CONSTITUTION

and

BY-LAWS

of

THE NATIONAL BASKETBALL ASSOCIATION



October 30, 1996

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THE NATIONAL BASKETBALL ASSOCIATION

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CONSTITUTION AND BY-LAWS OF THE NATIONAL BASKETBALL ASSOCIATION

INTERPRETATION

(a) For purposes of this Constitution and By-Laws of the National Basketball Association, the following capitalized terms shall have the following meanings:

(1) "Active List" shall mean the list of Players who have signed formal contracts with a Member and are otherwise eligible to participate in a Regular Season Game.

(2) "Armed Services List" shall mean the list of those Players who have entered the Armed Services and are serving on active duty.

(3) "Association" shall mean the National Basketball Association.

(4) "Entity" shall mean any corporation, partnership, limited liability company, trust, unincorporated association, sole proprietorship, or other organization.

(5) "Exhibition Game" shall mean any game in which an NBA team participates other than a Regular Season Game or a Playoff Game.

(6) "Foreign Player" shall mean any person born or residing outside of the United States who, while located outside of the United States, participates in the game of basketball either as an amateur or as a professional for a team or organization other than a Team.

(7) "Governor" or "Alternate Governor" shall mean a person who has been appointed by a Member as a member or

alternate member of the Board of Governors of the Association in accordance with Article 18. For purposes of this Constitution and By-Laws, any action that may be taken by a Governor may be taken in his or her absence by an Alternate Governor appointed by the same Member, and such action shall have the same force and effect as an action taken by the Governor.

(8) "Injured List" shall mean the list of Players who, due to injury or illness, have been temporarily removed from the Active List of a Team during the Regular Season.

(9) "Member" shall mean a person or Entity that has been granted a Membership in the Association. For purposes of this Constitution and By-Laws, an action on behalf of a Member by any of its Owners, employees, officers, directors, managers, agents or representatives, or its Governor or Alternate Governors, shall be the action of a Member.

(10) "Membership" shall mean the rights, privileges, and benefits granted to a Member by the Association, including, without limitation, the right to organize and operate a professional basketball team to play in the league operated by the Association.

(11) "NBA Draft" or "Draft" shall mean the process by which Members select certain incoming NBA players.

(12) "NBA Draft List" shall mean the list of those Players who have been selected in accordance with the NBA Draft.

(13) "Owner" shall mean a Member and each individual or Entity (including both the trustees and beneficiaries of any trust) that, directly or indirectly (including through one or more intermediate Entities), owns of record or beneficially an interest in, or has effective control over, a Member or its Membership.

(14) "Player" shall mean either a person carried on any Player List of a Team or, where the context permits, a person eligible to be carried on any such Player List.

(15) "Player List" shall mean any of the following lists referred to herein: Active List, Injured List, Suspended List, NBA Draft List, Voluntarily Retired List, and Armed Services List.

(16) "Playoff Game" shall mean any game included in the Association's schedule of playoff games during a Season.

(17) "Playoff Roster" shall mean the list of twelve (12) Players from each Member who have been designated as eligible to compete in Playoff Games in accordance with the By-Laws.

(18) "Prospective Owner" shall mean any person or Entity that directly or indirectly owns, seeks to own, or has been identified to the Association as a prospective owner of, an interest in an applicant for Membership under Article 4 or a proposed transferee under Article 5.

(19) "Regular Season Game" shall mean any game included in the Association's schedule of regular season games during a Season, and shall not include Playoff Games or Exhibition Games.

(20) "Season" shall mean the period beginning the day of the first Regular Season Game of the Association's schedule and ending at the end of the day on which the last Playoff Game is played.

(21) "Suspended List" shall mean the list of those Players who, for proper cause, have been suspended by the Association or by the Member having the right to so suspend, and have therefore been removed from the Active or Injured Lists of their Teams.

ARTICLE 1

NAME OF ASSOCIATION

The name of this Association shall be the National Basketball Association.

ARTICLE 2

PRINCIPLES OF ORGANIZATION

This Constitution and By-Laws constitutes a contract among the Members of the Association. The Association is organized to operate a league consisting of professional basketball teams, each of which shall be operated by a Member of the Association. The Association and each of its Members shall be subject to the oversight and control of the Board of Governors of the Association as set forth herein and shall be governed by the Constitution and By-Laws, rules, regulations, resolutions, and agreements of the Association, as they may be modified or amended from time to time. The Association shall not be operated for profit.

ARTICLE 3

CONFLICTS OF INTEREST

(a) No Owner, and no other person having management authority with respect to a Member, shall (i) directly or indirectly exercise control over any other Member of the Association, or (ii) hold any direct or indirect financial interest in any other Member, unless, in the case of this clause (ii), (x) the facts in connection with such financial interest are disclosed in detail to the Board of Governors and such interest is approved by a three-fourths (3/4) vote of all Governors, or (y) such interest represents one percent (1%) or less of any outstanding class of securities that are publicly traded on any generally recognized stock exchange or over-the-counter market.

(b) No Owner shall, directly or indirectly, lend money to or become a surety or guarantor for any Member other than a Member in which it owns an interest, any Player of any Member other than a Member in which it owns an interest, any Referee, or any other employee of the Association, except that Owners that engage in commercial lending as a principal business activity may enter into such lending, surety, or guarantee arrangements with such other Members or persons if (i) such arrangements are disclosed in detail to the Board of Governors and approved by three-fourths (3/4) vote of all Governors, or (ii) such Owners do not have effective control of a Member, the lending, surety, or guarantee arrangements are between the Owner and a Player, Referee, or employee of the Association, and such arrangements are on terms customarily offered to similarly situated individuals not affiliated with the Association.

(c) Neither the Commissioner nor any Referee nor any other employee of the Association shall, directly or indirectly, hold stock or have a financial interest in any Owner or lend money to or become a surety or guarantor for any Owner.

(d) No Owner and no other person having management authority with respect to a Member shall hold any substantial direct or indirect financial interest in, any executive position with, or directly or indirectly exercise any management authority over, any other professional basketball association or league or any member or team thereof, unless the facts in connection with such financial interest, executive position, or management authority are disclosed in detail to the Board of Governors and approved by a three-fourths (3/4) vote of all Governors.

ARTICLE 4

APPLICATION FOR MEMBERSHIP

(a) Each applicant for Membership shall make a written application to the Commissioner specifying the city that the applicant wishes to represent in the Association. Upon receipt of such application, the Commissioner shall have the right to require from the applicant and each Prospective Owner, and the applicant and each Prospective Owner shall furnish to the Commissioner, such information as the Commissioner shall request about the application, the applicant and each Prospective Owner, any persons or Entities with which the applicant or any Prospective Owner is associated or affiliated, and such other matters, whether or not confidential, as the Commissioner shall deem relevant in his sole discretion. The applicant and each Prospective Owner shall also execute, deliver, and perform, and shall cause such other parties (including their respective controlled subsidiaries and affiliates) as the Commissioner shall direct to execute, deliver, and perform, such documents in such forms as the Commissioner shall prescribe.

(b) The Association shall have no obligation to consider any application that is submitted under this Article or to solicit applications from more than one applicant for any potential new Membership.

(c) All applications shall contain a binding agreement of the applicant and each Prospective Owner providing that if the application is approved by the Association, the applicant and each Prospective Owner shall be bound by the Constitution and By-Laws, rules, regulations, resolutions, and agreements of the Association, and any modifications or amendments thereof.

(d) Upon receipt of any application for Membership in the Association that the Association wishes to consider, the Commis-

sioner shall conduct such investigation thereof as the Commissioner deems appropriate. Following the completion of such investigation, the Commissioner shall submit the application to the Members for approval, together with such information as the Commissioner deems pertinent. Each Prospective Owner must be approved by the affirmative vote of not less than three-fourths (3/4) of all Governors at a meeting duly called for such purpose.

(e) Each application for Membership shall be accompanied by a certified check in the amount of $1,000,000 (the "Application Fee"). If the application for admission is accepted, the Application Fee shall be used to pay the fees, costs, and expenses (including attorneys' fees) incurred by the Association in considering the application and all related matters, and any remaining balance shall be applied as a credit against the Membership fee to be paid by the applicant. If the application for admission is denied, the Application Fee shall be used to pay the fees, costs, and expenses (including attorneys' fees) incurred by the Association in considering the application and all related matters, and any remaining balance shall be repaid to the applicant. There shall be no obligation to pay interest on any Application Fee submitted to and held by the Association.

ARTICLE 5

TRANSFER OF MEMBERSHIP

No Membership, nor any direct, indirect, contingent, or convertible interest therein (regardless of the size of the interest), may be sold, pledged, hypothecated, assigned, or otherwise transferred or encumbered (each a "transfer") in whole or in part, directly or indirectly, except in accordance with and subject to the following provisions of this Article 5:

(a) An application requesting approval of a transfer must be made in writing to the Commissioner by the applicable Member (on behalf of the transferring Owner) promptly after an agreement with respect to such transfer has been reached. The Commissioner may waive this requirement and accept an application directly from a Prospective Owner that has a security interest previously approved by the Association in the interest proposed to be transferred or when, in the Commissioner's sole judgment, the best interests of the Association would be served.

(b) Upon receipt of such application, the Commissioner shall have the right to require from the transferring Owner, and the transferring Owner shall furnish or cause the proposed transferee to furnish to the Commissioner, such information as the Commissioner shall request about the transfer, the proposed transferee and each Prospective Owner, any persons or Entities with which the transferee or any Prospective Owner is associated or affiliated, and such other matters, whether or not confidential, as the Commissioner shall deem relevant in his sole discretion. The transferring Owner and its proposed transferee and each of its Prospective Owners shall also execute, deliver, and perform, and shall cause such other parties (including their respective controlled subsidiaries and affiliates) as the Commissioner shall direct to execute, deliver, and perform, such documents in such forms as the Commissioner shall prescribe. It shall be the obligation of the transferring Owner to ensure that the Commissioner timely receives all information that the Commissioner may request under this Article 5.

(c) Any agreement to transfer an interest in a Member or Membership, and any application requesting approval of such transfer, shall include a binding agreement of the proposed transferee and each of its Prospective Owners stating that if the transfer is approved by the Association, the proposed transferee and each of

its Prospective Owners (and each of their respective controlled subsidiaries and affiliates) shall be bound by the Constitution and By-Laws, rules, regulations, resolutions, and agreements of the Association, and any modifications or amendments thereof.

(d) An application requesting approval of a transfer of an interest in a Member or Membership equal to or larger than ten percent (10%), or such smaller interest as may result in a change of control over such Member or Membership, shall be accompanied by a certified check from the transferring Owner to the order of the Association in the sum of $50,000 to defray all expenses (including, but not limited to, attorneys' fees) incurred by the Association in investigating, reviewing, and processing the application. Following the disposition of any application, the Association shall repay to the applicant the sum of $50,000, less all expenses incurred in connection with the application. If these expenses exceed $50,000, the additional expenses shall be assessed against the Member and promptly paid to the Association.

(e) With respect to an application requesting approval of a transfer of an interest in a Member or Membership of less than ten percent (10%) (other than a transfer that would result in a change of control over such Member or Membership), all expenses incurred by the Association in investigating, reviewing, and processing the application (including, but not limited to, attorneys' fees) shall be assessed against the Member and promptly paid to the Association.

(f) Upon receipt of an application requesting approval of a transfer, the Commissioner shall conduct such investigation as the Commissioner deems appropriate. Upon the completion of the investigation, the Commissioner shall submit the proposed transfer to the Members for approval, together with all information in respect thereto that the Commissioner deems pertinent. A transfer shall only become effective if approved by the affirmative vote of not less than three-fourths (3/4) of all Governors at a meeting duly called

for such purpose.

(g) The Commissioner shall appoint a committee to assist him in matters relating to proposed transfers of Membership interests (for purposes of this Article 5, the "Committee").

(h) Notwithstanding the provisions of Article 5(f):

(i) If a proposed transfer involves (x) a larger than five percent (5%) but smaller than ten percent (10%) interest in a Member or Membership (including an interest subject to Article 5(h)(iii)), or (y) the transfer of a Membership or an interest in a Member or Membership to a different Entity owned by substantially the same Owners in substantially the same proportions (provided that the aggregate direct and indirect changes in ownership, if any, do not equal or exceed ten percent (10%)), the Committee shall have the power, in its sole discretion, to approve such proposed transfer without submitting it to the Members for approval under Article 5(f) above, unless (A) the transfer would result in any person or Entity (or group of persons or Entities acting in concert) that has not been approved by the Members directly or indirectly owning an interest of ten percent (10%) or larger in a Member or Membership, or (B) the effect of such proposed transfer is or may be to change the ownership of effective control of such Member or Membership.

(ii) If a proposed transfer involves (x) a five percent (5%) or smaller interest in a Member or Membership, or (y) the transfer of a Membership or an interest in a Member or Membership to a different Entity owned by substantially the same Owners in substantially the same proportions (provided that the aggregate direct and indirect changes in ownership, if any, do not exceed five percent (5%)), the Com-

missioner shall have the power, in his sole discretion, to approve such proposed transfer without submitting it to the Members for approval under Article 5(f) above, unless (A) the transfer would result in any person or Entity (or group of persons or Entities acting in concert) that has not been approved by the Committee or the Members directly or indirectly owning an interest of larger than five percent (5%) but smaller than ten percent (10%) in a Member or Membership, (B) the transfer would result in any person or Entity (or group of persons or Entities acting in concert) that has not been approved by the Members directly or indirectly owning an interest of ten percent (10%) or larger in a Member or Membership, or (C) the effect of such proposed transfer is or may be to change the ownership of effective control of such Member or Membership.

(iii) This Article 5 shall not be applicable to a proposed transfer of any interest in a Member or other Owner in which the number of individuals and Entities directly or indirectly owning interests prior to such proposed transaction exceeds five hundred (500), unless (w) the interest proposed to be transferred represents a direct or indirect interest of five percent (5%) or larger in a Member or Membership, (x) the transfer would result in any person or Entity (or group of persons or Entities acting in concert) that has not been approved by the Committee or the Members directly or indirectly owning an interest of at least five percent (5%) but less than ten percent (10%) in a Member or Membership, (y) the transfer would result in any person or Entity (or group of persons or Entities acting in concert) that has not been approved by the Members directly or indirectly owning an interest of ten percent (10%) or larger in a Member or Membership, or (z) the effect of such proposed transaction is or may be to change the ownership of effective control of such Member or Membership.

(i) Any addition, replacement, or substitution of a trustee or a beneficiary of a trust that is an Owner shall be deemed a transfer of the entire interest owned by that trust, unless the Commissioner shall determine that the interest to be transferred is only a portion of the interest owned by the trust (in which case the interest deemed to be transferred for purposes of this Article 5 shall be such portion).

(j) Absent a compelling reason to the contrary as determined by the Board of Governors, it shall be the policy of the Association not to approve a proposed transfer of an interest in a Member or Membership to (i) any governmental or quasi-governmental authority, agency, or instrumentality, or (ii) any person or Entity not satisfying any minimum ownership criteria that may be established from time to time by the Commissioner, the Committee, or the Board of Governors.

(k) Any violation of the provisions of this Article 5 shall constitute a violation of Article 13(b).

ARTICLE 6

LIMITATIONS ON INDEBTEDNESS

The Board of Governors (and such committees of the Board as it or the Commissioner may appoint) shall have the right to establish limits on the total indebtedness and other obligations that any Member or Owner may incur that are secured, directly or indirectly, in whole or in part, by a Membership or the interest of an Owner in a Member.

ARTICLE 7

RELOCATION

A Member may transfer its Team, city of operation, or playing site of any or all of its home games to a different location within or outside its existing Territory, as defined in Article 10, only in accordance with and subject to the provisions of this Article 7 and, where applicable, the provisions of Articles 8 and/or 9.

(a) Application to relocate must be made in writing by the Member to the Commissioner. The application shall identify the proposed new location and the arena in which the Member proposes to play its home games, and shall be accompanied by an Application Fee (in the form of a certified check to the order of the Association) in the sum of $50,000, if the proposed new location is within the Member's Territory, or $250,000, if the proposed new location is outside of the Member's Territory, to defray the costs of the investigation of the application. Following the disposition of any application, the Association shall repay to the applicant the amount of the Application Fee, less all expenses reasonably incurred in connection with the investigation of the application (including attorneys' fees). If these expenses exceed the Application Fee, the additional expenses shall be assessed against the Member and promptly repaid to the Association.

(b) No application to relocate may be made after the first day of March preceding the Season in which the proposed relocation is to take effect. Within ten (10) days of the receipt of an application to relocate, the Commissioner shall refer the application to a committee for investigation (the "Relocation Committee"). The Relocation Committee shall be appointed by the Commissioner and shall consist of no fewer than five (5) Governors or Alternate Governors. Within one hundred twenty (120) days from the Commissioner's

receipt of the application, the Committee shall report to the Board of Governors with respect to the results of its investigation and its recommendation of whether the application should be granted or denied. The recommendation of the Relocation Committee shall be based solely and exclusively upon the following factors:

(i) The support of the Member's Team in the existing location by fans, telecasters, broadcasters, and sponsors. In evaluating this factor, the Relocation Committee shall consider the Member's past performance in the management and operation of its Team in the existing location.

(ii) The ability of the Member's existing location to support a Team in the Association. In evaluating this factor, the Relocation Committee shall consider the following criteria with respect to the Member's existing location: existing and projected population, income levels, and age distribution; existing and projected markets for radio, broadcast television, cable television, and other forms of audio-visual transmission of Association games; existing and projected business environment; the size, quality, and location of the Member's existing arena and any other arena in the existing location, and the terms, if any, on which that other arena would be available to the Member; and the presence, history, and popularity in the existing location of other professional sports teams and other forms of entertainment.

(iii) The ability of the proposed new location to support a Team in the Association or, if the proposed new location is within the existing Territory of a Member, the ability of the proposed new location to support another Team. In evaluating this factor, the Relocation Committee shall consider the following criteria with respect to the proposed new location: projected support of the Member's team by fans,

telecasters, and sponsors; existing and projected population, income levels and age distribution; existing and projected markets for radio, broadcast television, cable television, and other forms of audio-visual transmission of Association games; existing and projected business environment; the size, quality and location of the arena in which the Member proposes to play its home games; and the presence, history and popularity in the proposed new location of other professional sports teams and other forms of entertainment.

(iv) The Member's ability to operate an Association team successfully in the proposed new location. In evaluating this factor, the Relocation Committee shall consider the applicant's present and projected financial condition and its financial resources.

(v) The Member's past performance in the management and operation of its Team in the Association.

(vi) The effect of the proposed relocation on the Association's ability to market and promote Association basketball on a nationwide basis in a diverse group of geographic markets.

(vii) The effect of the proposed relocation on the Association's existing or prospective commercial relationships with telecasters, broadcasters, sponsors, and others.

(viii) The extent to which the proposed new location presents particular disadvantages for the operation of the Association, such as by creating significant traveling or scheduling difficulties or because of adverse laws or regulations.

(ix) The interest of other Members, in addition to the applicant, in transferring their Teams to the proposed new

location, or the interest of other persons or Entities in obtaining a new Membership to operate an NBA team in the proposed new location. In any such event:

(A) Except as otherwise provided herein, all applicants shall follow the procedures set forth in Article 4 or this Article 7, as the case may be. All additional applications to establish an NBA team in the proposed new location for the Season to which the initial application relates shall be made within forty-five (45) days of the Commissioner's receipt of the initial application referred to in subparagraph (a), and the one hundred twenty (120) day period provided for in subparagraph (b) of this Article 7 shall be extended by no longer than forty-five (45) days after the Commissioner's receipt of the initial application.

(B) The Relocation Committee shall investigate each of the applications and shall recommend which of the applications, if any, should be granted. In reaching its recommendation, the Relocation Committee shall consider all factors listed in subparagraphs (b)(i-viii) of this Article 7 and shall also consider:

(i) which applicant is likely to operate most successfully in the proposed new location, or otherwise best serve the interests of the Association; and

(ii) in the case of a proposed expansion team to be operated by a new Member, whether the interests of the Association would best be served by expanding the number of Members in the Association.

(c) The Relocation Committee is empowered to require from the applicant, and the applicant shall furnish, such information

as the Relocation Committee deems appropriate for the conduct of its investigation. The Relocation Committee may engage consultants or other experts to assist it in the investigation of the application and may also request such additional information from the Commissioner as the Committee may deem appropriate for the conduct of its investigation. All information supplied to the Relocation Committee pursuant to this subparagraph (c) (other than confidential communications of counsel) shall be made available to the applicant, and the applicant shall be afforded an opportunity to appear before the Committee to present whatever additional information or arguments the applicant desires. Any other member of the Board of Governors or his representative, or any other party from which the Relocation Committee wishes to hear, may also appear before the Relocation Committee to present whatever information or arguments such Governor or party desires.

(d) The report and recommendation of the Relocation Committee shall be delivered to each member of the Board of Governors. The Commissioner shall call a meeting of the Board of Governors to consider the Relocation Committee's report and recommendation, which meeting shall be held no sooner than seven (7) days and no later than thirty (30) days after delivery of the Committee's report and recommendation. The applicant shall be afforded an opportunity to appear before the Board of Governors to present whatever information or arguments the applicant desires. The question whether to approve the proposed relocation shall be decided by a majority vote of all of the Members, and no vote by proxy shall be permitted. The vote of each Governor on the proposed relocation shall be based solely and exclusively upon the factors listed in subparagraphs (b)(i-ix) of this Article.

(e) The Board of Governors shall have the right to attach reasonable and appropriate conditions to its approval of a proposed relocation, including, but not limited to, that the Member indemnify

and release the Association from any and all claims arising out of the proposed relocation and that the Member pay a reasonable fee in connection with the relocation of its Team. In establishing the amount of such a fee, the Board of Governors may consider, among other factors, the value to the Association of the business opportunity represented by the relocation, and any increase in the value of the Member that results from the relocation. Any fee so charged may be distributed among the other Members of the Association in such proportion as the Board of Governors shall determine.

ARTICLE 8

ARENAS

(a) The Commissioner shall have the power from time to time (i) to establish minimum standards for the design, construction, and operation of NBA-quality arenas in areas related to the production and marketing of NBA basketball games and events; (ii) to establish minimum standards for the conditions under which NBA basketball games and events are conducted, and to regulate the in-arena presentation of those games and events; (iii) to establish procedures for ensuring compliance with this Article 8; and (iv) to enforce such standards and procedures, including through the imposition of appropriate penalties. It shall be the responsibility of the Member, and not the responsibility of the Association, to ensure that the Member's arena complies with all applicable statutes, regulations, and ordinances. Nothing contained in Articles 8(b)-(d) below shall be construed as limiting the applicability of this Article 8(a) to all Members.

(b) In addition to complying with Article 7 and the other provisions of this Article 8, any Member seeking to transfer the playing site of any or all of its home games to a different location

(other than a proposed transfer under Article 9) shall be subject to and shall comply with the following provisions:

(i) If a Member seeks to relocate to an arena that will be newly constructed or substantially renovated for use by the Member's team:

(A) the Member shall obtain a written determination from the Commissioner (or the Commissioner's designee) at least thirty (30) days prior to the commencement of the arena's construction or renovation that all designs, plans, and specifications for the newly-constructed or renovated arena required to be submitted pursuant to Article 8(a) above have been submitted and comply substantially with the minimum arena standards of the Association; and

(B) the Member shall obtain a written determination from the Commissioner (or the Commissioner's designee) prior to holding any practice, exhibition, or game involving NBA players at the newly-constructed or renovated arena that the construction or renovation of the arena has been completed in substantial compliance with the minimum arena standards of the Association.

(ii) If a Member seeks to relocate to an already-existing arena that will not be substantially renovated for its use, the Board of Governors shall have no obligation to consider the Member's Article 7 application at the meeting called for that purpose unless the Member shall obtain a written determination from the Commissioner (or the Commissioner's designee) at least thirty (30) days prior to such meeting either stating (x) that the arena substantially complies with the minimum arena standards of the Association (as determined

by the Commissioner or the Commissioner's designee), or (y) that specified modifications are necessary in order for the arena to comply substantially with such standards, that the Team has agreed in a Writing to make such modifications, and that the Team has supplied to the Commissioner (or the Commissioner's designee) design plans sufficient to evidence its intent to make such modifications. If specified modifications are required, the Member shall not hold or attempt to hold any practice, exhibition, or game involving NBA players at the arena unless it has received a written determination from the Commissioner (or the Commissioner's designee) that the modifications have been completed and that the arena substantially complies with the minimum arena standards of the Association.

(iii) No Member's application to relocate will receive final approval under Article 7 unless the Member has received the written determination(s) of the Commissioner (or the Commissioner's designee) required under either clause (i) or clause (ii) above.

(iv) For purposes of this Article 8, "substantial compliance" with the NBA's minimum arena standards shall be solely determined by the Commissioner (or the Commissioner's designee).

(v) Any Member that fails to comply with any of the provisions of this subparagraph (b) shall be subject to a fine of up to $5,000,000 to be imposed by the Commissioner.

(c) In addition to any other arena compliance obligations it may have under Article 8(a), a Member who receives approval to relocate under Article 7 shall ensure that its arena continues to comply with the NBA's minimum arena standards in effect at the

time the Member received the written determinations(s) required by paragraph (b) above.

(d) For any violation of Article 8(a) or 8(c) above, the Commissioner shall have the right to impose a fine against the Member of up to $250,000 per game (Exhibition, Regular Season, or Playoff) for each game that the Member's team plays in the arena during the period when it is in violation of such provisions.

ARTICLE 9

CERTAIN PLAYING SITE RELOCATIONS

Articles 7, 8(b), and 8(c) shall not apply to a request by a Member, in accordance with this Article 9, to transfer the home playing site of one or more of its Regular Season or Playoff Games to a different facility under the following circumstances:

(a) the usual home playing site is unavailable on a date scheduled for a Playoff Game;

(b) an unanticipated event or emergency renders the usual home playing site temporarily unavailable or unsuitable and the Member wishes to play its home games during such period at another facility within its Territory; or

(c) the Member seeks to schedule up to four (4) of its Regular Season home games at another playing site within its Territory.

In order for a Member to transfer the home playing site of any of its Regular Season or Playoff Games under the circumstances set forth in Article 9(a), 9(b), or 9(c) above, the Member must make an application in writing to the Commissioner, who is empowered to grant or deny such application, either unconditionally or upon specific conditions, as in his judgment shall be in the best interests

of the Association (based on such factors as the Commissioner deems appropriate, including the extent to which the arena to which the Member seeks to relocate complies with the NBA's minimum arena standards). An application pursuant to Article 9(a) or 9(b) shall be made promptly upon the occurrence of the event rendering the home playing site unavailable or unsuitable, and an application pursuant to Article 9(c) must be made on or before the first day of May preceding the Season in which the Member proposes to play up to four (4) of its home games at the additional playing site. An application pursuant to this Article 9 shall specify the reasons for the proposed transfer and shall be accompanied by such further information and documentation as the Commissioner may deem appropriate.

ARTICLE 10

TERRITORY

(a) Subject to any rules, regulations, resolutions, or agreements of the Association, or any agreement between the affected Members that has been approved by the Association, the Territory of a Member shall be the territory incorporated within an area of seventy-five (75) air miles of the corporate limits of the city of operation, except that when the line circumscribing the Territory of a Member intersects with the line circumscribing the Territory of another Member, the respective Territories shall be evenly divided by a line between the two (2) points of intersection.

(b) Except in accordance with any rules, regulations, resolutions, or agreements of the Association, (i) a Team operated by a Member shall have no right to play in the Territory of another Member without the consent of the resident Member; and (ii) subject to Article 10(c), no Team shall conduct any of its operations outside of its Territory.

(c) In addition to the territorial rights set forth in Article 10(a) above, a Member shall have priority within the corporate limits of any city in which its Team has played not less than three (3) home Regular Season Games during the preceding Season, provided that it has requested and receives the prior approval of the Association to play in such location. Such priority shall continue so long as such Member's Team continues to play not less than three (3) home Regular Season Games in such city in each succeeding consecutive Season; provided, however, that the Commissioner, in his discretion, may, by written notice to each of the Members of the Association, excuse the failure of the Team of any Member to play such minimum number of games in such city in any one (1) Season, in which event such Member's priority in such city shall continue notwithstanding its Team's failure to play such minimum number of games in such city during such Season. "Priority," as used in this paragraph (c), means a preference granted to schedule and play home Regular Season Games and home pre-season Exhibition Games within the corporate limits of such city.

ARTICLE 11

RESIGNATION OF A MEMBER

A Member may resign from the Association at the end of any Season provided written notice of such resignation shall have been given to the Commissioner and other Members of the Association at least three (3) calendar days prior to the commencement of the NBA Draft immediately following such Season. However, such resignation shall be effective only if, within thirty (30) days of such notice, the resigning Member shall have (a) made full payment of all dues or other debts owing to the Association, its Members, and any third-party creditors designated by the Association; and (b) assigned to the Commissioner the contracts of its Players, its arena lease (if assignable) and its Membership, in each case free and clear of all liens, claims, and encumbrances. The Commissioner

shall have the power to deal with and dispose of such contracts, lease, and Membership as if said Member had suffered an event described in Article 14A hereof. Upon the effective date of such resignation, the resigning Member shall hold no further interest in its Player Contracts, lease, or Membership.

ARTICLE 12

BANKRUPTCY OF A MEMBER

For purposes of this Article 12, a Member shall be deemed to be involved in a bankruptcy proceeding if it makes an assignment for the benefit of creditors, a receiver is appointed for all or substantially all of its assets, it voluntarily files a petition for relief under Title 11 of the United States Code or any foreign or state law providing for relief of debtors, or any such petition is filed against it and not discharged within thirty (30) days. The Members of the Association each acknowledge that substantial hardship may result to the creditors of a Member involved in a bankruptcy proceeding, to the other Members of the Association, and to the public if the operations of such Member's Team are not continued under the direction of a qualified person having no relationship to such Member. Therefore, if any Member is involved in a bankruptcy proceeding, the Association shall have the option, exercisable by a vote of three-fourths (3/4) of the Board of Governors (the Member involved in the bankruptcy proceedings not being considered a Member of the Board of Governors for purposes of this Article), to cause such Member and its assets and properties to be placed under the management and control of the Commissioner. Upon exercise of such option, the Commissioner shall be deemed authorized to take the following actions: to appear on behalf of the Association in any court in which a bankruptcy proceeding is pending; to cause the Member's Team to continue to play its Exhibition, Regular Season, and Playoff Games;

to collect all revenues from every source payable to the Member and apply such revenues, to the extent available, to the payment of such Member's operating expenses; and to take such further action as he shall deem advisable to accomplish the purpose of the option, all subject to the supervision and control of the court having jurisdiction over the bankruptcy proceeding. The management and control by the Commissioner shall continue until the first to occur of termination of the bankruptcy proceeding, transfer of such Member's Membership in the Association in accordance with and subject to Article 5, termination of such Member's Membership in the Association, or a determination by a majority of the Board of Governors (the Member involved in the bankruptcy proceeding not being considered a Member of the Board of Governors for purposes of this Article) that continuation of such management and control is no longer advisable. The existence or exercise of the option shall not impose upon the Association or any of its Members any requirement to provide funds to a Member involved in a bankruptcy proceeding or any liability for another Member's debts or obligations.

ARTICLE 13

TERMINATION OF OWNERSHIP OR MEMBERSHIP

The Membership of a Member or the interest of any Owner may be terminated by a vote of three-fourths (3/4) of the Board of Governors if the Member or Owner shall do or suffer any of the following:

(a) Willfully violate any of the provisions of the Constitution and By-Laws, resolutions, or agreements of the Association.

(b) Transfer or attempt to transfer a Membership or an interest in a Member without complying with the provisions of Article 5.

(c) Fail to pay any dues or other indebtedness owing to the Association within thirty (30) days after Written Notice from the Commissioner of default in such payment.

(d) Fail or refuse to fulfill its contractual obligations to the Association, its Members, Players, or any other third party in such a way as to affect the Association or its Members adversely.

(e) Wager or countenance wagering by its officers or employees on any game in which a Team operated by a Member of the Association participates.

(f) Willfully permit open betting, pool selling, or any other form of gambling upon any premises owned, leased, or otherwise controlled by the Member or an Owner, except, subject to Article 8(a), for gambling activities that are lawful in the applicable jurisdiction and do not involve in any way, directly or indirectly, gambling with respect to any aspect of the Association's games, events, property, players, or other personnel.

(g) Offer, agree, conspire, or attempt to lose or control the score of any game participated in by a Team operated by a Member of the Association, or fail to suspend immediately any officer or any Player or other employee of the Member who shall be found guilty, in a court of law or in any hearing sanctioned by this Constitution and By-Laws, of offering, agreeing, conspiring, or attempting to lose or control the score of any such game or of being interested in any pool or wager on any game in which a Team operated by a Member of the Association participates.

(h) Disband its Team during the Season, dissolve its business, or cease its operation.

(i) Willfully fail to present its Team at the time and place it is scheduled to play in an Exhibition, Regular Season, or Playoff Game.

(j) Willfully misrepresent any material fact contained in its application for Membership in the Association.

ARTICLE 14

PROCEDURE FOR TERMINATION

The Membership of a Member or the interest of any Owner shall be terminated on the occurrence of any of the events described in Article 13 by the following procedure:

(a) Any Member of the Association or the Commissioner may charge that a Member or Owner has violated one (1) or more of the provisions of Article 13. Said charge shall be made in writing and shall be filed with the Commissioner, who shall, no later than three (3) business days after the charges are filed, cause a copy thereof to be served by a Writing upon the Member or Owner against whom such charges have been made.

(b) The Member or Owner so charged shall, within five (5) days after receipt of the charges, file with the Commissioner its written answer thereto. The Commissioner shall thereupon transmit said charges and answer to each of the Governors of the Association and shall call a special meeting of the Governors to hear the charges, to be held on a date not more than ten (10) days after the filing of a Member's or Owner's answer, due notice to be given.

(c) Willful failure by a Member or Owner so charged to answer the charges during such five (5) day period or to appear at the hearing shall be deemed an admission by said Member or Owner of the total validity of the charges as presented.

(d) At such hearing, the Chairman of the Board of Governors shall be the presiding officer, except that if the Chairman of the

Board of Governors represents either the complaining Member or the Member charged, then the Commissioner shall designate an alternate Chairman for purposes of the hearing.

(e) At the hearing, the Member or Owner so charged shall have the right to be represented by counsel. Strict rules of evidence shall not apply, and all relevant and material evidence submitted to and at the hearing may be received and considered.

(f) After duly considering all the evidence, the Board of Governors shall vote upon the proposition that the charges have been sustained in whole or in part. The affirmative vote of three-fourths (3/4) of all the Governors shall be required to sustain the charges.

(g) If, by a three-fourths (3/4) vote, the Board of Governors votes to sustain the charges, the Membership of the guilty Member or the Member in which the guilty Owner has an interest shall automatically be terminated, unless, following a motion duly made and seconded, two-thirds (2/3) of all the Governors vote instead to terminate the ownership interest of the guilty Owner or to invoke the provisions of Article 15.

(h) Notwithstanding Article 14(g) above, in the case of a violation of Article 13 by an Owner who has an interest of ten percent (10%) or less in, and does not have effective control over, a Member, the Membership of such Member may not be terminated solely because of such Owner's violation. In such case, if the charges are sustained against such Owner by a three-fourths (3/4) vote of the Board of Governors, the ownership interest of that Owner shall be automatically terminated unless, following a motion duly made and seconded, two-thirds (2/3) of all the Governors vote to invoke the provisions of Article 15.

(i) If any Membership or interest of an Owner shall be terminated pursuant to this Article 14, the provisions of Article 14A shall apply.

(j) The decisions of the Association made in accordance with the foregoing procedure shall be final, binding, and conclusive, and each Member and Owner waives any and all recourse to any court of law to review any such decision.

ARTICLE 14A

CONSEQUENCES OF TERMINATION

(a) When the Membership of a Member is terminated, such Member and its assets, properties and operations shall be placed under the management and control of the Commissioner, who shall have the following powers: to cause the Member's Team to continue to play its Exhibition, Regular Season, and Playoff Games; to collect all revenues from every source payable to the Member and apply such revenues, to the extent available, to the payment of such Member's debts and obligations; and, as directed by a majority of the Board of Governors (the Member whose Membership was terminated not being considered a Member of the Board of Governors for the purposes of this Article), either to transfer such Member's Membership (including its Player Contracts and other assets) in accordance with and subject to Article 5 or to liquidate the Player Contracts and other assets of the Member in an orderly manner in the best interests of the Member and its creditors, the Association, and the public, in each case at such prices and on such terms as the Commissioner shall deem reasonable and appropriate.

(b) When the interest of any Owner is terminated, that interest shall, unless the Commissioner has approved an alternative arrangement, be placed under the management and control of the Commissioner, who shall have the power to exercise all of the rights otherwise exercisable by the Owner of that interest, including, but not limited to, any management or voting rights and the right to

transfer all or any portion of that interest in accordance with and subject to Article 5 at such prices and on such terms as the Commissioner shall deem reasonable and appropriate.

(c) All proceeds from any transfer of a Member's Membership or the liquidation of its Player Contracts and other assets, or of an Owner's interest in a Member, shall be applied first to discharge the liabilities and obligations to all creditors of the Member (or Owner), including the Association and its Members, and any balance shall be remitted to the Member (or Owner). The existence or implementation of this Article 14A shall not impose upon the Association or any of its Members any requirement to provide funds to any Member (or Owner) or any liability for any debts or obligations of any Member (or Owner).

ARTICLE 15

ALTERNATIVES TO TERMINATION

If a charge that a Member or Owner has committed any of the offenses described in Article 13 is sustained, two-thirds (2/3) of all the Governors may waive the remedy of termination, and instead direct the Member or Owner to pay a stated fine in a stipulated manner and by a stipulated date, which fine may be required to be paid, in whole or in part, to any other Member or Members as compensation to such Member or Members for damages sustained by it or them by reason of such act or acts of omission or commission by such offending Member or Owner. Such fine shall be payable within five (5) days after its imposition. Moreover, the Board of Governors may, in its discretion, either in addition to, or in lieu of, such fine, direct the forfeiture of the offending Member's Draft rights.

ARTICLE 16

DISSOLUTION

The Association may be dissolved at any time by a three-fourths (3/4) vote of all the members of the Board of Governors at a meeting duly called for this purpose. Upon dissolution, the assets of the Association shall be distributed in accordance with the laws of the State of New York.

ARTICLE 17

AMENDMENTS

(a) Except as otherwise provided for in this Constitution and By-Laws, the Constitution and By-Laws of the Association may be amended by the votes of three-fourths (3/4) of all the Governors at any meeting of the Board of Governors, provided that the nature of the proposed amendment is set forth in the Written Notice of the Meeting.

(b) The Constitution and By-Laws may also be amended at any other meeting of the Board of Governors, without prior notice of the amendment, provided there is complete attendance of all the Governors and there is unanimous consent to the adoption of the amendment at the meeting.

(c) Any amendment to this Constitution and By-Laws and any proposal to amend this Constitution and By-Laws which fails of passage shall not be submitted again to the Board of Governors for reconsideration for one (1) year after the passage of such amendment or submission of such proposal to amend, without the consent of two-thirds (2/3) of all the Governors.

ARTICLE 18

BOARD OF GOVERNORS

(a) The Members of the Association shall have the general supervision of the affairs of the Association, which general supervision shall be carried out through a Board of Governors. At the annual meeting, the Board of Governors shall elect a Chairman whose duties shall be:

(i) to be an ex-officio member of all Committees;

(ii) to act as liaison between the Commissioner's Office and the Board of Governors; and

(iii) to preside at Board of Governors meetings in the absence of the Commissioner.

(b) Each Member shall be represented on the Board of Governors by a Governor who may be replaced at will by such Member (and who shall be an individual who is an Owner, or a director, officer, or authorized employee of such Member), and who shall be vested with the full power and authority to represent such Member and to bind such Member by his or her vote. Each Member shall submit to the Commissioner in a Writing the name of such Governor and the names of up to three Alternate Governors, who may be replaced at will by such Member (and who shall be persons qualified to serve as Governors). No player shall be permitted to serve as a Governor or Alternate Governor or to vote at any meeting of the Board of Governors. The authority of such Governor and each Alternate Governor shall become effective only after the name of such Governor or Alternate Governor shall be filed with the Commissioner of the Association.

(c) The Board shall have the right to appoint committees and to authorize and direct the Commissioner to appoint committees

to assist the Commissioner in the performance of his duties.

(d) A Governor or Alternate Governor may be removed with substantial cause by a vote of three-fourths (3/4) of all Governors at a meeting called for such purpose. If a Governor is so removed, the Member must appoint a new Governor within ten (10) days. The Board may fine a Governor or Alternate Governor up to the amount of $1,000,000 for willful violations of the Constitution and By-Laws.

(e) All actions duly taken by the Board of Governors shall be final, binding and conclusive, as an award in arbitration, and enforceable in a court of competent jurisdiction in accordance with the laws of the State of New York.

ARTICLE 19

MEETINGS OF THE BOARD OF GOVERNORS

The following meetings of the Board of Governors shall be held in each year:

(a) An annual meeting of the Board of Governors shall be held, at about the same time each year, on a date and at a place to be fixed by the Commissioner.

(b) Special meetings may be called by the Commissioner at any time and shall be called by the Commissioner whenever a request is made for such meeting by six (6) or more Members by a Writing.

ARTICLE 20

NOTICE OF MEETINGS

Prior Written Notice of all meetings of the Board of Governors shall be given to each Governor. Each such notice shall set forth so far as is reasonably possible the purpose for which the meeting is called and shall be given sufficiently in advance of the meeting so that in the normal course the Writing will be received no later than ninety-six (96) hours prior to the meeting. Notice of the meeting may be waived by any Member and shall be deemed waived by a Member's attendance at a meeting unless the Member shall object to the absence of timely notice at the outset of the meeting.

ARTICLE 21

QUORUM

Governors representing a majority of the Members shall constitute a quorum for the transaction of any business unless otherwise provided herein. No quorum, once present, shall be broken by the departure of any Governors.

ARTICLE 22

VOTE REQUIRED AT MEETINGS

(a) Subject to the other provisions of this Constitution and By-Laws requiring a greater number of votes, questions arising at meetings of the Board of Governors shall be decided by a majority vote of those present and voting. In the absence of a Member's Governor or Alternate Governor, a Member shall be entitled to vote by proxy so long as (a) the proxy is given only to another Governor

or Alternate Governor, (b) its validity is limited to the one (1) meeting for which it is granted, (c) the Commissioner is informed of the proxy so granted prior to the commencement of the meeting, and (d) an announcement of the proxy is made prior to the transaction of any business at the meeting; provided, however, that no vote by proxy shall be counted in favor of an application for Membership pursuant to Article 4, or of termination of a Membership pursuant to Article 13, or of dissolution of the Association pursuant to Article 16.

(b) On all votes of the Board of Governors, the roll shall be called in alphabetical rotation according to the name of the home city of each Member, beginning with the name of the Member whose Governor voted second in the last roll call vote taken at any meeting of the Board of Governors. Any vote cast, including an abstention or any waiver of the right of any Member to vote, once recorded, may not be withdrawn or altered on that roll call.

ARTICLE 23

ALTERNATIVES TO IN-PERSON MEETINGS

(a) Any action or resolution which may be taken or adopted at a meeting of the Board of Governors may be taken or adopted by a Writing setting forth the action so taken or the resolution so adopted manually signed or consented to in a Writing by three-fourths (3/4) of the members of the Board of Governors; provided, however, that any action to approve an application for Membership in the Association pursuant to Article 4, or requiring termination of a Membership pursuant to Article 13, or to dissolve the Association pursuant to Article 16, may not be taken or adopted except at a meeting of the Board of Governors or by a Writing consented to by all the members of the Board of Governors.

(b) In lieu of calling a special meeting of the Board of Governors under Article 19(b), the Commissioner may call a meeting in which members of the Board of Governors participate by teleconferencing or any other means of communication that enables all persons participating in the meeting to hear each other. All provisions of this Constitution and By-Laws applicable to special meetings (including, but not limited to, provisions relating to quorums and voting) shall apply to such meetings, except that the Written Notice of such meetings shall be given to the Governors so that in the normal course it will be received no later than 48 hours prior to the meeting. Notice of meeting may be waived by any Member and shall be deemed waived by a Member's participation in the meeting unless the Member shall object to the absence of timely notice at the outset of the meeting. Members of the Board of Governors shall not be permitted to participate by such alternative means of communication in meetings called under Article 19.

ARTICLE 24

AUTHORITY AND DUTIES OF THE COMMISSIONER

(a) A Commissioner shall be elected by the affirmative vote of three-fourths (3/4) of all the Governors. The Commissioner shall serve as the Chief Executive Officer of the League and shall be charged with protecting the integrity of the game of professional basketball and preserving public confidence in the League. The Commissioner's term of office may be terminated by a vote of three-fourths (3/4) of the Governors at a meeting duly called for such purpose.

(b) The Commissioner shall have no financial interest, direct or indirect, in any professional sport.

(c) The Commissioner shall have the responsibility for the general supervision and direction of all business and affairs of the League and shall have all such other powers as may be necessary or appropriate to fulfill this responsibility.

(d) The Commissioner shall have exclusive, full, complete, and final jurisdiction of any dispute involving two (2) or more Members of the Association.

(e) The Commissioner shall have the right to investigate all charges, accusations, or other matters that may adversely affect the Association or its Members.

(f) The Commissioner shall have all rights and powers accorded to him by any collective bargaining agreement.

(g) The Commissioner, on behalf of the Association, may incur any expense which, in his discretion, is necessary to conduct and transact the business of the Association, including but not limited to, the leasing of office space, the hiring of employees, and the engaging of other assistance or services; provided, however, that the Commissioner shall not have the authority to incur any expense inconsistent with expenses incurred for similar assistance or services during the past five (5) years, without prior approval of the Board of Governors.

(h) The Commissioner shall preside at all meetings of the Board of Governors and shall discharge all duties imposed upon him by the Constitution and By-Laws, and by the Board of Governors. The Commissioner shall interpret and from time to time establish policy and procedure in respect to the provisions of the Constitution and By-Laws, rules, regulations, resolutions, and agreements of the Association and any enforcement thereof, and any decision emanating therefrom shall be final, binding, conclusive, and unappealable.

(i) (i) The Commissioner shall have the power to suspend a Player, Coach, Member, Owner, or other person subject to the Commissioner's jurisdiction for a definite or indefinite period and to impose such fines and other penalties as are authorized by Article 35, 35A or any other Article or Section relating thereto of this Constitution and By-Laws. The Commissioner shall have the power to declare null and void any Player transaction made by and between Members of the Association or by and between Members of the Association and any organization outside of the Association.

(ii) The Commissioner shall represent Members in disputes with operators of teams in other leagues or associations as to rules of ownership of contracts or rights to services of players.

(j) The Commissioner shall be empowered to withhold all revenues due to any Member in the event that said Member has, in the Commissioner's determination, failed to discharge its financial obligations to the Association or any Member thereof.

(k) The Commissioner shall have the right to set the date and time of all games, including Playoff Games, consistent with:

(i) the obligations of the Association under its media contracts;

(ii) the availability of arenas; and

(iii) what in the Commissioner's judgment are the best interests of all Teams involved.

Refusal to play a game so set renders the offending Member, in the discretion of the Commissioner, liable to a fine not exceeding $5,000,000, to a forfeit of the game, or both, as well as any amounts that may be due under Article 36.

(l) The Commissioner shall, wherever there is a rule for which no penalty is specifically fixed for violation thereof, have the authority to fix such penalty as in the Commissioner's judgment shall be in the best interests of the Association. Where a situation arises which is not covered in the Constitution and By-Laws, the Commissioner shall have the authority to make such decision, including the imposition of a penalty, as in his judgment shall be in the best interests of the Association. The penalty that may be assessed under the preceding two sentences may include, without limitation, a fine, suspension, and/or the forfeiture or assignment of draft choices. No monetary penalty fixed under this provision shall exceed $2,500,000.

(m) Following an opportunity for the affected party to submit evidence and be heard, all actions duly taken by the Commissioner pursuant to this Article 24 or pursuant to any other Article or Section of the Constitution and By-Laws, which are not specifically referable to the Board of Governors, shall be final, binding and conclusive, as an award in arbitration, and enforceable in a court of competent jurisdiction in accordance with the laws of the State of New York. In connection with all actions, hearings, or investigations taken or conducted by the Commissioner pursuant to this Article 24, (i) strict rules of evidence shall not apply, and all relevant and material evidence submitted may be received and considered, and (ii) the Commissioner shall have the right to require testimony and the production of documents and other evidence from any Member, Owner, or Referee, any employee of any Member or Owner, and/or any employee of the Association, and any person or Entity not complying with the requirements of the Commissioner shall be subject to such penalty as the Commissioner may assess.

ARTICLE 25

DEPUTY COMMISSIONER

A Deputy Commissioner may be elected at any time by the affirmative vote of three-fourths (3/4) of all the Governors and, if elected, shall perform such duties as are delegated to him by the Commissioner or the Board of Governors. On the death, resignation, incapacity or absence of the Commissioner, the Deputy Commissioner shall assume the duties, rights, and powers of the Commissioner and shall continue as such until the return of the Commissioner or a new Commissioner is elected by the Board of Governors.

ARTICLE 26

VICE PRESIDENTS

The Commissioner may appoint such Vice President or Vice Presidents as the Commissioner may decide, and each such Vice President shall perform such duties as are assigned to him or her by the Commissioner or the Board of Governors.

ARTICLE 27

SECRETARY

A Secretary may be elected by the affirmative vote of three-fourths (3/4) of all the Governors and, if elected, shall have the care and custody of the official records and papers of the Association; shall keep accurate minutes of all meetings of the Board of Governors; shall issue all official notices and attend to all necessary correspondence; and shall prepare and furnish such reports as may be called for by the Commissioner or Board of Governors. In default

of election of a Secretary, or while the office is vacant, the Commissioner shall have the power to appoint a Secretary from among the Governors who, when so appointed, shall have the power to certify to the correctness of the minutes of any meeting of the Board of Governors.

ARTICLE 28

TREASURER

A Treasurer may be elected by the affirmative vote of three-fourths (3/4) of all the Governors and, if elected, shall be the custodian of all Association funds, receive all dues, fines and assessments and make such payments as shall be ordered by the Commissioner or the Board of Governors, and shall be bonded by companies, and in an amount, satisfactory to the Board of Governors. The Treasurer shall annually render a report of all his receipts and disbursements to the Board of Governors. At the expiration of the Treasurer's term of office, the Treasurer shall account for the delivery to the Board of Governors of all monies, books, papers, and property received by the Treasurer by virtue of that office. In default of election of a Treasurer, or while the Treasurer's office is vacant, the Commissioner shall act as Treasurer.

ARTICLE 29

SALARIES OF OFFICERS

The officers shall receive such salaries as the Board of Governors shall annually determine and shall be reimbursed for all proper expenses actually incurred by them in the service of the Association. The Association may exact from them such surety bond

for the faithful performance of their duties as the Board of Governors may deem proper.

ARTICLE 30

INDEMNIFICATION OF COMMISSIONER AND EMPLOYEES OF THE ASSOCIATION

The Commissioner and the employees of the Association will be indemnified by the Association against expenses actually and necessarily incurred by them in connection with the defense of any action, suit or proceeding to which they are made a party, and against any judgments which may be rendered against them therein, by reason of their being or having been Commissioner or an employee of this Association, except in relation to matters as to which a court of competent jurisdiction, in a proceeding to which they are a party, shall have adjudged that such indemnification is contrary to law or against public policy. Such right of indemnification shall not be deemed exclusive of any other rights to which the Commissioner and/or Association employees may be entitled under the Constitution and By-Laws, any agreement with the Association, any vote by the Board of Governors, or otherwise.

ARTICLE 31

CAPITAL CONTRIBUTIONS

(a) Each Member shall contribute to the capital of the Association a fixed annual capital contribution of $6,000.

(b) In addition to the capital contribution required under Paragraph (a) above, each Member shall be required from time to time to contribute to the capital of the Association an amount equal

to six percent (6%) of the gross gate receipts derived from all Regular Season Games played in each Season, or $30,000 per Season, whichever is greater. Each Member shall immediately after each such game send to the Commissioner a report, on forms furnished by the Association, of all the information required as to such game, and shall also send a check for payment of the required sum. Payment of such sums shall be due within five (5) days after each game. The books with respect to such payments shall be open to all Members of the Association.

(c) As used herein "gross gate receipts" shall mean the actual receipts derived by any Members from the sale of tickets (including any receipts attributable under Association rules to luxury suites, seat licenses, and club or other premium seats), less refunds and returns, and exclusive of excise, sales, and admissions taxes based on the sale of such tickets.

ARTICLE 32

ADDITIONAL CAPITAL CONTRIBUTIONS

In addition to the contributions provided for in the preceding Article, the Board of Governors may, at any meeting of which notice has been given as to the subject matter to be acted on, fix by a vote of the majority of all the Governors an additional amount which can be either a percentage of the gross gate receipts derived from all Regular Season Games played in each Season, or a fixed sum that each Member shall contribute in order to defray the expenses and liabilities of the Association.

ARTICLE 33

PLAYOFF PAYMENTS

(a) Each Member engaging in the Playoffs shall, after each home Playoff Game, send a true report covering the sale of tickets for such game and shall also send a check payable to the Association, as agent for the Members, for forty-five percent (45%) of its gross gate receipts (as defined in Article 31(c)).

(b) The monies so received by the Association as agent shall be applied:

(i) To the payment of the Player Playoff Pool.

(ii) To the payment of traveling and maintenance costs of the contesting Playoff Teams.

(iii) To the payment of a sum, to the Head Coach of each Member participating in the Playoffs, equal to the aggregate amount received from the Player Playoff Pool by the Players on the Head Coach's Team, divided by the maximum number of Players permitted to be listed on the Member's Active List during the Regular Season.

(iv) To the payment of the fees and traveling and maintenance costs of the Referees appointed for the games.

(v) The balance, if any, shall be distributed equally to the Members.

(c) In the event that the monies so received by the Association are insufficient to pay the items referred to in Paragraph (b) hereof, the deficit shall be supplied equally by the Members.

ARTICLE 34

MEMBERS, THEIR POWERS AND RESPONSIBILITIES

In circumstances where a rule is not provided by the Constitution and By-Laws, rules, regulations, resolutions, or agreements of the Association, each Member shall conduct its operations in accordance with its own business judgment.

ARTICLE 35

MISCONDUCT

The provisions of this Article 35 shall govern all Players in the Association, hereinafter referred to as "Players."

(a) Each Member shall provide and require in every contract with any of its Players that they shall be bound and governed by the provisions of this Article. Each Member, at the direction of the Board of Governors or the Commissioner, as the case may be, shall take such action as the Board or the Commissioner may direct in order to effectuate the purposes of this Article.

(b) The Commissioner shall direct the dismissal and perpetual disqualification from any further association with the Association or any of its Members, of any Player found by the Commissioner after a hearing to have been guilty of offering, agreeing, conspiring, aiding or attempting to cause any game of basketball to result otherwise than on its merits.

(c) Any Player who gives, makes, issues, authorizes or endorses any statement having, or designed to have, an effect prejudicial or detrimental to the best interests of basketball or of the Association or of a Member or its Team, shall be liable to a fine not exceeding $25,000, to be imposed by the Commissioner. The Member whose Player has been so fined shall pay the amount of

the fine should such Player fail to do so within ten (10) days of its imposition.

(d) If in the opinion of the Commissioner any other act or conduct of a Player at or during an Exhibition, Regular Season, or Playoff Game has been prejudicial to or against the best interests of the Association or the game of basketball, the Commissioner shall impose upon such Player a fine not exceeding $25,000, or may order for a time the suspension of any such Player from any connection or duties with Exhibition, Regular Season, or Playoff Games, or he may order both such fine and suspension.

(e) The Commissioner shall have the power to suspend for a definite or indefinite period, or to impose a fine not exceeding $25,000, or inflict both such suspension and fine upon any Player who, in his opinion, shall have been guilty of conduct that does not conform to standards of morality or fair play, that does not comply at all times with all federal, state, and local laws, or that is prejudicial or detrimental to the Association.

(f) Any Player who, directly or indirectly, entices, induces, persuades or attempts to entice, induce, or persuade any Player, Coach, Trainer, General Manager or any other person who is under contract to any other Member of the Association to enter into negotiations for or relating to his services or negotiates or contracts for such services shall, on being charged with such tampering, be given an opportunity to answer such charges after due notice and the Commissioner shall have the power to decide whether or not the charges have been sustained; in the event his decision is that the charges have been sustained, then the Commissioner shall have the power to suspend such Player for a definite or indefinite period, or to impose a fine not exceeding $25,000, or inflict both such suspension and fine upon any such Player.

(g) Any Player who, directly or indirectly, wagers money or anything of value on the outcome of any game played by a Team in the league operated by the Association shall, on being charged with such wagering, be given an opportunity to answer such charges after due notice, and the decision of the Commissioner shall be final, binding and conclusive and unappealable. The penalty for such offense shall be within the absolute and sole discretion of the Commissioner and may include a fine, suspension, expulsion and/or perpetual disqualification from further association with the Association or any of its Members.

(h) Except for a penalty imposed under Paragraph (g) of this Article 35, the decisions and acts of the Commissioner pursuant to Article 35 shall be appealable to the Board of Governors, which shall determine such appeals in accordance with such rules and regulations as may be adopted by the Board in its absolute and sole discretion.

ARTICLE 35A

MISCONDUCT OF PERSONS OTHER THAN PLAYERS

The provisions of this Article 35A shall apply only to Members and Owners; to Officers, Managers, Coaches, and other employees of a Member or Owner; and to all Referees and other employees of the Association; except that the term "employees" as used in this Article 35A shall mean employees other than Players. The word "persons" as used herein shall include all such Members, Owners, Officers, Managers, Coaches, Referees, and employees of Members, Owners, or the Association, other than Players.

(a) Each Member must provide and require in every contract with any of its Owners, Officers, Managers, Coaches or other employees that they shall be bound and governed by the provisions

of this Article. Each Member, at the direction of the Board of Governors or the Commissioner, as the case may be, shall take such action as the Board or Commissioner may direct in order to effectuate the purposes of this Article.

(b) The Commissioner shall direct the dismissal and perpetual disqualification from any further association with the Association or any of its Members, of any person found by the Commissioner after a hearing to have been guilty of offering, agreeing, conspiring, aiding, or attempting to cause any game of basketball to result otherwise than on its merits.

(c) Any person who gives, makes, issues, authorizes or endorses any statement having, or designed to have, an effect prejudicial or detrimental to the best interests of basketball or of the Association or of a Member or its Team, shall be liable to a fine not exceeding $1,000,000 to be imposed by the Commissioner. The Member whose Owner, Officer, Manager, Coach or other employee has been so fined shall pay the amount of the fine should such person fail to do so within ten (10) days of its imposition.

(d) The Commissioner shall have the power to suspend for a definite or indefinite period, or to impose a fine not exceeding $1,000,000, or inflict both such suspension and fine upon any person who, in his opinion, shall have been guilty of conduct prejudicial or detrimental to the Association.

(e) No person may, directly or indirectly, entice, induce, persuade or attempt to entice, induce or persuade any Coach, Trainer, General Manager or any other person who is under contract to any other Member of the Association to enter into negotiations for or relating to his services or negotiate or contract for such services. The Commissioner, either in his discretion or at the request of any Member who alleges that its employee has been tampered with,

shall conduct an investigation into whether a person has violated the anti-tampering rule set forth in the prior sentence. In the event that, following such investigation and a hearing at which the person (and the Member employing the person allegedly tampered with) has an opportunity to be heard after due notice, the Commissioner determines that the anti-tampering rule has been violated, he shall have the power, in his sole discretion, to impose a penalty for such offense, which penalty may include (without limitation) the suspension of such person for a definite or indefinite period; the prohibition of the Member employing the offending person from hiring the person being tampered with for a definite or indefinite period; the forfeiture of Draft picks held by the Member employing the offending person or the transfer of such Draft picks to the Member aggrieved by the tampering; and/or the imposition of a fine upon the offending person and/or the Member employing such offending person in an amount not to exceed $5,000,000. In the event that the Commissioner imposes a fine, he may direct that some or all of the fine be paid directly to the Member aggrieved by the tampering.

(f) No person may, directly or indirectly, entice, induce, persuade, or attempt to entice, induce or persuade, any Player who is under contract to any other Member of the Association to enter into negotiations for or relating to his services or negotiate or contract for such services. The Commissioner, either in his discretion or at the request of a Member who alleges that its Player has been tampered with, shall conduct an investigation into whether a person has violated the anti-tampering rule set forth in the prior sentence. In the event that, following such investigation and a hearing at which the person (and the Member employing the person allegedly tampered with) has an opportunity to be heard after due notice, the Commissioner determines that the anti-tampering rule has been violated, he shall have the power, in his sole discretion, to impose

a penalty for such offense, which penalty may include (without limitation) the suspension of such person for a definite or indefinite period; the prohibition of the Member employing the offending person from hiring the Player tampered with for a definite or indefinite period; the forfeiture of Draft picks held by the Member employing the offending person or the transfer of such Draft picks to the aggrieved Member; and/or the imposition of a fine upon the offending person and/or the Member employing such offending person in an amount not to exceed $5,000,000. In the event that the Commissioner imposes a fine, he may direct that some or all of the fine be paid directly to the Member aggrieved by the tampering.

(g) Any person who, directly or indirectly, wagers money or anything of value on the outcome of any game played by a Team in the league operated by the Association shall, on being charged with such wagering, be given an opportunity to answer such charges after due notice, and the decision of the Commissioner shall be final, binding, conclusive, and unappealable. The penalty for such offense shall be within the absolute and sole discretion of the Commissioner and may include a fine, suspension, expulsion and/or perpetual disqualification from further association with the Association or any of its Members.

(h) Any person who has been convicted of or has pled guilty to a crime involving the use, possession, or distribution of heroin or cocaine shall, without exception, immediately be expelled and disqualified from further association with the Association or any of its Members. Notwithstanding the foregoing, after a period of at least two years from the time of such person's expulsion and disqualification, such person may apply for reinstatement. However, such person shall have no right to reinstatement under any circumstance and the reinstatement shall be granted only with the prior approval of the Board of Governors.

ARTICLE 36

PENALTIES FOR FAILURE OF TEAM APPEARANCE

A Member whose Team for any reason fails to appear for or complete any scheduled game, whether Exhibition, Regular Season or Playoff, including overtime, except for causes beyond its reasonable control, shall pay the sum of $1,000,000 for each of such games to the Member operating the opposing Team and shall remit such further compensation and suffer such additional penalty as shall be imposed by the Commissioner pursuant to Article 24(k).

ARTICLE 37

BONUSES

No Team or Player bonus may be offered or paid to a Team or Player for winning a particular game or series of games or for attaining a certain position in the standing of the league operated by the Association as of a certain date. This prohibition shall not include bonus payments to individual Players made at the close of a Regular Season based on the performance of the individual Player during the entire Season or qualification by the Team for a Playoff position, or selection of a Player for one of the All-Star Teams. The Commissioner shall impose a fine of up to the amount of the bonus offered or paid or $100,000 (whichever is higher) for each violation of this Article.

ARTICLE 38

PROTEST

(a) In order for a Member to protest against or appeal from the result of a game, notice thereof must be given to the Commissioner within forty-eight (48) hours after the conclusion of said game, by a Writing, stating therein the grounds for such protest. No protest may be filed in connection with any game played during the Regular Season after midnight of the day of the last game of the Regular Season. A protest in connection with a Playoff Game must be filed not later than midnight of the day of the game protested. A game may be protested only by a Governor, Alternate Governor, General Manager, or Head Coach. The right of protest shall inure not only to the allegedly aggrieved contestants, but to any other Member who can show an interest in the grounds of protest and the results that might be attained if the protest were allowed. No protest shall be valid unless the Written Notice to the Commissioner thereof is accompanied by a check in the sum of $10,000 (the "Protest Fee") payable to the order of the Association. If the Member filing the protest prevails, the Protest Fee is to be refunded. If the Member does not prevail, the Protest Fee is to be forfeited and retained in the Association treasury.

(b) Upon receipt of a protest, the Commissioner shall at once notify the Member operating the opposing Team in the game protested and require both of said Members within five (5) days to file with him such evidence as he may desire bearing upon the issue. The Commissioner shall decide the question raised within five (5) days after receipt of such evidence.

ARTICLE 39

RULE CHANGES

Playing rule changes may only be made by two-thirds (2/3) vote of all the Governors at a meeting called for this purpose.

ARTICLE 40

EFFECTIVE TIME

(a) In computing any period of time under this Constitution and By-Laws, (i) a telegram shall be deemed to have been sent at the time appearing on the face of the telegram, (ii) a letter shall be deemed to have been mailed on the date shown on the postmark appearing on the envelope, and (iii) any other Writing shall be deemed to have been sent on the date appearing thereon, provided that such date can be verified by receipt or other independent means.

(b) In computing any period of days prescribed or allowed by the Constitution and By-Laws, the day of the act, event, or default from which the designated period of time begins to run shall not be included. When the period of time is less than ten (10) days, intermediate Saturdays, Sundays, and legal holidays shall be excluded from the computation. As used herein, "legal holiday" means New Year's Day, Birthday of Martin Luther King, Jr., President's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day.

(c) Except as provided otherwise herein, wherever an hour is referred to in this Constitution and By-Laws in connection with a basketball game, or the happening of any other event, such time shall be the local time then current in the city in which the game was, or is to be played, or where the event was, or is to have, occurred.

ARTICLE 41

OFFICIAL STATEMENTS

No person, other than the Commissioner, shall have the right to issue any information concerning business transacted at meetings of the Board of Governors or reveal or make public any official business of the Association. Any person violating such rule shall be subject to, in the discretion of the Commissioner, a fine of not more than $250,000.

ARTICLE 42

FISCAL YEAR

The fiscal year of the Association shall commence on July 1 and terminate on June 30.

ARTICLE 43

NO THIRD PARTY BENEFICIARIES

The Constitution and By-Laws, rules, regulations, resolutions, and agreements of the Association, and any amendments or modifications thereof, are solely for the benefit of the Association and its Members and Owners, and shall not benefit or create any right or cause of action in or on behalf of any other person or Entity, and may not be relied upon or enforced by any other person or Entity.

ARTICLE 44

AFFILIATES AND SUBSIDIARIES

Each Owner shall cause each of its affiliates and subsidiaries over which it has or can exercise effective control to comply with the Constitution and By-Laws, rules, regulations, resolutions, and agreements of the Association, and any amendments and modifications thereof. If any such affiliates or subsidiaries of an Owner violates the foregoing sentence, such Owner and, in the case of violations committed on behalf of, as agent for, or for the benefit of a Member (including, but not limited to, actual or proposed compensation arrangements with Players that violate NBA rules), the applicable Member, shall be subject to the same penalties as if that Owner (or Member) had itself committed that violation.

ARTICLE 45

CONFLICT WAIVER

Each Member and Owner acknowledges that from time to time they and the Association will jointly retain one or more law firms or experts to represent and advise them ("League Advisors"). Each Member and Owner agrees and consents to the representation of the Association and the other Members and Owners by League Advisors in connection with any and all controversies and disputes, including any litigation or other adversarial proceeding adverse to such Member or Owner. In any such adverse representation, the current or prior representation of such Member or Owner by that League Advisor, and the information that was conveyed to that League Advisor in the course of such representation, shall not be asserted as, and shall not constitute, a basis to disqualify that League Advisor from the adverse representation.

BY-LAWS

SECTION 1

CHAMPIONSHIP

1.01. *Conferences.* The league operated by the Association shall be divided into two (2) conferences, the Eastern and the Western Conferences. Each Conference shall contain two (2) divisions of four (4) or more Teams. The Atlantic and Central Divisions shall comprise the Eastern Conference and the Midwest and Pacific Divisions shall comprise the Western Conference. There shall be established three (3) championships: the Championship of the Eastern Conference, the Championship of the Western Conference, and the Championship of the Association. The aforementioned may be changed prior to the commencement of any Season by a two-thirds (2/3) vote of the Board of Governors.

1.02. *Standings.* If the operations of a Member are suspended during a Season, the games won and lost by its Team during that Season prior to the suspension shall not count in the records of the other Teams.

SECTION 2

ELIGIBILITY OF PLAYERS

2.01. *Good Character.* All Players shall be of good moral character and possess qualities which will make them proper members of their respective Teams. The Commissioner shall have the right to disqualify a Player if the Commissioner finds that the Player does not possess the requisite qualities of character and morality. Such disqualification may be made by the Commissioner only after a

hearing before the Commissioner, at which hearing the Player shall be afforded the right to call witnesses, to submit written evidence, and to be represented by counsel. The decision of the Commissioner shall be appealable to the Board of Governors who, upon receipt of said appeal, shall require all interested parties within ten (10) days to file with the Board of Governors such evidence as they may desire bearing upon the issue. The Board of Governors shall decide the appeal within ten (10) days after receipt of such evidence.

2.02. *Previous Suspensions.* No Member shall engage the services of a Player who has previously been suspended or expelled by any athletic organization, amateur or professional (other than the Association), or who has previously been suspended or expelled by any academic institution for other than scholastic reasons, unless the Commissioner shall certify that such prospective Player shall be eligible to play in the Association. Should the Commissioner fail for any reason to certify the eligibility of such prospective Player after a hearing before the Commissioner, at which hearing the Player shall be afforded the right to call witnesses, to submit written evidence, and to be represented by counsel, then his action shall be appealable to the Board of Governors who shall, upon receipt of said appeal, require all interested parties within ten (10) days to file with the Board of Governors such evidence as they may desire bearing upon the issue. The Board of Governors shall decide the appeal within ten (10) days after receipt of such evidence.

2.03. *Scholastic Eligibility.* A student who is participating in intercollegiate basketball shall not be eligible as a Player unless that student was previously eligible to be selected in an NBA Draft.

2.04. *Age.* A person who is not at least seventeen (17) years old shall not be eligible to be drafted or to be a Player, may not

be signed by a Member to any agreement, nor may his future services in any way be negotiated for, contracted for, or otherwise reserved. Any negotiations or agreements with any such person shall be null and void and shall confer no rights whatsoever. No Member violating the provisions of this Section shall be permitted to acquire the rights to the services of such person at any time thereafter.

2.05. *Undergraduate Eligibility.*

(a) A person who has not completed high school or who has completed high school but has not entered college, shall not be eligible to be drafted or to be a Player until four (4) years after he has been graduated or four (4) years after his original high school class has been graduated, as the case may be, nor may the future services of any such person be negotiated or contracted for, or otherwise reserved. Similarly, a person who has entered college but is no longer enrolled shall not be eligible to be drafted or to be a Player until the time when he would have first become eligible had he remained in college. Any negotiations or agreements with any such person during such period shall be null and void and shall confer no rights whatsoever. No Member violating the provisions of this subsection shall be permitted to acquire the rights to the services of such person at any time thereafter.

(b) Notwithstanding the provisions of subsection (a) above, a person who has been graduated from high school or whose high school class has been graduated shall become eligible to be drafted if he renounces his intercollegiate basketball eligibility by Written Notice provided to the Association at least forty-five (45) days prior to the annual NBA Draft for which the person desires to be eligible.

2.06. *Determination of Eligibility.* All questions of eligibility in accordance with the provisions of this Constitution and By-Laws shall be determined by the Commissioner in accordance with the

foregoing, and in accordance with such other rules and regulations, not inconsistent with this Constitution and By-Laws, as the Board of Governors may adopt.

2.07. *Formal Contract.* A person who has not entered into a Player Contract that is valid and binding for the then-current Season in accordance with this Constitution and By-Laws and any collective bargaining agreement(s) entered into by the Association shall not be eligible to participate as a Player in any Exhibition, Regular Season, or Playoff Game.

2.08. *Consequences of Ineligibility.* Any Team that utilizes the services of any person not eligible (in accordance with this Constitution and By-Laws or otherwise) to participate as a Player in any Exhibition, Regular Season, or Playoff Game shall, regardless of the actual final score of the game, be deemed, for all purposes, to have lost such game, and the opposing Team shall be deemed, for all purposes, to have won such game. A person's services are "utilized" for purposes of this Section if he dresses in a Team uniform for a game.

SECTION 3

CONTRACTUAL MATTERS

3.01. *Title to Player Contracts.* Each Member must have absolute title to the contract and rights and services of each of its Players. The use of loaned Players is prohibited.

3.02. *Filed Documents.* The Commissioner shall file at the Association Office all Player Contracts, documents relating to intra-Association assignments of contractual rights, and other similar documents governing the rights of Members and Players. Information contained in any such filed document may, in the discretion of the Commissioner, be made available to any Member.

3.03. *Violations.* Any Member entering into a contract with a Player or prospective Player in violation of this Constitution and By-Laws shall be liable, in the discretion of the Commissioner, to such penalties as in the Commissioner's judgment shall be in the best interests of the Association. Upon finding that such a contract is in existence, the Commissioner may, in addition to any fines or other penalties that the Commissioner decides to assess, declare the Player involved a free agent and prohibit the offending Member, forever or for a specified period of time, from dealing with such Player or prospective Player.

SECTION 4

INTRA-ASSOCIATION ASSIGNMENT OF CONTRACTUAL RIGHTS

4.01. *Trading Dates.*

(a) From the start of the Season and until 6 p.m. (eastern time) on the sixteenth Thursday of the Season, Members may, by trade or sale, assign to other Members the contracts of Players, draft rights to particular Players, or draft choices in accordance with these By-Laws (an "Assignment Transaction"). No Assignment Transactions are permitted after 6 p.m. (eastern time) on the sixteenth Thursday of any Season and until the day following the last Regular Season Game. On the day following the last Regular Season Game, Teams may again engage in Assignment Transactions; provided, however, that no Member whose team is participating in the Playoffs may assign the contract of a Player on its Playoff Roster until the team is eliminated from the Playoffs.

(b) During the period from December 15 until the last Playoff Game of the then-current Season, no Member may assign to another Member the contract of or draft rights with respect to a

Player if, as part of the consideration for such transfer, the transferor receives $1,000,000 or more in cash or its equivalent (other than cash or its equivalent received as reimbursement for salary obligations of players that the transferor acquires in connection with such assignment). The foregoing shall not be construed to limit the power of the Commissioner as set forth in Article 24 (i) of the Constitution.

4.02. *Trade Procedures.*

(a) Prior to consummating any Assignment Transaction, the parties thereto shall state their agreement on the terms and conditions of the transaction during a conference call with the Association Office (the "Trade Call"). Such terms and conditions shall include, without limitation, all details with respect to amounts of money, terms of payment, and draft choices, if any. Any term or condition of an Assignment Transaction not disclosed to the Association Office on the Trade Call shall not be enforceable. If it is subsequently discovered by the Association Office that an Assignment Transaction included a term or condition not disclosed on the Trade Call, then the Commissioner shall have the right to impose a fine on each of the parties to the Assignment Transaction in an amount not to exceed $5,000,000.

(b) All terms and conditions of an Assignment Transaction shall be set forth in detail in a Trade Memorandum to be prepared by the Association Office following the Trade Call. In the event of any subsequent dispute concerning the terms and conditions of the transaction, the Trade Memorandum shall govern.

(c) The Commissioner shall be empowered to establish such additional procedures as are necessary and appropriate to foster the orderly conduct of Assignment Transactions.

(d) No Assignment Transaction shall be valid and enforceable unless conducted pursuant to the procedures set forth in this Section 4.

4.03. *Full Disclosure.*

(a) No Member shall misrepresent or fail to disclose during a Trade Call any relevant information in its possession, custody, or control concerning the health of a player whose contract or negotiating rights the Member is assigning. For purposes of the foregoing sentence, "relevant information" shall include any information concerning current or prior injuries, illnesses, or other health conditions that could affect the player's ability to play skilled basketball at any point during the player's career.

(b) No Member shall make any other material misrepresentation or fail to disclose any other material information during the Trade Call.

(c) If any Member is found, after a hearing before the Commissioner, to have violated subsections (a) or (b) above, the Member shall be subject to penalty. Such penalty shall be within the absolute and sole discretion of the Commissioner and may include a fine (not to exceed $1,000,000), suspension of the offending employee, rescission of the Assignment Transaction, and/or forfeiture or transfer of the offending Member's draft choices.

4.04. *Allocation of Obligations.*

(a) In the event that the contract of a Player is assigned by one Member to another during the Regular Season, the salary of the Player so assigned shall be apportioned on a per diem basis utilizing the entire number of days in the Regular Season, without regard to Playoff Games or Exhibition Games. The assignor shall be responsible for the portion of the salary through the day of the assignment and the assignee shall be responsible for the salary of the Player after said date. In cases where the Player actually dresses in a uniform for a game for the assignee team on the date of the Assignment Transaction, then the assignee shall be responsible for the salary on that date.

(b) The assignee shall assume all of the obligations of the assignor that are contained in the Player's contract and disclosed to the assignee on the Trade Call to the same extent as if the contract had originally been between the assignee and the Player.

(c) The foregoing provisions relating to the allocation of obligations may be modified by the agreement of the parties.

(d) Any financial or contractual obligation not disclosed to the assignee on the Trade Call shall remain the responsibility of the assignor.

4.05. *Additional Trade Rules.*

(a) A Member who has assigned its rights to the services of a Player may not retain any rights to such Player, conditional or otherwise, following consummation of the Assignment Transaction.

(b) A Member who has assigned its rights to the services of a Player may not reacquire such rights prior to the end of the Season in which the assignment occurred, or, if the assignment occurred between Seasons, prior to the end of the next succeeding Season; provided, however, that the foregoing prohibition shall not apply in the event that the assignee shall have first offered the services of such Player to all other Members through the waiver procedure.

(c) No Player Contract may be assigned during a game for which the Player is dressed to play.

(d) The Association Office will not conduct a Trade Call unless and until each party thereto has room on its Active List (or will have room after the Trade Call is completed) for the player(s) whose contract(s) it is receiving in the transaction.

SECTION 5

INTRA-ASSOCIATION WAIVER OF CONTRACTUAL RIGHTS

5.01. *Waiver Right.* Except for sales and trading between Members in accordance with these By-Laws, no Member shall sell, option, or otherwise assign the contract with, right to the services of, or right to negotiate with, a Player without complying with the waiver procedure prescribed by this Constitution and By-Laws.

5.02. *Waiver Price.* The waiver price shall be $1,000 per Player.

5.03. *Waiver Procedure.* A Member desiring to secure waivers on a Player shall notify the Commissioner or the Commissioner's designee, who shall, on behalf of such Member, immediately notify all other Members of the waiver request. Such Player shall be assumed to have been waived unless a Member shall notify the Commissioner or the Commissioner's designee in accordance with Section 5.04 of a claim to the rights to such Player. Once a Member has notified the Commissioner or the Commissioner's designee of its desire to secure waivers on a Player, such notice may not be withdrawn. A Player remains the financial responsibility of the Member placing him on waivers until the waiver period set by the Commissioner or the Commissioner's designee has expired.

5.04. *Waiver Period.* If the Commissioner or the Commissioner's designee distributes notice of request for waiver at any time between August 15 and the end of the next Season, any Members wishing to claim rights to the Player shall do so by giving notice by telephone and in a Writing of such claim to the Commissioner or the Commissioner's designee within forty-eight (48) hours after the time of such notice. If the Commissioner or the Commissioner's designee distributes notice of a request for waiver at any other time, any Member wishing to claim rights to the Player shall do so by pro-

viding Written Notice of such claim to the Commissioner or the Commissioner's designee within ten (10) days after the date of such notice. A Team may not withdraw a claim to the rights to a Player on waivers.

5.05. *Waiver Preferences.*

(a) In the event that more than one (1) Member shall have claimed the rights to a Player placed on waivers, the claiming Member with the lowest team standing at the time the waiver was requested shall be entitled to acquire the rights to such Player. If the request for waiver shall occur after the last day of the Season and before 11:59 p.m. eastern time on the following November 30, the standings at the close of the previous Season shall govern.

(b) If the winning percentage of two (2) claiming Teams are the same, then the tie shall be determined, if possible, on the basis of the Regular Season Games between the two (2) Teams during the Season or during the preceding Season, as the case may be. If still tied, a toss of a coin shall determine priority. For the purpose of determining standings, both Conferences of the Association shall be deemed merged and a consolidated standing shall control.

5.06. *Players Acquired Through Waivers.* A Member who has acquired the rights and title to the contract of a Player through the waiver procedure may not sell or trade such rights for a period of thirty (30) days after the acquisition thereof; provided, however, that if the rights to such Player were acquired between Seasons, the 30-day period described herein shall begin on the first day of the next succeeding Season.

5.07. *Additional Waiver Rules.* The Commissioner or the Board of Governors may from time to time adopt additional rules (supplementary to those set forth in this Section 5) with respect to the operation of the waiver procedure. Such rules shall not be inconsistent with the provisions of this Section 5 and shall apply to but shall not be limited to the mechanics of notice, inadvertent omission of notification to a Member, and rules of construction as to time.

SECTION 6

PLAYER LISTS AND ROSTERS

6.01. *Player Lists.* The Player Lists shall be the Active List, Injured List, Suspended List, NBA Draft List, Voluntarily Retired List, and Armed Services List. Except as expressly set forth in this Constitution and By-Laws, there shall be no limit on the maximum number of Players that a Member may carry on any Player List; provided, however that such maximum number of players, and the duration of time that a Player may be carried on any such List, shall be established from time to time by the Board of Governors. The names of Players on the aforementioned Lists shall be maintained in the Association Office and shall be disseminated from time to time to all the Members.

6.02. *Active List.*

(a) Only Players whose names appear on the Active List shall be permitted to dress for and be eligible to participate in an Exhibition, Regular Season, or Playoff Game.

(b) Each Member shall carry twelve (12) Players on its Active List, except that any Member may from to time to time as appropriate, but for no more than two (2) consecutive weeks at a time during the Regular Season, have eleven (11) Players on its Active List. Notwithstanding the foregoing, during the period from the

day following the last day of the Regular Season until the day before the first day of the following Season, the maximum number of Players that a Member may carry on its Active List shall be twenty (20).

6.03. *Injured List.*

(a) When a Player on the Active List is unable, due to injury or illness, to perform his duties during the Regular Season, his name may be transferred from the Active List to the Injured List. The Injured List shall exist only during the Regular Season. On the day following the last day of the Regular Season, all Players listed on the Injured List shall be transferred to the Active List.

(b) Full documentation in the form of a statement submitted by a physician must be filed at the Association office within forty-eight (48) hours after placing a player on the Injured List. Whenever there is doubt concerning the injury or illness of any such Player, such doubt shall be resolved by the Commissioner after an examination of such documentation as the Commissioner shall request.

(c) If any Member transfers a Player to the Injured List and, in accordance with these By-Laws, substitutes a Player in his stead, such injured or ill Player may not be restored to the Active List until at least five (5) Regular Season Games (or as many games as remain in the Regular Season, whichever is less) have been played by his Team after the time he was transferred to the Injured List.

(d) The maximum number of Players a Member may carry on its Injured List shall be three (3).

6.04. *Playoff Eligibility.* Each Member must submit a Playoff Roster consisting of Players from its Active, Injured, and Suspended Lists by 3 p.m. (eastern time) on the day following the last day of the Regular Season. Any Player signed by a Member to a Player

Contract prior to the start of the Member's last Regular Season Game is eligible to participate in Playoff Games, except that a Player with respect to whom a request for waiver has been made after midnight on March 1 is not eligible to participate in Playoff Games during the then-current Season unless the Player has been acquired by a Member whose Active List is reduced to eight (8) Players due to injury or illness.

6.05. *Suspended List.*

(a) Any Player on a Team's Active List or Injured List may be suspended by the Member employing him or by the Commissioner for failure to discharge his contractual obligations, or for failure to comply with training schedules or other disciplinary rules or procedures. In the event that any Member shall suspend a Player, it shall give Written Notice of such suspension to the Commissioner. A notice of suspension shall include the name and address of the suspended Player, the cause and duration of the suspension (including whether the suspension is indefinite), and such other information as the Member invoking the suspension may deem relevant.

(b) If a Player has been suspended by a Member for any duration or by the Commissioner for more than five games, the Member may transfer the Player from the Active List to the Suspended List and substitute a Player in his stead; provided, however, that such suspended Player may not be restored to the Active List until at least five (5) Regular Season Games (or as many games as remain in the Regular Season, whichever is less) have been played by his Team after the time he was transferred to the Suspended List. Notwithstanding the foregoing, if a Member replaces a Player transferred to the Suspended List prior to the beginning of the Regular Season, such suspended Player may be restored to the Active List without regard to the number of Regular Season Games played by his Team.

6.06. *Minimum Number of Players.* Throughout the Season, no Team shall appear for any Exhibition or Regular Season Game unless at least eight (8) Players are dressed for and eligible and able to participate in such Game. During the Playoffs, no Team shall appear for any Playoff Game unless at least nine (9) players are dressed and eligible and able to participate in such Playoff Game.

6.07. *Hardship.* In the event that the application of the provisions of these By-Laws pertaining to Player Lists and replacement of Players shall, in any particular case, cause extreme hardship, such provisions, upon application by the Member claiming hardship, may be waived or modified, and special rules may be invoked for the Member claiming such hardship; provided, however, that such provisions may only be waived or modified by the affirmative vote of a majority of the entire Board of Governors (the Governor representing the Member claiming hardship not voting). Notwithstanding the foregoing, in the event that a Member with three (3) Players on its Injured List has an additional Player who sustains an injury, it may substitute a Player in his stead after the following has occurred:

(a) the additional injured player has missed a minimum of three (3) consecutive games due to injury; and

(b) the Commissioner's Office has determined, through an independent physician, if necessary, that at the time the replacement Player is signed, each of the three (3) Players on the Member's Injured List, and the additional injured Player, will continue to be unable to perform playing services.

The Commissioner, in his sole discretion, may permit a Member to replace additional injured Players on that Member's Active List.

6.08. *Voluntarily Retired List.* A Player may be transferred to the Voluntarily Retired List only after the Commissioner is notified in a Writing by both the Player and the Team for which he last played. No Player whose name appears on any Member's Voluntarily Retired List shall, without the unanimous consent of the Board of Governors, be permitted to engage in any Exhibition, Regular Season, or Playoff Game within a period of one (1) year from the date that his name shall have been first placed on such List. If such Player desires to become an active Player in the Association, and the Member for which he last played does not desire to acquire his services, the right to acquire such services shall be determined in accordance with the waiver procedure.

6.09. *Armed Services List and Returning Servicemen.*

(a) Members shall continue to have rights to the services of a Player who has been inducted into the Armed Services by placing the name of the Player on its Armed Services List. The name of such Player, unless removed from such List in accordance with the provisions hereof, shall remain on such List during his active duty and for thirty (30) days thereafter. As used herein "active duty" shall not include performance of periodic reserve obligations of any such Player.

(b) Notwithstanding the foregoing, a Player in the Armed Services may be retained or placed on a Member's Active List and may play in Exhibition, Regular Season and, if otherwise eligible, Playoff Games, if his retention on such Active List will not result in exceeding the maximum provided in Section 6.02 of these By-Laws. A Player may be placed on a Member's Armed Services List at any time after such Player has been inducted into the Armed Services; provided, however, that a Player may be placed on such Armed Services List from the Member's Active List only once during

the same period of active service in the Armed Services if such Player has played in any Exhibition, Regular Season, or Playoff Games during the period of active service.

(c) A Player who was under contract with a Member at the time of his induction into the Armed Services and who, upon his release, requests re-employment prior to February 15, must be tendered a contract on the same terms and conditions as the contract in existence at the time he was so inducted. Such Player must be "tried out" and, notwithstanding the provision of Section 6.02 of these By-Laws governing the maximum number of Players that may be carried on an Active List, may participate in Exhibition, Regular Season, and Playoff Games. If such a returning Player requests re-employment on or after February 15, he must similarly be tendered a contract and "tried out" and, notwithstanding the provision in said Section 6.02 of these By-Laws, may participate in Exhibition and Regular Season Games but may not participate in Playoff Games.

(d) The provisions of this Section 6.09 shall also apply to returning servicemen not previously under contract with a Member; provided, however, that no more than two (2) such Players may be "tried out" by a Member at any one time.

(e) A Player who has played in any Regular Season Game or Playoff Game while in the Armed Services and who, upon his release from the Armed Services, is entitled to employment or re-employment pursuant to the provisions of subsections (c) and (d) hereof must, notwithstanding the provisions of those subsections, be included in determining the maximum number of Players on the Member's Active List provided for in Section 6.02 of these By-Laws.

6.10. *Effect of Waiver on Player Lists.* A Player with respect to whom a request for waiver has been made will be removed, immediately upon receipt of such request by the Commissioner or the Commissioner's designee, from the Member's Player Lists.

SECTION 7

NBA DRAFT

7.01. *Draft Date.* The annual Draft of prospective NBA basketball players shall be held on a date to be fixed by the Commissioner.

7.02. *Draft Preferences and Choosing Players.* Draft choices shall be made as follows:

(a) For the first round of the NBA Draft, each Team shall make one selection to be determined as follows:

(i) There shall be a drawing among the thirteen (13) Teams that do not participate in the Playoffs in the preceding Season (the "Lottery Teams") to determine the first three (3) selections. Such drawing shall be made on the basis of 1,000 total chances, with each participating Team assigned the following number of chances out of 1,000 (Team 1 having had the worst record during the Regular Season and Team 13 having had the best record among Lottery Teams during the Regular Season):

Team 1:	250
Team 2:	200
Team 3:	157
Team 4:	120
Team 5:	89
Team 6:	64
Team 7:	44
Team 8:	29

Team 9:	18
Team 10:	11
Team 11:	7
Team 12:	6
Team 13:	5

The Commissioner shall determine the appropriate procedure for breaking ties;

(ii) The remaining Teams that did not qualify to participate in the Playoffs in the preceding Season shall then select, in inverse order of their consolidated standings at the end of the preceding Season; and

(iii) The Teams that participate in the Playoffs shall then select, in inverse order of their consolidated standings at the end of the preceding Season. The foregoing shall afford each Team one selection.

(b) In the second round of the NBA Draft, draft choices shall be made in inverse order of the consolidated standings of all Teams at the close of the preceding Season, one selection at a time.

(c) If any Teams are tied on a percentage basis, then priority in selection as between such Teams is to be established on the basis of a drawing among the Teams involved, except that if the tied Teams are Lottery Teams, priority in selection may be determined by the Lottery. As between the Teams participating in any such drawing, the winner shall have the right to the earliest selection in the first round of the Draft, followed by the other tied Teams participating in the drawing, in accordance with the results of the drawing. In the second round of the Draft, if only two Teams are tied, the tied

Teams shall reverse the order in which they selected in the first round; if more than two Teams are tied, then, as among the tied teams, each tied Team shall select one position earlier than it selected in the first round, except that the tied Team that selected earliest in the first round shall, among the tied Teams, select latest in the second round.

(d) A Member that has drafted a Player in the NBA Draft shall have such rights to negotiate with and sign such Player consistent with the rules and regulations that may be adopted from time to time by the Board of Governors and/or with provisions of any collective bargaining agreement(s) entered into by the Association.

7.03. *Persons Eligible for Draft.* The following classes of persons shall be eligible for the annual Draft:

(a) Students in four-year colleges whose classes are to be graduated during the June of or following the holding of the Draft.

(b) Students in four-year colleges whose original classes have already been graduated, who indicate that they do not choose to exercise remaining collegiate basketball eligibility by renouncing such remaining eligibility by Written Notice to the Association at least forty-five (45) days prior to the Draft for which the student desires to become eligible.

(c) Students in four-year colleges whose original classes have already been graduated if such students have no remaining collegiate basketball eligibility.

(d) Persons who become eligible pursuant to the provisions of Section 2.05 of these By-Laws.

(e) (i) Any Foreign Player who has his twenty-second (22nd) birthday during the calendar year in which the Draft is held.

(ii) Any Foreign Player who is at least eighteen (18) years old, who has not exercised collegiate basketball eligibility in the United States, and who expresses his desire to become eligible to be selected in the next Draft by Written Notice to the Association at least forty-five (45) days prior to such Draft.

7.04. *First Round Draft Choice.* No Member may sell its rights to select a player in the first round of any NBA Draft for cash or its equivalent, or trade or exchange its right to select a player in the first round of any NBA Draft if the result of such trade or exchange may be to leave the Member without first-round picks in any two (2) consecutive future NBA Drafts.

7.05. *Contact with Prospective Draftees.*

(a) Prior to the annual NBA Draft, Members may have preliminary discussions with players eligible for the Draft, but may not discuss the matter of compensation.

(b) Members may not, directly or indirectly, have or engage in, or attempt to have or engage in, any discussions, communications, or contacts whatsoever with any player who has remaining intercollegiate basketball eligibility or is otherwise ineligible to be selected in an upcoming Draft; provided, however, that the foregoing shall not apply to discussions, communications, or contacts between a Member and any player who was previously eligible to be selected in an NBA Draft.

7.06. *Additional Rules Concerning Draft.* The Board of Governors shall, from time to time, be free to adopt such additional rules and regulations regarding the annual Draft as it shall determine. Such rules and regulations shall not be inconsistent with the Constitution and By-Laws.

SECTION 8

MISCELLANEOUS PROVISIONS

8.01. *Exhibition Games.* No Member may participate in an Exhibition, charity, or all-star Game during the Season without the approval of a majority of the Board of Governors.

8.02. *Regular Season Game.* No Member shall be required, without its consent, to participate as the visiting Team in any Regular Season Game to be played in any city in which the home Team does not have exclusive rights as provided in this Constitution and By-Laws.

8.03. *Television and Gate Receipts.*

(a) The revenues derived from network, national, and international television contracts shall be shared equally among the Members of this Association. No Member shall pledge, lien, or otherwise hypothecate more than eighty-five percent (85%) of its share of the revenue derived from such television contracts. Each Member shall grant to the Association a first priority security interest in the remaining 15% of its share of revenues from network, national, or international television contracts and shall execute all documents and take all actions requested by the Commissioner in connection with the creation and perfection of this security interest.

(b) The visiting Team shall not be entitled to any portion of the gate receipts derived from any Regular Season Game.

8.04. *Protection for Referees.*

(a) Each Member shall provide at its arena a separate dressing room for the exclusive use of the Referees, and shall take all steps necessary to insure that no person, without the permission of the Referees, gains access to such dressing room.

(b) No person affiliated with any Member shall enter such dressing room except with the permission of the Referees.

(c) Each Member shall provide at its building adequate police protection for the Referees.

(d) A Member failing to comply with the provisions of Subsections (a) or (c) and any person affiliated with any Member contravening the provision of Subsection (b) shall be liable to a fine not exceeding $10,000 to be imposed by the Commissioner.

(e) All Referees shall report any breach of this Section to the Commissioner.

SECTION 9

TELEVISION CONTRACT TERMS

9.01. *Mandatory Television Contract Terms.* All contracts entered into by any Member of the Association for the telecasting of any of its games by any means whatsoever shall contain provisions:

(a) Reserving to the Association the copyright in all games telecast; and

(b) Rendering such contracts subject to (i) the Constitution and By-Laws and all other rules, regulations, and resolutions of the Association as they presently exist and as they may from time to time be amended or modified; (ii) the terms of any existing or future contracts entered into by the Association for the telecasting of basketball games; and (iii) the approval of the Commissioner of the Association, with whom all contracts must be filed within ten (10) days of their execution, and who may disapprove such contracts, thereby rendering them null and void, only on the ground that they fail to comply with the requirements of this Section 9.

SECTION 10

RADIO CONTRACT TERMS

10.01. *Mandatory Radio Contract Terms.* All contracts entered into by any Member of the Association for the broadcasting of any of its games by radio shall contain provisions:

(a) Reserving to the Association the copyright in all games broadcast; and

(b) Rendering such contracts subject to (i) the Constitution and By-Laws and all other rules, regulations, and resolutions of the Association as they presently exist and as they may from time to time be amended or modified; (ii) the terms of any existing or future contracts entered into by the Association for the broadcasting of basketball games; and (iii) the approval of the Commissioner of the Association, with whom all contracts must be filed within ten (10) days of their execution, and who may disapprove such contracts, thereby rendering them null and void, only on the ground that they fail to comply with the requirements of this Section 10.