

HOWARD SCHULTZ
Seattle, Washington

August 29, 2008

Dear BCOS Member:

Last week, we heard from Judge Pechman on the NBA motion to intervene in this case and on our motions to bifurcate the case into two stages. As you know, we had framed this litigation on the simple question of what did Clay Bennett and his partners intend and know at the time of their negotiation with the BCOS. Our intention was to show a deception had been perpetrated by the Oklahoma group and we had asked the court to narrowly focus on that issue. Once fraud had been established, we asked the court to conduct a separate remedy phase of the trial so that the Sonics could be returned to Seattle by 2010 and a new buyer take ownership.

Unfortunately, we lost on both fronts. Allowing the NBA to intervene negatively impacts our case, increasing the complexity and framing the issues in the litigation on the terms of the Bennett Group and the NBA. Further, the judge's ruling means that we could prove that the Bennett Group fraudulently induced the BCOS sale, but have no time or opportunity to fashion an effective remedy.

Without an interval of several months between the liability and remedy phases, our case would require direct dependency on the City, the State Legislature and the emergence of a local buyer by the time our case would go to trial during the first part of next year.

As a result of these developments, our legal team and I no longer believe we can be successful with this litigation. Gaining agreement and a plan with the City, the State Legislature and finding a local buyer by next spring is not realistic given past history and the short time frame ahead of us. Indeed, there is unwanted irony in knowing that these were the very same obstacles that thwarted our considerable efforts to find a willing local buyer in 2006.

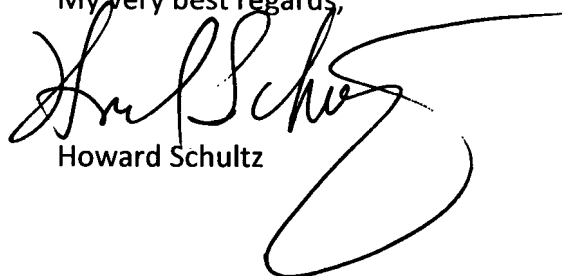
Moreover, given the recent City settlement, we have received feedback that a continuing adversarial relationship with the NBA was not politically useful to the City's ongoing efforts to secure a future franchise. Thus, the prevailing wisdom of many in the Seattle community and the advice of key members of the BCOS is that Seattle's best chance for a professional basketball franchise is to end this litigation and allow the City, State Legislature and other parties to begin the necessary fence mending with the NBA.

Reluctantly, I believe we should accept this view.

As the former ownership group that sold to Clay Bennett, we are part of a disappointing history that has unfolded. As one of the votes that comprised the majority that supported the sale to the Bennett Group, I feel accountable for accepting their assurances at the time. Assurances that I now believe to be dishonest. I regret that I accepted those assurances and am deeply sorry for the outcome. Unfortunately, showing that the Bennett Group lied is not enough to

turn back the clock and return the Sonics. As a result, I am withdrawing our lawsuit. A motion will be filed with the court later today asking that the case be dismissed, and a copy of the motion will be sent to each of you. Thank you for your partnership and commitment over the years.

My very best regards,

A handwritten signature in black ink, appearing to read "Howard Schultz", with a large, sweeping flourish extending from the end of the signature.

Howard Schultz