Trust Issues: Did the Clippers' Leonard's Aspiration Deal Skirt the NBA Salary Cap?

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As a trust and estates attorney for professional athletes, I was shocked when news broke that fintech start-up Aspiration owed the LA Clippers small forward, Kawhi Leonard's personal LLC millions of dollars heading into its bankruptcy. At first glance, it sounded like a straightforward endorsement dispute. However, buried in the otherwise mundane bankruptcy filings was a "companion trust," another name for an LLC, one that I have drafted for clients, but which has certainly raised some questions. The biggest question of all was whether the LLC was just a conduit for the Clippers' clumsy attempt to boost Leonard's income outside the NBA's salary cap?

The Players and the Paperwork

Aspiration was founded as a banking platform invested heavily in by Clippers owner, Steve Ballmer. Leonard, a talented 10-year veteran, was already paid well by the Clippers on a max contract with the team. Then in 2022, he signed a four-year, $28 million "endorsement" deal through his personal limited liability company called KL2 Aspire. According to bankruptcy records, a "companion trust," namely Leonard's personal LLC, was set up to receive payments from Aspiration. That trust reportedly included a clause voiding the deal made with Leonard and any future payments if Leonard left [1]the Clippers.

It should be noted that I draft LLCs and trusts for players all of the time; both can be an integral part of a properly drafted estate plan. Athletes, like all my clients, use trusts and LLCs for probate avoidance, creditor protection, privacy, and tax efficiency. In Leonard's case, it seems that the LLC was instead drafted to function as a private channel to funnel money received from a company partly funded by the Clippers' owner into a vehicle controlled by Leonard. The contract then tied the payments specifically to Leonard's role with the Clippers[2].

Why It Matters Under NBA Rules

The NBA's collective bargaining agreement forbids "salary-cap circumvention": a team is prohibited from channeling extra compensation to a player under the guise of a third-party deal. The use of a trust or an LLC to marshal assets or income does not change that rule. If the pay by a third party is well above market value for actual promotional work expected of the athlete, or contingent upon staying with the team, it still fits the bill as "compensation" and therefore a violation.

It seems there is no evidence that Leonard performed any promotional duties that one would expect of a professional athlete paid millions of dollars. According to podcast host and journalist Pablo Torre, former Aspiration employees have said the marketing component was minimal. Despite the lack of service provided by Leonard, so far, the Clippers and Ballmer have denied any involvement with the generous arrangement. However, the combination of Ballmer's hefty investment, reportedly in the tens of millions, the team-service clause, and the LLC's transfers, provides the NBA with plenty to investigate.

To be clear, the question is not whether the use of LLCs and trusts to hold players' assets, or even income, is legal—they are

—but whether this one was used as a poorly drafted device to *mask* Leonard's compensation as an end-run around the cap rules. If investigators find that the LLC collected "endorsement" distributions meant to keep Leonard in Los Angeles playing for the Clippers, the repercussions will be steep, resulting in hefty fines, loss of draft picks, or perhaps even voided contracts.

Until the league finishes its review, the Aspiration deal and Leonard's LLC remain a cautionary tale to all in the professional sports world and their lawyers. Estate-planning tools like LLCs and trusts are perfectly legitimate and appropriate, but when the use of these documents intersects with team ownership and conditional contracts, these documents may look less like tools in a properly drafted estate plan and more like an end-run around the salary cap.

[1] Report - Kawhi Leonard paid after Clippers partner's investment - ESPN

[2] Kawhi Leonard situation explained as NBA investigates Clippers