



SUMMARY OF PRINCIPAL TERMS OF NBA'S COLLECTIVE BARGAINING PROPOSAL (made on November 10, 2011)

1. **BRI Split**

Players to elect one of two system options:

- Option 1: Basketball Related Income (BRI) is split 50%/50% each season between the players and teams.
- Option 2: Same as Option 1, except in addition:
 - Players receive a greater share of BRI to the extent BRI exceeds projections, and a smaller share of BRI to the extent BRI falls short of projections. Specifically, the players' share (i) will be increased by 57% of incremental BRI in excess of projected BRI for each season, and (ii) will be reduced by 57% of the amount by which BRI falls short of projected BRI for each season; and
 - The players' resulting overall share of BRI in a season is no less than 49% and no greater than 51%.

2. **Salary Cap/Tax System**

- System includes a Soft Salary Cap as under the 2005 CBA.
- Salary Cap and Tax levels set in relation to the projected escrow level (escrow level equals 50% of BRI, less Benefits, divided by 30) in same proportions as under the 2005 CBA. Salary Cap and Tax levels in years 1 and 2 to be no less than their 2010-11 levels.
- Salary Cap Exceptions the same as under the 2005 CBA, except as follows:
 - Non-Taxpayer Mid-Level Exception: Set at \$5M in years 1 and 2, growing 3% annually thereafter; maximum contract length alternates between 4 and 3 years; can be used every year.
 - Taxpayer Mid-Level Exception: Set at \$3M in year 1, growing 3% annually thereafter; maximum contract length of 3 years; can be used every year.

- Mid-Level Exception for Room Teams: A new Exception is available for teams that use Room under the Salary Cap (and therefore forfeit their Non-Taxpayer Mid-Level and Bi-Annual Exceptions). The exception allows a team using Room to thereafter sign one or more free agents to a contract with a total first year salary up to \$2.5M and up to 2 years in length. Exception amount to grow 3% annually.
- Bi-Annual Exception can only be used by non-taxpayers. Amount set at \$1.9M in year 1, growing 3% annually thereafter. Exception cannot be used in 2 consecutive years and has maximum contract length of 2 years (same as under 2005 CBA).
- Disabled Player Exception set at lesser of (i) 50% of the disabled player's salary, or (ii) the amount of the Non-Taxpayer Mid-Level Exception. Maximum contract length of 1 year. Exception available to be used to replace player who suffers season-ending injury (same as under 2005 CBA).
- Traded Player Exception increased for non-taxpayers such that the amount a non-taxpaying team has available to replace a traded player or players equals the lesser of (i) 150% of salaries of players being traded plus \$100,000, or (ii) the salaries of players being traded plus \$5M. (For purposes of this rule, team is a non-taxpayer if its post-trade team salary is below the Tax level.)

Traded Player Exception for taxpayers equals 125% of the salaries of players being traded plus \$100,000 (same as under 2005 CBA).

Base Year Compensation (BYC) in connection with the Traded Player Exception is eliminated, except in sign-and-trade transactions. Trades of players who otherwise would be subject to BYC prohibited until January 15. Criteria for whether a player is subject to BYC same as under 2005 CBA.

- Minimum Team Salary increased to (i) 85% of Salary Cap in years 1 and 2, and (ii) 90% of Salary Cap starting in year 3.
- In years 1 and 2, Tax rate for teams with team salary above Tax level is \$1-for-\$1 (same as 2005 CBA).

- Beginning in year 3, Tax rates for teams with team salary above Tax level are as follows:

<u>Incremental Team Salary Above Tax Level</u>	<u>Tax Rate</u>
\$0M - 5M	\$1.50-for-\$1
\$5M - 10M	\$1.75-for-\$1
\$10M - 15M	\$2.50-for-\$1
\$15M - 20M	\$3.25-for-\$1

- ⇒ Tax rates increase by \$0.50 for each additional \$5M above the Tax level (e.g., for team salary \$20M-25M above the Tax level, the Tax rate is \$3.75-for-\$1).
- ⇒ Tax rates for teams that are taxpayers in at least 4 out of any 5 seasons (starting in 2011-12) increase by \$1 at each increment (e.g., for team salary \$5M-\$10M above the Tax level, the Tax rate for a repeat taxpayer is \$2.75-for-\$1 instead of \$1.75-for-\$1).

- A maximum of 50% of Tax payments in any season can be directed exclusively to non-taxpayers.
- A team in any season that uses the Non-Taxpayer Mid-Level Exception or the Bi-Annual Exception, or that in year 3 or after acquires a free agent in a sign-and-trade, cannot at any time thereafter have a team salary at any point during that season in excess of the Tax level; provided, however, that a team with a team salary below the Tax level would be permitted prior to October 15 to engage in a transaction using either of the foregoing exceptions or a sign-and-trade that would result in its team salary exceeding the Tax level by no more than \$5M, so long as it engages in other subsequent transactions to bring its team salary below the Tax level on October 15 and its team salary does not exceed the Tax level at any time thereafter.

3. Guarantee/Escrow

- NBA to guarantee players' 50% share of BRI (or the applicable percentage between 49% and 51% if BRI Split "Option 2" is selected). If for any season aggregate player salaries and benefits fall short of the agreed-upon share of BRI, the difference would be paid by the NBA to the Players Association for distribution to all NBA players who were on a team roster in that season on such proportional basis as may be reasonably determined by the Players Association.
- 10% escrow withholding used in all seasons.
- If the 10% escrow is insufficient to reduce aggregate player salaries and benefits to the agreed-upon share of BRI, then the overage will be paid as follows: (i) first, from the new benefits pool to be funded with 1% of BRI (described in Section 15); and (ii) if an overage remains, from player salaries and benefits in a manner to be determined by the parties.
- Parties to agree on mechanisms to adjust Salary Cap and Tax levels as may be needed so as to ensure that the agreed-upon share of BRI is not exceeded.

4. Maximum Length of Contracts

- Maximum contract length of 5 years for Bird players and 4 years for other free agents.
- Maximum of 4 new years for rookie extensions (except maximum of 5 new years for a maximum-salary Designated Player rookie extension – team can have only 1 Designated Player on its roster at any time).
- Maximum of 4 total years for veteran extensions (e.g., 3 new years if extension signed during last year of player's original contract).

5. Annual Increases

- Maximum annual increases of 6.5% for Bird and Early Bird players, and 3.5% for other players.

6. Minimum Salaries

- Minimum player salary scale reduced from amounts shown in 2005 CBA for 2011-12 in proportion to overall system reduction (i.e., approx. 12% lower than under the 2005 CBA). Scale grows by 3.5% in future seasons.

7. Maximum Salaries

- Rules governing maximum individual salaries for new contracts are the same as under the 2005 CBA.

8. Salary Guarantees

- Salary guarantees remain the same as under the 2005 CBA; i.e., there will be no limitations on a player's ability to receive 100% guaranteed salary in all seasons of a contract.

9. Other Contract Rules

- For new contracts, salary of waived players to 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 1 year.

In lieu of the usual Cap treatment, the waiving team may elect to have the waived player's salary follow the stretched cash allocation, except that stretching a waived player's salary for Cap purposes is not permitted where the portion of total team salary attributable to all waived players in any future season would exceed an agreed-upon percentage of the Salary Cap in effect during the season in which the player is waived.

- Team and player options are prohibited in new contracts with first-year salaries that exceed the average player salary. Team options in rookie scale contracts continue to be permitted. Non-minimum players with first-year salaries that exceed the average player salary may opt out of the last year of a contract if the contract contains zero salary protection for that last year.
- All salaries for 2011-12 to be prorated in proportion to the number of 2011-12 regular season games that are canceled.

10. Rookies

- First-year salary amounts for first round picks are reduced from the amounts shown in the 2005 CBA for 2011-12 in proportion to the overall system reduction (i.e., approx. 12% lower than under the 2005 CBA). First-year salary amounts in future seasons' rookie scales to increase by 3.5%. Year-to-year increases within each season's rookie scale to increase by 3.5% in years 2 and 3 and by the percentages set forth in the 2005 CBA rookie scale for year 4.

11. Free Agency

Sign-and-Trades

Taxpaying teams prohibited from acquiring a free agent in a sign-and-trade, except during the 2011-12 and 2012-13 seasons. The maximum contract length for a sign-and-trade is 4 years, and maximum annual increases are 3.5%.

Offer Sheets

Period for a player's prior team to match an Offer Sheet that a Restricted Free Agent receives from a new team shortened from 7 to 3 days.

Qualifying Offers

Qualifying Offer amounts for first round picks 16-30 who are "starters" (criteria to be determined by the parties) increased to a range of 55-65% over 4th year Rookie Scale amounts; picks 1-15 and picks 16-30 who are "non-starters" are the same as under 2005 CBA.

Qualifying Offer amounts for non-first-round picks who are "starters" increased to 140% over prior year's salary (vs. 125%).

All Qualifying Offers fully guaranteed.

12. Salary Cap Holds

- Salary Cap holds – i.e., amounts that are included in a team's team salary in respect of the team's free agents prior to signing, calculated based upon a multiple of the free agent's prior salary – are as follows:

First-round picks

Reduced from 300%/250% (if prior salary is below average salary / above average salary) to 250%/200%

Bird

Reduced from 200%/150% to 190%/150%

Early Bird

130% (same as 2005 CBA)

Non-Bird

120% (same as 2005 CBA)

13. Trade Rules

- Extension-and-trades prohibited. If a player signs a contract extension, 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 the team is prohibited from signing the player to a contract extension for a period of six months following the date of the trade.
- Cash paid or received by teams in trades is limited to an aggregate of \$3M per team annually.
- Waiting period for trading team to re-sign traded player who is waived by recipient team is extended until the earlier of (i) one year from the date of the trade, or (ii) the July 1 following the last season of player's contract.

14. Amnesty

- Each team permitted to waive 1 player prior to any season of the CBA (only for contracts in place at the inception of the CBA) and have 100% of the player's salary removed from team salary for Cap and Tax purposes.
- Salary of amnestied players included for purposes of calculating players' agreed-upon share of BRI.
- A modified waiver process would be utilized for players waived pursuant to the Amnesty rule, under which teams with Room under the Cap could submit competing offers to assume some but not all of the player's remaining contract. If a player's contract is claimed in this manner, the remaining portion of the player's salary will continue to be paid by the team that waived him.

15. Player Benefits

- New benefits pool to be funded with 1% of BRI for post-career player annuity and welfare benefits.

16. Revenue Sharing

- The NBA will commit to maintaining during each year of the CBA the revenue sharing plan that the NBA has described to the Players Association.

17. Term of Agreement

- 10 years, with mutual NBA and Players Association opt-outs after year 6.