

**MODIFICATION NO. 2 TO  
2011 LEASE AND USE AGREEMENT NO. L10-0081  
SAN FRANCISCO INTERNATIONAL AIRPORT**

**CATHAY PACIFIC AIRWAYS LIMITED**

THIS MODIFICATION NO. 2 TO LEASE AND USE AGREEMENT NO. L10-0081 (this “**Modification**”) dated as of \_\_\_\_\_, is entered into by and between the City and County of San Francisco (“**City**”), acting by and through its Airport Commission (“**Commission**”), and Cathay Pacific Airways Limited, a Hong Kong corporation (“**Airline**”).

**Recitals**

A. The City owns San Francisco International Airport (the “**Airport**”) located in the County of San Mateo, State of California, which Airport is operated by and through the Commission, the chief executive officer of which is the Airport Director.

B. The Commission has the legal responsibility for the management, supervision, operation, use, maintenance, extension, construction, and control of the Airport’s terminals.

C. The Commission has the legal responsibility for the management, supervision, operation, use, maintenance, extension, construction, and control of the Airport’s terminals.

D. Pursuant to Commission Resolution No. 10-0081 and Board of Supervisors Resolution No. 208-10, adopted on March 16, 2010 and May 11, 2010, respectively, Airline became a signatory to the 2011 Lease and Use Agreement under Lease No. L10-0081 under which, effective July 1, 2011, Airline commenced a ten-year leasehold with the City for operating rights and occupancy of certain premises located in the International Terminal at the Airport (the “**Agreement**”).

E. Pursuant to Commission Resolution No. 11-0134, adopted on June 7, 2011, Airline expanded its leasehold space with the addition of approximately 5,664 square feet of Category II Exclusive Use Space to develop a premium class lounge in Boarding Area “A” in the International Terminal.

F. Airline now desires to modify the Agreement to add approximately 3,790 square feet of additional Category II Exclusive Use Space to expand its current premium class lounge in the International Terminal.

G. City and Airline now desire to modify the terms of the Agreement to reflect the addition of approximately 3,790 square feet of Exclusive Use Space located in the International Terminal.

NOW THEREFORE, in consideration of the foregoing and of the mutual covenants set forth herein, and other good and valuable consideration, receipt of which is hereby acknowledged, the parties do mutually agree as follows:

**1. Effective Date; Defined Terms.**

(a) The effective date (the “**Effective Date**”) of this Modification shall be \_\_\_\_\_, 2015, conditioned upon the following conditions: (1) the Airport Commission and Board of Supervisors shall have approved this Modification; and (2) both parties have executed this Modification.

(b) Airline shall take possession of Room Nos. I.4.053 and I.4.054, following Commission and Board of Supervisors approval of this Modification and a date agreed to by City, currently expected to occur on or around \_\_\_\_\_, as well as approximately 25 square feet in close proximity to its current lounge that accommodates a water heater installed by Cathay Pacific.

(c) Capitalized terms not defined herein shall have the meanings given them in the Agreement.

**2.** Airline’s International Terminal Joint Use Space remains unchanged, as defined in Article 1 and Exhibit D of the Agreement.

**3.** From and after the Effective Date, Airline’s International Terminal Exclusive Use Space, as defined in the Agreement, including in Article 1 and Exhibit D, is modified as follows:

(a) Addition of approximately 3,790 square feet of Category II Exclusive Use Space, further described as VIP Clubs and Lounges, consisting of Room No. I.4.053 and I.4.054, located in the International Terminal.

(b) Addition of approximately 25 square feet of Category II Exclusive Use space, further described as Other Enclosed Space Departure Level and above, which accommodates a water heater installed by Cathay Pacific.

**4.** From and after the Effective Date, Exhibit D of the Agreement is deleted in its entirety and replaced with Exhibit D, dated October 1, 2014, reflecting certain Exclusive Use Space including Airport Drawings as follows:

- a) Maintain Airport Drawing No. CXIT5E, dated July 1, 2011;
- b) Remove Airport Drawing No. CXIT4 dated March 24,2011; and
- c) Add Airport Drawing No. IT4CX, dated October 1, 2014, incorporated herein and attached hereto.

**5.** From and after the Effective Date, Airline’s Exclusive Use Space shall consist of the following:

| Type  | Exclusive Use Space Type | Square Feet |
|---|--------------------------|-------------|
| Airline Administrative Office, 3 <sup>rd</sup> Floor+ | II                       | 2,616       |

| Type   | Exclusive Use Space Type | Square Feet |
|--|--------------------------|-------------|
| VIP Clubs and Lounges                          | II                       | 9,429       |
| Other Enclosed Space Departure Level and above | II                       | 2,641       |

**6. Local Hire.** Airline’s construction activities are subject to the San Francisco Local Hiring Policy for Construction (“**Local Hire Policy**”) (San Francisco Administrative Code Section 6.22(G)) unless the construction activities are undertaken and contracted for by Airline and are estimated to cost less than \$750,000 per building permit or meet any of the other exemptions in San Francisco Administrative Code Section 6.22(G). Accordingly, Airline, as a condition of the Agreement, agrees that, unless subject to an exemption or conditional waiver, Airline shall comply with the obligations in San Francisco Administrative Code Section 6.22(G) and shall require Airline’s subtenants to comply with such obligations to the extent applicable. Before starting any work subject to this Section, Airline shall contact the City’s Office of Economic Workforce and Development (“**OEWD**”) to verify the Local Hire Policy requirements that apply to that work and shall comply with all such requirements. Airline’s failure to comply with the obligations in this Section shall constitute a material breach of the Agreement and may subject Airline to the consequences of noncompliance specified in the Local Hire Policy, including but not limited to penalties.

A. For each contractor and subcontractor performing improvements in amounts exceeding the “Threshold Amount” for a “Covered Project” (as such terms are as defined in the Local Hire Policy), Airline shall comply with the applicable mandatory participation levels for Project Work Hours performed by Local Residents, Disadvantaged Workers, and Apprentices set forth in Administrative Code Section 6.22(G)(4).

B. For Covered Projects estimated to cost more than \$1,000,000, prior to commencement of any work subject to the Local Hire Policy, Airline shall prepare and submit to City and OEWD for approval a “local hiring plan” for the project in accordance with Administrative Code Section 6.22(G)(6)(a).

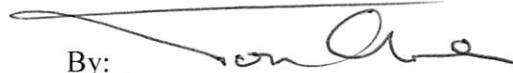
C. Airline shall comply with applicable recordkeeping and reporting requirements and shall cooperate in City inspections and audits for compliance with the Local Hire Policy, including allowing access to employees of its contractors and subcontractors and other witnesses at the Demised Premises.

D. Airline agrees that (i) Airline shall comply with all applicable requirements of the Local Hire Policy; (ii) the provisions of the Local Hire Policy are reasonable and achievable by Airline; and (iii) Airline has had a full and fair opportunity to review and understand the terms of the Local Hire Policy.

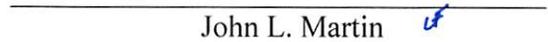
**7. Full Force and Effect.** As modified hereby, each and every one of the terms, conditions, and covenants in the Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement in duplicate by their duly authorized officers the day and year first hereinabove written.

AIRLINE: CATHAY PACIFIC AIRWAYS LIMITED,  
a Hong Kong corporation

By:   
Tom Owen  
Senior Vice President

CITY: CITY AND COUNTY OF SAN FRANCISCO,  
a municipal corporation,  
acting by and through its Airport Commission

  
John L. Martin  
Airport Director

AUTHORIZED BY AIRPORT COMMISSION

Resolution No. 15-0035  
Adopted: February 3, 2015

Attest: \_\_\_\_\_  
Secretary  
Airport Commission

APPROVED AS TO FORM:  
DENNIS J. HERRERA, City Attorney

By:   
Luke W. Bowman  
Deputy City Attorney

## EXHIBIT D

### DESCRIPTION OF DEMISED PREMISES AND SPACE DRAWINGS

Revised \_\_\_\_\_

The Demised Premises consist of the following, pursuant to Modification No. 2, dated \_\_\_\_\_.

**EXCLUSIVE USE SPACE**, as more particularly described on Airport Drawings Numbers specified on the List of Drawings attached hereto.

| Type   | Terminal | Category | Square Feet |
|--|----------|----------|-------------|
| Ticket Counters  |          | I        | 0           |
| Other Category I   |          | I        | 0           |
| Airline Ticket Office (ATO)  |          | II       | 0           |
| VIP Clubs and Lounges  | IT       | II       | 9,429       |
| Other Enclosed Space Departure Level and above                     | IT       | II       | 2,641       |
| Baggage Claim Lobbies  |          | II       | 0           |
| Baggage Service Offices  |          | II       | 0           |
| Curbside Check-in  |          | II       | 0           |
| Other Enclosed Space, Arrivals Level and below                     |          | III      | 0           |
| Inbound/Outbound Baggage Handling Areas and Baggage Transfer Areas |          | IV       | 0           |
| Equipment Rooms  |          | IV       | 0           |
| Unenclosed or Covered Area - Ramp Level                            |          | V        | 0           |

**JOINT USE SPACE**, as more particularly described on Airport Drawings Numbers specified on the List of Drawings attached hereto.

| Type   | Terminal | Category*<br>(J/U type) | Square Feet |
|--|----------|-------------------------|-------------|
| Ticket Counter                               |          | I (e)                   | 18,769      |
| Holdroom                                     |          | I (e)                   | 119,598     |
| Other Common Use, Level 1 & 3+               |          | II (d)                  | 544         |
| Baggage Claim/FIS                            |          | II (d)                  | 205,711     |
| Domestic Baggage Claim                       |          | II (t)                  | 8,052       |
| Other Enclosed Common Use, Level 2 and below |          | III (t)                 | 12,025      |
| Outbound Baggage Makeup                      |          | IV (d)                  | 138,826     |
| Inbound Baggage Makeup                       |          | IV (e)                  | 126,574     |
| Other Unenclosed Space                       |          | V (t)                   | 1,888       |

\* The Category references are utilized in the Joint Use Formulas, as follows: (e): enplaned / (d): deplaned / (t): total.

**PREFERENTIAL USE GATES**, as more particularly described on Airport Drawing Numbers specified on the List of Drawings attached hereto.

The Gates are allocated to Airline on a Preferential Use basis as of the Effective Date, subject to annual reallocation as provided in Article 3.

Exhibit D

## LIST OF DRAWINGS

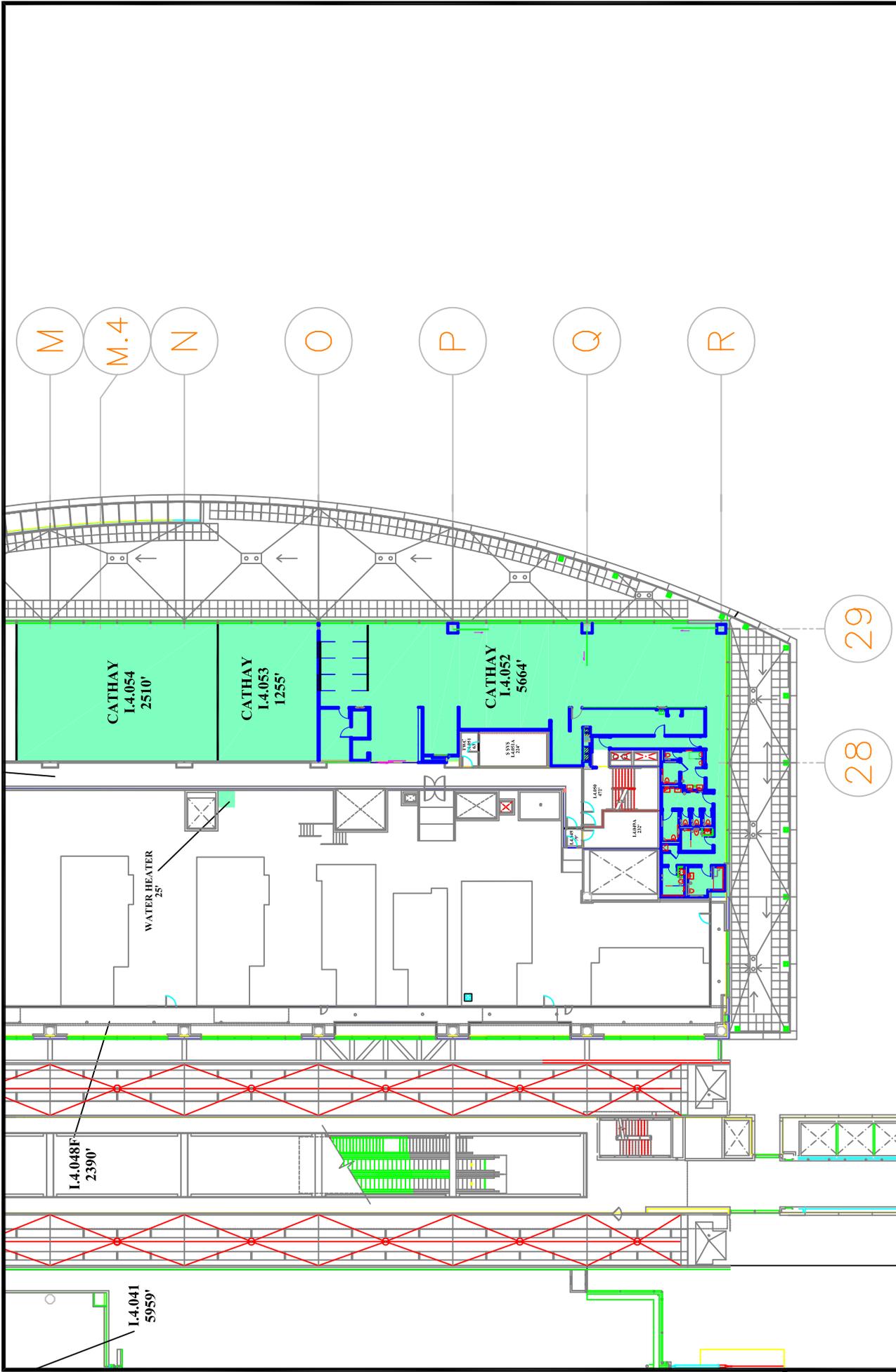
| <b><u>EXCLUSIVE USE SPACE</u></b> |                   | <b><u>Drawing No</u></b> | <b><u>Dated</u></b> |
|-----------------------------------|-------------------|--------------------------|---------------------|
| CAT II, Room I.5.06               | 1,713 square feet | CXIT5E                   | July 1, 2011        |
| CAT II, Room I.5.061Z             | 391 square feet   | CXIT5E                   | July 1, 2011        |
| CAT II, Room I.5.075B             | 1,512 square feet | CXIT5E                   | July 1, 2011        |
| CAT II, Room I.4.052              | 5,664 square feet | IT4CX                    | October 1, 2014     |
| CAT II, Room I.4.053              | 1,255 square feet | IT4CX                    | October 1, 2014     |
| CAT II, Room I.4.054              | 2,510 square feet | IT4CX                    | October 1, 2014     |
| CAT II, Water Heater Enclosure    | 25 square feet    | IT4CX                    | October 1, 2014     |

| <b><u>JOINT USE SPACE</u></b>                    | <b><u>Drawing No.</u></b> | <b><u>Dated</u></b> |
|--|---------------------------|---------------------|
| International Terminal, 1 <sup>st</sup> Floor    | IT1JT                     | July 1, 2011        |
| International Terminal, 2 <sup>nd</sup> Floor    | IT2JT                     | July 1, 2011        |
| International Terminal, 3 <sup>rd</sup> Floor    | IT3JT                     | July 1, 2011        |
| Boarding Area A, 1 <sup>st</sup> Floor           | BAA1JT                    | July 1, 2011        |
| Boarding Area A, 2 <sup>nd</sup> Floor           | BAA2JT                    | July 1, 2011        |
| Boarding Area A, 2 <sup>nd</sup> Floor Mezzanine | BAA2MJT                   | July 1, 2011        |
| Boarding Area A, 3 <sup>rd</sup> Floor           | BAA3JT                    | July 1, 2011        |
| Boarding Area G, 1 <sup>st</sup> Floor           | BAG1JT                    | July 1, 2011        |
| Boarding Area G, 2 <sup>nd</sup> Floor           | BAG2JT                    | July 1, 2011        |
| Boarding Area G, 3 <sup>rd</sup> Floor           | BAG3JT                    | July 1, 2011        |

### **PREFERENTIAL USE SPACE**

For future determination.

Exhibit D



| LEASE DRAWING  |  | ROOM NUMBER  | AREA   | CAT |
|--|--|--------------|--------|-----|
| <b>LOCATION:</b> INTERNATIONAL TERMINAL, LEVEL 4<br><b>TENANT:</b> CATHAY PACIFIC AIRPORTS COMMISSION<br><b>CITY &amp; COUNTY OF SAN FRANCISCO</b><br><b>SAN FRANCISCO INTERNATIONAL AIRPORT</b> |  | I.4.052      | 5,664' | 2   |
|  |  | I.4.053      | 1,255' | 2   |
|  |  | I.4.054      | 2,510' | 2   |
|  |  | WATER HEATER | 25'    | 2   |
|  |  |              |        |     |
|  |  |              |        |     |

