuit against Costco for claims involving or relating in any way to the claims made in the lawsuit that led to the settlement. This includes claims arising out of, related to, or connected with Costco's alleged failure to refund fees for executive memberships upon cancellation.

The released claims include all claims that were or could have been asserted in the litigation, regardless of whether those claims are known or unknown, filed or unfiled, asserted or as yet unasserted, existing or contingent.

7. What if I don't agree with the settlement?

If you are a member of the settlement class, you may object to the settlement or any part of the settlement if you think there are legal reasons why the court should reject it. If you object, the court will consider your views. To object, you must send your objection in writing to the Settlement Administrator and counsel for all parties providing:

- a) The case name and case number of this Litigation (*Pearlstone v. Costco Wholesale Corporation*, No. 4:18-cv-00630-SRC (E.D. Mo.));
- b) Your full name, current address, email address and phone number;
- c) The reasons why you object to the settlement along with any supporting materials;
- d) Information about other objections you or your lawyer(s) have made in other class action cases in the last four (4) years; and
- e) Your signature.

Your objection must be postmarked no later than November 24, 2020. Objections must be mailed to:

Pearlstone v. Costco Settlement Administrator
P.O. Box 43501
Providence, RI 02940-3501

Plaintiff's Counsel

Paul Geske
MCGUIRE LAW, P.C.
55 W. Wacker Dr., 9th Fl.
Chicago, IL 60601

Costco's Counsel

Todd Ruskamp
SHOOK, HARDY & BACON L.L.P.
2555 Grand Blvd.
Kansas City, MO 64108

8. Can I exclude myself from the settlement class?

If you want to exclude yourself from the settlement class, sometimes referred to as “opting out,” you will not be eligible to receive any benefits or payments as a result of this settlement. However, you will keep the right to sue or continue to sue Costco on your own and at your own expense if you wish to pursue any of the claims being released as part of this settlement.

To exclude yourself from the settlement class, you must send a letter to the Settlement Administrator providing:

- a) The case name and case number of this Litigation (*Pearlstone v. Costco Wholesale Corporation*, No. 4:18-cv-00630-SRC (E.D. Mo.));
- b) Your full name, current address, email address, and phone number;
- c) A statement that you wish to exclude yourself from the settlement class; and
- d) Your signature.

If you wish to exclude yourself, you must submit the above information to the following address so that it is postmarked no later than November 24, 2020.

Pearlstone v. Costco Settlement Administrator
P.O. Box 43501
Providence, RI 02940-3501

REQUESTS FOR EXCLUSION FROM THE CLASS THAT ARE NOT POSTMARKED ON OR BEFORE NOVEMBER 24, 2020 WILL NOT BE HONORED.

You cannot exclude yourself from the settlement class by telephone, email, or on the settlement website. You cannot exclude yourself by mailing a request to any other location or after the deadline above. Your request for exclusion must be signed by you.

9. What is the difference between objecting and asking to be excluded?

Objecting is telling the court the legal reasons why you do not like something about the settlement. You can object to the settlement only if you are a settlement class member and you do not exclude yourself.

Excluding yourself is telling the court that you do not want to be part of the settlement. If you exclude yourself, you cannot object to the settlement because it no longer affects you.

10. What if I do nothing at all?

You will remain a member of the settlement class and release your claims against Costco. However, you will not be eligible to receive a gift of a Costco membership or an individual payment. **You must file a claim form to receive a payment from this settlement.** See Part 4 above.

11. What will be decided at the final approval hearing?

The court will hold a final approval hearing to decide whether to grant final approval to the settlement and any requests for fees, expenses, and incentive awards. The final approval hearing is currently set for December 15, 2020 at 9:00 a.m. in Courtroom 14N of the Thomas F. Eagleton U.S. Courthouse, 111 S. 10th Street, St. Louis, MO 63102. The hearing may be moved to a different date or time without additional notice, so you should check www.cwexecfeerefundclassaction.com and the court’s docket for updates.

At the final approval hearing, the court will consider whether the settlement is fair, reasonable, and adequate. The court will also consider the request by class counsel for attorneys’ fees and expenses and for the class representative’s incentive award. If there are any objections, the court will consider them at the final approval hearing as well. After the hearing, the court will decide whether to finally approve the settlement. We do not know how long that decision may take.

You may attend the hearing, at your own expense, but you do not have to do so. If you wish to ask the court for permission to speak at the hearing, you must send a letter saying that you intend to appear and wish to be heard. Your notice of intention to appear must include the following:

- a) The case name and case number of this litigation (*Pearlstone v. Costco Wholesale Corporation*, No. 4:18-cv-00630-SRC (E.D. Mo.));
- b) Your full name, current address, email address, and phone number;
- c) A statement that this is your “Notice of Intention to Appear” at the final approval hearing in this case;
- d) Copies of any papers, exhibits, or other evidence or information that you will present to the court;
- e) The reasons you want to be heard; and
- f) Your signature.

You must send copies of your notice of intent to appear, postmarked by November 24, 2020, to:

Clerk of the Court

Thomas F. Eagleton Courthouse
111 South 10th Street, Suite 3.300
St. Louis, MO 63102

Plaintiff’s Counsel

Paul Geske
MCGUIRE LAW, P.C.
55 W. Wacker Dr., 9th Fl.
Chicago, IL 60601

Costco’s Counsel

Todd Ruskamp
SHOOK, HARDY & BACON L.L.P.
2555 Grand Blvd.
Kansas City, MO 64108

Note: You cannot object or speak at the hearing if you exclude yourself from the settlement.

12. Does this notice contain the entire settlement agreement?

No. This is only a summary of the settlement. If the settlement is approved and you do not exclude yourself from the settlement class, you will be bound by the release contained in the settlement agreement, and not just by the terms of this notice. You can view the full settlement agreement online at www.cwcexecfeerefundclassaction.com, or you can write to the Settlement Administrator for more information.

13. Where can I get more information?

For more information, visit www.cwcexecfeerefundclassaction.com or call class counsel at (312) 893-7002.

NOTE: PLEASE DO NOT CALL OR WRITE THE COURT, THE COURT CLERK’S OFFICE, COSTCO, OR COSTCOS COUNSEL. THEY WILL NOT BE ABLE TO ASSIST YOU.