Dear Mr. Greenewald:

This is in response to your Freedom of Information Act (FOIA) request. Please see the selected paragraphs below for relevant information specific to your request as well as the enclosed FBI FOIPA Addendum for standard responses applicable to all requests.

Records responsive to your request have been processed. We made these records available in the FBI’s electronic FOIA Library (The Vault) on the FBI’s public website, http://vault.fbi.gov. On the right-hand side of the home page, under the heading “Vault Links” you can search for your subject alphabetically (click on “A-Z Index”), by category (click on “Categories”), or by entering text into our search engine (click on “Search Vault”). For records responsive to this request, please enter William Blatty as the search term.

The available documents represent a final Vault posting of information responsive to your FOIPA request.

Please see the selected paragraphs below for relevant information specific to your request.

☑ Additional records potentially responsive to your subject may exist. Please inform us by emailing foiaquestions@fbi.gov, faxing 540-868-4391, or standard mail if you would like the FBI to conduct a search of the indices to our Central Records System.

☐ Additional records responsive to your request were processed but are not currently available on The Vault. Please inform us if you would like to receive these records.

Please refer to the enclosed FBI FOIPA Addendum for additional standard responses applicable to your request. “Part 1” of the Addendum includes standard responses that apply to all requests. “Part 2” includes additional standard responses that apply to all requests for records about yourself or any third party individuals. “Part 3” includes general information about FBI records that you may find useful. Also enclosed is our Explanation of Exemptions.

For questions regarding our determinations, visit the www.fbi.gov/foia website under “Contact Us.” The FOIPA Request number listed above has been assigned to your request. Please use this number in all correspondence concerning your request.

You may file an appeal by writing to the Director, Office of Information Policy (OIP), United States Department of Justice, Sixth Floor, 441 G Street, NW, Washington, D.C. 20001, or you may submit an appeal through OIP’s FOIA online portal by creating an account on the following website: https://www.foiaonline.gov/foiaonline/action/public/home. Your appeal must be postmarked or electronically transmitted within ninety (90) days from the date of this letter in order to be considered timely. If you submit your appeal by mail, both the letter and the envelope should be clearly marked “Freedom of Information Act Appeal.” Please cite the FOIPA Request Number assigned to your request so it may be easily identified.
You may seek dispute resolution services by contacting the Office of Government Information Services (OGIS). The contact information for OGIS is as follows: Office of Government Information Services, National Archives and Records Administration, 8601 Adelphi Road-OGIS, College Park, Maryland 20740-6001, e-mail at ogis@nara.gov; telephone at 202-741-5770; toll free at 1-877-684-6448; or facsimile at 202-741-5769. Alternatively, you may contact the FBI's FOIA Public Liaison by emailing foipquests@fbi.gov. If you submit your dispute resolution correspondence by email, the subject heading should clearly state "Dispute Resolution Services." Please also cite the FOIPA Request Number assigned to your request so it may be easily identified.

Sincerely,

David M. Hardy
Section Chief,
Record/Information
Dissemination Section
Information Management Division

Enclosure(s)
FBI FOIPA Addendum

As referenced in our letter responding to your Freedom of Information/Privacy Acts (FOIPA) request, the FBI FOIPA Addendum provides information applicable to your request. Part 1 of the Addendum includes standard responses that apply to all requests. Part 2 includes standard responses that apply to requests for records about individuals to the extent your request seeks the listed information. Part 3 includes general information about FBI records, searches, and programs.

Part 1: The standard responses below apply to all requests:

(i) 5 U.S.C. § 552(c). Congress excluded three categories of law enforcement and national security records from the requirements of the FOIPA [5 U.S.C. § 552(c)]. FBI responses are limited to those records subject to the requirements of the FOIPA. Additional information about the FBI and the FOIPA can be found on the www.fbi.gov/foia website.

(ii) Intelligence Records. To the extent your request seeks records of intelligence sources, methods, or activities, the FBI can neither confirm nor deny the existence of records pursuant to FOIA exemptions (b)(1), (b)(3), and as applicable to requests for records about individuals, PA exemption (j)(2) [5 U.S.C. §§ 552/552a (b)(1), (b)(3), and (j)(2)]. The mere acknowledgment of the existence or nonexistence of such records is itself a classified fact protected by FOIA exemption (b)(1) and/or would reveal intelligence sources, methods, or activities protected by exemption (b)(3) [50 USC § 3024(j)(1)]. This is a standard response and should not be read to indicate that any such records do or do not exist.

Part 2: The standard responses below apply to all requests for records on individuals:

(i) Requests for Records about any Individual—Watch Lists. The FBI can neither confirm nor deny the existence of any individual’s name on a watch list pursuant to FOIA exemption (b)(7)(E) and PA exemption (j)(2) [5 U.S.C. §§ 552/552a (b)(7)(E), (j)(2)]. This is a standard response and should not be read to indicate that watch list records do or do not exist.

(ii) Requests for Records about any Individual—Witness Security Program Records. The FBI can neither confirm nor deny the existence of records which could identify any participant in the Witness Security Program pursuant to FOIA exemption (b)(3) and PA exemption (j)(2) [5 U.S.C. §§ 552/552a (b)(3), 18 U.S.C. 3521, and (j)(2)]. This is a standard response and should not be read to indicate that such records do or do not exist.

(iii) Requests for Records for Incarcerated Individuals. The FBI can neither confirm nor deny the existence of records which could reasonably be expected to endanger the life or physical safety of any incarcerated individual pursuant to FOIA exemptions (b)(7)(E), (b)(7)(F), and PA exemption (j)(2) [5 U.S.C. §§ 552/552a (b)(7)(E), (b)(7)(F), and (j)(2)]. This is a standard response and should not be read to indicate that such records do or do not exist.

Part 3: General Information:

(i) Record Searches. The Record/Information Dissemination Section (RIDS) searches for reasonably described records by searching systems or locations where responsive records would reasonably be found. A standard search normally consists of a search for main files in the Central Records System (CRS), an extensive system of records consisting of applicant, investigative, intelligence, personnel, administrative, and general files compiled by the FBI per its law enforcement, intelligence, and administrative functions. The CRS spans the entire FBI organization, comprising records of FBI Headquarters, FBI Field Offices, and FBI Legal Attaché Offices (Legats) worldwide; Electronic Surveillance (ELSUR) records are included in the CRS. Unless specifically requested, a standard search does not include references, administrative records of previous FOIPA requests, or civil litigation files. For additional information about our record searches, visit www.fbi.gov/services/information-management/foipa/requesting-fbi-records.

(ii) FBI Records. Founded in 1908, the FBI carries out a dual law enforcement and national security mission. As part of this dual mission, the FBI creates and maintains records on various subjects; however, the FBI does not maintain records on every person, subject, or entity.

(iii) Requests for Criminal History Records or Rap Sheets. The Criminal Justice Information Services (CJIS) Division provides Identity History Summary Checks – often referred to as a criminal history record or rap sheet. These criminal history records are not the same as material in an investigative “FBI file.” An Identity History Summary Check is a listing of information taken from fingerprint cards and documents submitted to the FBI in connection with arrests, federal employment, naturalization, or military service. For a fee, individuals can request a copy of their Identity History Summary Check. Forms and directions can be accessed at www.fbi.gov/about-us/cjis/identity-history-summary-checks. Additionally, requests can be submitted electronically at www.edo.cjis.gov. For additional information, please contact CJIS directly at (304) 625-5590.

(iv) National Name Check Program (NNCP). The mission of NNCP is to analyze and report information in response to name check requests received from federal agencies, for the purpose of protecting the United States from foreign and domestic threats to national security. Please be advised that this is a service provided to other federal agencies. Private Citizens cannot request a name check.
EXPLANATION OF EXEMPTIONS

SUBSECTIONS OF TITLE 5, UNITED STATES CODE, SECTION 552

(b)(1) (A) specifically authorized under criteria established by an Executive order to be kept secret in the interest of national defense or foreign policy and (B) are in fact properly classified to such Executive order;

(b)(2) related solely to the internal personnel rules and practices of an agency;

(b)(3) specifically exempted from disclosure by statute (other than section 552b of this title), provided that such statute (A) requires that the matters be withheld from the public in such a manner as to leave no discretion on issue, or (B) establishes particular criteria for withholding or refers to particular types of matters to be withheld;

(b)(4) trade secrets and commercial or financial information obtained from a person and privileged or confidential;

(b)(5) inter-agency or intra-agency memorandums or letters which would not be available by law to a party other than an agency in litigation with the agency;

(b)(6) personnel and medical files and similar files the disclosure of which would constitute a clearly unwarranted invasion of personal privacy;

(b)(7) records or information compiled for law enforcement purposes, but only to the extent that the production of such law enforcement records or information ( A ) could reasonably be expected to interfere with enforcement proceedings, ( B ) would deprive a person of a right to a fair trial or an impartial adjudication, ( C ) could reasonably be expected to constitute an unwarranted invasion of personal privacy, ( D ) could reasonably be expected to disclose the identity of a confidential source, including a State, local, or foreign agency or authority or any private institution which furnished information on a confidential basis, and, in the case of record or information compiled by a criminal law enforcement authority in the course of a criminal investigation, or by an agency conducting a lawful national security intelligence investigation, information furnished by a confidential source, ( E ) would disclose techniques and procedures for law enforcement investigations or prosecutions, or would disclose guidelines for law enforcement investigations or prosecutions if such disclosure would reasonably be expected to risk circumvention of the law, or ( F ) could reasonably be expected to endanger the life or physical safety of any individual;

(b)(8) contained in or related to examination, operating, or condition reports prepared by, on behalf of, or for the use of an agency responsible for the regulation or supervision of financial institutions; or

(b)(9) geological and geophysical information and data, including maps, concerning wells.

SUBSECTIONS OF TITLE 5, UNITED STATES CODE, SECTION 552a

(d)(5) information compiled in reasonable anticipation of a civil action proceeding;

(j)(2) material reporting investigative efforts pertaining to the enforcement of criminal law including efforts to prevent, control, or reduce crime or apprehend criminals;

(k)(1) information which is currently and properly classified pursuant to an Executive order in the interest of the national defense or foreign policy, for example, information involving intelligence sources or methods;

(k)(2) investigatory material compiled for law enforcement purposes, other than criminal, which did not result in loss of a right, benefit or privilege under Federal programs, or which would identify a source who furnished information pursuant to a promise that his/her identity would be held in confidence;

(k)(3) material maintained in connection with providing protective services to the President of the United States or any other individual pursuant to the authority of Title 18, United States Code, Section 3056;

(k)(4) required by statute to be maintained and used solely as statistical records;

(k)(5) investigatory material compiled solely for the purpose of determining suitability, eligibility, or qualifications for Federal civilian employment or for access to classified information, the disclosure of which would reveal the identity of the person who furnished information pursuant to a promise that his/her identity would be held in confidence;

(k)(6) testing or examination material used to determine individual qualifications for appointment or promotion in Federal Government service the release of which would compromise the testing or examination process;

(k)(7) material used to determine potential for promotion in the armed services, the disclosure of which would reveal the identity of the person who furnished the material pursuant to a promise that his/her identity would be held in confidence.

FBI/DOJ
This document is made available through the declassification efforts and research of John Greenewald, Jr., creator of: 

The Black Vault

The Black Vault is the largest online Freedom of Information Act (FOIA) document clearinghouse in the world. The research efforts here are responsible for the declassification of hundreds of thousands of pages released by the U.S. Government & Military.

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Precedence: ROUTINE Date: 06/27/2001

To: Los Angeles

From: Los Angeles

WCC4

Contact: SA

Approved By: 

Drafted By: 

Case ID #: 196C-LA-227702 (Pending)

Title: UNSUBS;

WARNER BROS. INC;

WILLIAM PETER BLATTY - VICTIM;

- VICTIM;

Securities Fraud; MF; Conspiracy; Antitrust; ML;

Security

Synopsis: Open and assign case to SA co-case agent SA

Details: Attached is the civil complaint filed on behalf of Blatty and in the Superior Court of Los Angeles on May 22, 2001. The complaint alleges, among other things, that Warner Bros. has attempted in several ways to divert profits for the films "The Exorcist" and "The Exorcist - The Version You've Never Seen" from Blatty and and in doing so deprive them of the profit shares they were promised.
June 20, 2001

VIA MESSENGER

Federal Bureau of Investigation
11000 Wilshire Boulevard, Suite 1700
Los Angeles, California 90024

Dear [Name],

At the request of [Name], I am sending you a copy of the Complaint filed by [Name] and Mr. Blatty against Warner Bros.

BF: rjd
Enclosure

cc: [Name]
Plaintiffs allege as follows:

THE NATURE OF THE ACTION

1. Plaintiffs are William Peter Blatty ("Blatty") and William Friedkin ("Friedkin"). They bring this action to protect their share in the profits of "The Exorcist" (the "Film"), a critically acclaimed and highly successful motion picture they created.
2. Since its release in 1973, the Film has become a classic, continuing to draw huge audiences and enjoying a near cult following among audiences of all ages, both domestically and abroad. During 1999, Friedkin devoted his skill and time to creating a new version of "The Exorcist." Warner Bros. Inc. ("Warner") released it in 2000, under the title "The Exorcist-The Version You've Never Seen" (the "New Version"), using the services of both Friedkin and Blatty to promote it. With a completely new audience, the revised picture was, once again, an enormous hit, both critically and financially.

3. Defendants are all related entities and part of the giant conglomerate, AOL Time Warner. They have made vast profits from plaintiffs' efforts. Yet, defendants have tried, in every possible way, to divert revenues from plaintiffs, to deprive them of the profit shares they were promised and to keep for themselves the economic benefits that should have accrued to plaintiffs.

4. To avoid paying plaintiffs their agreed shares of profits, defendants have allocated revenues away from the Film to other of defendants' pictures and have allowed their sister companies to use the Film without pay or for substantially less than the market price. In this way, revenues and values, which should have benefitted plaintiffs, remain instead within the AOL Time Warner empire, in the form of cost savings and increased profits to AOL Time Warner and its subsidiaries and affiliates, such as Turner Network Television ("TNT"), Turner Broadcasting System ("TBS") and the Arts & Entertainment Channel ("A&E").

5. This cynical manipulation by defendants constitutes a material breach of their obligations to plaintiffs, enriching the entire AOL Time Warner conglomerate at plaintiffs' expense and allowing entities that are a part of that conglomerate to receive, retain and use for their own benefit trust funds to which plaintiffs are entitled.

THE PARTIES

6. Friedkin is an individual residing in Los Angeles County. Friedkin is a well-known motion picture director. He received an Academy Award nomination as Best
Director for the Film, and was also the director of other acclaimed films, such as "The French Connection," for which he won the Academy Award as Best Director.

7. Blatty is the author of the best-selling book upon which the Film was based. Blatty also wrote the screenplay for the Film and served as the Film's producer. He won an Academy Award for best screenplay for the Film, and the Film, as he produced it, also received an Academy Award nomination as Best Picture. Pursuant to his written agreement with Warner, Blatty is also the co-owner of the negative and copyright of the Film.

8. Each of the named defendants is an entity organized and existing under the laws of a state other than California, but is qualified to do business in and is doing business in Los Angeles County. Each is, directly or indirectly, owned and controlled by AOL Time Warner Inc. and subject to its domination and control.

9. The true names, extent of conduct and involvement, and the true capacities, whether individual, corporate or otherwise, of defendants named herein as Does 1 through 20 are presently unknown to plaintiffs, who therefore sue said defendants by such fictitious names. Plaintiffs will seek leave to amend this complaint to allege the true names and capacities of said defendants when plaintiffs have ascertained the same. On information and belief, plaintiffs allege that such fictitiously named defendants took some part in the acts and omissions alleged herein and, as a direct and proximate result thereof, incurred legal liability to plaintiffs for the relief prayed for herein.

10. On information and belief, plaintiffs allege that in doing the acts and things hereinafter alleged, each defendant acted individually for himself and itself, and as the agent, employee and representative of each of the other defendants and, in doing the things hereinafter alleged, each was at all times acting within the course and scope of said agency and employment with the advance knowledge, acquiescence or subsequent ratification of each and every other defendant.
THE AGREEMENTS

11. On or about August 25, 1971, Blatty’s predecessor in interest, Hoya Productions, Inc., and Warner entered into a written production-financing-distribution agreement (the “Blatty Agreement”) whereby Blatty agreed to write the screenplay for the Film and produce it with Warner. Under the Blatty Agreement, Warner granted to Blatty the right to 39% of the Net Profits of the Film (as defined in the Blatty Agreement). The Blatty Agreement also provided that, in the event Warner granted participations in net profits to any third party; the third party’s portion of such profits should be borne proportionately by Warner and Blatty, but that Blatty’s share of the net profits would not, in any event, be reduced below 28% of 100% of such net profits. The Blatty Agreement further provided that Blatty and Warner “will own the [Film], including the negative and copyright thereof, as tenants in common, in perpetuity.” The Blatty Agreement further provided that Warner will retain the distribution rights to the Film for 25 years after its first general release, which rights could be extended for an additional 25 year period beyond expiration of the initial 25 year period. Warner’s distribution rights were extended pursuant to paragraph 9(a)(ii) of the Blatty Agreement for the additional 25 year period.

12. On or about August 26, 1999, Blatty and Warner entered into a Settlement Agreement and Release with respect to various audit claims regarding home video distribution of the Film. Although the terms of this settlement are protected by a confidentiality provision, the release contained therein covers claims on accounting statements rendered by Warner through December 31, 1997. Thus, the claims Blatty asserts against Warner in the instant action are those arising after, or reflected on accounting statements rendered by Warner after, December 31, 1997.

13. On or about January 28, 1972, Friedkin’s predecessor in interest, The William Friedkin Company, and defendant Warner entered into a written agreement (the “Friedkin Agreement”) whereby Friedkin agreed to serve as the director of the Film.
Under the Friedkin Agreement, Warner granted to Friedkin the right to 10% of the Net Profits of the Film (as defined in the Blatty Agreement).

14. On or about June 4, 1998, Friedkin and Warner entered into a Settlement Agreement and Release with respect to various claims regarding the distribution of the Film. Although the terms of the settlement are protected by a confidentiality provision, the release therein covers claims relating to the Film reflected on accounting statements rendered by Warner through June 4, 1998. Thus, the claims Friedkin asserts against Warner in the instant action are those arising after, or reflected on accounting statements rendered by Warner after, June 4, 1998.

15. Friedkin and Blatty have done all things required of them under each of the foregoing Agreements and are in no manner or respect in breach thereof.

THE NEW VERSION

16. Friedkin and Blatty attempted for years to persuade the management of Warner to re-release the original version of the Film. Finally, Warner management agreed, and subsequent testing for the Film was enormously successful. Friedkin and Blatty worked to revise the Film in order to make the New Version highly successful. Blatty outlined an arrangement of new scenes, and Friedkin spent several months re-editing the original version of the Film to add an additional eleven minutes of footage and to re-do the sound. In addition, Friedkin and Blatty gave hours of media interviews in the United States and abroad over a period of months to promote the New Version and help to insure its success, a contribution invaluable to Warner in its distribution and marketing efforts. Neither Friedkin nor Blatty requested any guaranteed compensation for all of these efforts. Rather, they believed that their labors would be rewarded by the success of the re-release and the increase in their respective shares of the Film's profits.

17. The New Version of the Film was released on September 26, 2000 and ran in more than 2000 movie theaters across the United States. Warner distributed the New Version as if it were a new film, not a re-release. By way of example, the New Version

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COMPLAINT FOR BREACH OF CONTRACT, BREACH OF FIDUCIARY DUTY AND IMPOSITION OF TRUST
of the Film was shown at first run ticket prices and in first-run theaters across the country usually reserved for newly released films.

The New Version (like the original Film) has enjoyed remarkable critical acclaim and financial success, earning approximately $40 million domestically since its release. It has already generated more than $110 million from worldwide theatrical exploitation. Meanwhile, over 262,000 video units of the original version of the Film have been sold in England over the past six months alone, reflecting the impact of the New Version upon success of the original version, both domestically and abroad.

**WARNER'S WRONGFUL CONDUCT**

Conduct Relating To The Original Film:

18. To avoid paying plaintiffs' their share of profits, Warner has allocated to other pictures revenues that should properly have been allocated to the Film. Acting in utter bad faith, Warner has improperly allocated to the Film unreasonably low shares of the total license fee paid by licensees where the Film is sold as part of a "package" of other Warner product. Warner has failed and refused to use good faith or any reasonable standard in allocating such license fees among the Film and other pictures in such packages. This has been particularly true in licenses to companies that are part of the AOL time Warner conglomerate. Plaintiffs discovered Warner's misconduct in this regard through an audit on or about June 2, 2000, covering the period January 1, 1997 through March 31, 1999.

For example:

a. On or about January 8, 1997, after TNT had become a sister company of Warner and a member of the AOL Time Warner empire, Warner granted TNT a license to exhibit the Film, along with 114 other pictures, for a total license fee of $18 million, or an average license fee of $156,522 per title. Warner's allocation to the Film of the total license fee was a mere $110,000, lower even than the average and the same as such films as "Cleopatra Jones," "The Incredible Mr. Limpet," and "It Lives...
Again" which were unsuccessful at the box office, had virtually no name recognition and enjoyed far less television value than the Film. In comparison, the allocation for the Film under the 1993 license had been for $350,000, which would be the equivalent of more than $500,000 today, and which, at the time, was already disproportionately low when compared to other properties included in the 1993 package, such as “The Sacketts” (a television mini-series) and “Club Paradise” (a box office failure for which Peter O'Toole was nominated for the worst supporting actor award).

b. Warner’s license of the Film to its sister company, A&E, for the period May 1, 1998 through October 31, 1999, along with 55 other films yielded Warner a total license fee of $10 million. Warner only allocated $295,000 of this to the Film. That allocation was egregiously low in comparison to the other features in the same package, such as “The Dead Pool,” “Greystoke: The Legend of Tarzan,” and “Tom Horn” — films which plainly enjoyed far less commercial and critical success than the Film and did not have similar widespread name recognition.

c. Warner has also allocated a disproportionately low license fee for the Film in the foreign television package licenses for France (Metropole), Korea (KBS Media), Sweden (TV4 Nordisk) and Latin America (TNT Latin America).

19. In dealings with related and affiliated entities that are a part of the AOL Time Warner empire, Warner has failed to achieve fair and equitable market rates for licenses of the Film, thus enriching such entities at plaintiffs’ expense.

20. Warner has failed and refused, and continues to fail and refuse, to supply essential information as to the terms of license agreements and its dealings with related and/or affiliated entities in order that plaintiffs can evaluate the fairness of such licenses.

21. Warner has also failed to properly account to plaintiffs in a number of additional respects, including but not limited to the following:

a. Warner improperly imposed a distribution fee on copyright royalties for the Film, the collection of which require minimal distribution effort;
b. Warner overstated the distribution fee on receipts reported from A&E and TNT;

c. Warner overstated print costs;

d. Warner improperly charged plaintiffs for amounts attributable to Australian taxes;

e. Warner improperly overstated residual expenses; and

f. Warner failed and refused to provide documentation to substantiate expenses relating to the Film.

Conduct Relating To The New Version:

22. Notwithstanding the virtually unparalleled critical and commercial success of the New Version, Warner rushed to license the valuable domestic free television rights to CBS for only $1.5 million, approximately one quarter of the market rate for that license. Warner allowed CBS to pay this extremely low rate, because of CBS’s arrangement with other AOL Time Warner affiliates, including TNT and TBS, under which these affiliates of AOL Time Warner received direct and indirect benefits that do not flow to them from the other major networks.

23. Warner’s “excuse” for this self-enriching misconduct was the demonstrably false claim that the New Version was not easily aired by networks due to its adult content and language. But Warner had previously licensed CBS the television rights to the original Film for $10 million, the equivalent of more than $30 million today. That earlier license was contingent on Friedkin editing the Film to satisfy CBS’s “standards and practices.” To accomplish this, Friedkin removed approximately one and one-half minutes of controversial footage from the Film and, using his own voice, dubbed over the profanities that emanated from the Film’s “demon.” In addition, Friedkin reshot one scene. With these slight changes, Friedkin was easily able to satisfy CBS’s “standards and practices,” and the Film was broadcast by CBS, in prime time, and achieved huge ratings. There was no such difficulty as now spuriously claimed by defendants. The 11 minutes of footage that has been added to the New Version contains no image or
language that would be an impediment to a television airing. Warner's excuse that the New Version was not appealing to network television is demonstrably false.

24. Warner has gone even beyond that in dealings with its sister entities in order to create value for the AOL Time Warner empire at plaintiffs' expense. Thus, Warner has licensed the New Version of the Film to its AOL Time Warner sister companies, TNT and TBS, for no added license fee at all, and Warner has extended these licenses for no additional consideration. Thus, the AOL Time Warner conglomerate received a valuable right without any payment at all and significantly improved its consolidated financial statements at plaintiffs' expense. Here again, defendants offered a bogus excuse. They claimed that, in the absence of such a give away, creating such a free benefit for the AOL Time Warner empire, an AOL Time Warner subsidiary, TNT, would not allow the New Version to be shown on television and would even show the old version on television, significantly impairing any theatrical release of the New Version, even though exhibition of the New Version would greatly enrich AOL Time Warner. Of course, such conduct on the part of TNT would have seriously harmed its parent, AOL Time Warner and, obviously, AOL Time Warner could easily have remedied that supposed "problem" any time it wanted by a single phone call to its wholly owned subsidiary, TNT. Instead, through its subsidiaries, AOL Time Warner enjoyed the significant economic benefit to its consolidated financial statements of exhibiting the New Version free of charge, by pretending, along with its affiliates, that, without getting that free ride, TNT would have deliberately sabotaged the plans for the New Version. Defendants did not even offer plaintiffs their share of an imputed license fee. They simply elected to further their own economic interests at plaintiffs' sole expense.

25. Warner's wrongful conduct with respect to the New Version also extends to the marketing costs it has purported to charge. For example, Warner has charged $15 million as advertising costs of the New Version, including $1.9 million paid to Warner itself for the supposed design of an advertising campaign for the New Version. This "new" design simply adopted the logo of the original version of the Film in print ads
and added the words, "The Version You’ve Never Seen." Plaintiffs allege on information and belief, that a substantial part of the balance of Warner’s $15 million charge for marketing costs is unjustified and spurious.

**FIRST CAUSE OF ACTION**
(Breach of Contract – Against Warner)

26. Plaintiffs reallege and incorporate herein by reference each and every allegation contained in paragraphs 1 through 25, inclusive, of the complaint as though set forth at length herein.

27. The conduct of Warner alleged hereinabove constitutes a material breach of the express and implied covenants of each of the foregoing agreements.

28. As a direct and proximate result of Warner’s said acts of breach, plaintiffs have been damaged in an amount far in excess of the jurisdictional minimum of this Court. Plaintiffs will seek leave to amend this complaint to reflect said sum when ascertained.

**SECOND CAUSE OF ACTION**
(Breach of Fiduciary Duty – Against All Defendants)

29. Plaintiffs reallege and incorporate herein by reference each and every allegation contained in paragraphs 1 through 25, inclusive, of the complaint as though set forth at length herein.

30. Defendants are plaintiffs’ fiduciaries by virtue of at least the following:
   a. Warner and its affiliates acted as plaintiffs’ agents and sub-agents with respect to collecting, receiving, accounting and paying to plaintiffs their share of revenues derived from the distribution and exploitation of the Film and the New Version.
They owe to plaintiffs a fiduciary duty at least with respect to all aspects of those functions;

b. Plaintiffs have entrusted their valuable rights to Warner to manage and to divide the profits therefrom;

c. The information necessary to a full and fair accounting of the Film’s and the New Version’s profits is exclusively within the control of Warner, plaintiffs are “at the mercy” of Warner and are relegated to a position in which they have no choice but to repose their trust and confidence in Warner in determining the amount of profits received from the Film and the New Version; and

d. As to Blatty, Warner and Blatty are co-owners of the Film’s negative and copyright.

31. The conduct of defendants alleged hereinabove constituted a breach of their fiduciary duties to plaintiffs.

32. As a direct and proximate result of said defendants’ breaches of fiduciary duty, Friedkin and Blatty have been damaged in an amount far in excess of the jurisdictional minimum of this Court. Friedkin and Blatty will seek leave of Court to amend this complaint to reflect this amount when it has been ascertained.

33. The misconduct of defendants alleged hereinabove was willful, malicious, oppressive and fraudulent and was committed with the intent to frustrate plaintiffs’ rights under the Friedkin Agreement and the Blatty Agreement. Such misconduct justifies an award of exemplary and punitive damages.

34. As a direct and proximate result of the misconduct alleged hereinabove, defendants received and hold, for their own use and benefit, funds that are equitably the property of plaintiffs. Plaintiffs are entitled to the imposition of an actual or constructive trust upon such funds and the results and proceeds thereof.
THIRD CAUSE OF ACTION
(Accounting – Against Defendants Warner and
Does 1 through 20, Inclusive)

35. Plaintiffs reallege and incorporate herein by reference each and every
allegation contained in paragraphs 1 through 25, inclusive, of the complaint as though set
forth at length herein.

36. Pursuant to the Friedkin Agreement and the Blatty Agreement, and by
reason of the facts alleged hereinabove, defendants were obligated to provide to plaintiffs
statements accurately reflecting the amount of revenues derived from the distribution and
exploitation of the Film and the New Version, and remitting to plaintiffs their share of
such revenues.

37. Despite demand, defendants have failed and refused, and continue to fail
and refuse, to provide plaintiffs with proper and accurate accountings reflecting the
amount of revenues derived from the distribution and exploitation of the film.

38. An accounting is required to determine the true amount of revenues derived
from the distribution and exploitation of the Film and the New Version in order to
ascertain plaintiffs’ share of such revenues.

WHEREFORE, plaintiffs pray judgment as follows:

1. For actual and compensatory damages in an amount to be determined at
   trial and for interest thereon at the highest lawful rate;

2. For the imposition of an actual or constructive trust for the benefit of
   plaintiffs upon all funds, assets, revenues and profits defendants have improperly received
   from the distribution and exploitation of the Film and the New Version and upon the
   results and proceeds thereof;

3. For punitive damages;

4. For costs of suit herein incurred;

5. For reasonable attorneys’ fees; and

6. For reasonable attorneys’ fees;
6. For such other and further relief as this Court may deem just and proper.

DATED: May 22, 2001

GREENBERG GLUSKER FIELDS CLAMAN
MACHTINGER & KINSELLA LLP

By

BERTRAM FIELDS
Attorneys for Plaintiffs William Peter Blatty
and William Friedkin
<table>
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<th>Item</th>
<th>Date Filed</th>
<th>To be returned</th>
<th>Yes No</th>
<th>Disposition</th>
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Universal Case File Number 196C-LA-22 7702
Field Office Acquiring Evidence LA
Serial # of Originating Document 2
Date Received 09/07/01
From (Name of Contributor)
(Address of Contributor)
By (Name of Special Agent)

To Be Returned □ Yes □ No
Receipt Given □ Yes □ No
Grand Jury Material - Disseminate Only Pursuant to Rule 6(e), Federal Rules of Criminal Procedure □ Yes □ No
Title: WARNER BROTHERS

Reference: (Communication Enclosing Material)

Description: □ Original notes re interview of
ALLOCATION - Few Million Dollars off
11.8 Million
@ Cost of $300,000

VIDEO
If guess was to go to WB
No cost was to be factored in.
But Deal fell through
New deal is paying on the old deal

We claim 80% expenses
in Japan on promotion
which is Bull$**

VIDEO, no oracular
of expenses

Can't tell actual
APT

Need Log Top sheets

Chicago
Wright
He made deal to make the new deal

Is a lawyer so may be protected

1462-4 227102-1A
Adviser + Position
$41 m - Correlate to 92.

60 m1 + 74 ft
Is for
Life of both males

No K provided by WB
Blw: WB + TNT

Suppose
WB + WFT [illegible]
FILED ON APRIL 1, 2012

1. A NEW DEAL
2. OVER NIGHT TO DEAL
3. ON SELF-DEFEATING

So, we get to go forward
in leading to amended complaints
changing Lanham Act

If it was done by a
DIFF Co.

WILL IT BE SATISFIED THEN

Camper is in new picture
ble it can be by Ann +
given to themselves for IV

We gone that two one/thr

Have $13,911 on cost of

K is not had expired + we keep Huy
needed to get unit buy FOR TNT

Also from is on DAV + CR

Then decided to outright give it to

TNP STREET = ALL ARE DIFF.

1. Epiphanes + 8 coming in
2. This may be fraud

For all day sheets
Universal Case File Number 1966-LA-227702
Field Office Acquiring Evidence
Serial # of Originating Document
Date Received 9-10-01
From
(Name of Contributor)
(Address of Contributor)
By

To Be Returned ☐ Yes ☐ No
Receipt Given ☐ Yes ☐ No
Grand Jury Material - Disseminate Only Pursuant to Rule 6 (e), Federal Rules of Criminal Procedure ☐ Yes ☐ No

Title: Warner Bros

Reference: ____________________________
(Communication Enclosing Material)

Description: ☑ Original notes re interview of
William Peter Blatty
William Peter Blatty - Jan 7, 28
301-469-9506 - 7018 Longwood Dr
Bethesda Md 20817

-approx 7 top sheets
-provided to

- point - diverging statements
- side deal w/WB
- early part of yr
- vastly reduced distro Fee
- WB said side deal accounts for diff. nums
- WB said 2 versions segregated for
- does not explain income + expense #'s
- could only explain distro differences

prior to Blatty call to

- only getting 1 statement
- after - started getting 2 statements
- no gone back to just 1

March 31 statement - corrections to prior statement letter
- over 8 mill subtracted from foreign theatrical
- called
- double charged for domestic theatrical
- "why subtracted from foreign"
- "mistake"

Dec 31 statement - received 1st week in March - started dispute
- said
- 16 mill for 2500 theatres
- 15 mill for 600 theatres

1992-LA-227702-1RA
In initial conversation said "OH" to I have exchanged statements.

Talked 16 million - 2500 theaters.

Called back and said ad campaign 61.9 mill - total expenses 157.3 mil.

Disturbing because blatty designed ad campaign.

- Trailer created - blatty contributed.

- New offered 2 deal explanation.

- Blatty's inference.

- Just said - you'll have to talk to.

- Blatty decent relationship w/.

- Had helped b. in past.

June 2, 2000 - Blatty had audit run on orig version.

- Other movies getting same larger fees than exercise.

- Smaller companies getting & always belonged to WB.

Article in paper - said had only spent 15 mil total for new release.

- 800K was negative cost to cut film.

- Prompted 1st call to.

Oct 13, 1999 - said new version to CBS for 1.5 mil.

- Had rebuffed offer from MBC for 2.0 mil.

- New version Cable license being given to TBS & TNN for nothing.
July 1999 - TOS rights to old version
- From Oct 30 - Dec 25, 99 license
- Knew of window need & WB ownership
- All he needed to do was sit on it
- WB gave license free in exchange for window did not have to give anything
- Cable license should have sold for 20-30 mill
- Vehicle integration at its worst

5 or 6 weeks later
- It equaled side deal

Found out later had reneged on side deal of
- took it away from to give to blatty

We'll wait till discovery to see if we see each other's point of view or meet in the middle.

Blatty said he would accept deal if distro fee produced to 15 mill
- 25% of gross after break even
- Approx $3 mill

Blatty deal = Paramount
Universal Case File Number: 96C-CA-227702-A

Field Office Acquiring Evidence: ______

Serial # of Originating Document: 5

Date Received: 3/20/2002

From: [Name of Contributor]

Address of Contributor: [Address]

City and State: Burbank, CA

By: [Name of Special Agent]

To Be Returned: ☐ Yes ☑ No

Receipt Given: ☐ Yes ☑ No

Grand Jury Material - Disseminate Only Pursuant to Rule 6(e) Federal Rules of Criminal Procedure: ☐ Yes ☑ No

Title: WARNER BROS. ET AL

Reference: (Communication Enclosing Material)

Description: ☑ Original notes re interview of

[Signature]

[Date] 4/1/2002
participants calculated depending on their agreements
3 mos / 6 mos / yearly

property generates most income early in life cycle
more freq reporting in beginning
less freq as time goes on.
Exhibit
- consistent seller for WB over the years
- re-instituted more frequent reporting a couple years ago
due to more busy show seasons
- after record sales move to quarterly
- Blatzy + [box] contracts dictate what items in gross revenue, what included in expenses
- articulated costs allowed to be deducted
- provides framework for applying penalties
generally speaking - gross receipts = amount received by WB
- distribution fees = percentages
- both [box] + Blatzy had met profit deals

- actual distribution not relevant because percentage outlined in contract

Expense
- generally actual costs incurred
- has been sued by + Blatzy
- audited several times - at least 3 times
- last audit couple years ago

Most recent audit findings
- 1st 3 findings in audit all lined upon licensees, - Turner, ent. ent r foreign t v
How is a package sold — multiple elements valued differently.

Generally, based upon experience at the year — values are assigned to films first, customer by what they want, price as added up + the bill is paid.

Lesson for agreements makes up most of + duties complaint. They made that clear in settlements discussions.

Audit — always finds that client was underpaid, never overpaid.

Unless persuaded to pay 12 m/ knives — for new rental window open — given new mission.
WB lien used 3 times in 22 yrs now accounting dispute - does not happen often.

After invoice issued - entered settlement talks
- said would take $1 mn to go over & settle
- business mgmt
- said thought being extorted, had duty to see shareholders
- talked to obesity personally
- no adjustments made for the other smaller claims - WB did not agree with

negotiated better agreement given its

but office began demanding things
w 1 would not allow, such as listing at
books of all the files included in packages
- negotiator stall
- neither part would sign
- wanted to old agreement
- unreal settlement issued
- benefit to
- of new agreement was gross delta after dead even fees

had not made money yet in new deal when
wanted back to old deal

- new film had some additional footage - not available on other film - different version of same film
TV down 152,000 Dec 2006 → Jun 2000
again contract went down 200,000
most likely scenario was again contract was cancelled for some reason.

Blatty did not renegotiate his deal for the new version, WB did not voluntarily offer it.

2.7 mm frame
- each title has number
- torsion relative to counter
- number bough out
- it was old version mistake
- it was put into new version

-- person to talk to about license agreements

HBO offered $1 mm
CBS offered $1.5 mm
all networks offered the film
- instead memo to lock it up - had been offered to
no money received from Turner for new version.

**Vertical Integration**

- agreements not substantially different today than 5 or 10 yrs ago.
- contract provided that related parties would be dealt with at arms length

- WB has
  - obligations to deal fairly w/ related parties
  - both WB & related parties do business w/ unrelated parties
  - lots of examples to compare.

- WB's toughest client to deal w.

- we need to maintain a good relationship with these people because we may want to do another project w/ them a few months from now.

- at any given time 125 to 150 audits ongoing.
- personally negotiate settlements for the company.
carries a lot more today to advertise film than it did 30 yrs ago.

percentage of cost to revenue that was much better in 1970's, not sure today.

letters have been found to have fabricated egg Turner.

- dispute calls usually come into researcher assigns people to research responds
  - clear up problem, adjust if WB merch works

- no return contact now for new version

in dispute w/ Blatty called to Blatty about negotiate new deal
Universal Case File Number: 196 C-LA-227702/4
Field Office Acquiring Evidence: LA
Serial # of Originating Document: 8
Date Received: 7/11/02

From: ____________________________

(Name of Contributor)

(Address of Contributor)

(City and State)

By: ____________________________

To Be Returned: □ Yes  □ No
Receipt Given: □ Yes  □ No
Grand Jury Material - Disseminate Only Pursuant to Rule 6 (e)
Federal Rules of Criminal Procedure: □ Yes  □ No
Federal Taxpayer Information (FTI): □ Yes  □ No

Title: Warner Bros

Reference: ____________________________
(Communication Enclosing Material)

Description: □ Original notes re interview of

______________________________

______________________________
Universal Case File Number: 196C-LA-227702-1AS
Field Office Acquiring Evidence: LA
Serial # of Originating Document: 0
Date Received: 2/26/2002

From ____________________________
(Name of Contributor)

Address of Contributor: ____________________________

City and State: ____________________________

By ____________________________
(Name of Special Agent)

To Be Returned: ☐ Yes ☐ No
Receipt Given: ☐ Yes ☐ No

Grand Jury Material - Disseminate Only Pursuant to Rule 6(e)
Federal Rules of Criminal Procedure: ☐ Yes ☐ No

Title: WARNER BROTHERS

Reference: ____________________________
(Communication Enclosing Material)

Description: ☐ Original notes re interview of ____________________________

10-8-02 CS

C6
Dear [Name],

I am writing to inform you that we have received the new version of the contract and the terms are acceptable. However, we have a few concerns regarding the clauses related to confidentiality. The contract is to be kept confidential until the trial is over.

I will provide all the details up to and after the time when the new contract was signed. We will discuss the terms and conditions and then decide how they align with our demands over time.

Best regards,

[Your Name]
Universal Case File Number 1948-1A-227602
Field Office Acquiring Evidence WA
Serial # of Originating Document 11
Date Received 9/16/09
From
(Address of Contributor)

By

To Be Returned □ Yes □ No
Receipt Given □ Yes □ No
Grand Jury Material - Disseminate Only Pursuant
to Rule 6 (e), Federal Rules of Criminal Procedure
□ Yes □ No

Title:

Reference: (Communication Enclosing Material)

Description: □ Original notes re interview of
Due PD 1910 by IC1 destroyed
Per IC 11. KS
9/16/09
FEDERAL BUREAU OF INVESTIGATION

Precedence: ROUTINE  Date: 09/01/2009

To: Los Angeles  Attn: ECC

From: Los Angeles
    WCC-1
    Contact: SSA

Approved By: [Signature]
Drafted By: [Signature]

Case ID #: 196C-LA-227702 (Pending)

Title: Evidence Control

Synopsis: evidence destroyed

Details: For case number 196C-LA-227702, evidence item 1C-1 was destroyed. The FD-192 is attached and is being returned to the ECC.

--

196C-LA-227702-1A6
Title and Character of Case:

WARNER BROS INC
BLATTY, WILLIAM, PETER

Date Property Acquired: 01/10/2002
Source from which Property Acquired:

Anticipated Disposition: Acquired By:
Case Agent:

Description of Property:
Barcode: Location: Date Entered 03/06/2002

Grand Jury Material (Disseminate only pursuant to Rule 6(e))

Case Number: 196C-LA-227702
Owning Office: LOS ANGELES
Title and Character of Case:

WARNER BROS INC
BLATTY, WILLIAM, PETER

Date Property Acquired: Source from which Property Acquired:
01/10/2002

Anticipated Disposition: Acquired By: Case Agent:

Description of Property:
1C 1

Barcode: Location: ECR2
Grand Jury Material (Disseminate only pursuant to Rule 6(e))

Date Entered: 03/06/2002

Case Number: 196C-LA-227702
Owning Office: LOS ANGELES

FILE COPY
In approximately 1972, a movie titled "The Exorcist" ("Exorcist" or the "Film"). WILLIAM PETER BLATTY wrote both the novel and the screenplay for The Exorcist. The Film was made by WARNER BROTHERS ("WB"). The Exorcist was a financial and critical success. The film's popularity has endured to the present day.

In late 1998, the original Exorcist film was re-released to great success in England. WB had been adverse to the idea of re-releasing the film because re-releases typically do not do well in the theaters. In fact, the re-release of Exorcist in England made millions of dollars for WB and turned out to be the second most successful re-release in history, after the re-release of STAR WARS.

In light of the successful re-release of the film in England, BLATTY finally managed to convince WB to commit to a re-mastered new release of an updated version of the Film (Film2). The new version of the Film, adding a total of eleven to twelve minutes of film footage, including a different ending, and creating a completely new soundtrack with new music, neither sought nor received compensation for his efforts in remastering the original version, because he believed that he would profit handsomely from the revenue generated by the new release.

The new version of the Film was released in the year 2000. WB distributed the Film2 as a completely new film, not a re-release. WB premiered the Film2 at first run theaters and charged
full-price for admission. Like the original, the new release met with financial and critical success. According to publicly released box office figures, the re-mastered film has earned $40 million in domestic box office revenue and $77 million in foreign box office revenue, for a total box office of $118 million worldwide. This figure does not include revenue from other sources, such as video and DVD sales, and secondary sales to airlines and other outlets. In contrast to the large revenues that have been generated by the new release, the Film2 cost virtually nothing to make. WB has stated publicly in various sources it cost only $800,000 to make the re-mastered version of the Film.1 believes that the Exorcist is WB's most profitable film of the last ten (10) years. Despite the appearance of enormous profits, and despite the fact that they are entitled by contract to share in the profits of the Film2, and BLATTY have not shared in any of the Film2's profits.

Under the terms of BLATTY's and contracts, both individuals

revenue generated by the film. Thus, share of the profits should be calculated according to the following formula:

In addition

BLATTY also

Under BLATTY's agreement, BLATTY's

[In BLATTY's case,]
profits can be calculated as follows:

According to the published figures, BLATTY's profit participation should amount to approximately $21 million.

I first discovered problems with WB's accounting on the Film when he began reviewing the "top sheets" that WB was providing on the Film. Top sheets are periodic statements that break down the revenues and expenses that attach to a film project. In the case of the Exorcist films, the top sheets provide information relating to the most recent three (3) months and to the cumulative total amounts that date back to the original release. When reviewed the top sheets it became obvious to him that WB had drastically inflated the expenses associated with the movies. For instance, despite the representation contained on Top Sheet No. 49, there is no conceivable way that WB could have spent a cumulative total of $40 million on advertising and publicity for the two (2) films.

These problems led to open a dialogue with BLATTY. Eventually, and BLATTY compared top sheets and determined that WB was providing them with different revenue and expense figures for the same movie. Moreover, the discrepancies seemed to be random, with some expenses being higher for BLATTY and others being higher for . On balance, however, the expenses were higher for BLATTY.suspects that this is a result of the fact that BLATTY's

has a complete set of his own top sheets and as many as seven or eight top sheets for BLATTY. that it be done via a subpoena in order to protect from violating the terms of his confidentiality agreement with WB.

After and BLATTY determined that WB was preparing two (2) different sets of top sheets, BLATTY contacted contacted BLATTY a short time later to explain that WB had understated its domestic revenue by $8 million. promised to rectify the error in the next cost statement.
When [ ] received the next top sheet, however, he discovered that WB had made an $8 million adjustment, but the adjustment had been made to the foreign revenue figure, rather than to the domestic revenue figure. [ ] concluded that WB must be making the numbers up as they go along. [ ] cannot believe that WB is continuing to manipulate the figures and that it is doing so in such blatant disregard of accepted accounting principles.

In addition to the manipulation in the accounting reports, [ ] has also discovered that WB is engaging in improper self-dealing in order to further defraud BLATTY and [ ]. Specifically, [ ] is convinced that WB sold television rights for the Film to other AOL TIME WARNER subsidiaries at below market prices. The most blatant example of this self-dealing is the fact that WB gave the cable television rights to the Film to TURNER NETWORK TELEVISION (TNT) free of charge. WB claims that it had to give away the rights to the Film, because TNT already had the rights to the original film and this was the only way to prevent TNT from rendering the cable television premiere of the film worthless by playing the original film at the same time. [ ] later determined that this was a false claim because AOL, as TNT's parent company, could have dictated TNT's schedule. More importantly, [ ] also discovered that TNT's rights to the original film were going to expire well before the Film would have been premiered. [ ] also learned that WB sold the network television rights to CBS for $1.5 million even though NBC was willing to pay a significantly higher amount.

The television rights were negotiated (phonetic). [ ] New York City. [ ] at the time that the rights to the re-mastered Exorcist were negotiated, [ ] AOL subsidiaries. After the subsidiary deals were done, [ ] at a movie premiere in New York [ ] did not have any idea what [ ] was talking about. [ ] PARAMOUNT PICTURES.

[ ] also contacted [ ] and explained all of his complaints to [ ].
Continuation of FD-302 of __________, On 09/07/2001, Page 5

said that he would look into the complaints and get back to _______ eventually contacted _______ who would explain what had happened _______ rejected the offer and told _______ that he only would only listen to deposition.

eventually hired attorney _______ BLATTY in an action against WB. _______ told _______ that he was aware from another one of his cases that WB's was under intense pressure from AOL TIME WARNER to improve WB's profitability. _______ This mandate was delivered to all division heads at the time of the merger between AOL and TIME WARNER. _______ believes that _______ attempted to _______ that rightly should have been paid to _______ and BLATTY by virtue of their

At around the time that _______ and BLATTY filed their civil complaint against WB, WB broke off contract negotiations with _______ over his compensation for the Film2. _______ and WB had completed all substantive negotiations for the Film2 at the time that WB broke off the negotiations. The only outstanding issue at the time was whether WB would agree to a clause requiring WB to deal in good faith with respect to possible self-dealings between WB and other AOL subsidiaries. After WB refused to continue negotiations, _______ amended his civil complaint to add a claim under the Lanham Act.

After WB broke off negotiations on the contracts for the new Film, WB reverted back to the terms of the contracts that BLATTY and _______ entered into for the original EXORCIST film in 1972. WB sent _______ based on the old contract, but _______ returned the check.

_____ is aware that another WB employee, _______ has been contacting BLATTY in an attempt to convince BLATTY that there is an innocent explanation for BLATTY's and _______ complaints. Recently, _______ to drop the case. _______ has called BLATTY several times.

______ believes that the accounting misstatements and the self-dealing may constitute violations of federal criminal law. _______ believes that
Continuation of FD-302 of [Redacted], On 09/07/2001, Page 6

... (phonetic), are the WB employees who have the most knowledge about the fraud. [Redacted] immediate supervisor.
William Peter Blatty, date of birth January 7, 1928, of 7018 Longwood Drive, Bethesda, Maryland, telephone number 301-469-9506, was interviewed. After being advised of the identity of the interviewing agents and the nature of the interview, Blatty provided the following information:

Blatty had provided to approximately seven of his quarterly accounting statements for the films "The Exorcist" and "Exorcist, The Version You've Never Seen," which he received from Warner Brothers. Blatty was concerned because he had discovered after speaking to that the accounting statements he and received for the same films were different. Blatty and thought that Warner Brothers may be trying to defraud them of money they were entitled to for their participation in the films.

Blatty pointed out that had arranged a side deal with Warner Brothers for the new version of the film in the early part of 2000 that affected the way distribution fees would be calculated on his statements. Blatty said that this would only account for differences in the distribution section of the statements, and should not effect the income or expense numbers. Warner Brothers told Blatty that the two versions of the movie had been segregated on statements, but not on Blatty's. Blatty said that did not begin receiving segregated statements from Warner Brothers until after Blatty started asking questions of Warner Brothers. Blatty's point of contact in the accounting department at Warner Brothers was.

After receiving his December 31, 2000 statement, Blatty called to ask why an expense for $15 million was listed for the theatrical release of the film. Blatty remembered he had been told by that there would be a $16 million expense if the new version of the film was released to 2500 theaters, but a much smaller expense would be incurred if the film was only released to 600 theaters. What prompted Blatty to call was an article he read where of Warner Brothers, said that Warner Brothers had only spent $15 million total on all expenses for the new version.
Continuation of FD-302 of William Peter Blatty

Continuation of FD-302 of William Peter Blatty

said that the negative cost, or the cost to cut the film, was $800,000. Then, on the March 31, 2001 statement, $8 million had been subtracted from the foreign theatrical category. Blatty called [Redacted] to ask why and [Redacted] told him that he had been double charged for domestic theatrical on the previous statement. Blatty asked why the amount had been subtracted from foreign theatrical and [Redacted] said it was a mistake.

Blatty had a good relationship historically with [Redacted] had helped Blatty with statement and contract problems in the past. Blatty said [Redacted] attitude changed a little bit though when Blatty told him that Blatty and [Redacted] had been exchanging statements. [Redacted] response was "Oh." Then in early March, 2001, there was a second call between Blatty and [Redacted] told Blatty that the ad campaign for the movie had cost $1.9 million. This bothered Blatty because he had helped work on the ad campaign and helped design the trailer for the new version, and Blatty did not think the expenses were nearly that much.

On June 2, 2000, Blatty and [Redacted] had an audit run on the accounting for the original version of the Exorcist. The audit found that Warner Brothers was charging more money to other media outlets for other, less popular movies than they were charging for the Exorcist. The audit also found that money that was coming in to Warner Brothers for the Exorcist was being credited to other films. The smaller companies who were getting the money always belonged to the larger AOL Time Warner.

[Redacted] had told Blatty that on October 13, 1999, [Redacted] of Warner Brothers sold the new version to CBS for $1.5 million. This was after Warner Brothers had rebuffed an offer from NBC for $2 million. [Redacted] said that [Redacted] had apologized several times to [Redacted] at a party for what Warner Brothers had done to [Redacted] of Paramount Studios. [Redacted] told [Redacted] that the new version cable license was given to TBS and TNT for nothing.

In July 1999, TNT and TBS held the rights to the old version of the movie. [Redacted] knew that there needed to be a window before the release of the new version in the fall where the old version was not shown on cable. This way, there would be more interest in going to the theater to see the new version. [Redacted] said that Warner Brothers decided to give the license for the new version to TNT and TBS for free in exchange for not showing the old version close to the release date of the new version. Blatty said
that in reality, did not have to give TNT or TBS anything because their license as it was would run out a couple weeks before the release of the new movie. Moreover, since AOL Time Warner was the parent company of all the parties involved, AOL Time Warner could have instructed TNT and TBS not to show the film for a particular time period. All needed to do was nothing. Blatty believed that the new version cable rights should have sold for $20 million to $30 million and that the reason gave it away free was because TNT was a subsidiary of Warner Brothers. Blatty described this as vertical integration at its worst.

The next call to Blatty, in approximately the summer of 2001 consisted of an offer to settle Blatty's claims with Warner Brothers for $1.7 million, which Blatty later found out was the exact value of. Blatty then found out that Warner Brothers had reneged on its deal with and give it to Blatty. When Blatty refused the deal, said that they would just have to wait until the discovery phase of their case to see if either one of them would be persuaded to see the other's point of view. Blatty said that he would accept a deal if the total distribution fee was reduced to $15 million and he received 25 percent of the gross after break even. Blatty said that would amount to approximately $3 million.

Blatty's deal for the new version was the same as for the original version in that he would receive 30.1 percent of the profits plus a straight ten percent of the video sales. Blatty estimated that according to his contract his cut should have been approximately ($52 million - expenses) x .3. This was based on approximately $52 million coming to Warner Brothers after release and distribution of the new version. Blatty said that the domestic box office was approximately $39 million and the foreign box office was approximately $77.5 million for a total of $118 million. Blatty said that the worldwide average of rental income spent on advertising was 54 percent, but Warner Brothers had claimed 87 percent in Japan.

Blatty had been receiving regular checks from Warner Brothers for the old version of the film up until the new version was released. Then, instead of the checks getting larger, they went away.
The new version of the Exorcist was test shown in early March 2000. It was released to theaters in September 2000. It was out of release by Thanksgiving 2000.

Blatty described [name][as an evil genius. He was a nice guy, but definitely a company man.]}
FYI, THE ATTACHED.

B

Forwarded Message:

Subj: from bill blatty
Date: Fri, 1 Mar 2002 9:57:46 AM Eastern Standard Time
From: 
To: 

Dear [Name],

based upon my 09/01 Warner statement:

1. On the top sheet, Foreign Television is still shown at approximately $152,000 less than it was two years ago.

2. On the backup pages, for Domestic there is an increase in income of $2,000, but over $36,000 in expenses, including advertising and "checking and collections," this for a movie out of release since the Fall of 2000, and under an accounting system that records expenses the instant they are incurred.

Fly specks but they add up.

All the best,

Bill
Warner Brothers (WB), telephone number [redacted] was interviewed at Warner Brothers Studios. Also present at the interview were [redacted] representing Warner Brothers and Warner Brothers [redacted]. After being advised of the identities of the interviewing agents and the nature of the interview, provided the following information:

At the time of this interview,

explained that a film usually generates most of its income early in its life cycle, so reporting residuals or participations is more frequent early on (i.e. quarterly). As time passes, the reporting becomes less frequent, for example, yearly.

The motion picture, The Exorcist, was a consistent seller for Warner Brothers over the years. The reports for participants in The Exorcist had become less frequent, but were re-instituted to be more frequent within the last couple years. This was due to the movie being re-edited, re-released theatrically and then re-distributed into supplemental markets. After the second release of the movie in 2000, Warner Brothers began to issue statements to the participants quarterly.
In the cases of reporting for William Blatty and their contracts dictated which items could be included in gross revenue, and which items could be included in expenses. The contracts articulate which costs were allowed to be deducted and provided a framework for applying various other parameters. Generally speaking, gross revenue equaled the amount of money received by WB for a particular project minus the distribution fees which were agreed upon, scaled percentages. Both and Blatty said that the actual distribution fees were not relevant because the calculation of distribution costs were mathematical equations set forth in their contracts.

Expenses were generally actual costs incurred by WB. said that the expenses for The Exorcist have been audited at least three times by auditors hired by and Blatty. The last audit was a couple of years ago. did not believe that and Blatty had a dispute with WB concerning expenses, since their auditors had reviewed them three times and had not found significant problems.

went over the auditors' findings for the most recent audit of the Exorcist. The first three findings all related to disputes concerning allocations to the film in license fee agreements. They included license agreements with Turner Broadcasting, Arts and Entertainment (A&E) and Foreign free TV.

explained that based upon his experience over the years, packages of licenses to show films were sold to customers not based upon a price for the package as a whole, but based upon adding up the individual prices of all of the elements that made up the package. In other words, each film had a particular value assigned by WB. A customer would prepare a list of all of the films they were interested in acquiring licenses for, and then the prices of each would be added up to arrive at a total. The price of the package was not agreed upon up front, with a value from the total being applied to each individual film later. said that license fee agreements for the Exorcist made up the bulk of and Blatty's complaint against WB, and that and Blatty had made that clear in settlement discussions. added that audits on behalf of participants always find that the client was underpaid, never overpaid. The sales department negotiates the license fee agreements with the customers.
WB needed to persuade Turner to give them a twelve month window, during which Turner would not show the Exorcist so that the new version could be released theatrically without any competition from the original film playing on free TV. Turner agreed to grant WB a series of short windows, which totaled approximately 12 months, during which they did not show the original film. At the end of that period, and because Turner had continued to pay WB for its license, WB agreed that Turner could show the new version of The Exorcist, as well as the old version, for the remainder of the license period at no additional cost.

WB had only been sued three times in the last 22 years over accounting disparities related to films. Lawsuits did not happen often, because usually both parties were able to reach an agreement and settle the dispute. In the case involving Blatty and Blatty, after their last audit report was issued, WB entered settlement talks with them. At one point during the negotiations, WB told

In response to the fourth claim in the audit report, which involved monies received from copyright tribunal, said that the audit firm makes that same claim in every instance, and that it is wrong in every instance. The issue involves copyright royalties, an issue that was not mandated until the mid 1980's, far after and Blatty signed their contracts for the Exorcist. then all the other findings were really trivial and did not amount to much.

added that prior to the release of the new version, WB told
originally had. Blatty did not negotiate any new deal. During the negotiations with [redacted] for the new contract, [redacted], office began to demand things on behalf of [redacted] that WB could not agree to. These demands included giving [redacted] or his representatives the right to look at the accounting records of all other films that were included in packages of films that were sold which included the Exorcist. At that point, the negotiations entered a stalemate and both parties refused to sign.

When it became clear that [redacted] would not agree to the new contract without the clause relating to the other films' books and records, and WB would not allow that language into the new contract, WB returned to the terms of the old contract to determine [redacted] compensation for the new release. Up to that point, in anticipation of a new contract being signed, WB had broken out the accounting records for the old and new versions on two separate statements for [redacted]. One cover sheet represented the old version and old contract, and the other represented the new version and new contract. When negotiations for the new contract ceased, WB issued a revised statement to [redacted] which represented combined accounting for both versions. This re-issued statement closely matched those issued to Blatty, which also contained accounting for both versions. The benefit to [redacted] said that [redacted] had not yet made money on the new calculation when it resorted back to the old calculation. During the time when [redacted] began negotiating his new deal with WB, [redacted] lied to Blatty by denying that he had negotiated a new deal for himself. When Blatty confronted [redacted] calculations on the new film, [redacted] told him to ask [redacted] because it would be improper for him to discuss one participant's deal with another participant.

[redacted] advised that [redacted] new deal was a better calculation on the spectrum then a net-profit deal.

[redacted] said that the new version of The Exorcist was not a new film, but a different version of the same film. The two movies were very similar to each other, with the new version having
a few minutes of additional footage that were not available on the old version and editing to the sound. advised that there were several versions of the film made over the years for various reasons such as time constraints or edits to certain content.

said that the reason that foreign TV revenue was approximately $152,000 lower on the June 2001 statements than on the December 2000 statements was mostly accounted for because the revenue from Spain went down by $200,000 during that period. This was most likely attributed to the Spain contract being cancelled for some reason, possibly a dispute with the Catholic Church in Spain.

said that approximately $2.7 million in revenue from France was entered into the system as revenue for the old version instead of the new version because of a data entry error. said that each film has a unique number assigned to it for accounting purposes. When the employee in France entered revenue for the new version, they inadvertently entered it under the old version's unique number. When this mistake was brought to

said that the mistake was understandable, since the employee probably just saw the money as revenue for the Exorcist.

said that replacement at WB, since he would know the details better than

did say that new version to CBS, he believed CBS was the highest bidder. The film was offered to all of the networks, and only HBO and CBS showed any interest in it. HBO offered $1 million and CBS offered $1.5 million for a one time showing. WB believed that CBS wanted to show the film on Halloween night, which they never did, and the contract expired. Internal memos which document this claim have been offered to. There was currently no network contract for the new version. They don't make the news

This meant that the information

Referring to the issue of vertical integration in the industry,
that WB would deal with related parties at arms length. The new agreement that was never completed with contained this type of language. said that WB had an obligation to deal with related parties fairly. He said that both WB and their related parties did business with each other and with unrelated parties on a regular basis. There were lots of examples of license agreements with both related and unrelated parties to compare to show that WB did not give better deals to related parties. added that HBO, which is a related party, is usually the toughest client for WB to deal with.

said that it is in the best interest of WB to maintain a good relationship with its participants, and to treat them fairly. WB may want to do projects with the same people in the future.

At any given time, there are approximately 125 to 150 audits of films ongoing by companies representing participants. personally negotiates settlements for the company when discrepancies are found. said that for decisions, when it could go either way, he tended to err on the side of the company.

said that it costs a lot more money to advertise a film today than it did 30 years ago. The percentage of cost to revenue was much better in the 1970's than it is today. said that he has never been found to have fabricated any expenses and that to the best of his knowledge, the same is true for WB.

When disputes arise between WB and participants, the calls usually come into
Precedence: PRIORITY

To: New York

From: Los Angeles

WCC-4

Contact: A-SSA

Approved By: 

Drafted By: 

Case ID #: 196C-LA-227702 (Pending)

Title: UNSUBS; 

dba AOL TIME WARNER;

BILL BLATTY-VICTIMS

Synopsis: Lead for NY to conduct interview.

Details: LA is investigating Warner Brothers Studios (WB) to determine whether Bill Blatty and respectively, of the movies "The Exorcist" and "The Exorcist: The Version You've Never Seen" (the MOVIES) were defrauded by WB concerning their profit participation in the movies and Blatty have claimed that WB defrauded them in several ways. Those included issuing differing accounting statements (aka Top Sheets) to and Blatty, citing different amounts of money received by WB and different expenses paid by WB.

and Blatty also claimed that they were defrauded when WB sold the Network television rights to the new version to CBS for $1.5 million, after NBC had offered $2 million. and Blatty said that WB gave the cable rights to the new version to TNT, a related entity, for free. WB contends that they had to give the film to TNT because they had the rights to the old film at the time when the new film came out in the theaters. In exchange for TNT not airing the old version at the same time they gave them the right to the new film for free.

and Blatty said that this was unnecessary due to the fact that TNT's license was due to run out for the old version prior to the release of the new version and Blatty stated that in their view, the new version should have been sold to TNT for between $20 million and $30 million, and
To: New York  From: Los Angeles
Re: 196C-LA-227702, 05/30/2002

that the reason it was given for free was because TNT was a subsidiary of WB.

and Blatty also allege that WB did not allocate enough money to the MOVIES when they sold them as part of multiple film packages.

and Blatty also say that there have been several mistakes, which they believe were deliberate, in the accounting for income and expenses of the MOVIES. They contend that this was deliberately done to cause them to lose residual money rightfully owed to them. These include $2.7 million in revenue from France being added to income for the old version when it belonged to the new version. They also include foreign TV income going down from one statement to the next when it should have gone up.

and Blatty have filed a civil lawsuit in federal court against WB alleging many of the complaints noted above. Blatty told interviewing agents that WB had offered to settle with him for $1.7 million, but that he thought approximately $3 million would be a more fair number. Blatty's deal as writer of the MOVIES was a net deal for 30%.

LA is requesting that NY interview during the time period in question to determine his knowledge of the details regarding the transactions noted above.

Additionally,

Specific questions for should include the following:

1) Time of employment at either Time Warner or Warner Bros

2) Job title, responsibilities, and supervisory chain of command.

3) During the relevant time period, the people that were supervised by their titles and responsibilities.

4) The details regarding the bidding for the network rights to the revised Exorcist film. Who bid for the movie and what amounts of money did they offer? Was CBS the highest at $1.5 million or was there a bid from NBC for $2 million?
To: New York
From: Los Angeles
Re: 196C-LA-227702, 05/30/2002

5) The details regarding the negotiations with TNT for the cable TV rights to the new Exorcist film. What was involvement? What was the value of the new film for a cable TV? Why was the movie given to TNT for no additional license fee? Was it given to TNT without a fee because they are related companies?

6) Did know at the time that such deals would deprive and Blatty of their rightful share of the movie's earnings? Did he ever discuss, with anyone, that Warner Bros. was acting in bad faith and being dishonest with and Blatty? If so, who did he have the discussions with?

7) During the relevant time period, were there discussions at Warner Bros. about lowering the amount of monies that were being paid in residuals? If so, what was the nature of those discussions and what actions were being taken to decrease the amounts owed to residual participants in Warner Bros. films?

8) Since TNT did not pay for the new film, was there any quid pro quo to Warner Bros. for giving them the film rights? If so, what did Warner Bros. receive?

9) How were the per-film prices derived for group license fee agreements? Was there a deliberate method to allocate fees to each film so as to limit, or negate the need to pay profit participants in the film?

10) Were there any bonuses paid to executives at Warner Bros. based on improving earnings by decreasing the amounts paid to profit participants?

11) Please obtain personal information and educational background from and ask if he would be willing to testify in a criminal case.
LEAD(s):

Set Lead 1:

NEW YORK

AT NEW YORK

Interview New York, NY,
telephone number Use the background and list of questions above to facilitate the interview.

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FEDERAL BUREAU OF INVESTIGATION

Precedence: ROUTINE Date: 07/05/2002

To: Los Angeles Attn: A/SSA Squad WCC-4

From: New York Squad C-1 Contact: SA

Approved By: pjc
Drafted By: rtj

Case ID #: 196C-LA-227702 (Pending)

Title: UNSUBS; bill blaty-victims

Synopsis: To report results of lead from LA to NY dated 05/30/2002.

Details:

On June 19, 2002, SA attempted to interview New York, New York. was not home and SA left a business card with doorman.

On June 20, 2002, SA received a telephone call from SA attempted to schedule an interview with and advised of the nature and purpose of the interview. refused to speak with SA.

On June 20, 2002, SA received a telephone call from who identified himself as attorney. further advised that he was located in attempted to schedule time for he and to meet with SA.

On July 3, 2002, SA advised A/SSA of his contact with A/SSA advised SA that LA would handle the matter given that was now represented by A/SSA advised that no further action by NY would be necessary at this time.
To: Los Angeles
From: New York
Re: 196C-LA-227702, 07/05/2002

LEAD (s):
Set Lead 1: (Adm)

LOS ANGELES

AT LOS ANGELES

Read and clear.

**
Date of transcription 07/12/2002

interviewed at his place of employment Glendale, California,
television number

After being advised of the identities of the interviewing agents and the nature of the interview, provided the following information:

Prior to working for worked for Warner Brothers, Warner Brothers records that were associated with the auditors. for television, supervisor at Warner Brothers. said that in most instances, he worked from Warner Brothers.

Warner Brothers. Warner Brothers and still had many friends there. said that from Warner Brothers because from Warner Brothers because Warner Brothers did not know where such a story would come from but wanted to make it clear that he described Warner Brothers as the most honest, upstanding person you could meet.

Warner Brothers was quick to correct them. described Warner Brothers as the most honest, upstanding person you could meet.

File # 196C-LA-227702 Date dictated

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Continuation of FD-302 of  

196C-LA-227702

Participants in Warner Brothers projects were allowed to see all of the records they wanted relating to anything they were charged for on their accounting statements. See participants in Warner Brothers projects were allowed to see all of the records they wanted relating to anything they were charged for on their accounting statements. How to go about obtaining them. said that as far as he knew, Warner Brothers was known as the most upstanding of all of the studios for honoring its deals with participants.

said that the only issues he knew of with participations involved occasional interpretation differences in contracts. said that occasionally, the studio's interpretation with regard to certain charges would differ with the interpretation of the participant's auditor. However said, the positions that the studios took as a whole were widely known in the industry, especially by the auditors.

When asked by the interviewing agents if he knew of any fraud or deception going on at Warner Brothers, said not in the foreign TV sales as a signing bonus. alleged that Warner Brothers was not entitled to the signing bonus. The contract was entered into in approximately 1996. The discrepancy was found and the issue was settled without going to trial in approximately 2000 or 2001. Warner Brothers corrected the contract accounting on all of the films involved in the Taurus contract.
WARNER BROTHERS, 4000 Warner Boulevard, Burbank, California, telephone number was interviewed at his place of employment and in the presence of his attorney After being advised of the identities of the interviewing agents and the purpose of the interview, provided the following information:

of WARNER BROTHERS.

WARNER BROTHERS pending between WARNER BROTHERS and and WILLIAM PETER BLATTY. The lawsuit concerns a film named THE EXORCIST.

WARNER BROTHERS makes and distributes approximately thirty (30) films per year. WARNER BROTHERS produces many more television programs.

Investigation on 02/26/2002 at Los Angeles, California

File # 196C-LA-227702 Date dictated

by SSA kjh

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Some years ago, ART BUCHWALD filed a lawsuit relating to
the net profit participation agreement that he negotiated over a
film that he wrote (COMING TO AMERICA.). BUCHWALD sued because he
did not receive any participation revenue despite the fact that the
movie was a certified hit that seemed to have made a substantial
amount of money at the box office. BUCHWALD sued because he did
not understand the full array of costs that the film company was
permitted to recover before BUCHWALD was entitled to receive any
participation revenue. What BUCHWALD did not understand was

**BUCHWALD’S**

depression. In this

After the BUCHWALD lawsuit, WARNER BROTHERS
WARNER BROTHERS has had many similar disputes with and BLATTY over the contracts that they entered into relating to a film called "THE EXORCIST." and BLATTY filed their first lawsuit against WARNER BROTHERS in 1974. There have been other disputes since that time, and and BLATTY are now involved in another lawsuit relating to the same film. In 2000, WARNER BROTHERS released an updated version of the film. Although the updated film was billed as the "version that you've never seen," the original and the remake are substantially the same. The only differences are eleven (11) minutes of new footage and an some difference to the soundtrack.

The new lawsuit is inconsequential expressed surprise that the Federal Bureau of Investigation would take an interest in the issues that are being raised in the suit. All of the major issues relating to this film and the conflict between WARNER BROTHERS and and BLATTY were resolved in the earlier litigation and WARNER BROTHERS views this lawsuit as a "mop-up" of the remaining details.

The bulk of the current disagreement relates to different cost statements that were received by and BLATTY. and BLATTY contend that they should have received identical statements because the statements refer to the same film, THE EXORCIST. this point that WARNER BROTHERS and BLATTY was struck between WARNER BROTHERS and and the older agreement that remains in place between WARNER BROTHERS and BLATTY. explained this to counsel for BLATTY, but counsel does not seem to understand this point.

WARNER BROTHERS is willing to provide access to all documents that are necessary to satisfy interviewing agents that there is no wrongdoing on the part of WARNER BROTHERS. instructed interviewing agents that form the basis for the complaints lodged by and BLATTY. WARNER BROTHERS and
Continuation of FD-302 of __________ On 02/26/2002 .Page 4

BLATTY. reflect the lengthy negotiations between WARNER BROTHERS and
the attorney who represented with WARNER BROTHERS.

BLATTY also charge that WARNER BROTHERS further
other, supposedly independent operating divisions of WARNER
BROTHERS's parent company, AOL-TIME WARNER. Specifically,
BLATTY claim that WARNER BROTHERS sold at a discount or
just plain gave away the television and cable rights for the film.
and BLATTY claim that WARNER BROTHERS could have
negotiated more lucrative contracts had it negotiated with
companies that were not affiliated with AOL-TIME WARNER.

The situation surrounding THE EXORCIST is unique because it
concerns an existing film that was re-released in theaters with
only limited differences. TURNER NETWORK TELEVISION
("TNT") possessed exclusive television rights to the older version
of the film. TNT, like WARNER BROTHERS, is an operating division
of AOL-TIME WARNER,

WARNER BROTHERS then leased the rights to air the new version
to CBS. but that was only for $1 million. During a deposition of
in the civil case, said that he knows that WARNER BROTHERS
196C-LA-227702

Continuation of FD-302 of [Blank], On 02/26/2002, Page 5

I had an encounter with [Blank] in which I had evidence that [Blank] network really wanted to buy the rights to the film.

I recognize that [Blank] and BLATTY may not think that $1.5 million is a sufficient price for an undeniably high-quality film like THE EXORCIST.

In this sense, it is reasonable for television and cable outlets to place a higher value on a film that was not as highly-regarded by critics and moviegoers, because these other films can be played at during better time slots.

I interviewed agents. WARNER BROTHERS and [Blank] have no say over whether the FBI did the conflict between WARNER BROTHERS and [Blank] if that would be of use to interviewing agents.

I expressed concern over the nature of the investigation that was being conducted by the FBI. I recognize that there could be differences of opinion over some of the valuations and allocations relating to THE EXORCIST, but

THE EXORCIST that it has used for all of its films over the years.
there was no fraud involved in the way that WARNER BROTHERS treated BLATTY and their film.

At the conclusion of the interview, asked a number of questions relating to the investigation.

Interviewing agents explained that information might become available to the public at a later date should a case be brought to trial or a Freedom Of Information Act request be filed. Interviewing agents also instructed that it might become necessary to provide some information to other witnesses in order to frame questions and gather additional information.

also wanted to know who it was that had the political clout to convince the FBI to investigate a little thing like this. asked whether it was BLATTY, their wives, agents, or lawyers. Interviewing agents stated that the FBI receives complaints from many different sources and that it investigates based on the allegations, not on the individuals who make those allegations.

Finally, offered to place a gentleman's wager on the outcome of the investigation. Having supplied beverages to the interviewing agents earlier in the interview, offered to "bet" a Diet Coke that the FBI would conclude that there is no criminal conduct involved in this matter.
FEDERAL BUREAU OF INVESTIGATION

Precedence: ROUTINE Date: 11/25/2002

To: Los Angeles

From: Los Angeles

WCC-2

Contact: SA

Approved By: SAC/...

Drafted By: EB

Case ID #: 196C-LA-227702 (Pending)

Title: WARNER BROTHERS;
WILLIAM BLATTY - VICTIM;
MF, SECURITIES FRAUD

Synopsis: Close case.

Details: This case is being closed at the direction of ADIC Ronald Iden as relayed by A/ASAC Investigation to date.

Further investigation of this matter is not justified. Los Angeles recommends this matter be closed.