

CBA 101

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



Prepared by the NBA (January 2024)

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I. TERM OF AGREEMENT

The term of the Collective Bargaining Agreement (“CBA”) began on July 1, 2023 and runs through June 30, 2030, for a total of seven seasons (the 2023-24 season through the 2029-30 season). The NBA and NBPA each have an option to terminate the CBA after its sixth season (i.e., on June 30, 2029) by notifying the other party on or before October 15, 2028.

II. SALARY CAP AND RELATED RULES

A. Calculating System Levels

(1) System Levels for 2023-24 Salary Cap Year.

Each Salary Cap Year (i.e., the period from July 1 through the following June 30), there is a Salary Cap, Minimum Team Salary, Tax Level, First Apron Level, and Second Apron Level. The following are the system levels for the 2023-24 Salary Cap Year:

Salary Cap	\$136.021 million
Minimum Team Salary	\$122.418 million
Tax Level	\$165.294 million
First Apron Level	\$172.346 million
Second Apron Level	\$182.794 million

(2) Calculation of System Levels for Future Salary Cap Years.

Subject to certain adjustments based on the financial results of the prior Salary Cap Year, each Salary Cap Year:

- (a) The Salary Cap is calculated by multiplying projected “Basketball Related Income” (a defined term that generally consists of all revenue from NBA basketball and related activities) for such year by 44.74%, subtracting projected player benefits, and dividing the result by 30; and
- (b) The Minimum Team Salary, Tax Level, First Apron Level, and Second Apron Level are calculated by increasing their prior-year amounts at the same rate of increase as the Salary Cap.

No system level can decrease from its prior-year amount, nor can it increase from its prior-year amount by more than 10%.

B. Operation of Salary Cap

A team may sign or acquire player contract(s) to the extent it has (i) room under the Salary Cap or (ii) an Exception to exceed the Salary Cap.

(1) Room Under the Salary Cap.

Room under the Salary Cap is the amount by which a team’s Team Salary is less than the Salary Cap. For example, if the Salary Cap is \$136.021 million and a Team’s Team Salary is \$110 million, the team has \$26.021 million of room under the Salary Cap and may sign or acquire player contract(s) for up to that amount. (Section II.K below describes how to calculate a team’s Team Salary.)

(2) Salary Cap Exceptions.

A team’s Team Salary may not exceed the Salary Cap as a result of the team signing or acquiring player contract(s) unless the team is using one of the following Exceptions.

- (a) Qualifying Veteran Free Agent (“Bird”) Exception.** A team may re-sign its own free agent who exclusively played for the team for some or all of each of the three consecutive seasons prior to becoming a free agent (or, if he changed teams, he did so by waiver claim during the first of the three seasons, or by trade) to a contract with a first-year salary of up to the player’s maximum salary.
- (b) Early Qualifying Veteran Free Agent (“Early Bird”) Exception.** A team may re-sign its own free agent who exclusively played for the team for some or all of each of the two consecutive seasons prior to becoming a free agent (or, if he changed teams, he did so by waiver claim or by trade) to a contract with a first-year salary of up to the greater of (i) 175% of the player’s salary in the last season of his prior contract, and (ii) 105% of the average player salary for the prior season. A contract signed using this Exception must be for at least two seasons (not including any option year).
- (c) 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” free agent to a contract with a first-year salary of up to the greater of (i) 120% of the player’s salary in the last season of his prior contract, (ii) 120% of the player’s applicable Minimum Annual Salary, and (iii) if the player is a Restricted Free Agent, his Qualifying Offer amount.
- (d) Bi-annual and Mid-Level Salary Exceptions.**

(i) Exception Amounts and Maximum Contract Lengths. The following are the Exception amounts for 2023-24 and maximum contract lengths (including any option year) for the Bi-annual Exception and each Mid-Level Salary Exception. For each future Salary Cap Year, the amount of each Exception will increase over its prior-year amount at the same rate as the Salary Cap.

	2023-24 Exception Amount	Maximum Contract Length
Bi-annual Exception	\$4.516M	2 years
Taxpayer Mid-Level Salary Exception	\$5.000M	2 years
Non-Taxpayer Mid-Level Salary Exception	\$12.405M	4 years
Mid-Level Salary Exception for Room Teams	\$7.723M	3 years

(ii) Use of Exceptions.

- Each of the Bi-annual and Mid-Level Salary Exceptions may be used to sign one or more contracts with first-year salaries that, in aggregate, provide for first-year salaries up to the applicable Exception amount and with contract lengths that do not exceed the applicable maximum contract length. Beginning with the 2024-25 Salary Cap Year, the Bi-annual Exception, Non-Taxpayer Mid-Level Salary Exception, and Mid-Level Salary Exception for Room Teams may also be used to acquire players by trade or waiver claim.
- If a team’s Team Salary is below the Salary Cap at any point during a Salary Cap Year, it may not use the Bi-annual Exception, the Taxpayer Mid-Level Salary Exception, or the Non-Taxpayer Mid-Level Salary Exception for that Salary Cap Year, but may use the Mid-Level Salary Exception for Room

Teams (provided it has not already used any portion of the Bi-annual Exception, the Taxpayer Mid-Level Salary Exception, or the Non-Taxpayer Mid-Level Salary Exception in that Salary Cap Year).

- If a team's Team Salary has not been below the Salary Cap at any point during a Salary Cap Year, then, subject to the rules in Section II.E below, it may use (a) either the Taxpayer or the Non-Taxpayer Mid-Level Salary Exception, and (b) the Bi-annual Exception (provided it did not use the Taxpayer Mid-Level Salary Exception in the current Salary Cap Year or the Bi-annual Exception in the immediately preceding Salary Cap Year).
 - If (1) a team uses the Non-Taxpayer Mid-Level Salary Exception to sign contract(s) not exceeding two seasons in length and providing aggregate first-year salaries not exceeding the amount of the Taxpayer Mid-Level Salary Exception, and (2) the team does not engage in any other transactions that would otherwise prevent the team from having a Team Salary above the First Apron Level (as described in Section II.E below), then if the team's Apron Team Salary (described in Section II.E(1) below) exceeds the First Apron Level, the team will be deemed to have used the Taxpayer Mid-Level Salary Exception instead of the Non-Taxpayer Mid-Level Salary Exception.
- (e) **Rookie Scale Exception.** A team may sign its first round draft pick to a Rookie Scale Contract. All Rookie Scale Contracts have a term of two years with two separate one-year team options for seasons three and four. A player's Rookie Scale Contract must provide for salary between 80% and 120% of his applicable Rookie Salary Scale amounts. (See Exhibit A for the 2023-24 Rookie Salary Scale. The Rookie Salary Scale amounts increase annually at the same rate as the Salary Cap.)
- (f) **Second Round Pick Exception.** A team may sign its second round draft pick to a contract with a term of two or three years, plus one team option year, using the Second Round Pick Exception. Contracts signed pursuant to the Second Round Pick Exception (i) may provide for salary up to specified amounts, and (ii) if signed prior to July 31 of a Salary Cap Year will not be included in a team's Team Salary until July 31 of such Salary Cap Year. (See Exhibit B for the 2023-24 salary amounts for contracts signed pursuant to the Second Round Pick Exception. These amounts increase annually at the same rate as the Salary Cap.)
- (g) **Minimum Salary Exception.** A team may sign a player to a one-year or two-year contract at the applicable Minimum Player Salary (a "minimum contract"). This Exception may also be used to acquire by trade or waiver claim a player who was signed to a one-year or two-year minimum contract. (See Exhibit C for the 2023-24 Minimum Annual Salary Scale. The Minimum Annual Salary Scale amounts increase annually at the same rate as the Salary Cap.)
- (h) **Disabled Player Exception.** A team may replace a player who suffers a "disabling injury or illness" with one player signed to a contract with a salary of up to the lesser of (i) 50% of the injured player's salary, or (ii) the amount of the Non-Taxpayer Mid-Level Salary Exception. The Disabled Player Exception may be used to sign a player to a one-year contract or acquire a player by trade or waiver claim who is in the last year of his contract. An application for a Disabled Player Exception can be made any time from July 1 through January 15 (regardless of when the injury or illness occurred). A disabling injury or illness is one that, in the opinion of an NBA-appointed physician, makes it substantially more likely than not that the player would be unable to play through the following June 15. A Disabled Player Exception expires on the March 10 following the date it is granted.

(i) **Traded Player Exceptions (“TPEs”).**

(i) Traded Player Exception Amounts. A team may replace a traded player with one or more players acquired by trade or waiver claim as follows:

	Exception Timing	Traded Player Salaries Can Be “Aggregated”*	Salary That May Be Acquired Using Exception
Standard Traded Player Exception	May only be used within one year of the date a player is traded	No	100% of the salary of the traded player plus \$250,000**
Aggregated Standard Traded Player Exception	May only be used “simultaneously” (i.e., to replace two or more traded players with one or more players in the same trade)	Yes	100% of the salary of the traded players plus \$250,000**
Transition Traded Player Exception	May only be used “simultaneously” (i.e., to replace one or more traded players with one or more players in the same trade) May only be used during the 2023-24 Salary Cap Year	Yes	110% of the salary of the traded player(s) plus \$250,000**
Expanded Traded Player Exception	May only be used “simultaneously” (i.e., to replace one or more players with one or more players in the same trade)	Yes	Greater of (i) the lesser of (x) 200% of the salary of the traded player(s) plus \$250,000**, and (y) 100% of the salary of the traded player(s) plus \$7.5 million***, and (ii) 125% of the salary of the traded player(s) plus \$250,000**
Room Under Salary Cap Plus \$250,000	N/A	N/A	Amount of team’s room under the Salary Cap plus \$250,000**

* For certain Traded Player Exceptions (those indicated with a Yes in this column), a team may “aggregate” (or add together) the salaries of two or more traded players and replace them with one or more replacement players.

**The \$250,000 allowances will be reduced to zero if the team’s post-trade Team Salary exceeds the First Apron Level.

***This is the amount for 2023-24; it will increase annually at the same rate as the Salary Cap.

(ii) Other TPE Rules.

- *Sign-and-Trades.* If a team that is over the Salary Cap enters into a sign-and-trade contract using the Bird or Early Bird Exception, and the salary in the first year of the contract exceeds the amount for which the contract could be signed using the Non-Bird Exception, then for purposes of calculating the team's Traded Player Exception, the player's salary is deemed to equal the greater of (i) the salary for the last season of his prior contract and (ii) 50% of the salary for the first season of the sign-and-trade contract.
- *Unprotected Salary.* A Traded Player Exception arising from the trade of a contract that has less than full salary protection (or may have less than full salary protection based on conditions set forth in the contract) is calculated excluding the unprotected salary (or the salary that may become unprotected).
- *Post-Regular Season Trades.* With respect to trades conducted during the period from the day following the last day of the Regular Season through the immediately following June 30, a Traded Player Exception will not exceed the amount of the player's protected salary for the following season.
- *Aggregation Restrictions.* With respect to the Traded Player Exceptions that allow for the aggregation of salaries of traded players:
 - No player contract acquired in a trade or by waiver claim using 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. If a player contract is acquired on or before December 16 of a season, this restriction does not apply to a subsequent trade that occurs on the day of the trade deadline or the day prior to the day of the trade deadline.
 - Other than during the period from December 15 through the trade deadline, if a team is aggregating the salaries of three or more traded players and the number of players the team is acquiring using an aggregated Traded Player Exception is less than the number of aggregated traded players, then no more than one of the aggregated traded players may be under a contract that provides for the player's applicable Minimum Player Salary for the current season, or if the trade occurs after the end of the Regular Season, the immediately following season.

(j) **Other Rules Relating to Exceptions.**

- (i)** Exceptions may not be added together ("aggregated") to sign or acquire a player contract, except for certain Traded Player Exceptions noted above in Section II.B(2)(i).
- (ii)** The Taxpayer Mid-Level, Non-Taxpayer Mid-Level, Mid-Level for Room Teams, Bi-annual, Bird, Early Bird, Non-Bird, and Rookie Scale Exceptions are prorated beginning on January 10 of each season, but the proration does not apply when the applicable Exception is used (A) during the period from January 10 through the trade deadline, or (B) to match an Offer Sheet. The Minimum Player Salary Exception is prorated beginning on the second day of the Regular Season.

C. Operation of Minimum Team Salary

- (1) **Compliance at Start of Regular Season.** If a team’s “MTS Team Salary” is below the Minimum Team Salary as of the first day of the Regular Season, (a) the amount by which the team’s MTS Team Salary is below the Minimum Team Salary will be included in the team’s Team Salary for the rest of the Salary Cap Year, (b) the team will owe a payment equal to the amount by which the team’s MTS Team Salary is below the Minimum Team Salary and such amount will be distributed to all NBA players, and (c) the team will not be eligible to receive a share of the distribution of tax payments to non-taxpayers (except in 2023-24, such a team will be eligible to receive a half share). A team’s MTS Team Salary is equal to its Team Salary (as determined in accordance with Section II.K below), excluding Free Agent Amounts described in Section II.K(2) below and First Round Draft Pick Holds described in Section II.K(7) below.
- (2) **Compliance During Regular Season.** If a team’s MTS Team Salary decreases below the Minimum Team Salary during the Regular Season, the team (a) may not use the additional room under the Salary Cap resulting from such decrease, and (b) must increase its MTS Team Salary to at least the Minimum Team Salary by the end of the following day.
- (3) **Compliance at End of Year.** If, as of the end of the Salary Cap Year, a team’s salary responsibility (determined by allocating each player’s salary to the team(s) for which he played on a per-day basis over the Regular Season) plus any payment made in accordance with II.C(1) above is less than the Minimum Team Salary, then the team will owe an additional payment in the amount of the difference.

D. Operation of Tax Level

Each team whose “Tax Team Salary” exceeds the Tax Level as of the last day of the Regular Season is required to pay a tax. A team’s Tax Team Salary is equal to its Team Salary (as determined in accordance with Section II.K below), excluding Free Agent Amounts described in Section II.K(2) and First Round Draft Pick Holds described in Section II.K(7) below, and with certain other adjustments as set forth in the CBA. The tax rates are as follows:

Incremental Tax Team Salary Above Tax Level	Tax Rate for Increment	
	2023-24 and 2024-25	Beginning with 2025-26
\$0 – 100% of Tax Bracket Amount*	\$1.50-for-\$1	\$1.00-for-\$1
100% – 200% of Tax Bracket Amount*	\$1.75-for-\$1	\$1.25-for-\$1
200% – 300% of Tax Bracket Amount*	\$2.50-for-\$1	\$3.50-for-\$1
300% – 400% of Tax Bracket Amount*	\$3.25-for-\$1	\$4.75-for-\$1
400% of Tax Bracket Amount* and Over	Tax rates increase by \$0.50 for each additional 100% of Tax Bracket Amount above the Tax Level (e.g., for Team Salary 400% of Tax Bracket Amount to 500% of Tax Bracket Amount above the Tax Level, the Tax rate is \$3.75-for-\$1 for that increment).	Tax rates increase by \$0.50 for each additional 100% of Tax Bracket Amount above the Tax Level (e.g., for Team Salary 400% of Tax Bracket Amount to 500% of Tax Bracket Amount above the Tax Level, the Tax rate is \$5.25-for-\$1 for that increment).

* The Tax Bracket Amount for 2023-24 is \$5 million and will increase annually at the same rate as the Salary Cap.

Tax rates for teams that are “repeater” taxpayers (i.e., taxpayers in at least four out of five seasons (including the then-current season)) increase by \$1.00-for-\$1 in 2023-24 and 2024-25, and by \$2.00-for-\$1 beginning with 2025-26 (e.g., for Tax Team Salary 100% – 200% of the Tax Bracket Amount, the tax rate for a repeater taxpayer is \$2.75-for-\$1 instead of \$1.75-for-\$1 in 2023-24, and will be \$3.25-for-\$1 instead of \$1.25-for-\$1 in 2025-26).

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 and were not below the Minimum Team Salary (e.g., the NBA could elect to distribute 50% of tax proceeds in equal shares to all non-taxpaying teams that were not below the Minimum Team Salary). The remainder of tax proceeds 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).

E. Operation of Apron Levels

(1) General Rules.

A team may not engage in a transaction in the table below if, immediately following the transaction, the team’s “Apron Team Salary” would exceed the Applicable Apron Level that corresponds with that transaction in the table. Additionally, a team that engages in a transaction in the table below may not, for the remainder of the Salary Cap Year, have a Team Salary that exceeds the Applicable Apron Level that corresponds with that transaction in the table. In addition, if a team uses the Taxpayer Mid-Level Salary Exception during a Salary Cap Year, for the remainder of that Salary Cap Year it will not be permitted to engage in any transaction that has an Applicable Apron Level of the First Apron Level in the table below.

A team’s Apron Team Salary is equal to its Team Salary, excluding Free Agent Amounts described in Section II.K(2) and First Round Draft Pick Holds described in Section II.K(7) below, including any Incentive Compensation that is excluded from Team Salary as described in Section II.K(3) below, and with certain other adjustments as set forth in the CBA.

Team Transaction	Applicable Apron Level
A. Signs or acquires a player using the Bi-annual Exception	First Apron Level
B. Signs or acquires a player using the Non-Taxpayer Mid-Level Salary Exception	
C. Acquires a player in a sign-and-trade	
D. Signs a player during the Regular Season who was previously under a contract that (i) was terminated during that Regular Season, and (ii) prior to being terminated, provided for salary above the amount of the Non-Taxpayer Mid-Level Salary Exception	
E. Acquires a player using the Expanded Traded Player Exception	
F. Acquires a player using a pre-existing Standard Traded Player Exception that was generated in a prior year*	
G. Acquires a player using the Transition Traded Player Exception	
H. Acquires a player using the Aggregated Standard Traded Player Exception	Second Apron Level
I. Pays cash to another team in a trade	
J. Acquires a player using a Traded Player Exception generated in respect of a player signed-and-traded to another team	
K. Signs a player using the Taxpayer Mid-Level Salary Exception	

* For this purpose, a “year” is measured from the end of a Regular Season through the end of the immediately following Regular Season.

(2) Trades and Waiver Claims Between End of Regular Season and June 30.

In addition to the general rules described in Section II.E(1) above, the following rules apply to trades and waiver claims made during the period from the day following the last day of a Regular Season through the immediately following June 30 (i.e., the end of the Salary Cap Year).

- (a)** A team may not engage in any transaction set forth in rows E through J in the table in Section II.E(1) above if, immediately following the transaction, the team’s Apron Team Salary for the immediately following Salary Cap Year (the “Subsequent Salary Cap Year”) would exceed the Applicable Apron Level (for the Subsequent Salary Cap Year) that corresponds with that transaction in the table.
- (b)** A team that engages in any transaction set forth in rows E through J in the table in Section II.E(1) above may not, at any time immediately following such transaction through the end of the Subsequent Salary Cap Year, have a Team Salary for the Subsequent Salary Cap Year that exceeds the Applicable Apron Level (for the Subsequent Salary Cap Year) that corresponds with that transaction in the table.
- (c)** For purposes of this Section II.E(2), during the period beginning on the day after the last day of a Regular Season through the immediately following June 30, the determination of whether a team’s Apron Team Salary for the Subsequent Salary Cap Year exceeds the Applicable Apron Level for the Subsequent Salary Cap Year is made assuming that (i) all outstanding Team Options and Player Options for the Subsequent Salary Cap Year are exercised, (ii) no outstanding Early Termination Options for the Subsequent Salary Cap Year are exercised, (iii) the team engages in no additional transactions until the Subsequent

Salary Cap Year begins, (iv) any player on the team whose salary for the Subsequent Salary Cap Year may increase by virtue of meeting the Higher Max Criteria (described in Section II.G(1)(b) below) during the fourth season of his Rookie Scale Contract achieves the highest salary that he is eligible to earn based on meeting such criteria, and (v) the amount of the Salary Cap, First Apron Level, and Second Apron Level for the Subsequent Salary Cap Year are the same as for the then-current Salary Cap Year.

(3) Transition Rules for 2023-24 Salary Cap Year.

Notwithstanding anything to the contrary in Sections II.E.(1) or (2) above, a team that engages in one or more of the transactions listed in rows F through J of the table in Section II.E(1) above during the 2023-24 Salary Cap Year will not by virtue of engaging in any such transaction(s) be prohibited from having an Apron Team Salary in the 2023-24 Salary Cap Year that exceeds the Applicable Apron Level for such Salary Cap Year. (Consistent with the rules set forth above, such a team will be prohibited from having an Apron Team Salary that exceeds the Applicable Apron Level for the 2024-25 Salary Cap Year if the team engages in any such transaction(s) during the period from the day following the last day of the 2023-24 Regular Season through the end of the 2023-24 Salary Cap Year.) Additionally, a team that uses the Taxpayer Mid-Level Salary Exception during the 2023-24 Salary Cap Year will be permitted to engage in the transactions listed in rows F and G in the table in Section II.E(1) above during the 2023-24 Salary Cap Year.

Examples

- Team signs a player using the Bi-annual Exception on September 1, 2023. As a result, the team's 2023-24 Apron Team Salary cannot immediately thereafter or for the remainder of the 2023-24 Salary Cap Year exceed the 2023-24 First Apron Level.
- Team uses the Aggregated Standard Traded Player Exception on June 1, 2025. As a result, the team's 2024-25 Apron Team Salary cannot immediately thereafter or for the remainder of the 2024-25 Salary Cap Year exceed the 2024-25 Second Apron Level, and, because the trade occurred during the period from the day following the last day of the 2024-25 Regular Season through the end of the 2024-25 Salary Cap Year, the team's 2025-26 Apron Team Salary cannot immediately thereafter through the end of the 2025-26 Salary Cap Year exceed the 2025-26 Second Apron Level.
- Team pays cash to another team in a trade on June 1, 2024. As a result, the team's 2024-25 Apron Team Salary cannot immediately thereafter through the end of the 2024-25 Salary Cap Year exceed the 2024-25 Second Apron Level. However, the team's 2023-24 Apron Team Salary can exceed the 2023-24 Second Apron Level as a result of the transition rules described in Section II.E.(3) above.

F. Draft Pick Penalty

Beginning with the 2024-25 Salary Cap Year, if a team's Apron Team Salary exceeds the Second Apron Level as of the start of the team's last Regular Season game in a Salary Cap Year, then its first round draft pick in the seventh Draft following the last day of such Salary Cap Year (the "Frozen Pick") will be frozen, meaning it may not be traded. Then:

- (1) If the team's Apron Team Salary exceeds the Second Apron Level as of the start of the team's last Regular Season game in at least two of the next four Salary Cap Years, the Frozen Pick will be moved to the end of the first round of the applicable Draft and the team will continue to be unable to trade it.
- (2) If, instead, the team's Apron Team Salary is less than or equal to the Second Apron Level as of the start of the team's last Regular Season game in at least three of the next four Salary Cap Years, then

the Frozen Pick will be unfrozen (meaning it can be traded again) as of the day following the last day of the Regular Season of the third such Salary Cap Year for which the team's Apron Team Salary is less than or equal to the Second Apron Level, and will not be subject to any restriction on pick position.

Note: If more than one team has a Frozen Pick moved to the end of the first round of a particular Draft, those teams will select at the end of the first round in inverse order of their winning percentage for the Regular Season immediately preceding that Draft.

G. Contract Structure Rules

(1) Maximum Player Salaries.

(a) General Rules. There are maximum limits on the salary that may be included in the first season covered by any contract, the first season covered by the extended term of any contract, and the first season of any renegotiated contract. The limits, which are based on a player's Years of Service, generally are as follows:

Player's Years of Service	Maximum Salary as % of the Salary Cap
0-6	25%
7-9	30%
10+	35%

However, if 105% of the player's salary for the prior season exceeds the player's applicable maximum salary set forth above, then the player's maximum salary is 105% of his salary for the prior season.

Salaries in subsequent seasons are governed by the annual salary increase/decrease rules (see Section II.G(3) below).

(b) Exceptions for Higher Maximum Salary. In the following circumstances, a player who meets at least one of the "Higher Max Criteria" (defined below) is eligible for the below-specified maximum salary, which is higher than is allowable under the general rules:

(i) For a player with four Years of Service who is either entering the first season of a Rookie Scale Extension or signing a new contract with his prior team as a free agent, the maximum salary that he may earn for that season is 30% of the Salary Cap (rather than 25% of the Salary Cap). If it is not known at the time of signing a maximum salary Rookie Scale Extension whether the player will ultimately satisfy one of the Higher Max Criteria (because it will depend on his performance in the fourth year of his Rookie Scale Contract), the Rookie Scale Extension may provide that the player will receive a specified percentage of the Salary Cap (between 25% and 30%) depending on whether and how he meets the Higher Max Criteria. For example, the Rookie Scale Extension may provide that the player's starting salary will be (A) 25% if he does not meet the Higher Max Criteria during the fourth year of his Rookie Scale Contract, (B) 28% if he meets the Higher Max Criteria by being named to the All-NBA Third Team during the fourth year of his Rookie Scale Contract, and (C) 30% if he meets the Higher Max Criteria by being named the NBA MVP, Defensive Player of the Year, or to the All-NBA First or Second Team during the fourth year of his Rookie Scale Contract.

(ii) For a player with seven or eight Years of Service who (A) has never changed teams or changed teams only by trade during the first four Salary Cap Years in

which he was under a player contract, and (B) is signing an extension that covers six seasons (including any seasons remaining on the original term of the contract), the maximum salary that the player may earn in the first year of the extended term is 35% of the Salary Cap (any such extension, a “Designated Veteran Player Extension”).

- (iii) For a free agent with eight or nine Years of Service who (A) has never changed teams or changed teams only by trade during the first four Salary Cap Years in which he was under a player contract, and (B) is signing a contract with his prior team that covers five seasons, the maximum salary that the player earn in the first year of the contract is 35% of the Salary Cap (any such contract, a “Designated Veteran Player Contract”).

A player meets the Higher Max Criteria if he was named (1) Defensive Player of the Year or to the All-NBA First, Second, or Third Team for the immediately preceding season or for two of the three immediately preceding seasons, or (2) NBA MVP for any of the immediately preceding three seasons.

(2) Minimum Player Salaries.

All contracts must provide the player with at least the minimum salary that corresponds to the player’s Years of Service in each year of the contract. For a 10-Day or Rest-of-Season Contract, the minimum annual salary amounts are prorated based on the number of days of the Regular Season covered by the contract. (See Exhibit C for the 2023-24 Minimum Annual Salary Scale. The Minimum Annual Salary Scale amounts increase annually at the same rate as the Salary Cap.)

(3) Annual Salary Increases and Decreases.

Salary in a contract may increase or decrease after the first year by up to 5% of the first-year salary, except that salary in a contract between a team and its Bird or Early Bird free agent (unless the signing is pursuant to a sign-and-trade), or in an extension (unless the extension is signed pursuant to an extension-and-trade), 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.

Examples

- (a) Team signs its Bird free agent to a four-year contract with a first-year salary of \$10 million.

Maximum permissible salary increase in each year is \$800,000 (8% of \$10 million):

Year 1 — \$10 million
Year 2 — \$10.8 million
Year 3 — \$11.6 million
Year 4 — \$12.4 million

- (b) Team uses room under the Salary Cap to sign another team’s free agent to a four-year contract with a first-year salary of \$10 million.

Maximum permissible salary increase in each year is \$500,000 (5% of \$10 million):

Year 1 — \$10 million
Year 2 — \$10.5 million
Year 3 — \$11.0 million
Year 4 — \$11.5 million

(4) Contract Length.

The maximum length of contracts (including option years where applicable) is set forth below:

Contract Type	Maximum Contract Length
Contract between a team and its Bird free agent	5 years
Contracts signed using room under the Salary Cap, the Early Bird Exception, the Non-Bird Exception, the Non-Taxpayer Mid-Level Salary Exception, the Rookie Scale Exception, or the Second Round Pick Exception	4 years
Contracts signed using the Room Mid-Level Salary Exception	3 years
Contracts signed using the Bi-annual Exception, the Minimum Salary Exception, or the Taxpayer Mid-Level Salary Exception	2 years
Contracts signed using the Disabled Player Exception	1 year

Extension Type	Maximum Extension Length (including year(s) remaining on original term of contract)
Rookie Scale Extensions and Designated Veteran Player Extensions	6 years
All other extensions	5 years

(5) Incentive Compensation.

Contracts may provide for a bonus to be paid as a result of (a) the player's or team's achievement of performance benchmarks, (b) the player's achievement of benchmarks related to physical condition or academic achievement, or (c) the player performing extra promotional appearances (any such bonus, "Incentive Compensation"). A bonus based on the player's achievement of benchmarks related to physical condition or academic achievement or for performing extra promotional appearances is considered a "Likely Bonus." A bonus based on the player's or team's achievement of performance benchmarks is considered a "Likely Bonus" if the bonus would be earned if the player's or team's performance were identical to the performance in the immediately preceding year (or if, in accordance with a process set forth in the CBA, the bonus is otherwise determined by an independent expert to be "more likely than not to be earned"). If a bonus does not qualify as a "Likely Bonus" pursuant to the foregoing, then it is considered an "Unlikely Bonus."

No contract may provide for Incentive Compensation for a season that exceeds 20% of Base Compensation provided for in the contract for that season. Additionally, no contract may provide for Unlikely Bonuses for a season that exceed 15% of Base Compensation provided for in the contract for that season.

Each bonus included in a contract must be included in every year of the contract and must comply with annual salary increase or decrease rules.

For purposes of determining whether a team has enough room under the Salary Cap (or whether a particular Exception is large enough) to sign a player contract, all Incentive Compensation that the player could earn in the first year of the contract is included in the player's salary.

(6) Signing Bonuses.

A contract may provide a player with a signing bonus, but the signing bonus may not exceed 15% (or, in the case of an Offer Sheet, 10%) of the total compensation (excluding Incentive Compensation) provided by the contract.

(7) Trade Bonuses.

A contract may provide a player with a bonus in the event the player is traded (a “trade bonus”), provided that the bonus may not exceed 15% of the Base Compensation remaining to be earned by the player pursuant to the contract at the time of the trade (excluding any option year if not yet exercised) and may only be paid the first time the contract is traded. If earned, a trade bonus is paid by the team trading the player.

(8) 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” (ETO) 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 extended term of the contract).

The deadline to exercise any option or ETO (other than an option in a Rookie Scale Contract) must be no later than 5:00 P.M. eastern time on the June 29 immediately prior to the season covered by the option, except that the deadline to exercise an option in favor of a player who would become a Restricted Free Agent if the option were not exercised must be no later than the June 24 immediately prior to the season covered by such option.

The period for the team to exercise the option for the third year of a Rookie Scale Contract is from the day following the last day of the first season of the contract through the immediately following October 31. The period for the team to exercise the option for the fourth year of a Rookie Scale Contract (if the team exercised the option for the third year) is from the day following the last day of the second season of the contract through the immediately following October 31.

H. Extensions

(1) Rookie Scale Extensions.

Rookie Scale Contracts may be extended during the period from 12:01 P.M. (ET) on the last day of the Moratorium Period (i.e., July 6) that precedes the fourth year of the contract through 6:00 P.M. (ET) on the day prior to the first day of the Regular Season of such year.

Rookie Scale Extensions may provide for up to five new years (i.e., six total years including the fourth year of the Rookie Scale Contract) and a salary in the first year of the extension of up to the player’s applicable maximum salary. Salary may increase or decrease in subsequent years by up to 8% of the salary in the first year of the extension.

(2) Veteran Extensions.

A contract covering one or two seasons (including any option year) cannot be extended. A contract covering three or four seasons (including any option year) may be extended beginning on the second anniversary of the signing of the contract (or extension). A contract covering five or six seasons (including any option year) may be extended beginning on the third anniversary of the signing of the contract (or extension). For purposes of determining the second or third anniversary of the signing of an extension, an extension signed during the period from October 2 through the day prior

to the first day of the Regular Season of a year will be deemed to have been signed on October 1 of such year. A Veteran Extension signed prior to the last season covered by the original contract can only be signed during the offseason (i.e., for these purposes, during the period from 12:01 P.M. (ET) on July 6 through the day prior to the first day of the Regular Season).

Subject to maximum salary rules, a Veteran Extension (other than a Designated Veteran Player Extension or an extension-and-trade) may provide for salary in the first year of the extended term of 140% of the greater of (a) the player's salary in the last year of the original contract, and (b) 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.

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) with salary in the first year of the extended term of between 30% and 35% of the Salary Cap. Salary may increase or decrease in subsequent years by up to 8% of the salary in the first year of the extension. A Designated Veteran Player Extension may not include any Incentive Compensation.

In order to sign a Designated Veteran Player Extension, a player must otherwise be eligible to sign a Veteran Extension and have (x) seven or eight Years of Service, (y) not changed teams or changed teams only by trade during the first four Salary Cap Years in which he was under a player contract, and (z) met the Higher Max Criteria described in Section II.G(1)(b) above at the time of signing. A player who signs a Designated Veteran Player Extension may not be traded for one year following the date of the signing. Designated Veteran Player Extensions may only be signed during the offseason (i.e., for these purposes, during the period from 12:01 P.M. (ET) on July 6 through the day prior to the first day of the Regular Season).

I. Renegotiations

A renegotiation is an amendment to a player contract that increases a player's salary for the then-current and any subsequent years of an existing contract. In order to enter into a renegotiation, a team must have room under the Salary Cap greater than or equal to the amount by which the player's salary for the then-current year is being increased (such increase, the "first-year renegotiation amount"). In the event there is more than one year remaining on a contract at the time of the renegotiation, then the player's salary for each subsequent year must also be renegotiated. The renegotiation amount in each subsequent year may increase or decrease by up to 8% of the first-year renegotiation amount.

A contract may be simultaneously renegotiated and extended, provided that the amount of the player's salary in the first season of the extended term may not decrease by more than 40% of the salary (as renegotiated) in the last season covered by the original term of the contract.

A contract covering a term of fewer than four seasons cannot be renegotiated. A contract covering a term of four or more seasons may be renegotiated beginning on the third anniversary of the signing of the contract. For purposes of determining the third anniversary of the signing of an extension, an extension signed during the period from October 2 through the day prior to the first day of the Regular Season of a year will be deemed to have been signed on October 1 of such year. A contract may not be renegotiated from March 1 through June 30 of any Salary Cap Year.

If a team renegotiates a player's contract, then the team is prohibited from trading the player for six months following the date of the renegotiation. If a team acquires a player contract in a trade, then for six months following the date of the trade, the team may not renegotiate the player's contract.

Example of renegotiation and extension:

Team under the Salary Cap by \$5 million seeks to renegotiate and extend a contract with a player who has two years left at the following salary amounts on his original five-year contract:

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

The maximum permissible salary renegotiation in the existing term of the contract is as follows:

Year 4 — \$14.8 million (\$9.8 million + \$5 million)
Year 5 — \$15.8 million (\$10.4 million + \$5 million + \$400,000 (8% of \$5 million))

The maximum permissible salary in the extended term (assuming a two-year extended term) is as follows:

Extension Year 1 — \$22.12 million (140% of \$15.8 million)
Extension Year 2 — \$23.8896 million (increase of 8% of \$22.12 million)

J. Trade Rules

(1) Sign-and-Trades.

A team may sign a free agent to a player contract pursuant to an agreement with another team to subsequently trade the player's contract, provided that (a) the player finished the prior season on the signing team's roster, (b) the contract is for at least three years (excluding any option year) but no more than four years (including any option year), (c) the first year of the contract is fully protected for lack of skill, (d) the contract is signed prior to the first day of the Regular Season, and (e) the contract is not signed pursuant to the Non-Taxpayer Mid-Level Salary Exception or the Mid-Level Salary Exception for Room Teams.

(2) Extension-and-Trades.

A team and player may extend a player contract pursuant to an agreement between the team and another team to subsequently trade the player's contract. Such an extension-and-trade must comply with the following requirements:

	Extensions signed on or before June 30, 2024	Extensions signed after June 30, 2024
Maximum salary in first year of extended term	105% of the salary in the last year of the original term	120% of the greater of (x) the salary in the last year of the original term and (y) the estimated average player salary
Maximum length of extension (including years remaining on term of original contract)	3 years	4 years

If a team and player sign an extension for a higher starting salary or longer term than described above, or with annual increases that exceed 5%, then the team is prohibited from trading the player for six months following the date of the extension. If a team acquires a player in a trade, then for six months following the date of the trade, the team and player are prohibited from signing an

extension for a higher starting salary, longer term, or higher annual increases than would have been permitted in an extension-and-trade.

(3) Cash Transfers.

A team may pay or receive cash in connection with trades, subject to an annual limit on the amount of cash paid and cash received per team. For the 2023-24 Salary Cap Year, the cash-in-trades limit is \$7.005 million per team. The limit will increase annually at the same rate as the Salary Cap. Cash received by a team in trades is not netted against cash paid by that team in trades for purposes of applying this rule. For example, if a team pays \$7.005 million in connection with one trade and receives \$7.005 million in connection with another trade, the team would not be permitted to pay or receive any cash in connection with any subsequent trades for the remainder of the Salary Cap Year.

(4) Player Consent in One-Year Contracts.

A player who signs a one-year contract (excluding any option year) and will (or may) be a Bird or Early Bird free agent at the end of the year cannot be traded without the player's consent. If the player consents to a trade and is traded, he will lose whatever "Bird" rights he has (i.e., he will be considered to have moved to the new team as a free agent). A team and player may agree at the time of signing a contract to eliminate the consent right.

(5) Waiting Period for New Contracts.

A draft rookie who signs a contract or any player who signs a Two-Way Contract may not be traded until 30 days following the date the contract is signed.

A free agent who signs a Standard NBA Contract (or a player who signs, or is converted to, a Standard NBA Contract while under a Two-Way Contract) cannot be traded until the later of (a) three months following the date the contract is signed, and (b) December 15 of the Salary Cap Year in which the contract is signed. If a team's Team Salary is over the Salary Cap immediately following signing a contract with the Bird or Early Bird Exception for a salary that exceeds 120% of the player's salary for the prior year (except if the new salary is equal to the player's minimum salary), then the player cannot be traded until the later of (i) three months following the date the contract is signed, and (ii) January 15 of the Salary Cap Year in which the contract is signed.

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 waivers or sign the player to a new contract until the earlier of (x) one year from the date the trade was completed, and (y) the July 1 following the last season of the player's contract.

K. Determination of Team Salary

(1) General Rules.

A team's Team Salary is the amount that is measured against the Salary Cap to determine if a team is over or under the Salary Cap and by how much.

The principal components of Team Salary are the salary amounts in respect of players under contract with the team and the salary amounts in respect of players who have been waived but are still being paid by the team, subject to certain adjustments.

(2) Free Agents.

A team's free agents are included in its Team Salary at a multiple of each such free agent's prior salary. The multiple depends on several factors, including the player's "Bird" status, whether he is a first round draft pick finishing his Rookie Scale Contract, and his salary under his previous

contract. For example, a Bird free agent (other than a first round draft pick finishing his Rookie Scale Contract) is included in Team Salary at 150% of his prior salary if it was greater than or equal to the average player salary, or at 190% of his prior salary if it was less than the average player salary. A first round draft pick finishing his Rookie Scale Contract is included in Team Salary at 250% of his prior salary if it was greater than or equal to 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" the player. At that point, the team may no longer sign the player using the applicable Bird Exception; it may only use room under the Salary Cap or another Exception.

(3) Incentive Compensation.

A bonus is included in Team Salary if it is a "Likely Bonus" and is excluded from Team Salary if it is an "Unlikely Bonus." (See Section II.G(5) for definitions of Likely and Unlikely Bonuses.)

(4) Signing Bonuses and Trade Bonuses.

Signing bonuses and earned trade bonuses are allocated over the then-remaining seasons (excluding option years) covered by the contract and included in Team Salary for each such season in proportion to the percentage of salary in the season that is protected.

If an NBA team makes a payment to an international team for the purpose of securing the right to enter into a contract with a player who last played professional basketball outside the United States, the amount of such payment in excess of the "Excluded International Player Payment Amount" is included in Team Salary and allocated in the same way as a signing bonus. For the 2023-24 Salary Cap Year, the Excluded International Player Payment Amount is \$825,000. This amount increases by \$25,000 annually.

(5) One-Year Minimum Contracts.

Teams are reimbursed from a leaguewide 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 Player Salary exceeds the Minimum Player Salary applicable to a player with two Years of Service. Only the amounts not reimbursed are included in Team Salary.

(6) Over 38 Rule.

In certain cases involving contracts of four years or more with a player who will be 38 years old during the term of the contract, salary payable for seasons after the third season is treated as deferred compensation in respect of the first three seasons (and is therefore included in Team Salary in the first three seasons).

(7) First Round Draft Pick Holds.

Before a team signs its first round draft pick, an amount is included in its Team Salary equal to 120% of the Rookie Salary Scale amount applicable to the player.

(8) Incomplete Roster Holds.

During the period from July 1 through the day before the first day of the Regular Season, if a team has fewer than 12 players included in its Team Salary, its Team Salary will include an amount equal to the Minimum Annual Salary applicable to a player with zero Years of Service multiplied by the number of players included in its Team Salary subtracted from 12.

(9) Summer Contracts.

From July 1 until the day prior to the first day of the Regular Season, a team and player may enter into a “Summer Contract” that will not be included in Team Salary until the first day of the Regular Season. A Summer Contract may not provide for salary protection of any kind. A team must terminate any Summer Contracts prior to the first day of the Regular Season unless it has room under the Salary Cap or an available Exception for the contract.

Additionally, a contract may include a provision (an Exhibit 9) that eliminates the team’s salary continuation obligation after termination of the contract in respect of injuries sustained by the player during training camp. An Exhibit 9 may only be included in one-year, non-guaranteed minimum or Two-Way contracts. If such a contract is terminated prior to the start of the Regular Season while the player is injured, he would receive a \$15,000 termination fee instead of continued salary. A team must have at least 14 players (excluding Two-Way Players) under contract without an Exhibit 9 prior to signing a contract with an Exhibit 9. A team may not have more than six players under contract with an Exhibit 9 at any one time.

L. Stretch for Salary Cap Purposes

When a team waives a player and the player’s contract is terminated, the team is permitted to make a one-time election by August 31 of any year covered by the term of the terminated contract to “stretch” for Salary Cap purposes the player’s then-remaining future salary over twice the number of seasons remaining on the original term of the contract plus one, provided that the portion of the team’s Team Salary attributable to all of the team’s waived players in any future season would not exceed 15% of the Salary Cap in effect during the Salary Cap Year in which the election is made. The following signing and acquisition restrictions will apply with respect to team stretch elections:

- If a team stretches a player’s salary, it may not sign or acquire by trade or waiver claim that player prior to the July 1 following the last season of the player’s terminated contract (including any option year), and
- If a team signs or acquires by trade or waiver claim a player whose contract it previously terminated, it may not subsequently elect to stretch the salary in respect of the terminated contract.

M. Right of Set-Off

When a team terminates a player contract with a remaining salary obligation, such obligation will be reduced by a portion of any compensation earned by the player from any professional basketball team(s) during each year of the terminated contract. The reduction in the original team’s obligation is calculated for each season as follows:

Step 1: Calculate the total compensation earned by the player from the subsequent team(s) during the applicable year.

Step 2: Subtract from the result of Step 1 the following amount: (i) if the player had zero Years of Service at the time the contract was terminated, the Minimum Annual Salary applicable to the player for the year in which the contract was terminated, or (ii) if the player had one or more Years of Service at the time the contract was terminated, the Minimum Annual Salary applicable to a player with one Year of Service for the year in which the contract was terminated.

Step 3: If the result of Step 2 is zero or a negative number, there is no reduction to the original team’s obligation. If the result of Step 2 is a positive number, the reduction of the original team’s obligation for the applicable season will equal 50% of the result of Step 2.

Example:

Assume a player with one Year of Service is under contract with Team Z with protected salary of \$10 million for each of the 2023-24 and 2024-25 seasons. Assume he is waived by Team Z prior to the start of the 2023-24 season and subsequently signs a two-year contract with Team Y, under which he earns \$3 million for 2023-24 and \$3.15 million for 2024-25. The Minimum Annual Salary applicable to a player with one Year of Service in 2023-24 is \$1,801,769. Team Z's right of set-off would be calculated as follows:

2023-24: (\$3 million - \$1,801,769) x 50% = \$599,116

2024-25: (\$3.15 million - \$1,801,769) x 50% = \$674,116

N. Free Agency

(1) Timing of Negotiations and Signings.

Teams and their own free agents are permitted to begin free agent negotiations on the day after the last day of the NBA Finals. Teams and other teams' free agents are permitted to begin free agent negotiations at 6:00 P.M. (ET) on June 30. Teams and players are not permitted to sign contracts until after the Moratorium Period ends (i.e., at 12:01 P.M. (ET) on July 6), except that Offer Sheets, Rookie Scale Contracts, Second Round Pick Exception contracts, minimum salary contracts covering one or two seasons, and Two-Way Contracts may all be signed starting at 12:01 P.M. (ET) on July 1. Additionally, Required Tenders and Qualifying Offers can be signed by a player beginning immediately after they are tendered by a team.

(2) Restricted Free Agency.

(a) Qualification. A player (other than a first round draft pick whose third- or fourth-year team option was not exercised) will be a Restricted Free Agent (i.e., will be subject to a right of first refusal in favor of his prior team) at the conclusion of a contract if (A) he (x) has three or fewer Years of Service, (y) is completing a Two-Way Contract, or (z) is completing a Rookie Scale Contract, and (B) the team makes a Qualifying Offer.

(b) Qualifying Offers.

(i) General Requirements. A Qualifying Offer is an offer of a one-year contract to establish a team's right of first refusal. Other than for Two-Way Players, Qualifying Offers must be fully protected for lack of skill and injury or illness. For a first round draft pick completing his Rookie Scale Contract, the salary in the Qualifying Offer must equal the player's salary under the fourth year of his Rookie Scale Contract increased by the percentage called for in the applicable Rookie Salary Scale.

A team that makes a Qualifying Offer to a first round draft pick completing his Rookie Scale Contract may also simultaneously offer the player an alternative maximum Qualifying Offer described in Section II.N(2)(c) below.

For other Restricted Free Agents (other than Two-Way Players), the salary in the Qualifying Offer must equal the greater of (A) 135% (or, if the player's prior contract was signed prior to July 1, 2023, then 125%) of the player's prior year salary, and (B) the player's Minimum Player Salary for the season covered by the Qualifying Offer plus \$200,000.

(ii) Starter Criteria. Notwithstanding the above general requirements, any first round draft pick finishing his Rookie Scale Contract who was selected 10-30 in the Draft who met the "Starter Criteria" (defined below) will receive the Qualifying Offer

amount applicable to 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 Salary Scale amount applicable to the 9th pick). Any first round draft pick finishing his Rookie Scale Contract who was selected 1-14 in the Draft who failed to meet the Starter Criteria will receive the Qualifying Offer amount applicable to 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 Salary Scale amount applicable to the 15th pick).

Any other Restricted Free Agent (other than a Two-Way Player) with two or three Years of Service who met the Starter Criteria will receive the Qualifying Offer amount applicable to 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 Salary Scale amount applicable to the 21st pick) if such amount is greater than the amount described in the above general rules.

A player has met the Starter Criteria if he (A) started at least 41 games in the prior Regular Season, (B) played at least 2,000 minutes in the prior Regular Season, (C) averaged at least 41 games started in the prior two Regular Seasons, or (D) averaged at least 2,000 minutes played in the prior two Regular Seasons.

- (iii) Two-Way Players. The Qualifying Offer for a Two-Way Player 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 \$75,000 (for a Qualifying Offer covering the 2023-24 season; this amount will increase annually at the same rate as the Salary Cap); 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/or for players who are not eligible to sign another Two-Way Contract (e.g., because the player has four or more Years of Service), an offer of a one-year minimum Standard NBA Contract with salary protection of \$90,000 (for a Qualifying Offer covering the 2023-24 season; this amount will increase annually at the same rate as the Salary Cap).

- (c) *Offer Sheets.*

If a Restricted Free Agent receives a contract offer from a new team that he wants to accept, the player and new team must provide the terms of the proposed contract to the player's prior team in the form of an Offer Sheet. An Offer Sheet must cover a minimum of two seasons (excluding 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 Qualifying Offer (i.e., a contract that covers five seasons and provides a salary equal to the player's maximum salary, with annual increases of 8%), then the Offer Sheet must cover a minimum of three seasons (excluding any option year).

If an Offer Sheet is given prior to 12:00 P.M. (ET) on a day, the player's prior team has until 11:59 P.M. (ET) on the immediately following day to "match" the Offer Sheet. If an Offer Sheet is given on or after 12:00 P.M. (ET) on a day, the player's prior team has until 11:59 P.M. (ET) on the second day following the day the Offer Sheet is given to match it. If an Offer Sheet is given during the Moratorium Period, the Offer Sheet will be deemed given on July 6 before 12:00 P.M. (ET). If the prior team matches the Offer Sheet, it is deemed to have entered into a contract with the player containing the terms of the Offer Sheet. If the prior team does not match, its right of first refusal expires and the team that made the Offer Sheet is deemed to have entered into a contract with the player containing the terms of the Offer Sheet.

O. Roster Size

A team is generally required to have 14 or 15 players under Standard NBA Contracts during the Regular Season and, if applicable, postseason. However, a team is permitted to have 12 or 13 players under Standard NBA Contracts during a Regular Season for no more than two consecutive weeks at a time and a total of 28 days. A team may have up to three players under Two-Way Contracts. During a team's offseason and during training camp, a team may have up to 21 players under contract.

P. NBA Draft and NBA Draft Combine

The NBA Draft takes place each June and consists of two rounds.

No player may sign a contract or play in the NBA unless he has been eligible for selection in at least one NBA Draft. In order to be eligible for the Draft, a player must be at least 19 years old by the end of the calendar year of the Draft and, for U.S. players, at least one year removed from high school.

Players who are invited to the NBA Draft Combine are required to attend and participate (including in medical testing). Invited players who are not excused and who do not fully participate in the Combine are not eligible to be drafted.

III. TWO-WAY CONTRACTS / NBA G LEAGUE

A. G League Assignments of Standard NBA Contracts

An NBA player with zero, one, or two Years of Service may be assigned by his NBA team to the G League. An NBA player with more than two Years of Service may also be assigned by his NBA team to the G League with the consent of the player and the NBPA. There is no limit on the number of times a player may be assigned to the G League. An NBA player assigned to the G League will continue to be paid his NBA salary and be included on his NBA team's roster.

B. Two-Way Contracts

(1) Number of Two-Way Contracts.

Each NBA team is permitted to have up to three Two-Way Players under contract at any time (in addition to the maximum 15 players under Standard NBA Contracts).

(2) Contract Length.

The term of a Two-Way Contract can be either one or two seasons. It may not contain an option year.

(3) Eligibility.

(a) No player may sign (or have his Standard NBA Contract converted to) a Two-Way Contract if he has or may have four or more Years of Service at any point during the Two-Way Contract (provided that a player with four Years of Service may sign (or be converted to) a one-year Two-Way Contract if during one of his NBA seasons, he was on a team's roster for the entire NBA Regular Season, but did not play in any NBA Regular Season, play-in, or playoff games).

(b) A team may not sign a player (or convert a player's Standard NBA Contract) to a Two-Way Contract or acquire a Two-Way Contract by trade or waiver claim if, as a result, the

player would or could be under a Two-Way Contract with the same NBA team for any part of more than three seasons.

- (c) If an NBA team trades or terminates a player contract with aggregate protection in respect of the current and any future years exceeding \$75,000 (in 2023-24; this amount will increase annually at the same rate as the Salary Cap), then for the remainder of the Salary Cap Year that team may not sign the player to a Two-Way Contract and the player may not play under a G League contract for the team's G League affiliate.

(4) Salary.

The annual salary for a Two-Way Contract is equal to 50% of the NBA Minimum Annual Salary for a player with zero Years of Service (\$559,782 for 2023-24). If a Two-Way Contract is signed during the NBA Regular Season, that amount is prorated based on the number of days remaining in the NBA Regular Season.

(5) Salary Protection.

A Two-Way Contract signed prior to the start of the NBA Regular Season may provide (a) for protection of up to \$75,000 (in 2023-24; this amount will increase annually at the same rate as the Salary Cap), and (b) that the protection will increase to up to 50% of the Two-Way Salary for that season if the team does not waive the player by a date that is on or after the first day of the NBA Regular Season. A Two-Way Contract signed during the Regular Season may provide for protection of up to 50% of the contract's Two-Way Salary for that season.

(6) Roster Limitations.

- (a) No player under a Two-Way Contract may be on his NBA team's Active List for more than 50 games during the Regular Season. For any Two-Way Contract signed during the Regular Season, the 50-game limit is prorated based on the number of days remaining in the Regular Season.
- (b) Any Regular Season game for which an NBA team has fewer than 15 players signed to Standard NBA Contracts is an "Under-Fifteen Game." No NBA team may have Two-Way Players on its Active List for more than 90 Under-Fifteen Games during any Regular Season. For purposes of this rule:
 - (i) an Under-Fifteen Game for which a team has one Two-Way Player on its Active List counts as one Under-Fifteen Game;
 - (ii) an Under-Fifteen Game for which a team has two Two-Way Players on its Active List counts as two Under-Fifteen Games; and
 - (iii) an Under-Fifteen Game for which a team has three Two-Way Players on its Active List counts as three Under-Fifteen Games.
- (c) A Two-Way Player is permitted to travel and practice with his NBA team during the NBA postseason (i.e., play-in games and/or playoffs), but may not be on an NBA team's postseason roster. A Two-Way Player who is signed (or has his Two-Way Contract converted) to a Standard NBA Contract prior to the start of his team's last Regular Season game may be on his NBA team's postseason roster.

(7) Exclusive Negotiating Right / Conversion to Standard NBA Contract.

An NBA team has the exclusive right to negotiate with and sign its Two-Way Player to a Standard NBA Contract. An NBA team also has the right to “convert” a Two-Way Contract to a Standard NBA Contract that has the same term as the Two-Way Contract and provides the player with his applicable NBA Minimum Player Salary. Upon the signing of a Standard NBA Contract or the conversion of a Two-Way Contract to a Standard NBA Contract, the Two-Way Contract is immediately rendered null and void.

(8) Trades.

A Two-Way Contract may not be traded until 30 days following the date on which the Two-Way Contract is signed. Trading a Two-Way Contract does not generate a Traded Player Exception.

C. Exhibit 10 Contracts

A team and player may include an Exhibit 10 in a contract that: (a) provides for a bonus of at least \$5,000 and up to \$75,000 (for 2023-24; the maximum amount will increase annually at the same rate as the Salary Cap) if the contract is terminated by the team before the NBA Regular Season and the player subsequently signs a contract with the G League and plays for the NBA team’s G League affiliate; and (b) grants the NBA team the right to convert the contract to a Two-Way Contract before the first day of the NBA Regular Season. In order to receive the Exhibit 10 Bonus, the player must provide at least 60 consecutive days of service to the NBA team’s G League affiliate (or, if he signs an NBA contract with the NBA team during the 60-day period, he may earn the Exhibit 10 Bonus if his NBA contract is terminated and he returns to the G League affiliate and provides the remainder of the requisite 60 days of service). A contract with an Exhibit 10 must cover only one season and cannot include any salary protection; however, if the contract is converted to a Two-Way Contract, or if it is not terminated prior to the first day of the NBA Regular Season, then in lieu of the Exhibit 10 Bonus, the contract will have salary protection equal to the bonus amount. A team may not have more than six players under contract with an Exhibit 10 at any one time.

IV. BRI AND DESIGNATED SHARE ARRANGEMENT

Each season, the amount of total compensation that the players, in aggregate, receive (the players’ “Designated Share”) is set between 49% and 51% of Basketball Related Income (“BRI”) (a defined term that generally consists of all revenue from NBA basketball and related activities) in accordance with the following. The Designated Share for a season equals 50% of BRI for that season, except that to the extent BRI exceeds or falls short of the CBA forecast of BRI for the season, the Designated Share will increase or decrease (i.e., above or below 50% of BRI) by 60.5% of the incremental BRI above or below the CBA forecast, as applicable, provided that the Designated Share will be no less than 49% and no greater than 51% for any season.

At the end of each season, BRI is audited to determine the players’ Designated Share. If the Designated Share exceeds (or, as the case may be, falls short of) the total compensation to players that is specified under their contracts with teams, player salaries are reduced (or, as the case may be, increased) in accordance with a CBA-specified true-up mechanism so that the total compensation paid to players will equal the Designated Share.

V. ANTI-DRUG AGREEMENT

Since 1983, the NBA and NBPA have jointly maintained and administered a comprehensive Anti-Drug Program (the “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 dependency or other related issues.

Testing is conducted for more than 250 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.

A. Prohibited Substances

Generally, the Program prohibits players from using Drugs of Abuse (e.g., methamphetamine, MDMA, cocaine, opiates); synthetic cannabinoids; steroids, performance-enhancing drugs and masking agents (other than Diuretics) (SPEDs); and Diuretics.

B. Testing

All players are subject to a maximum of six random urine tests annually: up to four random urine tests during the season and up to two random urine tests during the offseason. All players are also subject to a maximum of three random blood tests for Human Growth Hormone annually – up to two tests during the season and up to one test during the offseason. All blood samples are collected via dried blood spots, rather than via venous blood draw.

All random 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 can be subject to reasonable cause testing at any time if the NBA or NBPA has reasonable cause to believe that a player is engaged in the use, possession, or distribution of a Prohibited Substance. 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 other than a Benzodiazepine, 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, a crime involving the use, possession, or distribution of a Drug of Abuse, or a felony involving the distribution of marijuana.

If a player tests positive for a SPED, Benzodiazepine, or Diuretic, 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, Benzodiazepine, or Diuretic.

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

If the NBA obtains evidence of a player's use, possession, or distribution of a Prohibited Substance or that the player has engaged in a felony involving the distribution of marijuana, the NBA can take that evidence to a neutral arbitrator in lieu of reasonable cause testing. If the arbitrator finds that the player has used or

possessed a Drug of Abuse, distributed any Prohibited Substance, or engaged in a felony involving the distribution of marijuana, he will be dismissed and disqualified from the NBA. If the arbitrator finds that the player has used or possessed a SPED, Benzodiazepine, Diuretic, or synthetic cannabinoid, 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 one year.

D. Treatment

Any player who tests positive or otherwise enters the Program must comply with the in-patient or aftercare treatment as prescribed and supplemented from time to time by the Program's Medical Director or SPED Medical Director (as applicable), including, but not limited to, random testing for Prohibited Substances, marijuana, and alcohol, and such non-testing treatment elements as may be determined in the professional judgment of the Medical Director. A player's failure to comply with his in-patient or aftercare treatment may result in substantial fines and/or suspensions.

A player may Come Forward Voluntarily for a problem involving the use of a Drug of Abuse or synthetic cannabinoid and enter the Program. There will be no penalty imposed on a player who Comes Forward Voluntarily for a Drug of Abuse or synthetic cannabinoid, if he has not previously been in the Program for a Drug of Abuse. A player may not come forward voluntarily for his use of a SPED or Diuretic.

A player may seek assistance from the Medical Director at any time for a dependency or other related issue involving the use of marijuana and/or alcohol. In addition, if a player's team has reasonable cause to believe that the player was under the influence of marijuana and/or alcohol while engaged in activities for the team or NBA, or that the player has a dependency or other related issue involving the use of marijuana and/or alcohol, the team may refer the player to the Medical Director for a mandatory evaluation. If the Medical Director determines that the player was under the influence of marijuana and/or alcohol while engaged in activities for the team or NBA, or that the player has a dependency or other related issue involving the use of marijuana and/or alcohol, then the player will be subject to a treatment and testing program prescribed by the Medical Director.

E. Administration of the Program

The NBA and NBPA have selected a Medical Director to (1) manage and oversee the Drugs of Abuse, Marijuana and Alcohol Treatment, and Synthetic Cannabinoid Programs, (2) select and supervise Program counselors and other personnel, and (3) evaluate and treat the players in the Program. 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 NBPA have created a Prohibited Substances Committee, comprised of one representative from each of 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 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 or unless otherwise permitted under the CBA.

VI. MISCELLANEOUS

A. Waiver Period

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

B. Per Diem

For the 2023-24 season, the player per diem is \$156.

C. Games Played Requirement for Certain League Honors

In order to be eligible for MVP, All-NBA, Defensive Player of the Year, All-Defense, or Most Improved Player honors for a season, a player must satisfy at least one of the following two criteria:

- (1) Played in at least 65 Regular Season games, or
- (2) Played in at least 62 Regular Season games, suffered a “season-ending injury” (as defined in the CBA), and prior to suffering such injury had played in at least 85% of his team’s Regular Season games.

A player is considered to have played in a Regular Season game for these purposes if he played at least 20 minutes of such game, provided that in respect of no more than two games per Regular Season, a player will be considered to have played in the game if he played at least 15 minutes and fewer than 20 minutes.

A player who does not meet the above games-played criteria may nonetheless be deemed eligible for the league honors listed above if he prevails in an Award Eligibility Grievance or Extraordinary Circumstances Challenge (pursuant to procedures set forth in the CBA).

D. All-Star Game Payments

Player payments for the All-Star Game for the 2022-23 season were \$100,000 for players on the winning team and \$25,000 for players on the losing team. Player payments for the All-Star Game, Rising Stars Game, and All-Star Skills Competitions for 2023-24 and future seasons will be as set forth in the CBA or as otherwise agreed to by the NBA and NBPA.

E. Conduct and Discipline

(1) **Missed Practices and Games.**

- (a) *Practices.* When a player, without proper and reasonable excuse, fails to attend a practice, he is subject to the following fines: \$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. Any time a player refuses to attend or intentionally misses a practice without proper and reasonable excuse, he will be subject to such discipline as is reasonable under the circumstances.
- (b) *Games.* When a player, without proper and reasonable cause or excuse, fails or refuses to render the services required by his contract or the CBA, or is suspended by his team or the NBA for failing or refusing, without proper and reasonable cause or excuse, to render the services required by his contract or the CBA, his compensation will be reduced by 1/91.6th for each missed game.

When a player is, for proper cause other than the player's failure or refusal to render the services required by his contract or the CBA, suspended by his team or the NBA, his compensation will be reduced by 1/145th for each missed game for any suspension of fewer than 20 games, and by 1/110th for each missed game for any suspension of 20 or more games.

However, for the first game in a season for which a player is suspended by the NBA, if the suspension is for conduct on the playing court and is a one-game suspension, his compensation will be reduced by 1/174th.

(2) Other Conduct Rules.

A player (or agent or person acting with authority on behalf of a player) who publicly expresses a desire to be traded to another team will be subject to a fine of up to \$150,000 and/or a suspension.

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) subjects the player to fines and/or suspension by the NBA.

Suspensions by the NBA 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.

Players are prohibited under the CBA from betting or attempting to bet, directly or indirectly, on NBA games, and are subject to additional rules relating to sports betting. Violators are subject to discipline.

In addition to any other discipline imposed by the NBA, a player convicted of DUI/DWI is subject to mandatory evaluation by the Medical Director of the Anti-Drug Program.

Players are subject to the Joint NBA/NBPA Policy on Domestic Violence, Sexual Assault, and Child Abuse. Violations of that Policy subject a player to discipline.

F. Player Appearances

Upon request, players may be required to make 12 promotional appearances for their team or the NBA each year. When a player, without proper and reasonable cause or excuse, fails or refuses to attend a required promotional appearance, he will be fined \$20,000.

G. Player Benefits

The CBA includes player benefits including with respect to retirement, health, and other areas, including a health insurance benefit and education/career development for retired players. The cost of these benefits for currently-active player is included in the players' Designated Share of BRI. For retired players who helped pave the way for the current economic environment of the NBA, the NBA and the NBPA equally fund outside of the players' Designated Share of BRI the cost of the retiree health insurance plan, the education/career development program, and increases in pension benefits.

The player playoff pool for 2023-24 is approximately \$34 million. The In-Season Tournament prize pool for 2023-24 is approximately \$18 million. Each prize pool increases each season by the percentage increase of BRI from two seasons prior to BRI from the immediately prior season.

A benefits pool is funded in the amount of 1% of BRI for post-career annuity benefits, which is included in the players' Designated Share of BRI.

H. Days Off

Teams must provide players with at least 18 (or the applicable pro-rated number based on the number of days remaining in the Regular Season at the time of signing a contract) days off during the 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 (e.g., a practice or a promotional appearance). Days off can include days on the road. Players are permitted to voluntarily participate in individual basketball-related activities during days off.

I. Contract 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

**2023-24 Rookie Scale
(\$000s)**

<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	10,133.9	10,640.8	11,147.4	26.1%	40.0%
2	9,067.0	9,520.5	9,974.0	26.2%	40.5%
3	8,142.4	8,549.3	8,956.7	26.4%	41.2%
4	7,341.1	7,708.3	8,075.5	26.5%	41.9%
5	6,647.9	6,980.0	7,312.5	26.7%	42.6%
6	6,037.9	6,339.8	6,641.9	26.8%	43.4%
7	5,511.9	5,787.7	6,063.0	27.0%	44.1%
8	5,049.6	5,302.1	5,554.6	27.2%	44.8%
9	4,641.6	4,873.9	5,105.9	27.4%	45.5%
10	4,409.5	4,629.9	4,850.2	27.5%	46.2%
11	4,189.0	4,398.6	4,608.1	32.7%	46.9%
12	3,979.7	4,178.8	4,377.8	37.8%	47.6%
13	3,780.6	3,969.8	4,158.8	42.9%	48.3%
14	3,591.8	3,771.4	3,951.1	48.1%	49.1%
15	3,411.9	3,582.5	3,753.1	53.3%	49.8%
16	3,241.5	3,403.5	3,565.8	53.4%	50.5%
17	3,079.2	3,233.2	3,387.2	53.6%	51.2%
18	2,925.5	3,071.5	3,218.0	53.8%	51.9%
19	2,793.7	2,933.3	3,073.3	54.0%	52.6%
20	2,681.8	2,815.9	2,949.8	54.2%	53.3%
21	2,574.6	2,703.4	2,832.2	59.3%	54.1%
22	2,471.7	2,595.2	2,718.8	64.5%	54.8%
23	2,372.9	2,491.7	2,610.0	69.7%	55.5%
24	2,278.1	2,392.0	2,505.9	74.9%	56.2%
25	2,186.7	2,295.9	2,405.6	80.1%	56.9%
26	2,114.3	2,219.9	2,325.6	80.3%	57.6%
27	2,053.3	2,156.0	2,258.9	80.4%	58.3%
28	2,040.5	2,142.9	2,244.8	80.5%	59.0%
29	2,025.9	2,127.1	2,228.5	80.5%	60.0%
30	2,011.1	2,111.6	2,212.4	80.5%	60.0%

EXHIBIT B

2023-24 Second Round Pick Exception Amounts

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>
3-Year Contracts	Min: 1,119,563 Max: 1,801,769	1,891,857	2,221,677	
4-Year Contracts	Min: 1,119,563 Max: 2,019,706	Min: 1,891,857 Max: 2,120,693	2,221,677	2,406,205

EXHIBIT C

2023-24 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	1,119,563				
1	1,801,769	1,891,857			
2	2,019,706	2,120,693	2,221,677		
3	2,092,354	2,196,970	2,301,587	2,406,205	
4	2,165,000	2,273,252	2,381,501	2,489,752	2,598,003
5	2,346,614	2,463,946	2,581,276	2,698,607	2,815,938
6	2,528,233	2,654,644	2,781,053	2,907,465	3,033,877
7	2,709,849	2,845,342	2,980,834	3,116,326	3,251,820
8	2,891,467	3,036,040	3,180,615	3,325,190	3,469,764
9	2,905,861	3,051,153	3,196,447	3,341,740	3,487,033
10+	3,196,448	3,356,271	3,516,095	3,675,917	3,835,739