

CBA 101

**Highlights of the Collective Bargaining Agreement
Between the National Basketball Association (NBA)
and National Basketball Players Association (NBPA)**



Prepared by the NBA (October 2019)

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NOTE: *This document sets forth a summary of various provisions of the Collective Bargaining Agreement, including some of the more frequently applied Salary Cap rules. This summary is intended only as a reference and is not meant to define the full meaning or scope of any provision in the agreement*

I. SALARY CAP AND RELATED RULES

A. Term of Agreement

This Collective Bargaining Agreement (CBA) began effective with the 2017-18 season (July 1, 2017) and runs through the 2023-24 season (June 30, 2024). The NBA and NBPA each have an option to terminate the CBA after its sixth season (i.e., on June 30, 2023) by notifying the other party on or before December 15, 2022.

B. Calculating the Salary Cap and Minimum Team Salary

Under the CBA, all teams are subject to a Salary Cap and Minimum Team Salary for each season. The “Salary Cap” places a limit on the total salaries each team can pay its players during the season, subject to certain “Exceptions” (refer to Section I.E. below).

The Salary Cap for 2019-20 is \$109,140,000. The Salary Cap for each future season, subject to certain adjustments, will be calculated by multiplying projected “Basketball Related Income” (a defined term that generally includes income from basketball operations) by 44.74%, subtracting projected player benefits, and then dividing the result by 30.

The Salary Cap Year goes into effect on July 1 of each year and continues in effect through June 30 of the following year.

The “Minimum Team Salary” is the minimum Team Salary that a team must have for a Salary Cap Year and is set equal to 90% of the Salary Cap. The Minimum Team Salary for 2019-20 is \$98,226,000 (90% of \$109,140,000). For purposes of complying with the Minimum Team Salary requirement, Team Salary will be determined by allocating each player’s salary to the team(s) for which he plays on a per-day basis over the regular season.

C. Room

A team may sign players to the extent it has “Room.” Room is either: (i) the amount by which a team’s Team Salary is less than the Salary Cap; or (ii) the amount of an “Exception” to the Salary Cap.

Examples:

- (1) Salary Cap = \$109.140 million; Team Salary = \$100 million
Team has Room of \$9.140 million and may sign player(s) for up to \$9.140 million.
- (2) Salary Cap = \$109.140 million; Team Salary = \$120 million
Team has \$9.258 million Non-Taxpayer Mid-Level Salary Exception. Team has Room of \$9.258 million and may sign player(s) for up to \$9.258 million.
- (3) Salary Cap = \$109.140 million; Team Salary = \$140 million; Tax Level = \$132.627 million
Team has \$5.718 million Taxpayer Mid-Level Salary Exception. Team has Room of \$5.718 million and may sign player(s) for up to \$5.718 million.

D. Length of Contracts

The maximum lengths of contracts are set forth below (refer to Section I.E. below for contract length limitations for contracts signed pursuant to Mid-Level Salary Exceptions, the Bi-annual Exception and the Disabled Player Exception):

- | | | |
|-----|------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (1) | Contracts between a team and its Bird free agents: | five years |
| (2) | Extensions of Rookie Scale Contracts: | four new years (five new years for maximum-salary Designated Rookie Scale Player Extensions – see Section I.J.(3) below) |
| (3) | Veteran Extensions: | five total years (six total years for Designated Veteran Player Extensions – see Section I.K.(4) below), including years remaining on the original term when the extension is signed |
| (4) | Contracts signed using the Minimum Salary Exception: | two years |
| (5) | Rookie Scale Contracts: | required term: two years, plus two one-year team options for a third and fourth year, respectively |
| (6) | All other contracts: | four years |

E. Salary Cap Exceptions

The Exceptions to the Salary Cap (i.e., the rules that allow teams to exceed the Cap) are as follows:

- (1) ***Qualifying Veteran Free Agent (“Bird”) Exception.*** A team may re-sign its own free agent to a contract with a first-year salary of up to the maximum player salary if he played for the team for some or all of each of the prior three consecutive seasons (or, if he changed teams, he did so by trade or by assignment via the NBA’s waiver procedures during the first of the three seasons).
- (2) ***Early Qualifying Veteran Free Agent (“Early Bird”) Exception.*** A team may re-sign its own free agent to a contract with a first-year salary of up to the greater of (a) 175% of the player’s salary in the last season of his prior contract, or (b) 105% of the average player salary for the prior season, if he played for the team for some or all of each of the prior two consecutive seasons (or, if he changed teams, he did so by trade or by assignment via the NBA’s waiver procedures). A contract signed using the Early Bird Exception must be for at least two seasons (not including any option year).
- (3) ***Non-Qualifying Veteran Free Agent (“Non-Bird”) Exception.*** A team may re-sign its own free agent who is neither a “Bird” nor an “Early Bird” player to a contract with a first-year salary of up to the greater of (a) 120% of the player’s salary in the last season of his prior contract, (b) 120% of the player’s applicable minimum salary for the current season, or (c) if the player is a Restricted Free Agent, his Qualifying Offer amount.
- (4) ***Bi-annual Exception***
 - (a) Subject to the restrictions on the use of the Bi-annual Exception set forth in Section I.F.(3) below, a team may use the Bi-annual Exception to sign one or more players to contracts with first-year salaries that, in the aggregate, provide for a total up to \$3.623 million in 2019-20 (the Exception amount increases or decreases annually at the same rate as the Salary Cap).
 - (b) Teams cannot use the Bi-annual Exception in consecutive years. For example, if a team used the Bi-annual Exception in 2018-19, it cannot use the Bi-annual Exception in 2019-20.
 - (c) Contracts signed using the Bi-annual Exception can cover no more than two seasons.

- (d) A team can use the Bi-annual Exception to sign players, but cannot use this Exception to acquire players by assignment.

(5) *Non-Taxpayer Mid-Level Salary Exception*

- (a) Subject to the restrictions on the use of the Non-Taxpayer Mid-Level Salary Exception set forth in Section I.F.(3) below, a team may use the Non-Taxpayer Mid-Level Salary Exception to sign one or more players to contracts with first-year salaries that, in the aggregate, provide for a total up to \$9.258 million in 2019-20 (the Exception amount increases or decreases annually at the same rate as the Salary Cap).
- (b) Contracts signed under the Non-Taxpayer Mid-Level Salary Exception can cover up to four seasons.
- (c) A team can use the Non-Taxpayer Mid-Level Salary Exception to sign players, but cannot use this Exception to acquire players by assignment.

(6) *Taxpayer Mid-Level Salary Exception*

- (a) Subject to the restrictions on the use of the Taxpayer Mid-Level Salary Exception set forth in Section I.F.(3) below, a team may use the Taxpayer Mid-Level Salary Exception to sign one or more players to contracts with first-year salaries that, in the aggregate, provide for a total up to \$5.718 million in 2019-20 (the Exception amount increases or decreases annually at the same rate as the Salary Cap).
- (b) Contracts signed under the Taxpayer Mid-Level Salary Exception can cover up to three seasons.
- (c) A team can use the Taxpayer Mid-Level Salary Exception to sign players, but cannot use this Exception to acquire players by assignment.

(7) *Mid-Level Salary Exception for Room Teams*

- (a) Subject to the restrictions on the use of the Mid-Level Salary Exception for Room Teams set forth in Section I.F.(3) below, if a team has room under the Salary Cap at any time during a Salary Cap Year such that the team lost its Exceptions and has not already used the Bi-annual, Non-Taxpayer Mid-Level Salary, or Taxpayer Mid-Level Salary Exceptions in the same Salary Cap Year, then the team may use the Mid-Level Salary Exception for Room Teams during that Salary Cap Year to sign one or more players to contracts with first-year salaries that, in the aggregate, provide for a total up to \$4.767 million in 2019-20 (the Exception amount increases or decreases annually at the same rate as the Salary Cap).
- (b) Contracts signed under the Mid-Level Salary Exception for Room Teams can cover up to two seasons.
- (c) A team can use the Mid-Level Salary Exception for Room Teams to sign players, but cannot use this Exception to acquire players by assignment.

- (8) ***Rookie Exception.*** A team may sign its first-round draft pick for up to 120% of his Rookie Salary Scale amount. (See Exhibit A for the 2019-20 Rookie Salary Scale. There is a new Rookie Salary Scale each season, which is issued prior to the start of the Moratorium Period for that season and reflects amounts that increase or decrease at the same rate as the Salary Cap.)

- (9) ***Minimum Salary Exception.*** A team may sign a player to a one-year or two-year contract at the applicable minimum player salary (prorated as appropriate for a 10-Day or Rest-of-Season contract). This Exception may also be used to acquire by assignment a player who was signed to a

one-year or two-year minimum contract. (See Exhibit B for the 2019-20 Minimum Annual Salary Scale. As with the Rookie Salary Scale, there is a new Minimum Annual Salary scale each season, which is issued prior to the start of the Moratorium Period for that season and reflects amounts that increase or decrease at the same rate as the Salary Cap.)

- (10) ***Disabled Player Exception.*** A team may replace a player who suffers a season-ending injury or illness with one player signed to a contract with a salary of up to the lesser of (i) 50% of the disabled player's salary, or (ii) the amount of the Non-Taxpayer Mid-Level Salary Exception for the season in which the Disabled Player Exception is used. The following rules apply with respect to the Disabled Player Exception:
- (a) An application can be made with respect to a Salary Cap Year at any time from July 1 through January 15 of such Salary Cap Year, regardless of when the injury or illness occurred.
 - (b) The disabling injury or illness must make it substantially more likely than not, in the judgment of an NBA-appointed physician, that the disabled player would be unable to play through the following June 15.
 - (c) A contract signed pursuant to the Disabled Player Exception must be for one season, or if the Exception is used to acquire a player by assignment, then the acquired player must be in the final season of his contract.
 - (d) A Disabled Player Exception expires on the March 10 following the date on which the Exception is granted.
- (11) ***Traded Player Exception.*** For a period of one year following the date of the trade of a player contract to another team, a team may replace the traded player with one or more players acquired by assignment. The rules relating to non-simultaneous and simultaneous trades are described below.
- (a) For teams whose post-assignment Team Salary would be equal to or less than the Tax Level for the then-current Salary Cap Year (for purposes of this rule, a "non-taxpaying" team), a traded player may be simultaneously (i.e., in the same transaction) replaced by one or more players acquired by assignment whose salaries in the aggregate do not exceed the greater of (i) the lesser of (A) 175% of the salaries of the players being traded plus \$100,000, or (B) the salaries of the players being traded plus \$5 million, or (ii) 125% of the salaries of the players being traded plus \$100,000.
 - (b) For teams whose post-assignment Team Salary would exceed the Tax Level for the then-current Salary Cap Year (for purposes of this rule, a "taxpaying" team), a traded player may be simultaneously replaced by one or more players acquired by assignment whose salaries in the aggregate do not exceed 125% of the salaries of the players being traded plus \$100,000.
 - (c) A traded player may be replaced in a non-simultaneous transaction by one or more players acquired by assignment whose salaries in the aggregate do not exceed 100% of the salary of the player being traded, plus \$100,000.
 - (d) A team with a Team Salary below the Salary Cap may simultaneously acquire one or more players by assignment whose post-trade salaries, in the aggregate, do not exceed an amount equal to the team's salary cap room plus \$100,000.
 - (e) In certain circumstances in connection with sign-and-trade transactions, the player traded will not generate the Traded Player Exception amounts described above. Specifically, if a team that is over the Salary Cap enters into a sign-and-trade contract with a Bird or Early Bird free agent using the Bird or Early Bird Exception, and the salary in the first year of the contract is in excess of 120% of the player's salary in the prior season, then for purposes of calculating

the assignor team's Traded Player Exception, the player's salary will be deemed equal to the greater of the salary for the last season of his prior contract or 50% of the first year salary under the sign-and-trade contract.

- (f) In circumstances where a player's salary protection is less than full, Traded Player Exceptions arising from the trade of such contracts will be calculated based upon the amount of the player's protected salary in the applicable season (rather than the sum of the player's protected and unprotected salary).
- (g) With respect to trades conducted following the last day of a regular season, Traded Player Exceptions will be limited to the amount of the player's protected salary for the following Salary Cap Year (rather than the current Salary Cap Year).

Examples (assume that the traded player's salary is fully protected):

Salary Cap = \$109.140 million; Tax Level = \$132.627 million

- (i) Team Salary = \$120 million
Team seeks to trade a \$6 million player. Team could replace that player in a simultaneous trade with a player or players making \$10.6 million (175% x \$6 million plus \$100,000).
- (ii) Team Salary = \$140 million
Team seeks to trade a \$6 million player. Team could replace that player in a simultaneous trade with a player or players making \$7.6 million (125% x \$6 million plus \$100,000).
- (iii) Team Salary = \$120 million
Team previously traded a \$10 million player for a draft pick and therefore has a \$10 million Traded Player Exception. Team could trade a draft pick for a player or players making \$10.1 million (\$10 million plus \$100,000).
- (iv) Team Salary = \$100 million
Team seeks to trade a \$10 million player. Team could replace that player in a simultaneous trade with a player or players making \$19.240 million. (\$109.140 million minus \$100 million plus \$10 million plus \$100,000).

Team Salary = \$120 million

Player's salary for 2019-20 and 2020-21: \$8 million in each season

Player's salary protection for 2019-20 and 2020-21: \$1 million in each season

- (v) Team seeks to trade the player prior to the first day of the 2019-20 season. Team could replace that player in a simultaneous trade with a player or players making \$1.85 million (175% x \$1 million (the player's \$8 million salary less \$7 million -- the player's unearned salary at the time of the trade that is not fully protected) plus \$100,000).
- (vi) Team seeks to trade the player after one-quarter of the 2019-20 season has elapsed. Team could replace that player in a simultaneous trade with a player or players making \$3.6 million (175% x \$2 million (the player's \$8 million salary less \$6 million -- the player's unearned salary at the time of the trade that is not fully protected) plus \$100,000).
- (vii) Team seeks to trade the player on January 10 of the 2019-20 season. Team could replace that player in a simultaneous trade with a player or players making \$13 million (\$8 million plus \$5 million). Under the CBA, for purposes of the Traded

Player Exception rules, a traded player's salary for such season is deemed fully protected as of January 10 of the season.

- (viii) Team seeks to trade the player following the last day of the 2019-20 regular season. Team could replace that player in a simultaneous trade with a player or players making \$1.85 million (175% x \$1 million (the player's salary for the 2020-21 season less the amount of such salary that is not fully protected at the time of the trade) plus \$100,000).

F. Rules Relating to Exceptions

- (1) Exceptions may not be added together ("aggregated") to sign or acquire a player, except that a team may aggregate two or more Traded Player Exceptions for the purpose of acquiring, in the same transaction, one or more replacement players, subject to the rules set forth below. Teams that are trading two or more players may elect to apply the Exception separately to each of the players it is trading or (where permitted by the CBA) to aggregate the salaries of multiple players it is trading and then apply the Exception. Pre-existing Traded Player Exceptions may not be aggregated.
 - (a) The salary of the replacement player, or the combined salaries of the replacement players, may not exceed:
 - (i) in the case of non-taxpaying teams, the greater of (i) the lesser of (A) 175% of the sum of the aggregated salaries of the players being traded plus \$100,000, or (B) the sum of the aggregated salaries of the players being traded plus \$5 million, or (ii) 125% of the sum of the aggregated salaries of the players being traded plus \$100,000; and
 - (ii) in the case of taxpaying teams, 125% of the sum of the aggregated salaries of the players being traded plus \$100,000.

Example:

Salary Cap = \$109.140 million; Tax Level = \$132.627 million

Team Salary = \$120 million

Team seeks to trade two players, each earning \$6 million.

Team can aggregate these players and replace them with a player or players earning \$17 million (\$12 million plus \$5 million).

- (b) No player contract acquired pursuant to an Exception may be aggregated by the acquiring team in a subsequent trade for a period of two months from the date the player contract is acquired.
- (2) The Non-Taxpayer Mid-Level, Taxpayer Mid-Level, Mid-Level for Room Teams, Bi-annual, Bird, Early Bird, Non-Bird, and Rookie Exceptions are prorated beginning on January 10 of each season. The Minimum Player Salary Exception is prorated after the first day of the season.
- (3) A team's use of the Bi-annual Exception, Non-Taxpayer Mid-Level Salary Exception, Taxpayer Mid-Level Salary Exception, or Mid-Level Salary Exception for Room Teams is subject to the following restrictions:
 - (a) A team may use either the Bi-annual or Non-Taxpayer Mid-Level Salary Exception only if
 - (i) the team's Team Salary at the time the Exception is used and at all times thereafter during such Salary Cap Year does not exceed the Tax Level for the then current Salary Cap Year plus the Tax Apron Amount (the definition of the "Tax Apron Amount" is set forth in Section

I.F.(3)(e) below), and (ii) at the time the Exception is used, the team has not already used either the Taxpayer Mid-Level Salary Exception or the Mid-Level Salary Exception for Room Teams in that Salary Cap Year.

- (b) A team may use the Taxpayer Mid-Level Salary Exception only if (i) the team's Team Salary immediately following the team's use of the Exception exceeds the Tax Level for such Salary Cap Year plus the Tax Apron Amount, and (ii) the team has not already used the Bi-annual Exception, Non-Taxpayer Mid-Level Salary Exception, or Mid-Level Salary Exception for Room Teams in that Salary Cap Year, or acquired a player pursuant to a sign-and-trade in that Salary Cap Year.
- (c) A team may use the Mid-Level Salary Exception for Room Teams only if (i) the team's Team Salary at any time during that Salary Cap Year was below the Salary Cap such that the team is not entitled to use the Bi-Annual, Non-Taxpayer Mid-Level Salary Exception, or Taxpayer Mid-Level Salary Exception, and (ii) at the time the Mid-Level Salary Exception for Room Teams is used, the team has not already used the Bi-annual Exception, Non-Taxpayer Mid-Level Salary Exception, or Taxpayer Mid-Level Salary Exception in that Salary Cap Year.
- (d) If (i) a team uses the Non-Taxpayer Mid-Level Salary Exception to sign one or more player contracts not exceeding three seasons in length and providing aggregate first-year salaries and unlikely bonuses not exceeding the amounts that can be paid using the Taxpayer Mid-Level Salary Exception, and (ii) the team does not engage in any other transaction (i.e., using the Bi-annual Exception or acquiring a free agent via sign-and-trade) that would otherwise prevent the team from spending above the Tax Level plus the Tax Apron Amount, then the team will be permitted to exceed the Tax Level plus the Tax Apron Amount (for example, by signing its Bird free agent or by using the Minimum Salary Exception), whereupon the team will automatically be deemed to have used the Taxpayer Mid-Level Salary Exception instead of the Non-Taxpayer Mid-Level Salary Exception, and the team's ability to use the Non-Taxpayer Mid-Level Salary Exception will be extinguished.
- (e) A description of the general definition of Team Salary is set forth in Section I.L. below. For purposes of the foregoing rules (i.e., to determine if Team Salary is above or below the Tax Level plus the Tax Apron Amount), a team's Team Salary is subject to certain adjustments as set forth in the CBA. The Tax Apron Amount for the 2019-20 Salary Cap Year is \$6.301 million. The Tax Apron Amount increases or decreases annually at one-half the rate of the increase or decrease in the Salary Cap.

G. Additional Trade Rules

- (1) ***Sign-and-Trades.*** Teams are prohibited from signing a free agent pursuant to an agreement that the player will later be traded to another team unless the free agent being signed is the team's own free agent. In addition, these "sign-and-trades" are permitted only if (i) the contract is for three or four years, (ii) the first year of the contract is fully guaranteed, (iii) the contract is entered into prior to the first day of the regular season, and (iv) the player finished the prior season on the signing team's roster. The maximum annual salary increase for a sign-and-trade is 5% of the salary in the first year of the contract. A team may only acquire a free agent via a sign-and-trade if the team's Team Salary post-transaction and at all times thereafter during that Salary Cap Year does not exceed the Tax Level for the then current Salary Cap Year plus the Tax Apron Amount (see Section I.F.(3)(e) above).
- (2) ***Extension-and-Trades.*** Extension-and-trades are permitted, except that the maximum length of any such extended contract is three years (including the year(s) remaining in the original term when the extension is signed). The maximum salary in the first year of the extended term is 105% of the salary in the last year of the original term. The maximum annual increase under an extension-and-trade is 5% of the salary in the first year of the extended term. If a player signs a

contract extension for a longer period, a higher amount, or higher annual increases than would be permitted for an extension-and-trade, then the team is prohibited from trading the player for a period of six months following the date of the extension. If a team acquires a player in a trade, then for a period of six months following the date of the trade, the team is prohibited from signing the player to a contract extension for a longer period, higher amount, or higher annual increases than would have been permitted for an extension-and-trade.

- (3) **Cash Transfers.** Cash paid or received in trades (including cash received as a salary reimbursement) is limited to an aggregate of \$5.617 million per team for the 2019-20 Salary Cap Year. The maximum annual cash limit in trades increases or decreases annually at the same rate as the Salary Cap. Cash received by a team in one or more trades will not be netted against cash paid in the same or other trades, and vice versa, for purposes of applying this rule.

Example:

Team A pays \$5.617 million in connection with one trade during the 2019-20 Salary Cap Year and receives \$5.617 million from another team in connection with a subsequent trade occurring during the same Salary Cap Year. Team A would be unable to either pay or receive any cash in connection with any subsequent trades during that Salary Cap Year.

- (4) **One-Year Contracts.** A player who signs a one-year contract (excluding any option year) and who will be a Bird or Early Bird free agent at the end of the contract cannot be traded without the player's consent. If the player consents and is traded, he will lose whatever "Bird" rights he has acquired (i.e., he will be considered to have moved to the new team as a free agent).
- (5) **Waiting Period for New Contracts.**
- (a) A draft rookie who signs a standard NBA player contract or any player who signs a Two-Way Contract may not be traded until 30 days following the date on which he signed his contract.
- (b) A free agent who signs a standard NBA player contract (or a player who signs, or is converted to, a standard NBA player contract while under a Two-Way Contract) cannot be traded for three months following the date the contract is signed or until December 15 of the Salary Cap Year in which the contract is signed, whichever is later. For sign-and-trade transactions, the foregoing rule does not apply to the initial trade but rather applies to a subsequent trade. In addition, if a team's Team Salary is over the Salary Cap immediately after it enters into a new contract with a Bird or Early Bird free agent using the Bird or Early Bird Exception and the salary in the first year of the contract is in excess of 120% of the player's salary in the prior season, then the foregoing rule shall not apply and instead the player cannot be traded for three months following the date the contract is signed or until January 15 of the Salary Cap Year in which the contract is signed, whichever is later.
- (c) If a team trades a player and the player is subsequently waived by the new team, the prior team will not be permitted to claim the player off of waivers or sign the player to a new contract until the earlier of (i) one year from the date the trade was completed, or (ii) the July 1 following the last season of the player's contract (excluding any unexercised option years).

H. Annual Salary Increases and Decreases

Salary in contracts between a team and its Bird or Early Bird players may increase or decrease after the first year of the contract by up to 8% of the salary in the first year of the contract. For all other contracts, salary may increase or decrease after the first year of the contract by up to 5% of the first year's salary.

Examples:

- (a) Team signs its Bird player to a four-year contract beginning at \$10.0 million.

Maximum permissible salary increase in each year is 8% of \$10.0 million (\$800,000):

Year 1 — \$10.0 million
Year 2 — \$10.8 million
Year 3 — \$11.6 million
Year 4 — \$12.4 million

- (b) Team uses \$10 million of Room to sign another team's free agent to a four-year contract.

Maximum permissible salary increase in each year is 5% of \$10.0 million (\$500,000):

Year 1 — \$10.0 million
Year 2 — \$10.5 million
Year 3 — \$11.0 million
Year 4 — \$11.5 million

I. Renegotiations

A renegotiation is an amendment that increases a player's salary during the existing term of the contract.

- (1) A team under the Salary Cap may increase a player's salary for the current season by up to the amount of its room under the Salary Cap. The player's salary for each remaining season of the contract must also be increased (over the salary originally provided for). For each season of the contract after the renegotiation season, the player's additional regular salary may increase or decrease over the previous season's additional regular salary by no more than 8% of the increase in salary provided for in the first season that was renegotiated. (Refer to Section I.K. below for an example.)
- (2) A renegotiation may not provide for a decrease in salary in any season.
- (3) A player contract covering a term of four or more seasons may be renegotiated beginning on the third anniversary of the signing of the contract. A player contract that was previously renegotiated to provide for an increase in any Salary Cap Year of more than 5% or extended may not subsequently be renegotiated until the third anniversary of the signing of such renegotiation or extension.
- (4) A player contract may not be renegotiated from March 1 through June 30.
- (5) If a player contract is extended and renegotiated simultaneously, then the amount of the player's salary in the first season of the extended term may decrease by no more than 40% of the player's salary (as renegotiated) in the last season covered by the original term.

J. Rookie Scale Extensions

- (1) Rookie Scale Contracts with first round picks may be extended during the period from 12:01 P.M. (Eastern Time) on the last day of the Moratorium Period that precedes the fourth year of the contract through 6:00 P.M. (Eastern Time) on the day prior to the first day of the regular season of such year.
- (2) Rookie Scale Contract extensions (other than Designated Rookie Scale Player Extensions) may add up to four new years to the player's contract (five total years including the year remaining on

the Rookie Scale Contract when the extension is signed) and may provide for a salary in the first year of the extension of any amount up to the maximum player salary (refer to Section I.Q. below). Salary may increase or decrease in subsequent years by up to 8% of the salary in the first year of the extension.

(3) *“Designated Rookie Scale Player Extensions”*

- (a) A “Designated Rookie Scale Player Extension” is an extension that provides for five new years (six total years including the year remaining on the Rookie Scale Contract when the extension is signed).
- (b) The extension must provide for the maximum salary, which for this purpose means that the extension must provide: (i) a first-year salary of at least 25% of the Salary Cap in effect during the first season of the extension (can be higher if player meets at least one of the performance-based criteria described in Section I.Q.(7) below but it is not required to be higher); and (ii) full 8% annual increases for each year following the first year of the extended term. A Designated Rookie Scale Player Extension may not include any incentive compensation.
- (c) A team may not, at any point in time, in respect of any current or future Salary Cap Year, have Salary included in its Team Salary for more than two Designated Rookie Scale Players (one of which could have been acquired by the team by assignment).

K. Veteran Extensions

- (1) A Veteran Extension may provide for salary in the first year of the extension of up to the greater of: (i) 120% of the player’s salary in the last year of the original contract, or (ii) 120% of the estimated average player salary in the year in which the extension is signed. Salary may increase or decrease in subsequent years by up to 8% of the salary in the first year of the extended term.
- (2) A contract covering one or two seasons (including any option year) cannot be extended. A contract covering a term of three or four seasons (including any option year) may be extended beginning on the second anniversary of the signing (or the extension) of the contract. A contract covering a term of five or six seasons (including any option year) may be extended beginning on the third anniversary of the signing (or the extension) of the contract. For purposes of determining the second or third anniversary of the signing of an extension, extensions entered into during the period from October 2 through the day prior to the first day of the regular season (or, for extensions entered into prior to the execution of the 2017 CBA, during the period from October 2 through November 2) of a Salary Cap Year will be deemed to have been signed on October 1 of the Salary Cap Year.
- (3) If a player and a team seek to enter into a Veteran Extension (other than a Designated Veteran Player Extension as described below) prior to the last season covered by the original contract, the extension can only be negotiated and signed during the off-season (i.e., negotiations may begin on July 1 and the extension can be signed after the conclusion of the Moratorium Period through the day prior to the first day of the regular season).

Example of renegotiation and extension:

Team under the Salary Cap by \$5.0 million seeks to renegotiate and extend its player.
Player has two years left on his original five-year contract:

Year 4 — \$9.8 million
Year 5 — \$10.4 million

Maximum permissible renegotiation of existing term of contract:

Year 4 — \$14.8 million (\$9.8 million + \$5.0 million)

Year 5 — \$15.8 million (\$10.4 million + \$5.0 million + \$400,000 (8% of \$5.0 million))

Maximum permissible salary in extended term (assuming two-year veteran extension):

Extension Year 1 — \$18.960 million (120% of \$15.8 million)

Extension Year 2 — \$20.477 million (increase is \$18.960 million x 8%)

(4) *“Designated Veteran Player Extensions”*

- (a)** A “Designated Veteran Player Extension” is an extension that provides for six total years (including any option year and the year(s) remaining on the original contract when the extension is signed).
- (b)** The extension must provide for a first-year salary of at least 30% and no more than 35% of the Salary Cap in effect during the first season of the extension. Salary may increase or decrease in subsequent years by up to 8% of the salary in the first year of the extended term. A Designated Veteran Player Extension may not include any incentive compensation.
- (c)** In order to be eligible for a Designated Veteran Player Extension, a player must have: (i) one or two seasons remaining on his current contract (including any option year); (ii) seven or eight years of service (i.e., he must be entering his 8th or 9th season in the NBA); (iii) rendered all of his years of service for his current team (or, if he had previously changed teams, did so only by trade during his first four seasons); and (iv) met at least one of the performance-based criteria described in Section I.Q.(7) below at the time of the signing.
- (d)** Designated Veteran Player Extensions may be negotiated and signed only during the off-season.
- (e)** A team may not sign a player to a Designated Veteran Player Extension if at any point in time in respect of any current or future Salary Cap Year, the team has or will have included in its Team Salary more than two Designated Veteran Players.
- (f)** Any player who signs a Designated Veteran Player Extension may not be traded for one year from the date of the signing of the extension.

L. Team Salary Rules

- (1)** A team’s Team Salary is the amount that is measured against the Salary Cap to determine if a team is under or over the Salary Cap and by how much.
- (2)** The principal components of Team Salary are the salary amounts in respect of players under contract and players who have been waived but are still being paid by the team. Free agents are also included in Team Salary, at a multiple of the player’s prior salary. The specific multiple depends on several factors, including the player’s “Bird” status, whether he is a first round draft pick who just finished his Rookie Scale Contract, and the amount he was paid under his previous contract. For example, a Bird free agent (other than a first round pick finishing his Rookie Scale Contract) is included in Team Salary at 150% of his prior salary if it was equal to or greater than the average player salary, or at 190% of his prior salary if it was less than the average player salary. A first round pick finishing his Rookie Scale Contract is included in Team Salary at 250% of his prior salary if it was equal to or greater than the average player salary, or at 300% of his prior salary if it was less than the average player salary. A team may remove a player’s free agent amount from its Team Salary by “renouncing” him. At that point, the team may no longer sign the

player using the applicable Bird-related Exception; it may only use its room under the Cap or another Exception, if available.

- (3) Prior to the first day of a season, a team can enter into “Summer Contracts” that will not be included in Team Salary. Summer Contracts are the same as other standard NBA contracts, except that they cannot provide for (i) compensation of any kind, including any bonus or advance, that is to be paid prior to the start of the season, or (ii) compensation protection of any kind (including any partial or conditional salary protection). Before the first day of a regular season, a team that has entered into a Summer Contract must terminate it unless it has Room for such contract. All Summer Contracts that are not terminated prior to the first day of the regular season will subsequently be counted in Team Salary.

M. Certain Player Salary Rules

The following are some of the principal rules relating to the calculation of a player’s salary for Salary Cap purposes:

- (1) ***Right of Set-Off.*** When a team terminates a player contract with remaining salary liability, the team’s liability for such compensation shall be reduced by a portion of the compensation earned by the player from any professional basketball team(s) during each season of the terminated contract. The reduction in the first team’s liability is calculated for each season as follows:
 - (a) Calculate the total compensation earned by the player from the subsequent team(s) during the Salary Cap Year.
 - (b) Subtract from the result in Step a (i) if the player had zero years of service at the time the first contract was terminated, the Minimum Annual Salary applicable to such player for the season in which the first contract was terminated, or (ii) if the player had one or more years of service at the time the first contract was terminated, the Minimum Annual Salary applicable to a player with one year of service for the season in which the first contract was terminated.
 - (c) If the result in Step b is zero or a negative amount, there is no reduction in the first team’s liability. If the result in Step b is a positive amount, the reduction in the first team’s liability for the relevant season will equal 50% of such amount.

Example:

Assume Player A is a player with one year of service that was waived by Team Z and cleared waivers during the 2019-20 season with two years remaining on his contract and then signed a contract with Team Y after clearing waivers. Assume also that Player A was owed protected salary from Team Z in the amount of \$10 million for the first of the remaining years and \$10.5 million for the second, and subsequently signed a two-year deal with Team Y, under which he earned \$3 million for year one and \$3.15 million for year two. Team Z’s right of set-off for each year would be calculated as below:

$$\begin{aligned}\text{Set-off} &= (\text{New Salary} - \text{Applicable Minimum Salary}) \times 50\% \\ \text{Year One: } &(\$3 \text{ million} - \$1,445,697) \times 50\% = \$777,152 \\ \text{Year Two: } &(\$3.150 \text{ million} - \$1,445,697) \times 50\% = \$852,152\end{aligned}$$

- (2) ***Over 38 Rules.*** In certain cases involving contracts of four years or more, salary payable for seasons beginning after the player turns 38 is treated as deferred compensation in respect of prior seasons (and is therefore counted against the Cap in the prior seasons).
- (3) ***Signing Bonuses.*** Signing bonuses are allocated over the number of seasons covered by the contract in proportion to the percentage of compensation in each season that is protected for lack

of skill. If a contract provides for an Early Termination Option (“ETO” – see Section I.S. below) that allows the player to opt out after the end of the fourth season of the contract, the signing bonus will be allocated only over the years preceding the season(s) covered by the ETO. A signing bonus may not exceed 15% of the total amount of the contract – or 10% in the case of an offer sheet (including the signing bonus but excluding incentive compensation). Minimum salary contracts may not contain signing bonuses.

(4) *Performance Bonuses.*

- (a)** A team must have Room for every bonus that the player may earn in the first year of the contract.
- (b)** The amount of a bonus will be included in the team’s Team Salary if the bonus would have been earned based on the player’s or team’s performance in the immediately prior season, or if the bonus is otherwise determined by an independent expert to be “very likely to be earned.”
- (c)** No contract may contain “Unlikely Bonuses” in any season (that is, bonuses that would not have been earned based on the player’s or team’s performance in the season prior to the first season covered by the contract) that exceed 15% of the player’s base salary for the season.

- (5) *Loans.*** A loan must bear interest at a minimum of the prime rate plus 1% (but no less than 7% or greater than 9%) or interest will be imputed and included in the player’s salary.

N. One-Year Minimum Contracts

Teams will be reimbursed from a leaguwide fund for a portion of salaries paid to players with three or more years of service who sign one-year minimum contracts. The reimbursement amount equals the amount by which the player’s minimum salary exceeds the minimum salary that a player with two years of service would be paid (\$1,620,564 for 2019-20). Only the amounts that are not reimbursed are included in the player’s salary for Salary Cap purposes.

O. Moratorium Period

Beginning in 2019, each year teams and players are permitted to begin free agent negotiations at 6:00 P.M. (ET) on June 30 (six hours before the start of the annual Moratorium Period). The Moratorium Period runs from 12:01 A.M. (ET) on July 1 through 12:00 P.M. noon (ET) on July 6. During the Moratorium Period, teams are permitted to negotiate with free agents over the terms and conditions of player contracts, but cannot sign those contracts. Limited exceptions to this rule apply to Offer Sheets (refer to IV.C. below), Rookie Scale Contracts with first round draft picks, minimum contracts of one or two seasons, Two-Way Contracts, Required Tenders, and acceptance of Qualifying Offers by Restricted Free Agents.

P. Minimum Player Salary

- (1) *Minimum Player Salary.*** All contracts must provide the player with at least the minimum salary that corresponds to the player’s years of service in the NBA (prorated as appropriate for a 10-Day or Rest-of-Season contract). (See Exhibit B for the 2019-20 Minimum Annual Salary Scale. There is a new Minimum Annual Salary Scale each season, which is issued prior to the start of the Moratorium Period for that season and reflects the rate of increase or decrease in the Salary Cap from the prior year).
- (2) *Conformity of Previously-Signed Minimum Salary Contracts.*** Any player contract that was entered into prior to the execution of the 2017 CBA and that remained in effect on July 1, 2017 and provided for salary less than the Minimum Player Salary set forth in the 2017-18 Minimum

Annual Salary Scale was deemed amended to provide for the player's new Minimum Player Salary.

Q. Maximum Player Salary

The CBA places maximum limits on the salary players can earn in a season. The limits are based on a player's years of service and apply to the first season covered by any contract, renegotiation, or extension. (Subsequent seasons of the contract are governed by the 8% and 5% annual salary increases/decreases rules.)

Generally, the limits are as follows:

- (1) For any player who has fewer than seven years of service, the greater of (x) 25% of the Salary Cap in effect in the first season of the contract, renegotiation, or extension, or (y) 105% of the player's salary for the prior season.
- (2) For any player who has at least seven but fewer than ten years of service, the greater of (x) 30% of the Salary Cap in effect in the first season of the contract, renegotiation, or extension, or (y) 105% of the player's salary for the prior season.
- (3) For any player who has ten or more years of service, the greater of (x) 35% of the Salary Cap in effect in the first season of the contract, renegotiation, or extension, or (y) 105% of the player's salary for the prior season.
- (4) A player who has four years of service as of the June 30 following the end of the last season of his contract, and who also meets any one of the "Performance Criteria" (refer to Section I.Q.(7) below) and re-signs with his prior team (either via a Rookie Scale Extension or as a free agent) may receive a starting salary of up to 30% of the Salary Cap.
 - (a) If it is not known at the time a maximum salary Rookie Scale Extension is signed whether the player will ultimately (i.e., based on his performance in the 4th year of his Rookie Scale Contract) satisfy one of the Performance Criteria, the Rookie Scale Extension may state the percentage(s) of the Salary Cap (i.e., between 25% and 30%) that the player will receive depending on whether and how he meets the Performance Criteria. The contract also may provide for different annual increase percentages based on whether and how the player meets the Performance Criteria; however, full 8% annual increases are required if the extension is a Designated Rookie Scale Player Extension (refer to Section I.J.(3) above).
 - (b) Any player who receives a starting salary of greater than 25% of the Salary Cap pursuant to the Performance Criteria rules (refer to Section I.Q.(7) below) must sign for a minimum of four years excluding any option year (four new years in the case of a Rookie Scale Extension).
- (5) "*Designated Veteran Player Contracts.*" A free agent with eight or nine years of service may enter into a Designated Veteran Player Contract that provides for a starting salary greater than 30%, but not more than 35%, of the Salary Cap, if the following conditions are met: (i) the player rendered all of his years of service for his current team (or, if he had previously changed teams, did so only by trade during his first four seasons); (ii) the player meets any one of the performance-based criteria set forth in Section I.Q.(7) below; and (iii) the contract covers a total of five seasons. A team will not be permitted to sign a player to a Designated Veteran Player Contract if at any point in a current or future year the team has or will have included in its Team Salary more than an aggregate of two Designated Veteran Player Contracts and/or Designated Veteran Player Extensions. Any player who signs a Designated Veteran Player Contract may not be traded for one year from the date of the signing of the contract.

(6) A player with seven or eight years of service who enters into a Designated Veteran Player Extension (refer to Section I.K.(4) above) may receive a starting salary of 30% to 35% of the Salary Cap.

(7) *“Performance Criteria”*

The following performance-based criteria are used to determine eligibility for higher maximum salaries for players with four years of service and Designated Veteran Player Extensions and Contracts (refer to Sections I.J.(3), I.K.(4), and I.Q.(5) above):

(a) The player was named to the All-NBA first, second, or third team, or was named Defensive Player of the Year, in the immediately preceding season or in two of the immediately preceding three seasons; or

(b) The player was named NBA MVP during one of the preceding three seasons.

R. Rookie Salary Scale

(1) ***Rookie Salary Scale.*** All rookie contracts signed with first round draft picks have a term of two guaranteed years with two separate one-year team options for seasons three and four. If the team wants to exercise the first team option, it must do so during the period from the day following the end of the player’s first season through the immediately following October 31. If the team wants to exercise the second team option, it must do so during the period from the day following the end of the player’s second season through the immediately following October 31. Rookie Scale Contracts must provide for salary between 80% and 120% of the applicable Rookie Salary Scale amount. (See Exhibit A for the 2019-20 Rookie Salary Scale. There is a new Rookie Salary Scale each season, which is issued prior to the start of the Moratorium Period for that season and reflects the rate of increase or decrease in the Salary Cap from the prior year.)

(2) ***Rookie Scale Phase-In.*** The Rookie Scale under the 2017 CBA was increased 45% from the Rookie Scale under the 2011 CBA, and such increase is being phased in over three seasons.

(3) ***Conformity of Previously-Signed Rookie Scale Contracts.*** Any Rookie Scale Contracts that were entered into prior to the execution of the 2017 CBA that remained in effect on July 1, 2017 were amended to increase the remaining compensation and salary protection as follows: (i) 2017-18 salaries were increased by 15%; (ii) 2018-19 salaries were increased by 30%; and (iii) 2019-20 salaries were increased by 45%. Teams are reimbursed from a leaguwide fund for such increases, except with respect to any amount required to increase a player’s salary to his Minimum Player Salary as set forth in the 2017-18 Minimum Annual Salary Scale. The compensation increases in existing Rookie Scale Contracts are included in Total Salaries and Benefits; however, the increases (except to the extent required to increase a player’s salary to his Minimum Player Salary as described above) are excluded from each team’s Team Salary for Salary Cap purposes.

S. Options

A contract may contain an option allowing the player or the team to extend the contract for one additional year. Alternatively, a contract may contain an “early termination option” allowing the player to terminate the contract one year before it expires, which may be exercisable no earlier than following the fourth season of the contract (or the extended term of the contract).

T. Termination Agreements

(1) In connection with a team requesting waivers on a player, the team and player may amend the player contract to reduce or eliminate the protection in the player’s contract and/or amend the team’s right of set-off should the player clear waivers and his contract thereupon be terminated.

- (2) In the event that a team and a player agree to reduce the amount of the player's protected compensation, the team is not be permitted to sign the player to a new player contract (or claim the player off of waivers) before the later of: (x) one year following the date that the player's player contract with such team was terminated; or (y) the July 1 following the last season of such terminated player contract.

U. Stretch

- (1) Subject to certain limitations, the salary of waived players will automatically be "stretched" for cash purposes such that the player's remaining protected compensation would be paid over twice the number of remaining contract years plus one year. However, if a request for waivers is made on or after September 1, the player's salary for the then-current season will continue to be paid in accordance with the payment schedule set forth in his contract, and only the player's salary for future seasons will be stretched. In addition, the automatic cash stretch provision does not apply to terminated contracts that have salary protection of \$250,000 or less.
- (2) When a waived player's salary is stretched for cash purposes, the waiving team may elect to have the salary stretched for Salary Cap purposes as well, except that a team may not stretch a waived player's salary for Salary Cap purposes if the portion of the team's Team Salary attributable to all of the team's waived players in any future season would exceed 15% of the Salary Cap in effect during the season in which the player is waived.
- (3) Any team that stretches a player's salary for Salary Cap purposes may not re-sign or re-acquire the player whose salary was so stretched prior to the July 1 following the end of the last season of the player's terminated contract (including any option year).

V. One Season, Non-Guaranteed Training Camp Contracts

A player contract may include a provision that would eliminate a team's salary continuation obligation after termination of the contract in respect of injuries sustained by the player during training camp. This provision applies only to one-year, non-guaranteed minimum or Two-Way contracts. An injured player would receive a \$6,000 termination fee instead of continued salary. A team must have at least 14 players under contract without such a contractual provision prior to signing a contract that includes such a provision.

II. NBA G LEAGUE / TWO-WAY CONTRACTS

A. G League Assignments of Standard NBA Contracts

- (1) An NBA player in his first, second, or third season may be assigned by his NBA team to the NBA G League. An NBA player who has been in the league for more than three seasons may also be assigned by his NBA team to the NBA G League with the consent of the player and NBPA.
- (2) There is no limit on the number of times a player may be assigned to the NBA G League.
- (3) A player assigned to the NBA G League will continue to be paid his NBA salary and will continue to be included on his NBA team's roster (on the inactive list) while playing in the NBA G League.

B. Two-Way Contracts

- (1) Each NBA team is permitted to have on its roster up to two players under "Two-Way Contracts." A "Two-Way Player" provides services primarily to his NBA team's G League affiliate, but is

permitted to be on the NBA team's active or inactive list for up to 45 days during the NBA regular season. Any days during the NBA regular season prior to the start of G League training camp and after the conclusion of the G League regular season do not count toward the 45-day limit. A player may not sign a Two-Way Contract if: (a) the player has four or more years of service or he will (or may) have four or more years of service at any point during the term of the contract; or (b) the contract could result in the player being under a Two-Way Contract for any part of more than three seasons with the same NBA team. No Two-Way Contracts may be signed after January 15 of a given season.

- (2) During the term of a Two-Way Contract, a Two-Way Player is eligible to sign a standard NBA contract only with his current team. A Two-Way Player's team has the right to "convert" the Two-Way Contract during its term to a standard NBA contract at the player's applicable minimum salary and for the same term.
- (3) The term of a Two-Way Contract must be either one or two seasons, and may not contain an option year. The Two-Way Contract salary for the 2019-20 season is a daily amount calculated based on the following annual rates: (a) \$79,568 for days spent working in the G League during the G League regular season; and (b) \$898,310 (the NBA 0-year of service minimum player salary) for days spent working in the NBA during the NBA regular season. Teams and players are permitted to negotiate salary protection in Two-Way Contracts up to a maximum of \$50,000 in respect of each season covered by the contract.
- (4) The portion of a Two-Way Player's salary in respect of days spent working in the NBA will be included in Total Salaries and Benefits (and thus count toward the players' share of BRI). The portion of a Two-Way Player's salary in respect of days spent working in the G League will not be included in Total Salaries and Benefits. A team's Team Salary will not include Two-Way Contract salaries and a team will not be required to have Room to sign a Two-Way Contract.
- (5) Players under Two-Way Contracts may be traded provided that the trade does not occur within 30 days of the Two-Way Contract being signed. Trading a Two-Way Contract does not create a trade exception.

C. Exhibit 10 Contracts

- (1) Teams and players are permitted to include an Exhibit 10 to the NBA player contract that: (a) may provide for a bonus up to a maximum of \$50,000 payable if the team waives the player and the player timely signs a contract with the G League and plays for the NBA team's G League affiliate; and (b) gives the NBA team the ability to unilaterally convert the NBA contract to a Two-Way Contract before the first day of the regular season. In order to receive his Exhibit 10 Bonus, a player must provide the G League team with sixty consecutive days of service during the G League Season (or, if he signs an NBA contract with the NBA team during the sixty-day period, he may earn the Exhibit 10 Bonus if his NBA contract is terminated and he returns to the G League affiliate in order to provide the remainder of the requisite sixty days of service).
- (2) A contract with an Exhibit 10 is required to be for a one-year term. A team may not have more than six players whose contracts contain an Exhibit 10 on its roster at any time.
- (3) A contract with an Exhibit 10 Bonus cannot include salary protection; however, if the contract is converted to a Two-Way Contract, then the agreed-upon bonus will be rescinded, and the Two-Way Contract will have salary protection equal to the bonus amount.

D. Miscellaneous

- (1) If a player's contract has aggregate salary protection of more than \$50,000 with respect to the then-current and any future season and such contract is subsequently terminated, the player will

not be permitted to play for the NBA team’s G League affiliate under a G League contract or enter into a Two-Way Contract with the NBA team in that season; however, such player will continue to be assignable to the G League under a standard NBA contract.

- (2) If a second round pick receives and signs a Required Tender and is subsequently waived by the team, then the team that made the Required Tender to the player will have exclusive rights to negotiate with and sign (or convert) the player to a Two-Way Contract for the season covered by the Required Tender.

III. ESCROW AND TAX ARRANGEMENT

A. Escrow

- (1) The escrow level will be set at the players’ agreed-upon share of Basketball Related Income (“BRI”) for each year of the CBA. This percentage will be guaranteed to the players so that if Total Salaries and Benefits are less than the agreed-upon share of BRI, the difference will be paid by the league to the players. For each season, the agreed upon share of BRI equals 50% of BRI, except that to the extent BRI exceeds or falls short of the CBA projection for a season, the agreed upon share will be increased or decreased respectively (i.e., above or below 50% of BRI for the season) by 60.5% of incremental BRI in excess of or below the CBA projection for the season, provided that the players’ resulting overall share of BRI for the season will be no less than 49% and no greater than 51%.
- (2) The maximum amount that can be withheld from the players for purposes of escrow is 10% of salaries and benefits plus 1% of BRI. Specifically, if a 10% reduction via the escrow system is insufficient to reduce aggregate player salaries and benefits to the agreed-upon share of BRI, then the overage will be further reduced or eliminated through a reduction of the new benefits pool that is funded with 1% of BRI each season.
- (3) Escrow proceeds for each season may be distributed to all teams in equal shares or used in such other manner (not payroll-based) as may be determined by the NBA (e.g., to fund a league program).
- (4) The CBA includes a formula to adjust annual Salary Cap and Tax Levels to help reduce the likelihood that total player salaries and benefits for a season will exceed the agreed-upon share of BRI by more than the maximum escrow withholding. The formula also helps to reduce the likelihood that Total Salaries and Benefits will fall short of the agreed upon share of BRI (thus triggering the guarantee).

B. Tax

- (1) Prior to the Moratorium Period each year, the team Tax Level is set at 53.51% of projected BRI. The tax in each season applies to any team with a Team Salary that exceeds the Tax Level. For the 2019-20 season, the Tax Level is \$132.627 million.
- (2) The tax rates for teams with Team Salary above the Tax Level are as follows:

<u>Incremental Team Salary Above Tax Level</u>	<u>Tax Rate for Increment</u>
\$0 – 4.99M	\$1.50-for-\$1
\$5M – 9.99M	\$1.75-for-\$1
\$10M – 14.99M	\$2.50-for-\$1
\$15M – 19.99M	\$3.25-for-\$1

Tax rates increase by \$0.50 for each additional \$5 million increment above the Tax Level (e.g., for Team Salary \$20 million to \$24.99 million above the Tax Level, the tax rate is \$3.75-for-\$1 for that increment).

Tax rates for teams that are taxpayers in at least four out of five seasons (the then-current season and the immediately preceding four seasons) increase by \$1.00 at each increment (e.g., for Team Salary \$5 million to \$9.99 million above the Tax Level, the tax rate for a repeat taxpayer is \$2.75-for-\$1 instead of \$1.75-for-\$1).

- (3) Up to 50% of tax proceeds for each season may be distributed to teams based in whole or in part on whether such teams did not owe a tax for such season (e.g., the NBA could elect to distribute 50% of such amounts in equal shares to all non-taxpaying teams in such season). The balance of tax proceeds for each season may be distributed to teams or used in such other manner (not payroll-based) as may be determined by the NBA (e.g., to fund a league program).

IV. FREE AGENCY

A. Restricted Free Agent Status

- (1) ***First Round Picks.*** A first round draft pick will be a Restricted Free Agent (that is, will be subject to a right of first refusal in favor of his prior team) following the expiration of his Rookie Scale Contract if the team exercises its third and fourth year options and makes a Qualifying Offer to the player.
- (2) ***Second Round Picks and Undrafted Players.*** Any player (other than a first round draft pick whose third or fourth year option was not exercised and Two-Way Players) will be a Restricted Free Agent at the conclusion of any player contract that expires after any of the first three seasons that the player is in the NBA, provided that the team makes a Qualifying Offer to the player.
- (3) ***Two-Way Players.*** A Two-Way Player (other than a first round draft pick whose third or fourth year option was not exercised) will be a Restricted Free Agent at the conclusion of a Two-Way Contract if he was on the NBA team's active or inactive list for 15 or more days of the NBA regular season in the last season of such contract and the team makes a Qualifying Offer to the player.

B. Qualifying Offers

- (1) ***General Rules.*** For first round picks, a Qualifying Offer is an offer of a one-year contract that provides for a salary equal to the player's fourth year salary, increased by the percentage called for in the player's applicable Rookie Salary Scale. For all other Restricted Free Agents (other than Two-Way Players), the Qualifying Offer must provide for a salary equal to the greater of (a) 125% of the player's prior year's salary, or (b) the minimum annual salary applicable to the player for the season covered by the Qualifying Offer plus \$200,000.
- (2) ***Exceptions Relating to Starter Criteria.*** Notwithstanding the above general rules, any first round pick selected 10-30 in the Draft who meets one of the "starter criteria" during his fourth season or averages one of the "starter criteria" over his third and fourth seasons will receive the same Qualifying Offer amount as the player who was the 9th pick in the Draft (for purposes of calculating such Qualifying Offer amount, the fourth year salary of the 9th pick will be deemed to equal 120% of the rookie scale amount applicable to the 9th pick). Any second round draft pick or undrafted player with two or three years of service who meets one of the "starter criteria" during his prior season or averages one of the "starter criteria" over his prior two seasons will receive the same Qualifying Offer amount as the player who was the 21st pick in the Draft (for purposes of calculating such Qualifying Offer amount, the fourth year salary of the 21st pick will be deemed to

equal 100% of the rookie scale amount applicable to the 21st pick). Any first round pick selected 1-14 in the Draft who fails to meet each of the “starter criteria” during his prior season and fails to average each of the “starter criteria” over his prior two seasons will receive the lesser of (x) the player’s fourth year salary increased by the percentage called for in the player’s applicable Rookie Salary Scale, or (y) the same Qualifying Offer amount as the 15th pick in the Draft (for purposes of calculating such Qualifying Offer amount, the fourth year salary of the 15th pick will be deemed to equal 120% of the rookie scale amount applicable to the 15th pick). The “starter criteria” for a season are: (i) starting 41 or more regular season games, and (ii) 2,000 or more minutes of playing time in a regular season.

- (3) All Qualifying Offers (other than for Two-Way Players) must (a) be fully guaranteed for lack of skill and injury and illness and have no other types of protection (e.g., death or mental disability), and (b) provide for the player’s salary to be paid in accordance with paragraph 3 of the player’s contract.
- (4) **Rules Relating to Two-Way Contracts.** For Two-Way Players, a Qualifying Offer is: (a) at the conclusion of a one-year Two-Way Contract, an offer of a one-year, Two-Way Contract with salary protection of \$50,000; and (b) at the conclusion of a two-year Two-Way Contract (or two consecutive one-year Two-Way Contracts with the same team) and for players who are not eligible to sign another Two-Way Contract (because of the player’s years of service, etc.), an offer of a one-year minimum NBA contract with salary protection equal to the G League services portion of the Two-Way Contract salary amount for the upcoming season.

C. **Right of First Refusal Rules**

- (1) **Offer Sheets.** If a Restricted Free Agent receives an offer from a new team that he wants to accept, the player and the new team must provide the terms of the proposed deal to the player’s prior team in the form of an Offer Sheet. Teams and Restricted Free Agents may enter into Offer Sheets beginning at 12:00 P.M. (ET) on the first day of the Moratorium Period (i.e., July 1).
 - (a) Offer Sheets for players with one or two years of service must comply with the following:
 - (i) The first year salary may not exceed the amount of the Non-Taxpayer Mid-Level Salary Exception for that year and the second year salary may not increase or decrease by more than 5%.
 - (ii) If the Offer Sheet provides for salary in the first year equal to the amount of the Non-Taxpayer Mid-Level Salary Exception with a 5% increase for the second year, then the Offer Sheet may provide for salary in the third year up to the amount that the player would have been eligible to receive in that year had his salary in the first year been for any amount up to the “maximum” salary allowable for that player (e.g., first year at the player’s maximum allowable salary with annual increases of 5% of the first-year salary). The player’s salary for the fourth year may increase or decrease by no more than 4.5% of the third-year salary. In order to determine whether a team has room to extend such an Offer Sheet, the first year salary will be deemed to equal the average of the aggregate salaries for each year covered by the Offer Sheet.
 - (iii) If the player’s prior team does not exercise its Right of First Refusal, the salary amount included in the new team’s Team Salary for each year of the contract will equal the average of the player’s aggregate salaries for each year covered by the Offer Sheet.

- (iv) If the player's prior team does exercise its Right of First Refusal, the amount included in Team Salary for each year will be the salary set forth in the contract. However, if the prior team has room under the Salary Cap for the average of the aggregate salaries for each year covered by the Offer Sheet, it may instead elect to include in its Team Salary for each year of the contract the average of the aggregate salaries for each year covered by the Offer Sheet.
- (b) Offer Sheets must be for a minimum of two seasons (not including any option year), except that if a player's prior team tenders him both a standard one-year Qualifying Offer and an alternative offer of a "maximum" salary, five-year contract, then the Offer Sheet must be for a minimum of three seasons (not including any option year).
- (2) **Matching.** The player's prior team has until 11:59 P.M. (Eastern Time) on the second day from the day when it receives the Offer Sheet to "match" the Offer Sheet by agreeing to its terms. However, in the case of Offer Sheets entered into during the Moratorium Period, the Offer Sheet will be deemed signed immediately after the end of the Moratorium Period. Accordingly, the period for the team with the Right of First Refusal to match an Offer Sheet signed during the Moratorium Period will run from 12:01 P.M. (Eastern Time) on July 6 through 11:59 P.M. (Eastern Time) on July 8. If the prior team does not match within the applicable two-day period, its Right of First Refusal expires and the player's agreement with the new team becomes binding.

V. **ANTI-DRUG AGREEMENT**

Since 1983, the NBA and NBPA have jointly maintained and administered a comprehensive Anti-Drug Program for NBA players. The purpose of the Program is to detect and deter the use of illegal and performance-enhancing drugs by players, and to provide treatment and counseling for those who are struggling with substance abuse problems.

The Program subjects each player to nine random, unannounced drug tests during each season and off-season – six urine tests and three blood tests. It also includes testing based on reasonable cause at any time.

Testing is conducted for more than 225 substances by state-of-the-art laboratories certified by the World Anti-Doping Agency, and a standing committee of independent experts appointed by the NBA and NBPA is empowered to ban additional substances and select testing methods for Prohibited Substances, as necessary.

Penalties for violations of the Program are substantial. For example, veteran players testing positive for drugs of abuse are banned from the league for a minimum of two years (first-year players are banned for a minimum of one year), and players testing positive for performance-enhancing substances are suspended for 25 games for a first violation and 55 games for a second violation, and are banned from the league for a minimum of two years for a third violation.

A. **Prohibited Substances**

Generally, the Program prohibits players from using Drugs of Abuse (e.g., methamphetamine, MDMA, cocaine, opiates), Marijuana (including synthetic cannabinoids), steroids, performance-enhancing drugs and masking agents (SPEDs), and diuretics. Currently, there are more than 225 substances banned by the NBA Anti-Drug Program.

B. **Testing**

All players are subject to six random urine tests annually, with four random urine tests during the NBA season plus two random urine tests each off-season. All players are also subject to three random blood tests for Human Growth Hormone annually – two tests during the season and one test during the off-season.

All tests are scheduled and conducted by an independent, third-party testing company and are without prior notice to the player. The NBA and NBPA are not involved in the scheduling of any tests or the selection of players for this random testing.

Drug tests are analyzed by laboratories certified by the World Anti-Doping Agency. In addition to a positive laboratory test, players will also be considered to have tested positive if they fail or refuse to submit to a drug test, or if they attempt to substitute, dilute or adulterate a urine sample.

In addition to random testing, players are subject to reasonable cause testing at any time. Reasonable cause determinations are made by an Independent Expert, upon application from the NBA or NBPA. If the Independent Expert decides that reasonable cause exists to test a player for a Prohibited Substance, the player will be subject to up to four additional random tests over a six-week period for that Prohibited Substance.

C. Discipline

If a player tests positive for a Drug of Abuse, he will be dismissed and disqualified from the NBA. A player will also be dismissed and disqualified from the NBA if he is convicted of, or pleads guilty to, the use, possession or distribution of a Drug of Abuse.

If a player tests positive for a SPED, he will be suspended for 25 games for his first violation and 55 games for his second violation, and he will be dismissed and disqualified from the NBA for his third violation. A player will also be dismissed and disqualified from the NBA if he is convicted of, or pleads guilty to, a crime involving the use, possession or distribution of a SPED.

If a player tests positive for Marijuana, or if he is convicted of, or pleads guilty to, the use or possession of marijuana, he will be required to submit to treatment, counseling, and aftercare testing in the Program. A second violation will result in a \$25,000 fine, a third violation will result in a 5-game suspension, and any subsequent violations will result in a suspension that is 5 games longer than the player's immediately-preceding Marijuana suspension.

If the NBA obtains evidence of a player's use, possession, or distribution of a Prohibited Substance, it can take that evidence to a neutral arbitrator. If the arbitrator finds that the player has used or possessed a Drug of Abuse, or has distributed any Prohibited Substance, he will be dismissed and disqualified from the NBA. If the arbitrator finds that the player has used or possessed Marijuana or a SPED, such a finding is considered a violation under the Program, and the player will be subject to the same penalties imposed for a positive drug test for the applicable substance.

Any player who is dismissed and disqualified from the NBA may apply for reinstatement to the NBA after two years.

D. Treatment

Any player who tests positive or otherwise enters the Program must comply with the in-patient treatment or aftercare ordered by the Program's Medical Director (or SPED Medical Director, as applicable), including, but not limited to, random testing on a frequent basis for prohibited substances and alcohol. A player's failure to comply with his in-patient or aftercare treatment will result in substantial fines and suspensions.

A player may come forward voluntarily for his use of a Drug of Abuse or Marijuana and enter the Program. There is no penalty to a player coming forward voluntarily for Marijuana or a Drug of Abuse, if he has never been in the Program for a Drug of Abuse. A player may not come forward voluntarily for his use of a SPED.

E. The Administration of the Program

The NBA and NBPA have selected a Medical Director to manage and oversee the Drugs of Abuse and Marijuana Programs, select and supervise Program counselors and other personnel, and evaluate and treat the NBA players in the Programs. The NBA and NBPA have also selected a SPED Medical Director to manage and oversee the SPED Program and evaluate and treat the NBA players in that Program.

The NBA and the NBPA have created a Prohibited Substances Committee, comprised of one representative from both the NBA and NBPA, and three independent experts in the field of drug abuse. The Prohibited Substances Committee may decide to add new substances to the list of Prohibited Substances if they are reasonably likely to be harmful to players or improperly performance-enhancing, to determine testing methods for newly-added substances, and to approve new testing methods for Prohibited Substances.

The NBA, NBA teams, and the NBPA are prohibited from publicly disclosing information regarding the testing or treatment of any NBA player in the Program, except as required by the suspension or dismissal of a player in the Program.

VI. MISCELLANEOUS

A. NBA Draft

- (1) The Draft consists of two rounds.
- (2) The entry age for the Draft is 19 years of age. A player will meet the 19-year-old requirement so long as he turns 19 during the calendar year of the Draft. U.S. players must also be at least one year removed from high school.

B. Rosters

- (1) Teams are generally required to carry 14 or 15 players on their rosters (not including Two-Way Players). Each team is generally required to carry 12 or 13 players on its active list. A team with 12 players on its active list must generally carry two or three players on its inactive list. A team with 13 players on its active list must generally carry one or two players on its inactive list. For each Two-Way Player that a team places on its active or inactive list, the minimum inactive list requirements are increased by one for that team. Players sent to the NBA G League on assignment count on a team's inactive list.
- (2) If the league averages fewer than 14.5 full roster players per team (i.e., not including Two-Way Players) in any two consecutive seasons, then teams would generally be required to carry 15 players on their rosters beginning in the following season.

C. Training Camp

On the first reporting day, teams can require players to report by 11:00 A.M. (local time). Rookies may be required to report up to 10 days prior to the date veterans are required to report.

D. Waiver Period

The time period for a player to clear waivers is 48 hours.

E. Per Diem

For the 2019-20 season, the player per diem will be \$135, which reflects a cost of living adjustment from the prior season.

F. All-Star Game Player Payments

- (1) Player payments for the All-Star Game for the 2018-19 season were \$100,000 (winners) and \$25,000 (losers). Player payments for the Rising Stars Game for the 2018-19 season were \$25,000 (winners) and \$10,000 (losers).
- (2) Player Payments for the All-Star Game, Rising Stars Game, and All-Star Skills Competitions for the 2019-20 and future seasons will be as set forth in the CBA or as otherwise agreed to by the NBA and NBPA.

G. Conduct and Discipline

- (1) Missed Practices: \$2,500 for the first offense; \$5,000 for the second offense; \$7,500 for the third offense; and reasonable discipline (including suspension) for the fourth or any subsequent offense. However, any time a player intentionally misses a practice without a reasonable excuse, he will be subject to such discipline as is reasonable under the circumstances.
- (2) Missed exhibition, regular season, or playoff game:

For suspensions of less than 20 games: 1/145th of salary
For suspensions of 20 games or more: 1/110th of salary
- (3) Missed Promotional Appearance: \$20,000
- (4) A player's failure to report to his new team following a trade is "conduct detrimental to the NBA," which (in addition to any discipline imposed by the team) will subject the player to fines and/or suspension by the Commissioner.
- (5) Suspensions by the Commissioner in excess of 12 games for on-court misconduct are subject to review by an independent arbitrator. For this purpose, "on-court" generally includes anything that occurs anywhere in the arena during, before, or after a game.
- (6) Players convicted of DUI/DWI will be subject to a mandatory evaluation by the Medical Director of the Anti-Drug Program.
- (7) Players are subject to the Joint NBA/NBPA Policy on Domestic Violence, Sexual Assault, and Child Abuse. Violations of that Policy will subject a player to discipline.

H. Player Appearances

Upon request, players may be required to make 12 promotional appearances for their team or the NBA each year.

I. International Player Buyout Payments

The limit on payments to international teams (for the purpose of securing the right to enter into a contract with a player) that will be excluded from Team Salary is \$725,000 for the 2019-20 season, increasing by \$25,000 each season thereafter.

J. Benefits

- (1) The CBA includes meaningful player benefits including with respect to player retirement, health, and other areas, including a health insurance benefit and education/career development programs for retired players. The cost of these benefits for currently-active players is included in (and is not in addition to) the players' share of BRI. For currently-retired players who helped pave the way for the current economic environment in the NBA, the NBA and the NBPA equally fund outside of the players' share of BRI the cost of the retiree health insurance plan, the education/career development program, and increases in pension benefits.
- (2) The player playoff pool is \$23,287,266 for the 2019-20 season.
- (3) A benefits pool is funded with 1% of BRI for post-career annuity benefits. This 1% of BRI benefits pool is included in (and is not in addition to) the players' share of BRI.

K. Days Off

Teams must provide players with 18 (or the applicable pro-rated number) days off during each regular season. A "day off" is defined as a day when a player is neither required nor permitted to engage in any team-directed activity (including, e.g., a promotional appearance). Days off can also include days on the road. Players are permitted to voluntarily participate in individual basketball-related activities at team facilities or elsewhere during days off.

L. Disclosure Rules

No financial terms of any player contract may be disclosed to the public by the NBA, NBPA, a team or its employees, the player, or the player's employee, agent, or representative.

EXHIBIT A

2019-20 NBA Rookie Scale

(\$000's)

<u>Pick</u>	<u>1st Year Salary</u>	<u>2nd Year Salary</u>	<u>3rd Year Option Salary</u>	<u>4th Year Option: Percentage Increase Over 3rd Year Salary</u>	<u>Qualifying Offer: Percentage Increase Over 4th Year Salary</u>
1	8,131.2	8,537.9	8,944.5	26.1%	30.0%
2	7,275.2	7,639.0	8,002.8	26.2%	30.5%
3	6,533.3	6,859.8	7,186.6	26.4%	31.2%
4	5,890.3	6,185.0	6,479.5	26.5%	31.9%
5	5,334.1	5,600.6	5,867.4	26.7%	32.6%
6	4,844.7	5,086.9	5,329.3	26.8%	33.4%
7	4,422.6	4,643.9	4,864.8	27.0%	34.1%
8	4,051.7	4,254.3	4,456.9	27.2%	34.8%
9	3,724.3	3,910.7	4,096.8	27.4%	35.5%
10	3,538.1	3,715.0	3,891.8	27.5%	36.2%
11	3,361.2	3,529.3	3,697.5	32.7%	36.9%
12	3,193.2	3,353.0	3,512.6	37.8%	37.6%
13	3,033.5	3,185.2	3,336.9	42.9%	38.3%
14	2,882.0	3,026.0	3,170.3	48.1%	39.1%
15	2,737.6	2,874.5	3,011.4	53.3%	39.8%
16	2,600.9	2,730.9	2,861.1	53.4%	40.5%
17	2,470.7	2,594.3	2,717.9	53.6%	41.2%
18	2,347.3	2,464.6	2,582.0	53.8%	41.9%
19	2,241.6	2,353.6	2,465.9	54.0%	42.6%
20	2,151.8	2,259.4	2,366.8	54.2%	43.3%
21	2,065.7	2,169.1	2,272.4	59.3%	44.1%
22	1,983.2	2,082.3	2,181.5	64.5%	44.8%
23	1,904.0	1,999.3	2,094.2	69.7%	45.5%
24	1,827.9	1,919.2	2,010.7	74.9%	46.2%
25	1,754.6	1,842.2	1,930.2	80.1%	46.9%
26	1,696.5	1,781.2	1,866.0	80.3%	47.6%
27	1,647.5	1,729.9	1,812.4	80.4%	48.3%
28	1,637.3	1,719.4	1,801.2	80.5%	49.0%
29	1,625.5	1,706.7	1,788.1	80.5%	50.0%
30	1,613.7	1,694.3	1,775.2	80.5%	50.0%

EXHIBIT B

2019-20 NBA Minimum Annual Salary Scale

<u>YOS</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
0	898,310				
1	1,445,697	1,517,981			
2	1,620,564	1,701,593	1,782,621		
3	1,678,854	1,762,796	1,846,738	1,930,681	
4	1,737,145	1,824,003	1,910,860	1,997,718	2,084,576
5	1,882,867	1,977,011	2,071,154	2,165,298	2,259,441
6	2,028,594	2,130,023	2,231,451	2,332,880	2,434,310
7	2,174,318	2,283,034	2,391,750	2,500,466	2,609,182
8	2,320,044	2,436,046	2,552,050	2,668,053	2,784,055
9	2,331,593	2,448,172	2,564,752	2,681,332	2,797,912
10+	2,564,753	2,692,991	2,821,230	2,949,467	3,077,705