

**MEMORANDUM OF  
UNDERSTANDING**

relating to the making of

**THE NEW AVATAR FILMS**

**Her Majesty the Queen in right of New Zealand**

**Lightstorm Entertainment Inc.**

**Twentieth Century Fox Film Corporation**

## MEMORANDUM OF UNDERSTANDING

relating to the making of

### THE NEW AVATAR FILMS

#### BETWEEN:

1. Her Majesty the Queen in right of New Zealand acting by and through the Minister for Economic Development, the Hon. Steven Joyce, and the Minister for Arts, Culture and Heritage, the Hon. Christopher Finlayson (the “**Crown**”);
2. Lightstorm Entertainment Inc. acting by and through its principal officers, James Cameron and Jon Landau (“**Lightstorm**”); and
3. Twentieth Century Fox Film Corporation, its subsidiaries and its affiliates (“**20<sup>th</sup> Century Fox**”).

#### BACKGROUND:

- A. Lightstorm and 20<sup>th</sup> Century Fox have announced their intention to make at least three further Avatar feature films with approximate release dates after December 2016 (the “**New Avatar Films**”).
- B. The Crown, Lightstorm and 20<sup>th</sup> Century Fox are entering into this Memorandum to set out their good faith understandings, agreed actions and intentions, as between one another, regarding the production of the New Avatar Films in New Zealand.
- C. The Crown has recently changed its screen production incentives for international productions. The baseline is a rebate of 20% of Qualifying New Zealand Production Expenditure (“**QNZPE**”) with provision for an additional 5% rebate where the Crown is satisfied that international production(s) will bring significant additional economic benefits to New Zealand. This Memorandum specifically focuses on the activities Lightstorm and 20<sup>th</sup> Century Fox will undertake to qualify for the additional 5% rebate.
- D. Lightstorm and 20<sup>th</sup> Century Fox will work with the Crown to help the New Zealand screen sector grow and thrive, for international and local productions, with a view to enhancing New Zealand’s broader economic and cultural interests.
- E. The parties recognise that at this stage of development, it is not possible to identify all of the opportunities which might arise from the New Avatar Films being produced in New Zealand. Therefore, they agree to be open to exploring emerging opportunities consistent with the spirit of this Memorandum as set forth in Schedule 1.

## **IT IS AGREED:**

1. Provided that the New Avatar Films fulfil the following requirements set out in this Memorandum in clauses 1.1 to 1.10 below, the New Avatar Films will qualify for an additional rebate of 5% of QNZPE, taking the total rebate available to the New Avatar Films to 25% of QNZPE.
  - 1.1 A minimum of NZ\$500m of QNZPE will be spent in New Zealand.
  - 1.2 QNZPE for the New Avatar Films will include 100% of the in going schedule of live action principal photography, subject to New Zealand having the capacity and capability to meet the production's requirements including timing, budget and logistics associated with the New Avatar Films, with the understanding that some reshoots during post-production may occur elsewhere.
  - 1.3 QNZPE will include at least 90% of visual effects including character animation (VFX), subject to New Zealand having the capacity and capability to meet the production's requirements including the quality of work, timing, budget and logistics of the production of the New Avatar Films.
  - 1.4 QNZPE will also include the post-production mixing for at least one of the New Avatar Films, subject to New Zealand having the capacity and capability to meet the production's requirements including the quality of work, timing, budget and logistics of the production of the New Avatar Films.
  - 1.5 The New Avatar Films will provide employment and skill development opportunities for New Zealanders. Lightstorm intends to employ New Zealanders in numerous key heads of department (HOD) roles and will also consider New Zealanders in supporting cast and other roles. It is anticipated that approximately 90% of the live action crew will be New Zealanders.
  - 1.6 James Cameron and Jon Landau will serve as founding members of a new screen advisory board established to promote a thriving New Zealand screen sector for a period of at least 5 years (subject to reasons precluding their service as a result of force majeure and illness).
  - 1.7 Lightstorm and/or 20<sup>th</sup> Century Fox will provide a paid one-year internship programme for New Zealanders on each of the films in key production departments, e.g. editing, VFX, art direction, production or other, estimated to be 6 positions.
  - 1.8 An official Red Carpet premiere and after-party for at least one of the New Avatar Films will be held in New Zealand (including attendance in person by some key cast and crew – subject to professional availability).
  - 1.9 A chapter on filming in, and other aspects of, New Zealand on DVDs and Blu-rays of each of the New Avatar Films as long as any other "value added material" is included as part of the specific DVD/Blu-ray release in the home entertainment market.

- 1.10 Each of the New Avatar Films will include a back-end credit, including logo, commensurate with Fox's practices, acknowledging the support and co-operation of the Crown in the making of the New Avatar Films.
2. The Crown confirms it will exercise all reasonable efforts to keep the financial information, including but not limited to the budgets of the New Avatar Films, confidential.
  3. Schedule 1 sets forth other opportunities that the parties agree to use reasonable efforts to deliver through to the release of the final film of the New Avatar Films.
  4. Any public announcement concerning this Memorandum will be jointly agreed between the parties.

Signed on            December 2013

For and on behalf of the **HER MAJESTY THE  
QUEEN IN RIGHT OF NEW ZEALAND** by:

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Hon. Steven Joyce  
Minister for Economic Development

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Hon. Christopher Finlayson  
Minister for Arts, Culture and Heritage

For and on behalf of **TWENTIETH CENTURY  
FOX FILM CORPORATION**, its subsidiaries  
and its affiliates by:

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For and on behalf of **LIGHTSTORM  
ENTERTAINMENT INC.** by:

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James Cameron

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Jon Landau

## **SCHEDULE 1**

### **1. Qualifying New Zealand Production Expenditure**

20th Century Fox and Lightstorm agree to consider additional work in New Zealand in areas where key creative decisions are yet to be made (such as musical scoring), provided that there is sufficient capacity in New Zealand which meets the necessary quality standards, other production requirements including the quality of work, timing, budget and logistics of the productions. Lightstorm is willing to engage with New Zealand companies and suppliers to identify specific partnerships and vendor relationships where appropriate.

### **2. Transferring technological skills and know-how to New Zealand**

Lightstorm will work with the Crown to transfer technological skills and know-how to New Zealand. By way of example, this might include:

- (a) During the course of the production, annual lecture programmes at New Zealand tertiary education institutions on the use of technology to tell stories, including virtual/3D production; and
- (b) During the course of the production, annual “think tanks” in New Zealand (possibly in conjunction with Callaghan Innovation and/or New Zealand tertiary education institutions) with New Zealand technology companies on opportunities for them to contribute to the New Avatar Films and screen production generally.

### **3. Marketing and promotion of New Zealand interests**

From the date of this Memorandum through to the date of release of the final new Avatar film, Lightstorm and 20th Century Fox will develop with the Crown the marketing associations of the films with New Zealand’s international screen marketing and wider NZ Inc. interests, subject to standard marketing and licensing holdbacks, restrictions and practices with respect to the Avatar franchise. This to include:

- (a) a marketing plan and strategy from pre-production and throughout the duration of the films to be utilised by New Zealand through special events and through print, broadcast, social and other media and communications channels including:
  - (i) promoting New Zealand as “the place where Pandora was brought to life” or similar, with a view to maximising New Zealand’s international brand;
  - (ii) access to certain key creative, cast and crew personnel in realisation of this plan;
  - (iii) involvement of international media in realisation of this plan; and

(iv) access to appropriate content such as production footage and stills and behind-the-scenes footage and stills once such material has been made publicly available; and

(b) exploring commercial partnerships with suitable New Zealand partners.

#### **4. Opportunities for infrastructure development**

4.1 At the end of the productions, Lightstorm will provide certain equipment to help establish a virtual production stage (such as virtual cameras but excluding software and turn-key services) at a New Zealand university or other New Zealand institution.

4.2 Lightstorm and the Crown will explore advance opportunities and ways in which other infrastructure associated with the New Avatar Films could remain in or be made available to New Zealand as a legacy.

#### **5. Building our ongoing relationship and working to promote the New Zealand screen sector**

5.1 The parties will explore the potential for additional screen productions, including feature films, to come to New Zealand.

5.2 Lightstorm will work with the Crown to explore mutual interests and opportunities for New Zealand's screen and wider interests.

#### **6. Possible additional ideas for discussion**

6.1 The loan of certain props, wardrobe, behind-the-scenes footage for a temporary Avatar exhibition which showcases the underlying technology used in the New Avatar Films.

6.2 Other ideas will be developed and explored as part of the ongoing relationship that will exist between the Crown, Lightstorm and 20th Century Fox.