

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE 13E-4
(AMENDMENT NO. 1)
ISSUER TENDER OFFER STATEMENT
(PURSUANT TO SECTION 13(E) (1) OF THE SECURITIES EXCHANGE ACT OF 1934)

PRICE/COSTCO, INC.
(NAME OF ISSUER)

PRICE/COSTCO, INC.
(NAME OF PERSON(S) FILING STATEMENT)

COMMON STOCK, PAR VALUE \$.01 PER SHARE
(TITLE OF CLASS OF SECURITIES)

74143W102
(CUSIP NUMBER OF CLASS OF SECURITIES)

DONALD E. BURDICK, ESQ.
PRICE/COSTCO, INC.
10809 120TH AVENUE NE
KIRKLAND, WASHINGTON 98033
(206) 803-8100
(NAME, ADDRESS AND TELEPHONE NUMBER OF PERSON AUTHORIZED TO RECEIVE NOTICES
AND COMMUNICATIONS ON BEHALF OF THE PERSON(S) FILING STATEMENT)

COPIES TO:

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NOVEMBER 21, 1994
(DATE TENDER OFFER FIRST PUBLISHED, SENT OR GIVEN TO SECURITY HOLDERS)

This Amendment No. 1 amends and supplements the Issuer Tender Offer Statement on Schedule 13E-4 (the "Schedule 13E-4") filed on November 21, 1994 by Price/Costco, Inc., a Delaware corporation, relating to an offer by PriceCostco to exchange one share of common stock, par value \$.0001 per share, of Price Enterprises, Inc., a newly formed Delaware corporation and an indirect, wholly owned subsidiary of PriceCostco ("Price Enterprises Common Stock"), for each share of common stock, par value \$.01 per share, of PriceCostco, up to a maximum of 27 million shares of Price Enterprises Common Stock (constituting all the outstanding shares of Price Enterprises Common Stock), upon the terms and subject to the conditions set forth in the Offering Circular/Prospectus dated November 21, 1994 (the "Offering Circular/Prospectus"), as supplemented and amended by the Supplement dated December 7, 1994 (the "Supplement"), a copy of which is attached hereto as Exhibit (a)(10), and the related Letters of Transmittal.

ITEM 3. PURPOSE OF THE TENDER OFFER AND PLANS OR PROPOSALS OF THE ISSUER OR AFFILIATE.

Item 3(c) is hereby amended by adding the following information:

The information set forth in the Supplement is incorporated herein by reference.

ITEM 9. MATERIAL TO BE FILED AS EXHIBITS.

Item 9 is hereby amended by adding the following information:

- (a) (10) Supplement, dated December 7, 1994.
- (a) (11) Revised Letter of Transmittal (with accompanying Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9).
- (a) (12) Form of Revised Notice of Guaranteed Delivery.
- (a) (13) Form of Revised Letter to Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees.(1)
- (a) (14) Form of Revised Letter to Clients for use by Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees.(1)
- (a) (15) Press Release, dated December 5, 1994, issued by Price/Costco, Inc.(1)
- (e) (2) Supplement, dated December 7, 1994 (see Exhibit (a)(10) above).

<FN>

(1) Not mailed to stockholders.

SIGNATURE

After due inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Dated: December 7, 1994

PRICE/COSTCO, INC.

By: /s/ RICHARD A. GALANTI

Name: Richard A. Galanti
Title: Executive Vice President and
Chief Financial Officer

[PriceCostco Logo]

December 7, 1994

Dear Stockholder:

Attached is a Supplement to the Offering Circular/Prospectus dated November 21, 1994.

On December 1, 1994, PriceCostco, Price Enterprises, Inc., Mexico Clubs, L.L.C., Price Club de Mexico, S.A. de C.V. and Controladora Comercial Mexicana, S.A. de C.V. executed a nonbinding expression of intent regarding the proposed sale by Mexico Clubs of its 50% interest in Price Club Mexico to Controladora Comercial Mexicana (or its assignee). The nonbinding expression of intent also contemplates that, in connection with any such sale, certain agreements will be entered into by PriceCostco and Price Club Mexico with respect to the use of the "Price Club" name by Price Club Mexico, the sourcing of certain merchandise to Price Club Mexico by PriceCostco, the use of certain computer software by Price Club Mexico and the training of employees of Price Club Mexico by PriceCostco. As described in the Offering Circular/Prospectus, Mexico Clubs is owned 51% by Price Enterprises and 49% by PriceCostco; Controladora Comercial is a Mexican company that holds the other 50% interest in Price Club Mexico.

This nonbinding expression of intent does not represent a binding agreement of the parties, preliminary or otherwise. Consummation of the transactions contemplated by the nonbinding expression of intent is subject to the execution of definitive agreements. There can be no assurances that the parties will enter into definitive agreements or that, if such agreements are entered into, that the terms thereof will not vary from those described in the attached Supplement.

The Offering Circular/Prospectus, which was previously distributed to PriceCostco stockholders, provides you with detailed information regarding the transaction pursuant to which Price Enterprises will become a separate, publicly traded company. The attached Supplement provides you with detailed information regarding the proposed sale by Mexico Clubs of its 50% interest in Price Club Mexico. We urge you to read the Offering Circular/Prospectus and the Supplement carefully.

NEITHER PRICECOSTCO NOR THE BOARD OF DIRECTORS MAKES ANY RECOMMENDATION TO ANY STOCKHOLDER WHETHER TO TENDER OR REFRAIN FROM TENDERING SHARES OF PRICECOSTCO COMMON STOCK PURSUANT TO THE EXCHANGE OFFER. EACH STOCKHOLDER MUST MAKE HIS OR HER DECISION WHETHER TO TENDER SHARES OF PRICECOSTCO COMMON STOCK PURSUANT TO THE EXCHANGE OFFER AND, IF SO, HOW MANY SHARES TO TENDER.

Sincerely,

Robert E. Price
Chairman of the Board

James D. Sinegal
President and Chief Executive Officer

THE TERMS OF THE TRANSACTION, INCLUDING THE EXCHANGE OFFER, HAVE NOT BEEN MODIFIED FROM THE TERMS DESCRIBED IN THE OFFERING CIRCULAR/PROSPECTUS DATED NOVEMBER 21, 1994.

ADDITIONAL COPIES OF THE OFFERING CIRCULAR/PROSPECTUS DATED NOVEMBER 21, 1994 MAY BE OBTAINED FROM THE INFORMATION AGENT AT THE ADDRESS OR TELEPHONE NUMBER SET FORTH ON THE BACK COVER OF THE ATTACHED SUPPLEMENT.

SUPPLEMENT TO
PRICE/COSTCO, INC.
OFFERING CIRCULAR

PRICE ENTERPRISES, INC.
PROSPECTUS

OFFER TO EXCHANGE
ONE SHARE OF COMMON STOCK OF PRICE ENTERPRISES, INC.
FOR EACH SHARE OF COMMON STOCK OF PRICE/COSTCO, INC.

THE EXCHANGE OFFER WILL EXPIRE AT 12:00 MIDNIGHT,
NEW YORK CITY TIME, ON DECEMBER 20, 1994.

This Supplement constitutes a Supplement to the Offering Circular of Price/Costco, Inc. ("PriceCostco") dated November 21, 1994 and a Supplement to the Prospectus of Price Enterprises, Inc. dated November 21, 1994 (together, and as supplemented by this Supplement, the "Offering Circular/Prospectus") pursuant to which PriceCostco is offering, upon the terms and subject to the conditions set forth in the Offering Circular/Prospectus and in the related Letters of Transmittal (which, together with the Offering Circular/Prospectus constitute the "Exchange Offer"), to exchange one share of common stock, par value \$.0001 per share ("Price Enterprises Common Stock"), of Price Enterprises, Inc., a newly formed Delaware corporation and an indirect, wholly owned subsidiary of PriceCostco ("Price Enterprises"), for each share of common stock, par value \$.01 per share ("PriceCostco Common Stock"), of PriceCostco, up to a maximum of 27 million shares of Price Enterprises Common Stock (constituting all of the outstanding shares of Price Enterprises Common Stock). If more than 27 million shares of PriceCostco Common Stock are validly tendered and not withdrawn in the Exchange Offer prior to the Expiration Date, then, upon the terms and subject to the conditions set forth in the Offering Circular/Prospectus and the Letters of Transmittal, PriceCostco will accept 27 million shares for exchange on a pro rata basis and shares of Price Enterprises Common Stock will be exchanged therefor. If less than 21.6 million shares of PriceCostco Common Stock are validly tendered in the Exchange Offer, then PriceCostco will accept such shares for exchange and will distribute to holders of PriceCostco Common Stock all the remaining shares of Price Enterprises Common Stock held by PriceCostco on a pro rata basis. If at least 21.6 million shares of PriceCostco Common Stock, but less than 27 million shares, are validly tendered, then PriceCostco will accept such shares for exchange and will, at its option, either (i) distribute the remaining shares of Price Enterprises Common Stock held by PriceCostco, as set forth in the previous sentence, or (ii) sell such shares to Price Enterprises in exchange for a promissory note, all as more fully described in the Offering Circular/Prospectus. In such event, PriceCostco currently intends to sell such shares to Price Enterprises in exchange for a promissory note.

THIS SUPPLEMENT SUPPLEMENTS AND AMENDS THE OFFERING CIRCULAR/PROSPECTUS AND SHOULD BE READ ONLY IN CONJUNCTION WITH THE OFFERING CIRCULAR/PROSPECTUS AND THE DOCUMENTS INCORPORATED BY REFERENCE THEREIN. Capitalized terms used but not defined in this Supplement shall have the meanings set forth in the Offering Circular/Prospectus. A copy of the Offering Circular/Prospectus has previously been furnished to all PriceCostco stockholders of record as of November 15, 1994. Requests for information or additional copies of the Offering Circular/Prospectus should be directed to the Information Agent at the address or telephone number set forth on the back cover of this Supplement.

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THE OFFERING CIRCULAR/PROSPECTUS IN CONNECTION WITH THE OFFERING OF SECURITIES MADE BY THE OFFERING CIRCULAR/PROSPECTUS AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY PRICECOSTCO OR PRICE ENTERPRISES. THE DELIVERY OF THE OFFERING CIRCULAR/PROSPECTUS OR ANY DISTRIBUTION OF SECURITIES MADE THEREUNDER, SHALL NOT UNDER ANY CIRCUMSTANCES CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE INFORMATION SET FORTH THEREIN SINCE THE DATE OF THIS SUPPLEMENT. THE OFFERING CIRCULAR/PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, ANY SECURITIES BY ANYONE IN ANY JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION IS NOT AUTHORIZED OR IN WHICH THE PERSON MAKING SUCH OFFER OR SOLICITATION IS NOT QUALIFIED TO DO SO OR TO ANYONE TO WHOM IT IS UNLAWFUL TO MAKE SUCH SOLICITATION.

The procedures for tendering shares of PriceCostco Common Stock in the Exchange Offer are described in the section of the Offering Circular/Prospectus entitled "THE EXCHANGE OFFER -- Procedures for Tendering." Tendering stockholders may use the Letter of Transmittal and the Notice of Guaranteed Delivery previously mailed to stockholders or the Letter of Transmittal and the Notice of Guaranteed delivery enclosed with this Supplement. ANY STOCKHOLDER WHO HAS PROPERLY TENDERED SHARES OF PRICECOSTCO COMMON STOCK PRIOR TO THE DATE OF THIS SUPPLEMENT, AND WHO HAS NOT WITHDRAWN SUCH SHARES, NEED NOT TAKE ANY ACTION UNLESS SUCH STOCKHOLDER WISHES TO WITHDRAW SUCH PREVIOUSLY TENDERED SHARES.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFERING CIRCULAR/PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE ATTORNEY GENERAL OF THE STATE OF NEW YORK HAS NOT PASSED ON OR ENDORSED THE MERITS OF THIS OFFERING. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

THE OFFERING CIRCULAR/PROSPECTUS INCORPORATES DOCUMENTS BY REFERENCE WHICH ARE NOT PRESENTED HEREIN OR DELIVERED HERewith. SUCH DOCUMENTS (OTHER THAN EXHIBITS TO SUCH DOCUMENTS UNLESS SUCH EXHIBITS ARE SPECIFICALLY INCORPORATED BY REFERENCE) ARE AVAILABLE TO ANY PERSON, INCLUDING ANY BENEFICIAL OWNER, TO WHOM THIS OFFERING CIRCULAR/PROSPECTUS IS DELIVERED, ON WRITTEN OR ORAL REQUEST, WITHOUT CHARGE, DIRECTED TO PRICE/COSTCO, INC., 10809 120TH AVENUE NE, KIRKLAND, WASHINGTON 98033 (TELEPHONE NUMBER (206) 803-8100), ATTENTION: DONALD E. BURDICK, VICE PRESIDENT. IN ORDER TO ENSURE TIMELY DELIVERY OF THE DOCUMENTS, ANY REQUESTS SHOULD BE MADE BY DECEMBER 13, 1994.

The date of this Supplement is December 7, 1994.

INTRODUCTION

The purpose of this Supplement is to advise PriceCostco stockholders that on December 1, 1994, PriceCostco, Price Enterprises, Mexico Clubs, Price Club Mexico and Comercial Mexicana executed a Memorandum of Understanding (the "Memorandum of Understanding") regarding (i) the proposed purchase by Comercial Mexicana or its assignee of the 50% interest in Price Club Mexico owned indirectly by Mexico Clubs and (ii) PriceCostco and Price Club Mexico entering into certain agreements, in connection with such transaction, with respect to the use of the "Price Club" name by Price Club Mexico, the sourcing of certain merchandise to Price Club Mexico by PriceCostco, the use of certain computer software by Price Club Mexico and the training of employees of Price Club Mexico by PriceCostco.

The Memorandum of Understanding expresses the non-binding intent of the parties and is not intended to be a binding agreement, preliminary or otherwise. Consummation of the transactions contemplated by the Memorandum of Understanding is subject to the execution of definitive agreements. If definitive agreements are not executed on or before December 31, 1994, the Memorandum of Understanding will have no further force or effect.

The Memorandum of Understanding contemplates that Comercial Mexicana (or its assignee, subject to the consent of PriceCostco) will purchase the 50% interest in Price Club Mexico by purchasing all of the shares of capital stock of Primex owned by Mexico Clubs for a purchase price of \$95 million in cash in U.S. Dollars. Primex is a wholly owned subsidiary of Mexico Clubs that holds Mexico Clubs' 50% interest in Price Club Mexico. The Memorandum of Understanding provides that such purchase is to occur within 120 days of December 1, 1994. The Memorandum of Understanding also provides that all amounts payable to PriceCostco and Mexico Clubs by Price Club Mexico pursuant to the open account payable of Price Club Mexico shall have been paid in full in U.S. Dollars before execution of any definitive stock purchase agreement. As of November 28, 1994, the amount of such account payable was approximately \$15.3 million.

The Memorandum of Understanding also contemplates that PriceCostco (or one of its subsidiaries) and Price Club Mexico will enter into certain agreements, including (a) a service and trademark license agreement pursuant to which PriceCostco will grant Price Club Mexico a limited, nontransferable right to use the trade and service mark "Price Club" in Mexico for the operation of membership warehouses selling food and non-food items through a central checkout utilizing at least 4,000 square meters and PriceCostco will allow employees of Price Club Mexico to attend certain training courses, (b) a computer software agreement pursuant to which Price Club Mexico will have the right to use certain computer software owned by PriceCostco and (c) a merchandise supply agreement pursuant to which PriceCostco will source certain goods for Price Club Mexico. Under the proposed service and trademark license agreement, PriceCostco would receive a payment of \$6.125 million from Price Club Mexico payable in the form of a promissory note, and quarterly royalties based on sales of products and services by Price Club Mexico. Under the proposed merchandise supply agreement, Price Club Mexico would purchase the on-hand inventory located at PriceCostco's City of Industry depot facility and at Mexico Clubs' depot facility in Laredo, Texas. Price Club Mexico would also assume responsibility for the operation of the Laredo, Texas depot facility and would assume the lease for such facility. Separate and apart from the proposed merchandise supply agreement between PriceCostco and Price Club Mexico, Mexico Clubs will offer to source goods to Price Club Mexico, but there can be no assurances that the parties will agree on acceptable terms for such sales or that any such sales would occur.

Upon the closing of the transactions contemplated by the Memorandum of Understanding, the parties would terminate the existing Joint Venture Agreement relating to Price Club Mexico. In addition, at such time, the Mexico Operating Agreement between Mexico Clubs, Price Enterprises, Price and PriceCostco would terminate by its terms.

Any proceeds received by Mexico Clubs as a result of the sale of capital stock of Primex to Comercial Mexicana (or its assignee) will be distributed to PriceCostco and Price Enterprises based on their ownership interests in Mexico Clubs, which are 49% and 51%, respectively.

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The Board of Directors of Price Enterprises, and Price Enterprises and PriceCostco as the owners of Mexico Clubs, have preliminarily approved the sale of the shares of capital stock of Primex to Comercial Mexicana (or its assignee), having concluded that such sale is in the best interests of each of Price Enterprises and Mexico Clubs. The Board of Directors of PriceCostco has preliminarily approved the agreements to be entered into between PriceCostco and Price Club Mexico, having concluded that the sale of the shares of capital stock of Primex to Comercial Mexicana (or its assignee) and entering into the agreements contemplated by the Memorandum of Understanding are in the best interests of PriceCostco.

THE MEMORANDUM OF UNDERSTANDING EXPRESSES THE NON-BINDING INTENT OF PRICECOSTCO, PRICE ENTERPRISES, MEXICO CLUBS, PRICE CLUB MEXICO AND COMERCIAL MEXICANA AND IS NOT INTENDED TO BE A BINDING AGREEMENT, PRELIMINARY OR OTHERWISE. CONSUMMATION OF THE TRANSACTIONS CONTEMPLATED BY THE MEMORANDUM OF UNDERSTANDING IS SUBJECT TO THE EXECUTION OF DEFINITIVE AGREEMENTS. IF DEFINITIVE AGREEMENTS ARE NOT EXECUTED ON OR BEFORE DECEMBER 31, 1994, THE MEMORANDUM OF UNDERSTANDING WILL HAVE NO FURTHER FORCE OR EFFECT. THERE CAN BE NO ASSURANCES THAT THE PARTIES WILL ENTER INTO DEFINITIVE AGREEMENTS WITH RESPECT TO THE TRANSACTIONS CONTEMPLATED BY THE MEMORANDUM OF UNDERSTANDING OR THAT, IF SUCH AGREEMENTS ARE ENTERED INTO, THAT THE TERMS THEREOF WILL NOT VARY FROM THOSE DESCRIBED ABOVE. IN ADDITION, IF A DEFINITIVE STOCK PURCHASE AGREEMENT IS EXECUTED, CONSUMMATION OF THE TRANSACTIONS CONTEMPLATED THEREBY WILL LIKELY BE SUBJECT TO CERTAIN CONDITIONS. THERE CAN BE NO ASSURANCES THAT SUCH CONDITIONS WILL BE SATISFIED OR WAIVED AND THAT THE TRANSACTIONS CONTEMPLATED BY ANY SUCH AGREEMENT WILL BE CONSUMMATED.

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PRICE ENTERPRISES, INC.

SELECTED UNAUDITED SUPPLEMENTAL PRO FORMA FINANCIAL DATA
(IN THOUSANDS, EXCEPT PER SHARE DATA)

The selected historical and pro forma income statement and balance sheet data has been derived from "PRICE ENTERPRISES, INC. SELECTED UNAUDITED PRO FORMA FINANCIAL DATA" and "PRICE ENTERPRISES, INC. UNAUDITED PRO FORMA FINANCIAL INFORMATION" which is included in the Offering Circular/Prospectus. The selected unaudited supplemental pro forma financial data of Price Enterprises set forth below has been derived from "PRICE ENTERPRISES, INC. UNAUDITED SUPPLEMENTAL PRO FORMA FINANCIAL INFORMATION," which is included elsewhere in this Supplement, and includes certain supplemental pro forma adjustments to the unaudited pro forma financial data of Price Enterprises included in the Offering Circular/Prospectus. The selected unaudited supplemental pro forma income statement data for the fiscal year ended August 28, 1994 have been prepared assuming the sale by Mexico Clubs of its 50% interest in Price Club Mexico on the terms described in this Supplement and as if the sale of such interest in Price Club Mexico occurred on the first day of fiscal 1994. The selected unaudited supplemental pro forma balance sheet data has been prepared assuming the sale by Mexico Clubs of its 50% interest in Price Club Mexico on the terms described in this Supplement and as if the sale of such interest in Price Club Mexico occurred on August 28, 1994. The supplemental selected unaudited pro forma financial data set forth below is not necessarily indicative of the financial position or results of operations that actually would have occurred if the sale of such interest in Price Club Mexico had been consummated as of the first day of fiscal 1994 or as of August 28, 1994. The unaudited supplemental pro forma selected financial data should be read in connection with "PRICE ENTERPRISES, INC. UNAUDITED SUPPLEMENTAL PRO FORMA FINANCIAL INFORMATION" and the related notes and assumptions.

	FISCAL YEAR 1994 (1)		
	HISTORICAL	PRO FORMA (2)	SUPPLEMENTAL PRO FORMA (3)
	-----	-----	-----
Income Statement Data			
Real estate rentals.....	\$ 29,265	\$ 36,281	\$ 36,281
Gains on sale of real estate.....	5,474	5,474	5,474
Merchandise sales.....	53,015	53,015	53,015
Real estate expenses.....	17,623	17,796	17,796
Merchandise costs and expenses.....	57,997	57,997	57,997
General and administrative.....	1,600	3,100	3,100
Provision for asset impairments.....	90,227	90,227	90,227
Operating loss.....	(79,693)	(74,350)	(74,350)
Interest income and other, net.....	9,947	9,947	8,234
Loss before benefit for income taxes.....	(69,746)	(64,403)	(66,116)
Net loss (4) (5).....	\$ (41,479)	\$ (38,327)	\$ (40,040)
Net loss per common share (4) (5).....		\$ (1.42)	\$ (1.48)
Number of shares used in calculation.....		27,000	27,000

	AUGUST 28, 1994		
	HISTORICAL	PRO FORMA (2)	SUPPLEMENTAL PRO FORMA (3)
	-----	-----	-----
Balance Sheet Data			
Real estate assets, net.....	\$ 447,387	\$449,487	\$448,698
Total assets.....	650,553	624,919	599,153
Long-term debt (5).....	--	--	--
Investment by PriceCostco/Stockholders' equity (5).....	578,788	574,269	581,830

(1) Price Enterprises reports its financial position and results of operations utilizing a 52 or 53 week fiscal year which ends on the Sunday nearest August 31.

(FOOTNOTES CONTINUED ON NEXT PAGE)

- (2) As more fully described in the Offering Circular/Prospectus under "PRICE ENTERPRISES, INC. UNAUDITED PRO FORMA FINANCIAL INFORMATION," the unaudited pro forma adjustments to the income statement data record (i) the inclusion of the Warehouse Properties' rentals and related expenses, (ii) certain additional general and administrative expenses, (iii) a reduction of depreciation expense and (iv) related income tax effects. The unaudited pro forma adjustments to the balance sheet data include the elimination of working capital retained by PriceCostco, accrual of estimated organization costs and the transfer of remaining real estate assets purchased and transferred by PriceCostco in fiscal 1995.
- (3) As more fully described herein under "PRICE ENTERPRISES, INC. UNAUDITED SUPPLEMENTAL PRO FORMA FINANCIAL INFORMATION," the unaudited supplemental pro forma adjustments to the income statement data reflect the elimination of Price Enterprises' share of equity in earnings of Price Club Mexico, which assumes the sale by Mexico Clubs of its 50% interest in Price Club Mexico on the terms described in this Supplement. The unaudited supplemental pro forma adjustments to the balance sheet data record (i) the elimination of the 50% interest in Price Club Mexico and PriceCostco's minority interest in Mexico Clubs and (ii) the net after-tax cash proceeds as of August 28, 1994 of approximately \$42.2 million for Price Enterprises' 51% interest in Mexico Clubs including approximately \$6 million reflecting the after-tax gain on the sale. The supplemental pro forma statement of income does not include any adjustment to reflect interest earnings on the \$42.2 million of net after-tax cash proceeds. Net after-tax cash proceeds of \$42.2 million does not include returns of fiscal 1995 contributions and earnings of approximately \$2.1 million.
- (4) Unaudited pro forma net loss per common share, long-term debt and stockholders' equity assumes all shares of Price Enterprises Common Stock are issued in the Exchange Offer or distributed to PriceCostco stockholders following the Exchange Offer. If only 21.6 million shares of Price Enterprises Common Stock are issued in the Exchange Offer, and Price Enterprises purchases the remaining 5.4 million shares of Price Enterprises Common Stock from PriceCostco for a note in the principal amount of approximately \$82.4 million (assuming a per share price for Price Enterprises Common Stock of \$15.25, and an interest rate on the outstanding note of approximately 6%), then unaudited pro forma net loss per common share for fiscal 1994 would be \$1.91, and long-term debt and stockholders' equity as of August 28, 1994 would be approximately \$82.4 million and \$491.9 million, respectively. Assuming the sale of the 50% interest in Price Club Mexico was also completed, then unaudited pro forma net loss per common share for fiscal 1994 would be \$1.92, and long-term debt and stockholders' equity as of August 28, 1994 would be approximately \$40.2 million and \$499.0 million, respectively. See "THE TRANSACTION -- The Distribution" in the Offering Circular/Prospectus for a description of the terms of the notes.
- (5) Includes a provision for asset impairments of \$90,200 pre-tax which includes \$80,500 pre-tax (\$47,500 after tax or \$1.76 net loss per pro forma common share) related to a change in calculating estimated losses for assets which are considered to be economically impaired. If the \$80,500 pre-tax provision for asset impairments were excluded, pro forma net income for fiscal 1994 would have been approximately \$9,173 or \$.34 per common share. Assuming the sale of the 50% interest in Price Club Mexico was completed, then unaudited supplemental pro forma net income for fiscal 1994 would have been approximately \$7,460 or \$.28 per common share.

PRICE ENTERPRISES, INC.
UNAUDITED SUPPLEMENTAL PRO FORMA FINANCIAL INFORMATION

The following unaudited supplemental pro forma condensed balance sheet of Price Enterprises as of August 28, 1994 and unaudited supplemental pro forma statement of income for the 52 weeks ended August 28, 1994 have been prepared

assuming the sale by Mexico Clubs of its 50% interest in Price Club Mexico on the terms described in this Supplement, and includes certain pro forma adjustments to the pro forma financial data of Price Enterprises included in the Offering Circular/Prospectus required to reflect such sale. The unaudited supplemental pro forma condensed balance sheet has been prepared as if the Transaction and the sale of such interest in Price Club Mexico occurred on August 28, 1994. The unaudited supplemental pro forma statement of income has been prepared as if the Transaction and the sale of such interest in Price Club Mexico occurred on the first day of fiscal 1994. The unaudited supplemental pro forma financial information is not necessarily indicative of the results that actually would have occurred if the Transaction and the sale by Mexico Clubs of its 50% interest in Price Club Mexico had been consummated as of August 28, 1994 or at the beginning of fiscal 1994.

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PRICE ENTERPRISES, INC.
UNAUDITED SUPPLEMENTAL PRO FORMA CONDENSED BALANCE SHEET
AS OF AUGUST 28, 1994
(IN THOUSANDS)

ASSETS

	PRO FORMA	SUPPLEMENTAL PRO FORMA ADJUSTMENTS	SUPPLEMENTAL PRO FORMA
	-----	-----	-----
REAL ESTATE ASSETS, NET.....	\$449,487	\$ (789) (2)	\$448,698
CURRENT ASSETS.....	2,678	42,249 (1)	44,927
INVESTMENT IN PRICE CLUB MEXICO			
JOINT VENTURE.....	67,226	(67,226) (2)	--
NOTES RECEIVABLE.....	73,023	--	73,023
DEFERRED INCOME TAXES.....	23,282	--	23,282
OTHER ASSETS.....	9,223	--	9,223
	-----	-----	-----
	\$624,919	\$ (25,766)	\$599,153
	-----	-----	-----

LIABILITIES AND INVESTMENT BY PRICECOSTCO/STOCKHOLDERS' EQUITY

LIABILITIES.....	\$ 15,739	\$ --	\$ 15,739
LONG-TERM DEBT.....	-- (3)	--	-- (3)
MINORITY INTEREST OF PRICECOSTCO.....	34,911	(33,327) (2)	1,584
INVESTMENT BY PRICECOSTCO/STOCKHOLDERS' EQUITY.....	574,269 (3)	42,249 (1) (34,688) (2)	581,830 (3)
	-----	-----	-----
	\$624,919	\$ (25,766)	\$599,153
	-----	-----	-----

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PRICE ENTERPRISES, INC.
UNAUDITED SUPPLEMENTAL PRO FORMA STATEMENT OF INCOME
FIFTY-TWO WEEKS ENDED AUGUST 28, 1994

(IN THOUSANDS, EXCEPT PER SHARE DATA)

	PRO FORMA	SUPPLEMENTAL PRO FORMA ADJUSTMENTS	SUPPLEMENTAL PRO FORMA
	-----	-----	-----
REVENUES			
Real estate rentals.....	\$ 36,281	\$--	\$36,281
Gains on sale of real estate.....	5,474	--	5,474
Merchandise sales.....	53,015	--	53,015
	-----	-----	-----
Total revenues.....	94,770	--	94,770
OPERATING EXPENSES			

Real estate expenses.....	17,796	--	17,796
Merchandise costs and expenses.....	57,997	--	57,997
General and administrative.....	3,100	--	3,100
Provision for asset impairments.....	90,227	--	90,227
	-----	-----	-----
Total operating expenses.....	169,120	--	169,120
	-----	-----	-----
Operating loss.....	(74,350)	--	(74,350)
INTEREST AND OTHER.....	9,947	(1,713) (4)	8,234
	-----	-----	-----
Loss before provision for income taxes.....	(64,403)	(1,713)	(66,116)
BENEFIT FOR INCOME TAXES.....	(26,076)	-- (4)	(26,076)
	-----	-----	-----
Net loss.....	\$ (38,327)	\$ (1,713)	\$ (40,040)
	-----	-----	-----
Net loss per common share (2).....	\$ (1.42) (5)		\$ (1.48) (5)
Number of shares used in calculation.....	27,000		27,000

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PRICE ENTERPRISES, INC.
NOTES AND ASSUMPTIONS TO UNAUDITED SUPPLEMENTAL
PRO FORMA FINANCIAL INFORMATION

- (1) To record the estimated net after-tax cash proceeds as of August 28, 1994 of approximately \$42.2 million for Price Enterprises' 51% interest in Mexico Clubs including a net after-tax gain of approximately \$6 million realized by Price Enterprises on the sale by Mexico Clubs of the shares of capital stock of Primex owned by Mexico Clubs. The supplemental pro forma statement of income does not include any adjustment to reflect interest earnings on the \$42.2 million of net cash proceeds. Net after-tax cash proceeds of \$42.2 million does not include returns of fiscal 1995 contributions and earnings of approximately \$2.1 million.
- (2) To reflect the sale of the 50% interest in Price Club Mexico and the elimination of PriceCostco's minority interest in Mexico Clubs.
- (3) Unaudited pro forma net loss per common share, long-term debt and stockholders' equity assumes all shares of Price Enterprises Common Stock are issued in the Exchange Offer or distributed to PriceCostco stockholders following the Exchange Offer. If only 21.6 million shares of Price Enterprises Common Stock are issued in the Exchange Offer, and Price Enterprises purchases the remaining 5.4 million shares of Price Enterprises Common Stock from PriceCostco for a note in the principal amount of approximately \$82.4 million (assuming a per share price for Price Enterprises Common Stock of \$15.25, and an interest rate on the outstanding note of approximately 6%), then unaudited pro forma net loss per common share for fiscal 1994 would be \$1.91, and long-term debt and stockholders' equity as of August 28, 1994 would be approximately \$82.4 million and \$491.9 million, respectively. Assuming the sale of the 50% interest in Price Club Mexico was also completed, then unaudited pro forma net loss per common share for fiscal 1994 would be \$1.92, and long-term debt and stockholders' equity as of August 28, 1994 would be approximately \$40.2 million and \$499.0 million, respectively. See "THE TRANSACTION -- The Distribution" in the Offering Circular/Prospectus for a description of the terms of the notes.
- (4) To eliminate Price Enterprises' share of equity in earnings of Price Club Mexico included in Interest and other income on an after-tax basis.
- (5) Includes a provision for asset impairments of \$90,200 pre-tax which includes \$80,500 pre-tax (\$47,500 after tax or \$1.76 net loss per pro forma common share) related to a change in calculating estimated losses for assets which are considered to be economically impaired. If the \$80,500 pre-tax provision for asset impairments were excluded, pro forma net income for fiscal 1994

would have been approximately \$9,173 or \$.34 per common share. Assuming the sale of the 50% interest in Price Club Mexico was also completed, then unaudited pro forma net income for fiscal 1994 would have been approximately \$7,460 or \$.28 per common share.

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SUPPLEMENTAL LIQUIDITY AND CAPITAL RESOURCES

Assuming the proposed sale of the 50% interest in Price Club Mexico owned indirectly by Mexico Clubs is completed, then Price Enterprises would not be required to make any additional investment in Mexico Clubs, which was anticipated to be approximately \$35 to \$40 million during fiscal year 1995 and which totalled approximately \$2 million from August 29, 1994 through November 20, 1994. In addition, Price Enterprises would receive net after-tax cash proceeds of approximately \$44 million, which would be available to fund other activities or reduce any outstanding indebtedness.

PROCEDURES FOR TENDERING SHARES OF PRICECOSTCO COMMON STOCK

The procedures for tendering shares of PriceCostco Common Stock in the Exchange Offer are described in the section of the Offering Circular/Prospectus entitled "THE EXCHANGE OFFER -- Procedures for Tendering." Tendering stockholders may use the Letter of Transmittal and the Notice of Guaranteed Delivery previously mailed to stockholders or the Letter of Transmittal and the Notice of Guaranteed Delivery enclosed with this Supplement. ANY STOCKHOLDER WHO HAS PROPERLY TENDERED SHARES OF PRICECOSTCO COMMON STOCK PRIOR TO THE DATE OF THIS SUPPLEMENT, AND WHO HAS NOT WITHDRAWN SUCH SHARES, NEED NOT TAKE ANY ACTION UNLESS SUCH STOCKHOLDER WISHES TO WITHDRAW SUCH PREVIOUSLY TENDERED SHARES.

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The Letters of Transmittal, certificates for shares of PriceCostco Common Stock and any other required documents should be sent or delivered by each stockholder of PriceCostco or his or her broker, dealer, commercial bank, trust company or other nominee to the Exchange Agent at one of the addresses set forth below:

FIRST INTERSTATE BANK OF WASHINGTON, N.A., EXCHANGE AGENT

BY MAIL:
First Interstate Bank of
Washington, N.A.
c/o MSTs
P.O. Box 845
Midtown Station
New York, NY 10018

BY OVERNIGHT DELIVERY:
First Interstate Bank of
Washington, N.A.
c/o MSTs
Attn: Reorg. Dept., 1st Floor
85 Challenger Rd.
Ridgefield Park, NJ 07660

BY HAND (ONLY):
First Interstate Bank of
Washington, N.A.
Stock Transfer, 14th Floor
999 Third Ave.
Seattle, WA 91804
or
Special Services Section
26610 West Agoura Road
Calabasas, CA 91302
or
120 Broadway, 33rd Floor
New York, NY 10271

Questions and requests for assistance may be directed to the Information Agent at the address and telephone numbers set forth below. Additional copies of the Offering Circular/Prospectus, this Supplement, the Letter of Transmittal and other Exchange Offer materials may be obtained from the Information Agent as set forth below. You may also contact your broker, dealer, commercial bank, trust company or other nominee for assistance concerning the Exchange Offer.

THE INFORMATION AGENT FOR THE EXCHANGE OFFER IS:
[GEORGESON LOGO]

Wall Street Plaza
New York, NY 10005

Banks and Brokers Call Collect: (212) 440-9800
All Others Call Toll-Free: (800) 223-2064

LETTER OF TRANSMITTAL
TO ACCOMPANY CERTIFICATES OF
COMMON STOCK OF
PRICE/COSTCO, INC.

TENDERED PURSUANT TO THE OFFERING CIRCULAR/PROSPECTUS DATED NOVEMBER 21, 1994
AND THE SUPPLEMENT DATED DECEMBER 7, 1994

THE EXCHANGE OFFER WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME,
ON TUESDAY, DECEMBER 20, 1994, UNLESS EXTENDED.

To: FIRST INTERSTATE BANK OF WASHINGTON, N.A., EXCHANGE AGENT

BY MAIL:

First Interstate Bank of
Washington, N.A.
c/o MSTS
P.O. Box 845
Midtown Station
New York, NY 10018

BY OVERNIGHT DELIVERY:

First Interstate Bank of
Washington, N.A.
c/o MSTS
Attn: Reorg. Dept., 1st Floor
85 Challenger Rd.
Ridgefield Park, NJ 07660

BY HAND (ONLY):

First Interstate Bank of
Washington, N.A.
Stock Transfer, 14th Floor
999 Third Ave.
Seattle, WA 98104
or
Special Services Section
26610 West Agoura Road
Calabasas, CA 91302
or
120 Broadway, 33rd Floor
New York, NY 10271

FOR INFORMATION CALL:
1-800-223-2064

PLEASE READ THE ACCOMPANYING INSTRUCTIONS CAREFULLY

Ladies and Gentlemen:

Reference is made to the Offering Circular/Prospectus, dated November 21, 1994 (the "Offering Circular/Prospectus"), of Price/Costco, Inc. ("PriceCostco"), the Supplement, dated December 7, 1994 (the "Supplement"), and this Letter of Transmittal (the "Letter of Transmittal"), receipt of which is hereby acknowledged, which together constitute PriceCostco's offer (the "Exchange Offer") to exchange one share of common stock, par value \$.0001 per share ("Price Enterprises Common Stock"), of Price Enterprises, Inc. for each share of common stock, par value \$.01 per share ("PriceCostco Common Stock"), of PriceCostco properly tendered pursuant to the Exchange Offer, up to a maximum of 27 million shares of Price Enterprises Common Stock.

The Exchange Offer will expire at 12:00 midnight, New York City time, on December 20, 1994, subject to extension by PriceCostco by notice to the Exchange Agent as herein provided (the "Expiration Date"). In the event of such extension, the term "Expiration Date" shall mean the time and date on which the Exchange Offer as so extended shall expire.

Upon the terms and subject to the conditions of the Exchange Offer, the undersigned hereby tenders to PriceCostco the shares of PriceCostco Common Stock represented by the certificate(s) described below (the "PriceCostco Shares"). Subject to, and effective upon, the acceptance for exchange of the PriceCostco Shares tendered herewith, the undersigned hereby sells, assigns and transfers to, or upon the order of, PriceCostco, all right, title and interest in and to the PriceCostco Shares. The undersigned hereby irrevocably constitutes and appoints the Exchange Agent as the true and lawful attorney-in-fact of the

undersigned (with full knowledge that said Exchange Agent also acts as the agent of PriceCostco) with respect to the PriceCostco Shares with full power of substitution (such power of attorney being deemed to be an irrevocable power coupled with an interest) to: (a) deliver the PriceCostco Shares or transfer ownership of the PriceCostco Shares on the account books maintained by The Depository Trust Company ("DTC"), the Midwest Securities Trust Company ("MSTC") or the Philadelphia Securities Depository Trust Company ("PHILADEP") and deliver, in any such case, all accompanying evidences of transfer and authenticity to or upon the order of PriceCostco upon receipt by the Exchange Agent, as the undersigned's agent, of certificate(s) representing shares of Price Enterprises Common Stock ("Price Enterprises Certificate(s)") to which the undersigned is entitled upon the acceptance for exchange by PriceCostco of such PriceCostco Shares under the Exchange Offer; (b) present certificate(s) representing such PriceCostco Shares for transfer on the books of PriceCostco and (c) receive all benefits and otherwise exercise all rights of beneficial ownership of the PriceCostco Shares, all in accordance with the terms of the Exchange Offer.

The undersigned hereby represents and warrants that the undersigned has full power and authority to tender, sell, assign and transfer the PriceCostco Shares tendered hereby and that PriceCostco will acquire good and unencumbered title thereto, free and clear of all liens, restrictions, charges and encumbrances and not subject to any adverse claim when the same are accepted for exchange by PriceCostco. The undersigned will, upon request, execute and deliver any additional documents deemed by the Exchange Agent or PriceCostco to be necessary or desirable to complete the sale, assignment and transfer of the PriceCostco Shares tendered hereby. All authority conferred or agreed to be conferred in this Letter of Transmittal and every obligation of the undersigned hereunder shall be binding upon the successors, assigns, heirs, executors, administrators, trustees in bankruptcy and legal representatives of the undersigned and shall not be affected by, and shall survive, the death or incapacity of the undersigned. This tender may be withdrawn only in accordance with the procedures set forth in the Offering Circular/Prospectus and the Instructions contained in this Letter of Transmittal.

The undersigned understands that if more than 27 million shares of PriceCostco Common Stock are validly tendered and not withdrawn in the Exchange Offer in accordance with "THE EXCHANGE OFFER" section of the Offering Circular/Prospectus, the PriceCostco Shares so tendered and not withdrawn shall be accepted for exchange on a pro rata basis.

Unless otherwise indicated under "Special Issuance and Delivery Instructions" below, please send (i) Price Enterprises Certificate(s) to which the undersigned is entitled, (ii) if applicable, a check in lieu of a fractional share equal to such fraction multiplied by the average closing price per share of Price Enterprises Common Stock on The Nasdaq Stock Market's National Market during the ten trading days immediately following the date of distribution of shares of Price Enterprises Common Stock by PriceCostco and (iii) if applicable, certificate(s) representing any shares of PriceCostco Common Stock not tendered by the undersigned or any PriceCostco Shares not accepted for exchange by PriceCostco at the address shown below. The undersigned understands that stockholders who deliver PriceCostco Shares by book-entry transfer ("Book-Entry Holders") may request that any shares of PriceCostco Common Stock not tendered or any PriceCostco Shares not accepted for exchange be returned by crediting the account maintained by DTC, MSTC or PHILADEP as such Book-Entry Holder may designate by making an appropriate entry under "Special Issuance and Delivery Instructions." The undersigned recognizes that PriceCostco has no obligation pursuant to the "Special Issuance and Delivery Instructions" to transfer any PriceCostco Shares from the name of the registered holder thereof if PriceCostco does not accept for exchange the PriceCostco Shares.

THE UNDERSIGNED, BY COMPLETING THE BOX BELOW AND SIGNING THIS LETTER OF TRANSMITTAL, WILL BE DEEMED TO HAVE TENDERED SHARES OF PRICECOSTCO COMMON STOCK REPRESENTED BY THE CERTIFICATE(S) DESCRIBED BELOW.

PLEASE SIGN HERE
(TO BE COMPLETED BY ALL TENDERING STOCKHOLDERS)
(SEE INSTRUCTIONS 1 AND 3)

X _____
X _____

Signature(s) of Owner(s)
AREA CODE AND TEL. NO.: _____

Must be signed by the registered holder(s) as the name(s) appear(s) on the PriceCostco Certificate(s) or on a security position listing or by person(s) authorized to become registered holder(s) by endorsements and documents transmitted herewith. If signature is by a trustee, executor, administrator, guardian, officer or other person acting in a fiduciary or representative capacity, please set forth full title. SEE INSTRUCTION 3.

Name(s): _____

(Please Print)

Capacity: _____

Address: _____

(Include Zip Code)

SIGNATURE GUARANTEE

Signature(s) Guaranteed by an Eligible Institution: _____
(if required by INSTRUCTION 3) (Authorized Signature)

(Title)

(Name of Firm)

Dated: _____, 199_

PLEASE READ THE ENTIRE LETTER OF TRANSMITTAL
CAREFULLY BEFORE CHECKING ANY BOX BELOW

This Letter of Transmittal is to be used either if the certificate(s) representing PriceCostco Shares are to be forwarded herewith or, unless an Agent's Message is utilized, if tenders are to be made by book-entry transfer to the account maintained by the Exchange Agent at DTC, MSTC or PHILADEP. Delivery of documents to DTC, MSTC or PHILADEP does not constitute delivery to the Exchange Agent.

Your bank or broker can assist you in completing this form. The Instructions included with this Letter of Transmittal must be followed. Questions and requests for assistance or for additional copies of the Offering Circular/Prospectus, the Supplement and this Letter of Transmittal may be directed to the Information Agent at the address indicated below.

List below the certificate(s) representing shares of PriceCostco Common Stock to which this Letter of Transmittal relates. If the space provided below is inadequate, the certificate numbers and number of shares represented thereby should be listed on a separate signed schedule affixed hereto.

DESCRIPTION OF CERTIFICATE(S)

NAME(S) AND ADDRESS(ES) OF REGISTERED HOLDER(S) (PLEASE FILL IN, IF BLANK)	CERTIFICATE NUMBER(S)*	NUMBER OF SHARES REPRESENTED	NUMBER OF
		BY CERTIFICATE(S)*	SHARES TENDERED**

TOTAL

* NEED NOT BE COMPLETED BY BOOK-ENTRY HOLDERS (SEE BELOW).

** UNLESS OTHERWISE INDICATED IN THIS COLUMN, A HOLDER WILL BE DEEMED TO HAVE TENDERED ALL OF THE SHARES OF PRICECOSTCO COMMON STOCK REPRESENTED BY THE CERTIFICATE(S) INDICATED IN THE SECOND COLUMN. SEE INSTRUCTION 2.

/ / CHECK HERE IF THE CERTIFICATE(S) REPRESENTING TENDERED PRICECOSTCO SHARES ARE ENCLOSED HEREWITH.

/ / CHECK HERE IF TENDERED PRICECOSTCO SHARES ARE BEING DELIVERED BY BOOK-ENTRY

TRANSFER MADE TO THE ACCOUNT MAINTAINED BY THE EXCHANGE AGENT WITH A TRUST COMPANY SPECIFIED BELOW AND COMPLETE THE FOLLOWING:

Name of Tendering Institution: _____

// DTC // MSTC // PHILADEP (check one) Account Number: _____

Transaction Code Number: _____

// CHECK HERE IF THE CERTIFICATE(S) REPRESENTING TENDERED PRICECOSTCO SHARES ARE BEING DELIVERED PURSUANT TO A NOTICE OF GUARANTEED DELIVERY AND COMPLETE THE FOLLOWING (SEE INSTRUCTION 1):

Name of Registered Owner(s): _____

Date of Execution of Notice of Guaranteed Delivery: _____

Name of Institution that guaranteed delivery: _____

// DTC // MSTC // PHILADEP (check one if applicable)

Account Number (if delivered by book-entry transfer): _____

SPECIAL ISSUANCE AND DELIVERY
INSTRUCTIONS

(SEE INSTRUCTIONS 3 AND 4)

To be completed ONLY if shares of PriceCostco Common Stock not tendered or any PriceCostco Shares not accepted for exchange, Price Enterprises Certificate(s) and/or any check for fractional shares issued in connection therewith are to be issued in the name of someone other than the undersigned or if shares of PriceCostco Common Stock delivered by book-entry transfer that are not tendered or any PriceCostco Shares not accepted for exchange are to be returned by credit to an account maintained by DTC, MSTC or PHILADEP.

Issue and mail:

(check appropriate box(es)):

// Price Enterprises Certificate(s) to:

// PriceCostco Certificate(s) to:

// Credit untendered PriceCostco

Certificate(s) delivered by

book-entry transfer to the

// DTC, // MSTC or // PHILADEP

(check one) account set forth below:

Name(s) _____

(Please Print)

(Please Print)

Address: _____

Zip Code

(DTC, MSTC, or PHILADEP Account Number)

Employer Identification or Social
Security No.

SPECIAL DELIVERY
INSTRUCTIONS

(SEE INSTRUCTIONS 3 AND 4)

To be completed ONLY if shares of PriceCostco Common Stock not tendered or any PriceCostco Shares not accepted for

exchange, Price Enterprises Certificate(s) and/or any check for fractional shares issued in connection therewith are to be sent to someone other than the undersigned, or to the undersigned at an address other than that shown in the box entitled "Description of Certificate(s)."

Issue and mail: (check appropriate box(es)):

// Price Enterprises Certificate(s) to:

// PriceCostco Certificate(s) to:

Name(s) _____ (Please Print)

_____ (Please Print)

Address: _____

_____ Zip Code

_____ Employer Identification or Social Security No.

TO BE COMPLETED BY ALL TENDERING STOCKHOLDERS (SEE INSTRUCTION 5) PAYOR'S NAME: PRICE/COSTCO, INC.

SUBSTITUTE FORM W-9 Department of the Treasury, Internal Revenue Service Payor's Request for Taxpayer Identification Number (TIN) PART 1 -- PLEASE PROVIDE YOUR TIN Social Security Number IN THE BOX AT RIGHT AND CERTIFY BY SIGNING AND DATING BELOW. OR Employer Identification Number Part 2 -- Awaiting TIN / /

CERTIFICATION -- UNDER THE PENALTIES OF PERJURY, I CERTIFY THAT (1) the number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me) and (2) I am not subject to backup withholding either because (a) I am exempt from backup withholding, (b) I have not been notified by the Internal Revenue Service that I am subject to backup withholding as a result of failure to report all interest or dividends, or (c) the Internal Revenue Service has notified me that I am no longer subject to backup withholding.

Signature _____ Date _____

You must cross out item (2) above if you have been notified by the Internal Revenue Service that you are currently subject to backup withholding because of underreporting interest or dividends on your tax return.

YOU MUST COMPLETE THE FOLLOWING CERTIFICATE IF YOU WROTE "APPLIED FOR" IN PART I OF THE SUBSTITUTE FORM W-9.

CERTIFICATE OF AWAITING TAXPAYER IDENTIFICATION NUMBER

I certify under penalties of perjury that a taxpayer identification number has not been issued to me, and either (i) I have mailed or delivered an application

to receive a taxpayer identification number to the appropriate Internal Revenue Service Center or Social Security Administration office or (ii) I intend to mail or deliver an application in the near future. I understand that if I do not provide a taxpayer identification number by the time of payment, I may be subject to backup withholding in an amount equal to 31% of the gross proceeds resulting from the Exchange Offer until I provide a number.

Signature _____ Date _____

INSTRUCTIONS
FORMING PART OF THE TERMS AND CONDITIONS OF THE EXCHANGE OFFER

1. DELIVERY OF THIS LETTER OF TRANSMITTAL AND PRICECOSTCO CERTIFICATE(S)

This Letter of Transmittal is to be used either if the certificate(s) representing PriceCostco Shares are to be forwarded herewith or, unless an Agent's Message (as defined in the Offering Circular/Prospectus in "THE EXCHANGE OFFER -- Procedures for Tendering") is utilized, if tenders are to be made pursuant to the procedures for book-entry transfer set forth in the Offering Circular/Prospectus under "THE EXCHANGE OFFER -- Procedures for Tendering" or if the PriceCostco Shares will be tendered pursuant to the guaranteed delivery procedures set forth in the Offering Circular/Prospectus under "THE EXCHANGE OFFER -- Guaranteed Delivery Procedure." The certificate(s) representing PriceCostco Shares, or confirmation of any book-entry transfer into the Exchange Agent's account at DTC, MSTC, or PHILADEP of PriceCostco Shares tendered electronically, as well as a properly completed and duly executed copy of this Letter of Transmittal or a facsimile thereof, and any other documents required by this Letter of Transmittal, must be received by the Exchange Agent at one of its addresses set forth herein on or prior to the Expiration Date. The method of delivery of this Letter of Transmittal, the certificate(s) representing PriceCostco Shares and any other required documents is at the election and risk of holder, but, except as otherwise provided below, the delivery will be deemed made only when actually received or confirmed by the Exchange Agent. If certificate(s) representing PriceCostco Shares are sent by mail, it is suggested that the mailing be made sufficiently in advance of the Expiration Date to permit delivery to the Exchange Agent on or before the Expiration Date by registered mail with return receipt requested, properly insured.

Holders whose certificate(s) representing PriceCostco Shares are not immediately available or who cannot deliver their certificate(s) and all other required documents to the Exchange Agent on or prior to the Expiration Date may tender their PriceCostco Shares pursuant to the guaranteed delivery procedure set forth in the Offering Circular under "THE EXCHANGE OFFER -- Guaranteed Delivery Procedure." Pursuant to such procedure: (i) such tender must be made by or through an Eligible Institution (as defined in the Offering Circular/Prospectus); (ii) prior to the Expiration Date, the Exchange Agent must have received from such Eligible Institution a properly completed and duly executed Notice of Guaranteed Delivery (by telegram, telex, facsimile transmission, mail or hand delivery) setting forth the name and address of the holder and the PriceCostco Shares tendered, stating that the tender is being made thereby and guaranteeing that within five New York Stock Exchange trading days after the Expiration Date, the certificate(s) representing such PriceCostco Shares and any other documents required by this Letter of Transmittal will be deposited by the Eligible Institution with the Exchange Agent; and (iii) the certificate(s) representing the PriceCostco Shares, or a confirmation of a book-entry transfer of such PriceCostco Shares into the Exchange Agent's account at DTC, MSTC, or PHILADEP as described above, together with a properly completed and duly executed Letter of Transmittal (or manually signed facsimile) and any required signature guarantees, or an Agent's Message in connection with a book-entry transfer, and all other documents required by this Letter of Transmittal, must be received by the Exchange Agent within five New York Stock Exchange trading days after the Expiration Date, all as provided in the Offering Circular/Prospectus under "THE EXCHANGE OFFER -- Guaranteed Delivery Procedure."

See "THE EXCHANGE OFFER" section of the Offering Circular/Prospectus.

2. PARTIAL TENDERS; WITHDRAWALS.

If less than all of the shares of PriceCostco Common Stock evidenced by any certificate(s) are to be tendered, the tendering holder should fill in the number of shares to be tendered in the box entitled "Number of Shares Tendered." A reissued certificate representing the number of shares of PriceCostco Common Stock not tendered will be sent to such holder, unless otherwise provided in the appropriate box on this Letter of Transmittal, as soon as practicable after the Expiration Date. The entire number of shares of PriceCostco Common Stock represented by any certificate(s) delivered to the Exchange Agent will be deemed to have been tendered unless otherwise indicated.

Any holder of PriceCostco Shares who has tendered PriceCostco Shares may withdraw the tender at any time prior to 12:00 midnight, New York City time, on the Expiration Date, and, unless such tender has been previously accepted, at any time after the expiration of 40 business days from the commencement of the Exchange Offer, by delivery of written notice of withdrawal, to the Exchange Agent.

To be effective, a written, telegraphic or facsimile transmission notice of withdrawal must be timely received by the Exchange Agent, must have a guaranteed signature included thereon (unless not required by the terms set forth in Instruction 3) and must specify the name of the person having tendered the PriceCostco Shares to be withdrawn and the number of shares of PriceCostco Common Stock to be withdrawn. If the certificate(s) representing PriceCostco Shares have been delivered or otherwise identified to the Exchange Agent, the name of the registered holder and the serial numbers of the particular certificate(s) must also be so furnished to the Exchange Agent as aforesaid prior to the physical release of the certificate(s) representing the withdrawn PriceCostco Shares. If PriceCostco Shares have been tendered pursuant to the procedures for book-entry tender as set forth in the Offering Circular/Prospectus under the caption "THE EXCHANGE OFFER -- Procedures for Tendering," any notice of withdrawal must also specify the name and number of the account at DTC, MSTC or PHILADEP to be credited with the withdrawn PriceCostco Shares. Withdrawals of tenders of PriceCostco Shares may not be rescinded, and any PriceCostco Shares withdrawn will thereafter be deemed not validly tendered for purposes of the Exchange Offer; PROVIDED, HOWEVER, that withdrawn PriceCostco Shares may be retendered by again following one of the procedures described in the Offering Circular/ Prospectus under the caption "THE EXCHANGE OFFER -- Withdrawal Rights" at any time prior to 12:00 midnight, New York City time, on the Expiration Date.

3. SIGNATURES ON THIS LETTER OF TRANSMITTAL, STOCK POWERS AND ENDORSEMENTS; GUARANTEE OF SIGNATURES.

If this Letter of Transmittal is signed by the registered holder of the PriceCostco Shares tendered hereby, the signature must correspond exactly with the name as written on the face of the certificate(s) representing the PriceCostco Shares without any change whatsoever.

If any of the PriceCostco Shares tendered hereby are registered in the name of two or more joint owners, all such owners must sign this Letter of Transmittal.

If any tendered PriceCostco Shares are registered in different names, it will be necessary to complete, sign and submit as many separate copies of this Letter of Transmittal as there are different registrations of certificates.

When this Letter of Transmittal is signed by the registered holder or holders of the PriceCostco Shares listed and tendered hereby, no endorsements of certificates or separate stock powers are required. If, however, Price Enterprises Certificate(s) are to be issued, or certificate(s) for any untendered shares of PriceCostco Common Stock are to be reissued, to a person other than the registered holder, then endorsements of any certificates transmitted hereby or separate stock powers are required.

If this Letter of Transmittal is signed by a person other than the registered holder or holders of any PriceCostco Shares listed, the certificate(s) representing such PriceCostco Shares must be endorsed or accompanied by appropriate stock powers, in either case signed exactly as the

name or names of the registered holder or holders appear on such certificate(s).

If this Letter of Transmittal or any certificates or stock powers are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporation or others acting in a fiduciary or representative capacity, such persons should indicate when signing, and, unless waived by PriceCostco, proper evidence satisfactory to PriceCostco of their authority to so act must be submitted.

ENDORSEMENTS ON CERTIFICATE(S) OR SIGNATURES ON STOCK POWERS REQUIRED BY THIS INSTRUCTION 3 MUST BE GUARANTEED BY AN ELIGIBLE INSTITUTION.

SIGNATURES ON THIS LETTER OF TRANSMITTAL NEED NOT BE GUARANTEED BY AN ELIGIBLE INSTITUTION, PROVIDED THE PRICECOSTCO SHARES ARE TENDERED: (I) BY A REGISTERED HOLDER OF SUCH PRICECOSTCO SHARES (WHICH TERM, FOR PURPOSES OF THIS LETTER OF TRANSMITTAL, SHALL INCLUDE ANY PARTICIPANT IN DTC, MSTC, OR PHILADEP WHOSE NAME APPEARS ON A SECURITY POSITION LISTING AS THE OWNER OF PRICECOSTCO SHARES) WHO HAS NOT COMPLETED THE BOX ENTITLED "SPECIAL ISSUANCE AND DELIVERY INSTRUCTIONS" OR "SPECIAL DELIVERY INSTRUCTIONS" ON THIS LETTER OF TRANSMITTAL; OR (II) FOR THE ACCOUNT OF AN ELIGIBLE INSTITUTION.

4. SPECIAL ISSUANCE AND DELIVERY INSTRUCTIONS.

Tendering holders should indicate in the applicable box the name and address to which Price Enterprises Certificate(s), a check for cash, if any, in lieu of fractional interests and/or substitute certificate(s) for shares of PriceCostco Common Stock not tendered or any PriceCostco Shares not accepted for exchange are to be issued or sent, if different from the name and address of the person signing this Letter of Transmittal. In the case of issuance in a different name, the employer identification or social security number of the person named must also be indicated. Book-Entry Holders may request that shares of PriceCostco Common Stock not exchanged be credited to the account at DTC, MSTC, or PHILADEP designated below in the box entitled "Description of PriceCostco Certificate(s)."

5. TAXPAYER IDENTIFICATION NUMBER.

Federal income tax law requires that a holder whose tendered PriceCostco Shares are accepted for exchange must provide PriceCostco (as payor) with his or her correct taxpayer identification number ("TIN"), which, in the case of a holder who is an individual, is his or her social security number. If PriceCostco is not provided with the correct TIN or an adequate basis for exemption, the holder may be subject to backup withholding in an amount equal to 31% of the gross proceeds resulting from the Exchange Offer. If withholding results in an overpayment of taxes, a refund may be obtained.

Exempt holders (including, among others, all corporations and certain foreign individuals) are not subject to these backup withholding and reporting requirements. See the enclosed Guidelines for Certification of Taxpayer Identification Number and Substitute Form W-9 for additional instructions.

To prevent backup withholding, each tendering holder must provide his or her correct TIN by completing the "Substitute Form W-9" set forth herein, certifying that the TIN provided is correct (or that such holder is awaiting a TIN) and that (i) the holder is exempt from backup withholding, (ii) the holder has not been notified by the Internal Revenue Service that he or she is subject to backup withholding as a result of failure to report all interest or dividends or (iii) the Internal Revenue Service has notified the holder that he or she is no longer subject to backup withholding. In order to satisfy the Exchange Agent that a foreign individual qualifies as an exempt recipient, such holders must submit a statement signed under penalty of perjury attesting to such exempt status. Such statements may be obtained from the Exchange Agent. If the certificate(s) representing PriceCostco Shares are in more than one name or are not in the name of the actual owner, consult the enclosed guidelines for information on which TIN to report. If you do not have a TIN, consult the enclosed guidelines for instructions on applying for a TIN, check the box in Part 2 of the Substitute Form W-9, and write "applied for" in lieu of your TIN. If you do not provide your TIN to the payor within 60 days, backup withholding

will begin and continue until you furnish your TIN to the payor.

6. TRANSFER TAXES.

PriceCostco will pay all transfer taxes, if any, applicable to the transfer and sale of PriceCostco Shares to it or its order pursuant to the Exchange Offer. If, however, certificate(s) for shares of PriceCostco Common Stock not tendered are to be delivered to, or are to be registered or issued in the name of, any person other than the registered holder of the PriceCostco Shares tendered hereby, or if tendered PriceCostco Shares are registered in the name of any person other than the person signing this Letter of Transmittal, or if a transfer tax is imposed for any reason other than the transfer and sale of PriceCostco Shares to PriceCostco or its order pursuant to the Exchange Offer, the amount of any such transfer taxes whether imposed on the registered holder or any other persons will be payable by the tendering holder. If satisfactory evidence of payment of such taxes or exemption therefor is not submitted herewith, the amount of such transfer taxes will be billed directly to such tendering holder.

EXCEPT AS PROVIDED IN THIS INSTRUCTION 6, IT WILL NOT BE NECESSARY FOR TRANSFER TAX STAMPS TO BE AFFIXED TO THE CERTIFICATE(S) REPRESENTING PRICECOSTCO SHARES LISTED IN THIS LETTER OF TRANSMITTAL.

7. WAIVER OF CONDITIONS.

PriceCostco reserves the absolute right to waive satisfaction of any of the conditions enumerated in the Offering Circular/Prospectus.

8. NO CONDITIONAL OFFERS.

No alternative, conditional, irregular or contingent tenders will be accepted. All tendering stockholders, by execution of this Letter of Transmittal (or a facsimile thereof), shall waive any right to receive notice of the acceptance for exchange of their PriceCostco Shares.

Neither PriceCostco, the Exchange Agent nor any other person is obligated to give notice of defects or irregularities in any tender, nor shall any of them incur any liability for failure to give any such notice.

9. MUTILATED, LOST, STOLEN OR DESTROYED PRICECOSTCO CERTIFICATES.

If any certificate representing shares of PriceCostco Common Stock has been destroyed, lost or stolen, the stockholder must (i) furnish to the Exchange Agent evidence, satisfactory to it in its discretion, of the ownership of and the destruction, loss or theft of such certificate, (ii) furnish to the Exchange Agent indemnity, satisfactory to it in its discretion and (iii) comply with such other reasonable regulations as the Exchange Agent may prescribe. Any holder whose certificate(s) representing shares of PriceCostco Common Stock have been mutilated, lost, stolen or destroyed should contact the Exchange Agent at the address indicated above for further instructions.

10. REQUESTS FOR ASSISTANCE OR ADDITIONAL COPIES.

Questions relating to the procedure for tendering, as well as requests for additional copies of the Offering Circular/ Prospectus, the Supplement and this Letter of Transmittal, may be directed to the Information Agent at the address indicated below.

THE INFORMATION AGENT FOR THE EXCHANGE OFFER IS:
[GEORGESON LOGO]

CALL TOLL FREE: 1-800-223-2064
WALL STREET PLAZA
NEW YORK, NEW YORK 10005
TELEPHONE: (212) 509-6240
BANKS AND BROKERS CALL
TELEPHONE: (212) 440-9800

FORM OF
NOTICE OF GUARANTEED DELIVERY
FOR
TENDER OF SHARES OF COMMON STOCK
OF
PRICE/COSTCO, INC.
(Not To Be Used For Signature Guarantees)

This form or one substantially equivalent hereto must be used to accept the Exchange Offer (as defined below) of Price/Costco, Inc., a Delaware corporation ("PriceCostco"), made pursuant to the Offering Circular/Prospectus, dated November 21, 1994 (the "Offering Circular/Prospectus"), and the Supplement, dated December 7, 1994, if certificates for shares of common stock, par value \$.01 per share, of PriceCostco ("PriceCostco Common Stock") are not immediately available or if the procedure for book-entry transfer cannot be completed on a timely basis or time will not permit all required documents to reach the Exchange Agent by 12:00 midnight, New York City time, prior to the Expiration Date (as defined in the Offering Circular/Prospectus). Such form may be delivered by hand or transmitted by telegram, facsimile transmission or mail to the Exchange Agent. See "THE EXCHANGE OFFER -- Guaranteed Delivery Procedure" of the Offering Circular/Prospectus.

TO: FIRST INTERSTATE BANK OF WASHINGTON, N.A., EXCHANGE AGENT

BY MAIL:

BY OVERNIGHT DELIVERY:

BY HAND (ONLY):

First Interstate Bank of

First

Interstate Bank of
Washington, N.A.
c/o MSTs
P.O. Box 845
Midtown Station
New York, NY 10018

First Interstate Bank of
Washington, N.A.
c/o MSTs
Attn: Reorg. Dept., 1st Floor
85 Challenger Rd.
Ridgefield Park, NJ 07660

Washington, N.A.
Stock Transfer, 14th Floor
999 Third Ave.
Seattle, WA 98104
or
Special Services Section
26610 West Agoura Road
Calabasas, CA 91302
or
120 Broadway, 33rd Floor
New York, NY 10271

BY FACSIMILE:
(201) 296-4062

CONFIRM BY TELEPHONE:
(201) 296-4209

DELIVERY OF THIS INSTRUMENT TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE OR TRANSMISSION OF INSTRUCTIONS VIA FACSIMILE OTHER THAN AS SET FORTH ABOVE WILL NOT CONSTITUTE A VALID DELIVERY.

This form is not to be used to guarantee signatures. If a signature on a Letter of Transmittal is required to be guaranteed by an "Eligible Institution" under the instructions thereto, such signature guarantee must appear on the applicable space provided in the signature box on the Letter of Transmittal.

Ladies and Gentlemen:

Upon the terms and subject to the conditions set forth in the Offering Circular/Prospectus, dated November 21, 1994 (the "Offering Circular/Prospectus"), the Supplement, dated December 7, 1994, and the related Letters of Transmittal (which together constitute the "Exchange Offer"), the receipt of which is hereby acknowledged, the undersigned hereby tenders to Price/Costco, Inc., a Delaware corporation ("PriceCostco"), the number of shares of common stock, par value \$.01 per share, of PriceCostco ("PriceCostco Common

Stock") set forth below, pursuant to the guaranteed delivery procedure set forth in "THE EXCHANGE OFFER -- Guaranteed Delivery Procedure" in the Offering Circular/Prospectus. By so tendering, the undersigned hereby does make, at and as of the date hereof, the representations and warranties of a tendering holder of shares of PriceCostco Common Stock as set forth in the Letter of Transmittal.

(Please Type or Print)

Signature(s):

Name(s):

Address:

Zip Code

Area Code and Tel. No.(s):

Number of Shares of PriceCostco Common Stock
Tendered:

Certificate Nos. (if available):

Total Number of Shares Represented by PriceCostco
Common Stock Certificate(s):

IF SHARES OF PRICECOSTCO COMMON STOCK
WILL BE TENDERED BY BOOK-ENTRY
TRANSFER, CHECK ONE BOX AND PROVIDE
ACCOUNT NUMBER

/ / The Depository Trust Company
/ / Midwest Securities Trust Company
/ / Philadelphia Securities
Depository Trust Company

Account Number:

GUARANTEE
(NOT TO BE USED FOR SIGNATURE GUARANTEE)

The undersigned, an Eligible Institution (as defined in the Offering Circular/Prospectus) having an office or correspondent in the United States, hereby (i) guarantees that either the certificates representing the shares of PriceCostco Common Stock tendered hereby are in proper form for transfer, or confirmation of the book-entry of such shares of PriceCostco Common Stock into the Exchange Agent's applicable account at The Depository Trust Company, the Midwest Securities Trust Company or the Philadelphia Securities Depository Trust Company, in each case together with a properly completed and duly executed

Letter of Transmittal (or manually signed facsimile thereof) with any required signature guarantee, or an Agent's Message (as defined in the Offering Circular/Prospectus) in connection with a book-entry transfer, as well as all other documents required by the Letter of Transmittal, will be received by the Exchange Agent at one of its addresses set forth above, within five New York Stock Exchange, Inc. trading days after the Expiration Date (as defined in the Offering Circular/Prospectus), (ii) represents that such tender of PriceCostco Common Stock complies with Rule 14e-4 promulgated under the Securities Exchange Act of 1934, as amended ("Rule 14e-4"), and (iii) represents that the holder on whose behalf this tender is being made is deemed to own the shares of PriceCostco Common Stock being tendered within the meaning of Rule 14e-4.

NAME OF FIRM	AUTHORIZED SIGNATURE

ADDRESS	TITLE

	NAME:
-----	-----
ZIP CODE	(PLEASE TYPE OR PRINT)

	DATED:
-----	-----
AREA CODE AND TEL. NO.	

[GEORGESON LOGO]

OFFER TO EXCHANGE
ONE SHARE OF COMMON STOCK OF PRICE ENTERPRISES, INC.
FOR EACH SHARE OF COMMON STOCK OF PRICE/COSTCO, INC.

THE EXCHANGE WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK
TIME, ON TUESDAY, DECEMBER 20, 1994, UNLESS EXTENDED.

December 7, 1994

To Securities Dealers, Commercial Banks,
Trust Companies and Other Nominees:

We have been appointed by Price/Costco, Inc., a Delaware corporation ("PriceCostco"), to act as the Information Agent in connection with its offer, upon the terms and subject to the conditions set forth in the Offering Circular/Prospectus, dated November 21, 1994 (the "Offering Circular/Prospectus"), the Supplement, dated December 7, 1994 (the "Supplement"), and the related Letter of Transmittal (which together constitute the "Exchange Offer"), to exchange one share of common stock, par value \$.0001 per share ("Price Enterprises Common Stock"), of Price Enterprises, Inc., a newly formed Delaware corporation and an indirect, wholly owned subsidiary of PriceCostco, for each share of common stock, par value \$.01 per share ("PriceCostco Common Stock"), of PriceCostco, up to a maximum of 27 million shares of Price Enterprises Common Stock (constituting all of the outstanding shares of Price Enterprises Common Stock).

Upon the terms and subject to the conditions of the Exchange Offer, which are described in the Offering Circular/Prospectus, the Supplement and the Letter of Transmittal, PriceCostco will accept for exchange (and thereby purchase) all shares of PriceCostco Common Stock that have been validly tendered and not withdrawn (up to a maximum of 27 million such shares), prior to 12:00 midnight, New York City time, on December 20, 1994 subject to extension by PriceCostco as provided in the Offering Circular/ Prospectus (the "Expiration Date"). If more than 27 million shares of PriceCostco Common Stock are validly tendered and not withdrawn in the Exchange Offer prior to the Expiration Date, then, upon the terms and subject to the conditions set forth in the Offering Circular/Prospectus and the Letter of Transmittal, PriceCostco will accept 27 million shares for exchange on a pro rata basis and shares of Price Enterprises Common Stock will be exchanged therefor.

We are asking you to contact your clients for whom you hold shares of PriceCostco Common Stock registered in your name or in the name of your nominee or who hold shares of PriceCostco Common Stock registered in their own names.

PriceCostco will not pay any fees or commissions to any broker or dealer or other person for soliciting tenders of shares of PriceCostco Common Stock pursuant to the Exchange Offer. You will be reimbursed for customary mailing and handling expenses incurred by you in forwarding any of the enclosed materials to your clients. PriceCostco will pay all transfer taxes, if any, applicable to the transfer and sale of PriceCostco Common Stock to it or its order pursuant to the Exchange Offer, except as otherwise provided in Instruction 6 of the Letter of Transmittal.

Enclosed is a copy of the following documents:

1. The Supplement;
2. The Letter of Transmittal for your use and for the information of your clients;
3. A form of letter that may be sent to your clients for whose account you hold shares of PriceCostco Common Stock registered in your name or the name of your nominee, with space provided for obtaining such clients' instructions with regard to the Exchange Offer;

4. The form of Notice of Guaranteed Delivery;
5. The Guidelines for Certification of Taxpayer Identification Number on substitute Form W-9; and
6. A return envelope addressed to First Interstate Bank of Washington, N.A. (the "Exchange Agent").

YOUR PROMPT ACTION IS REQUESTED. THE EXCHANGE OFFER WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON DECEMBER 20, 1994, UNLESS EXTENDED BY PRICECOSTCO AS PROVIDED IN THE OFFERING CIRCULAR/PROSPECTUS. EXCEPT AS OTHERWISE PROVIDED IN THE OFFERING CIRCULAR/PROSPECTUS OR THE LETTER OF TRANSMITTAL, ANY TENDER IS IRREVOCABLE.

To participate in the Exchange Offer, certificate(s) for shares of PriceCostco Common Stock or a confirmation of any book-entry transfer into the Exchange Agent's account at The Depository Trust Company, the Midwest Securities Transfer Company or the Philadelphia Depository Trust Company together with a properly completed and duly executed Letter of Transmittal (or facsimile thereof), and any other documents required by the Letter of Transmittal, or an Agent's Message (as defined in the Offering Circular/ Prospectus) in connection with a book-entry transfer of shares, must be received by the Exchange Agent as indicated in the Letter of Transmittal and the Offering Circular/Prospectus prior to 12:00 midnight, New York City time, on the Expiration Date.

If holders of shares of PriceCostco Common Stock wish to tender, but it is impracticable for them to forward their certificate(s) for shares of PriceCostco Common Stock prior to 12:00 midnight, New York City time, on the Expiration Date, or to comply with the book-entry transfer procedures on a timely basis, a tender may be effected by following the guaranteed delivery procedures set forth in the Offering Circular/ Prospectus under "THE EXCHANGE OFFER -- Guaranteed Delivery Procedure."

Any inquiries you have with respect to the Exchange Offer should be addressed to the Information Agent at the addresses and telephone number set forth on the back cover of each of the Supplement and the Offering Circular/Prospectus. Additional copies of the enclosed material may be obtained from the Exchange Agent or the Information Agent.

Very truly yours,

Georgeson & Company, Inc.

NOTHING HEREIN OR IN THE ENCLOSED DOCUMENTS SHALL CONSTITUTE YOU OR ANY OTHER PERSON AS AN AGENT OF PRICECOSTCO, ANY AFFILIATE OF PRICECOSTCO, THE EXCHANGE AGENT OR THE INFORMATION AGENT, OR AUTHORIZE YOU OR ANY OTHER PERSON TO USE ANY DOCUMENT OR MAKE ANY STATEMENTS ON BEHALF OF ANY OF THEM WITH RESPECT TO THE EXCHANGE OFFER, EXCEPT FOR STATEMENTS EXPRESSLY MADE IN THE OFFERING CIRCULAR/PROSPECTUS, THE SUPPLEMENT OR THE LETTER OF TRANSMITTAL.

OFFER TO EXCHANGE
ONE SHARE OF COMMON STOCK OF PRICE ENTERPRISES, INC.
FOR EACH SHARE OF COMMON STOCK OF PRICE/COSTCO, INC.

THE EXCHANGE WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK
TIME, ON TUESDAY, DECEMBER 20, 1994, UNLESS EXTENDED.

December 7, 1994

To Our Clients:

Enclosed for your consideration is the Supplement, dated December 7, 1994 (the "Supplement"), to the Offering Circular/Prospectus, dated November 21, 1994 (the "Offering Circular/Prospectus"), and the related Letter of Transmittal (which together constitute the "Exchange Offer"), relating to the offer, upon the terms and subject to the conditions set forth in the Offering Circular/Prospectus, the Supplement and the Letter of Transmittal, by Price/Costco, Inc., a Delaware corporation ("PriceCostco"), to exchange one share of common stock, par value \$.0001 per share ("Price Enterprises Common Stock"), of Price Enterprises, Inc., a newly formed Delaware corporation and an indirect, wholly owned subsidiary of PriceCostco, for each share of common stock, par value \$.01 per share ("PriceCostco Common Stock"), of PriceCostco, up to a maximum of 27 million shares of Price Enterprises Common Stock (constituting all of the outstanding shares of Price Enterprises Common Stock).

Upon the terms and subject to the conditions of the Exchange Offer, which are described in the Offering Circular/Prospectus, the Supplement and the Letter of Transmittal, PriceCostco will accept for exchange (and thereby purchase) all shares of PriceCostco Common Stock that have been validly tendered and not withdrawn (up to a maximum of 27 million such shares), prior to 12:00 midnight, New York City time, on December 20, 1994, subject to extension by PriceCostco as provided in the Offering Circular/Prospectus (the "Expiration Date"). If more than 27 million shares of PriceCostco Common Stock are validly tendered and not withdrawn in the Exchange Offer prior to the Expiration Date, then, upon the terms and subject to the conditions set forth in the Offering Circular/Prospectus and the Letter of Transmittal, PriceCostco will accept 27 million shares for exchange on a pro rata basis and shares of Price Enterprises Common Stock will be exchanged therefor.

This material is being forwarded to you as the beneficial owner of shares of PriceCostco Common Stock carried by us in your account but not registered in your name. A tender of such shares of PriceCostco Common Stock may only be made by us as the holder of record and pursuant to your instructions.

Accordingly, we request instructions as to whether you wish us to tender any or all such shares of PriceCostco Common Stock held by us for your account, pursuant to the terms and conditions set forth in the Offering Circular/Prospectus, the Supplement and Letter of Transmittal. However, you should read these documents carefully before instructing us to tender your shares of PriceCostco Common Stock.

YOUR INSTRUCTIONS TO US SHOULD BE FORWARDED AS PROMPTLY AS POSSIBLE IN ORDER TO PERMIT US TO TENDER YOUR SHARES OF PRICECOSTCO COMMON STOCK ON YOUR BEHALF IN ACCORDANCE WITH THE PROVISIONS OF THE EXCHANGE OFFER. THE EXCHANGE OFFER WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON DECEMBER 20, 1994, UNLESS EXTENDED BY PRICECOSTCO AS PROVIDED IN THE OFFERING CIRCULAR/PROSPECTUS. EXCEPT AS OTHERWISE PROVIDED IN THE OFFERING CIRCULAR/PROSPECTUS OR THE LETTER OF TRANSMITTAL, ANY TENDER IS IRREVOCABLE.

If you wish to have us tender any or all of your shares of PriceCostco Common Stock on your behalf, please so instruct us by completing, executing, detaching and returning to us the attached instruction form. An envelope to return your instructions to us is enclosed. Please forward your instructions to us in ample time to permit us to submit a tender on your behalf prior to the expiration of the Exchange Offer. If you authorize the tender of your shares of PriceCostco Common Stock, all such shares will be tendered unless otherwise

specified on the attached instruction form. THE ACCOMPANYING LETTER OF TRANSMITTAL IS FURNISHED TO YOU FOR YOUR INFORMATION ONLY AND MAY NOT BE USED BY YOU TO TENDER SHARES OF PRICECOSTCO COMMON STOCK.

INSTRUCTIONS

The undersigned acknowledge(s) receipt of your letter enclosing the Supplement, dated December 7, 1994 (the "Supplement"), to the Offering Circular/Prospectus, dated November 21, 1994 (the "Offering Circular/Prospectus"), and the related Letter of Transmittal (which together constitute the "Exchange Offer"), relating to the offer, upon the terms and subject to the conditions set forth in the Offering Circular/ Prospectus, the Supplement and the Letter of Transmittal, by Price/Costco, Inc., a Delaware corporation ("PriceCostco"), to exchange one share of common stock, par value \$.0001 per share ("Price Enterprises Common Stock"), of Price Enterprises, Inc., a newly formed Delaware corporation and an indirect, wholly owned subsidiary of PriceCostco, for each share of common stock, par value \$.01 per share ("PriceCostco Common Stock"), of PriceCostco, up to a maximum of 27 million shares of Price Enterprises Common Stock (constituting all of the outstanding shares of Price Enterprises Common Stock).

If more than 27 million shares of PriceCostco Common Stock are validly tendered and not withdrawn in the Exchange Offer prior to the Expiration Date, then, upon the terms and subject to the conditions set forth in the Offering Circular/Prospectus, the Supplement and the related Letter of Transmittal, PriceCostco will accept 27 million shares for exchange on a pro rata basis and shares of Price Enterprises Common Stock will be exchanged therefor.

This will instruct you whether to tender the shares of PriceCostco Common Stock indicated below held by you for the account of the undersigned, upon the terms and subject to the conditions set forth in the Offering Circular/Prospectus, the Supplement and the related Letter of Transmittal.

Box 1 / / Please TENDER _____ shares of PriceCostco Common Stock held by you for my account on the Letter of Transmittal.

Box 2 / / Please DO NOT TENDER any shares of PriceCostco Common Stock held by you for my account.

DATE: _____

SIGNATURE(S)

PLEASE TYPE OR PRINT NAME(S) HERE

UNLESS A SPECIFIC CONTRARY INSTRUCTION IS GIVEN IN THE SPACES PROVIDED, YOUR SIGNATURE(S) HEREON SHALL CONSTITUTE AN INSTRUCTION TO US TO TENDER ALL YOUR SHARES OF PRICECOSTCO COMMON STOCK UPON TERMS AND SUBJECT TO THE CONDITIONS SET FORTH IN THE OFFERING CIRCULAR/PROSPECTUS, THE SUPPLEMENT AND THE LETTER OF TRANSMITTAL.

CONTACT:

Richard A. Galanti
(206) 803-8203

FOR IMMEDIATE RELEASE

PRICECOSTCO AND CONTROLADORA COMERCIAL MEXICANA ANNOUNCE INTENTION FOR
CONTROLADORA COMERCIAL MEXICANA TO PURCHASE 50% INTEREST IN PRICE CLUB MEXICO

Kirkland, Washington; and Mexico City, Mexico--December 5, 1994--PriceCostco, Inc. (NASDAQ: PCCW) and Controladora Comercial Mexicana, S.A. de C.V., today announced that they have executed a nonbinding expression of intent regarding the proposed sale to Controladora Comercial Mexicana or its assignee of PriceCostco's 50% interest in Price Club de Mexico, S.A. de C.V. Controladora Comercial Mexicana currently owns the other 50% interest in Price Club Mexico.

In addition, the nonbinding expression of intent contemplates that, in connection with such transaction, PriceCostco and Price Club Mexico will enter into agreements with respect to the use by Price Club Mexico of the "Price Club" name, the sourcing of certain merchandise to Price Club Mexico by PriceCostco, the use by Price Club Mexico of certain computer software owned by PriceCostco and the training by PriceCostco of employees of Price Club Mexico. At such time as definitive agreements with respect to such matters may be executed by PriceCostco and Price Club Mexico, PriceCostco's existing joint venture agreement with Controladora Comercial Mexicana will terminate.

PriceCostco and Controladora Comercial Mexicana stated that their nonbinding expression of intent does not represent a binding agreement and that consummation of the transactions contemplated thereby is subject to the execution of definitive agreements. The nonbinding expression of intent provides that the transactions are to be completed within 120 days of December 1, 1994.

As part of the previously announced exchange offer transaction pursuant to which Price Enterprises, Inc., a subsidiary of PriceCostco, will become a separate, publicly traded company, PriceCostco's 50% interest in Price Club Mexico was transferred to Mexico Clubs LLC, which is owned 51% by Price Enterprises and 49% by PriceCostco. In the exchange offer, PriceCostco stockholders may exchange one share of PriceCostco common stock for one share of Price Enterprises common stock (up to a maximum of 27 million shares of Price Enterprises common stock). The exchange offer will expire at midnight, New York City time, on December 20, 1994, unless extended.

If the sale of the 50% interest in Price Club Mexico is completed, the proceeds from such sale will be distributed to PriceCostco and Price Enterprises based on their ownership interests in Mexico Clubs, which are 49% and 51%, respectively.

PriceCostco also stated that in the next several days it will be mailing to holders of record of PriceCostco common stock, as of November 30, 1994, a supplement to the Offering Circular/ Prospectus dated November 21, 1994; the Offering Circular/Prospectus describes the exchange offer in detail. The Supplement will provide detailed information regarding the proposed sale of the 50% interest in Price Club Mexico.