

Use of the Second Round Pick Exception for Trade Flexibility

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Proposed Strategy

- By signing players via the Second Round Pick Exception (SRPE) to **above-minimum contracts** with **non-guaranteed future salary**, waiting 30 days, and aggregating those contracts in trade, teams can effectively **bypass minimum salary aggregation restrictions**.
 - This creates an **off-the-books pool of tradeable salary** that can be activated when needed to facilitate transactions and **inflate outgoing salary in trade**.
- Rationale:
 - Teams may use the SRPE to sign **any second-round pick whose draft rights they hold**, including long-held or draft-and-stash players.
 - Contracts signed via the SRPE **do not require cap space or use of other exceptions**.
 - SRPE contracts can be signed for multiple years for **non-guaranteed future salary**.
 - SRPE contracts become **trade-eligible 30 days after signing** and can be **aggregated with other salaries** in a deal (if above the minimum).
 - Can be used to **avoid First Apron hard cap** and meet salary matching requirements in trade.

Rule Foundations

- Second Round Pick Exception

- A team that holds the draft rights to a Second Round Pick may use the Second Round Pick Exception to sign such a player to a Player Contract in accordance with the below. *Article VII, Section 6(k)*.
- From July 1 through July 30, if a Team signs a Player Contract pursuant to the Second Round Pick Exception, such Contract will not be included in Team Salary until July 31 of such Salary Cap Year. *Article VII, Section 4(l)*.

- SRPE Contract Structure

- Term must be either (i) two seasons with an option in favor of the Team for a third season, or (ii) three seasons with an option in favor of the Team for a fourth season. *Article VII, Section 6(k)*.
- Must provide for the following:

Contract Duration	Year 1 Salary	Year 2 Salary	Year 3 Salary	Year 4 Salary
2 years + team option	Up to minimum for 1 YoS	Applicable minimum salary	Applicable minimum salary	N/A
3 years + team option	Up to minimum for 2 YoS	Up to "Year 2" minimum for 2 YoS	Applicable minimum salary	Applicable minimum salary

- Aggregation Limitations

- Other than during the period from December 15 through the trade deadline each Season, if a Team is aggregating the Contracts of 3 or more players in a trade, and the number of Contracts being aggregated exceeds the number of Replacement players, then no more than one "Minimum Contract" may be among the aggregated Contracts. *Article VII, Section 6(j)(4)(ii)*.
- A "Minimum Contract" is a Contract that provides for a player's Minimum Player Salary in the year in which the trade occurs (or the following year if trade occurs following the regular season). *Article VII, Section 6(j)(4)(ii)*.

- Trade Timing

- No Draft Rookie who signs a Standard NBA Contract or player who signs a Two-Way Contract may be traded before thirty days following the date on which the Contract is signed. *Article VII, Section 8(d)(i)*.

Sample Contract Structures

- SRPE contracts should meet the following criteria for this strategy:
 - CBA Compliant. Must follow the structural requirements of Article VII, Section 6(k).
 - Above-Minimum Year 1 Salary. Year 1 compensation must exceed the player's applicable minimum salary to bypass the minimum contract aggregation rule.
 - Minimal Guaranteed Future Salary. Future years should be non-guaranteed to ensure trade flexibility and limit long-term cap exposure.

- **3-Year Structure (for 2025-26 Season):**

Contract Duration	Year 1 Salary	Year 2 Salary	Year 3 Salary
2 years + team option	\$2,048,491	\$2,253,341 (non-guaranteed)	\$2,778,488 (non-guaranteed; Team Option)

- **4-Year Structure (for 2025-26 Season):**

Contract Duration	Year 1 Salary	Year 2 Salary	Year 3 Salary	Year 4 Salary
3 years + team option	\$2,296,271	\$2,525,899 (non-guaranteed)	\$2,778,488 (non-guaranteed)	\$3,116,272 (non-guaranteed; Team Option)

Logistical Considerations

- 30-Day Waiting Period. Rookies signed to Standard Contracts must be under contract for 30 days before becoming trade eligible. This presents a significant, but not insurmountable, timing restriction that requires advance planning and alignment with potential trade partners.
 - *See, for example, the 2014 Andrew Wiggins trade.*
- Roster Spot Management. During the offseason, Teams may carry up to 21 players. By opening night, this must be reduced to 15 standard contracts. Teams must ensure they, and their prospective trade partner, have sufficient roster space to execute and hold SRPE contracts.
- Agent/Player Cooperation. The SRPE-signing players and agents must cooperate with the proposed structure. While some players may welcome the short-term financial upside, others may resist for various reasons. Holding the rights to multiple stash players helps mitigate this risk.
- Apron Considerations. This trade strategy requires aggregating contracts, which hard-caps a Team at the Second Apron Level.

Use of Draft-and-Stash Players

- **Benefits**

- Long-Term Asset Control. Teams often already hold draft rights across multiple years. Draft-and-stash prospects allow a Team to maximize the possible window of using this strategy.
- Low Resistance. Players are typically content to remain overseas, reducing the resistance to temporary strategic use.
- No Cap Impact Until Activation. There is no associated cap cost with holding the draft rights to players overseas. This allows a Team to hold the rights to multiple players over multiple years at no cost (other than the opportunity cost of another second-round selection).
- NIL Impact on Second Round Draft Pool. With more college players staying in school due to NIL, the 2025 draft pool is relatively shallow. This lessens the opportunity cost of using second-round picks on draft-and-stash prospects.

- **Drawbacks**

- FIBA Letter of Clearance. To sign a player currently under contract in a FIBA-affiliated league, the team must obtain a Letter of Clearance (LOC). This can be a relatively slow process, even with cooperation. There is also an additional LOC needed for the player to return to the FIBA-affiliated league.
- Waiver Period. NBA rules require a 48-hour waiver window after a player is waived, further delaying the player's return to his FIBA-affiliated league.
- European Season Timing. Depending on the trade timing, international clubs may resist mid-season disruption to facilitate trade.

Hypothetical Case Study: New York Knicks

- **Scenario:**
 - Trade Target:
 - Nikola Vucevic (\$21,481,481)
 - Outgoing Salary:
 - Mitchell Robinson (\$12,954,546)
 - Pacome Dadiet (\$2,847,600)
 - Salary Differential:
 - \$5,679,335
- **Challenge:**
 - NYK projected above the First Apron in 2025-26.
 - Cannot receive more than 100% of outgoing salary.
- **Solution:**
 - NYK to sign three of the second-round selections for which it holds the draft rights* (see table to right) to SRPE contracts to make up the differential.
 - Wait 30 days after signing (until July 31 at the earliest).
 - Aggregate SRPE contracts in trade to CHI.

Player	Selection
James Nnaji	2.01 (2023)
Hugo Besson	2.28 (2022)
Rokas Jokubaitis	2.04 (2021)
Ognjen Jaramaz	2.28 (2017)
Zhelin Wang	2.27 (2016)
Juan Vaulet	2.09 (2015)
Nikola Radicevic	2.27 (2015)
Bojan Dubljevic	2.29 (2013)
Sergio Llull	2.04 (2009)
Emir Preldzic	2.27 (2009)
Tadija Dragicevic	2.23 (2008)
Brad Newley	2.24 (2007)
Axel Hervelle	2.22 (2005)

**via RealGM*

Hypothetical Case Study: New York Knicks

- **SRPE Contract Structure:**
 - Year 1 salary above the rookie minimum of \$1,272,869.
 - Total guaranteed Year 1 salary of \$5,679,335 (exact offset of salary differential to avoid triggering First Apron hard cap for CHI).
 - Year 2 and 3 non-guaranteed.
- **Other Trade Notes:**
 - NYK triggers the Second Apron hard cap by aggregating salaries.
 - NYK can include cash to offset the cost of CHI waiving these players and paying the guaranteed salaries (also triggers Second Apron hard cap).
 - Draft capital may also be included.

James Nnaji	Year 1 Salary	Year 2 Salary	Year 3 Salary
2 years + team option	\$1,893,112	\$2,253,341 <i>(non-guaranteed)</i>	\$2,778,488 <i>(non-guaranteed; Team Option)</i>

Hugo Besson	Year 1 Salary	Year 2 Salary	Year 3 Salary
2 years + team option	\$1,893,112	\$2,253,341 <i>(non-guaranteed)</i>	\$2,778,488 <i>(non-guaranteed; Team Option)</i>

Rokas Jokubaitis	Year 1 Salary	Year 2 Salary	Year 3 Salary
2 years + team option	\$1,893,111	\$2,253,341 <i>(non-guaranteed)</i>	\$2,778,488 <i>(non-guaranteed; Team Option)</i>

NEW YORK	CHICAGO
Mitchell Robinson (\$12,954,546)	Nikola Vucevic (\$21,481,481)
Pacome Dadiet (\$2,847,600)	
James Nnaji (\$1,893,112)	
Hugo Besson (\$1,893,112)	
Rokas Jokubaitis (\$1,893,111)	
[Cash]	