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10 And AXIS MANAGEMENT, INC.

11 SUPERIOR COURT OF THE STATE CALIFORNIA

12 COUNTY OF LOS ANGELES

13 SC117133

14 MICHAEL SANCHEZ, an individual; AXIS
15 MANAGEMENT, INC., a California corporation,

16 Plaintiffs,

17 vs.

18 MARY MURPHY, an individual; MARY
19 MURPHY PRODUCTIONS, INC., a California
20 corporation; and DOES 1 through 20, inclusive,

21 Defendants.

22 CASE NO. _____

23 COMPLAINT FOR:

- 24 1. Breach of Written Contract;
25 2. Breach of Oral Contract; and
26 3. Declaratory Relief.

27 H. CHESTER HOAN, JR.

28 CASE MANAGEMENT CONFERENCE

SEP 05 2012

Date

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3 **FACTS COMMON TO ALL CAUSES OF ACTION**

4 7. Axis is a well-established management company and Sanchez is a well-respected
5 personal manager specializing in taking unknown talent within the entertainment industry and
6 building those clients into a brand.

7 8. In 2005, prior to receiving the benefit of Sanchez' services, Murphy attempted to
8 represent herself in negotiations to appear in a *Core Rhythms* dance exercise video "infomercial."
9 Murphy netted only a \$5,000.00 "location fee" to shoot the infomercial in Murphy's *Champion*
10 *Ballroom Academy* and no compensation for Murphy's on-camera testimonial.

11 9. On February 23, 2006, Sanchez and Axis entered into a management agreement with
12 Murphy and MMPI (the "2006 Agreement"). At that time, Murphy was a relatively unknown dance
13 instructor with a struggling dance studio, performing part-time, with a week-to-week arrangement
14 (i.e. no long-term contract) as a reality T.V. judge and choreographer on Fox TV's *So You Think You*
15 *Can Dance*. The terms of the management agreement are set forth in Exhibit 1 attached hereto. The
16 agreement provided, in pertinent part, that plaintiffs "will receive 10% of all entertainment-related
17 earnings" and "any commission generating projects will continue to do so until said project is
18 completed."
19

20 10. From 2006 through January of 2010, Murphy and Sanchez operated under the terms
21 of the 2006 Agreement.
22

23 11. In 2006, following difficult negotiations with representatives from *So You Think You*
24 *Can Dance* production companies 19 Entertainment, Inc. ("19 Entertainment") and Dick Clark
25 Productions, Inc. ("DCP"), and as a result of Sanchez' guidance and advice, Murphy received the
26
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1 first individual salary increase *So You Think You Can Dance* producers had ever approved, along
2 with Most Favored Nations protection.

3
4 12. In 2007, Murphy advised Sanchez that she wanted to "try to get \$10,000.00" for a
5 second *Core Rhythms* infomercial appearance. Sanchez explained that \$10,000.00 was ridiculously
6 low and, with his guidance and advice, Murphy was able to obtain a lucrative deal which included a
7 large upfront payment and a significant back-end component. A true copy of this Agreement is
8 attached heretofore as Exhibit 2.

9
10 13. In 2007, despite Murphy's increasingly self-absorbed, childish and demanding
11 behavior which created tension behind-the-scenes and on the *So You Think You Can Dance* set, and
12 after another difficult negotiation with *So You Think You Can Dance* executive producer/19
13 Entertainment president Nigel Lythgoe, as a result of Sanchez' guidance and advice, Murphy
14 received the first full season contract as a "Season Judge." A true copy of this Agreement is
15 attached hereto as Exhibit 3.

16
17 14. In November 2007, Murphy's erratic and demanding behavior during a Las Vegas
18 meet-and-greet with producers from ITV's popular U.K. television series, *Dancing On Ice*, caused
19 Murphy to lose an invaluable appearance, for which a deal had been negotiated.

20
21 15. In 2008, frustrated by 19 Entertainment and Lythgoe's lack of cooperation in building
22 Murphy's brand, Sanchez reached out to the international distributor of *So You Think You Can*
23 *Dance*. As a result of Sanchez' guidance and advice, Murphy obtained lucrative guest starring
24 appearances on the Norwegian, Australian and Canadian versions of the show.

25
26 16. In 2008, Sanchez/Axis and Murphy/MMPI modified their existing management
27 relationship, the terms of which are attached hereto as Exhibit 4, including the following provision
28 which Murphy specifically requested to carve out income from her growing list of non-televised

1 projects: "Sanchez shall not be entitled to commission with respect to... *Champion Ballroom*
2 *Academy, The Holiday Dance Classic*, private dance instruction and non-recorded dance-related
3 projects;" and the following provision which clarified the provision mentioned in paragraph 9
4 (above): "Sanchez' Commission shall be payable upon all Gross Compensation ... pursuant to: (i)
5 any and all engagements, contracts, commitments and agreements now in existence or entered into
6 or negotiated during the Term; (ii) any and all engagements, contracts, commitments and agreements
7 negotiated and entered into after the expiration of the Term to the extent such contracts,
8 commitments and agreements pertain to work performed, in whole or in part, by Murphy during the
9 Term; (iii) any and all extensions, renewals, substitutions, replacements, amendments, additions and
10 modifications of all such contracts, engagements, commitments and agreements..."

11
12
13 17. In 2008, as a result of Sanchez' guidance and advice, Murphy received a lucrative,
14 three-year renewal of the *So You Think You Can Dance* contract with the title of "Permanent Judge."
15 This deal infuriated Lythgoe, coming after Murphy rejected 19 Entertainment's "final" low ball offer
16 and Fox TV executives overruled Lythgoe and approved the final deal. A true copy of this
17 agreement is attached hereto as Exhibit 5.

18
19 18. In 2008, Murphy began a personal relationship with Walter Mosley, an attorney she
20 met at a *So You Think You Can Dance* taping. In November 2008, without Sanchez' involvement
21 and at Mosley's suggestion, Murphy signed the "Eyecon" recording deal, a deal which breached
22 Murphy's *So You Think You Can Dance* Agreement. A copy of this Agreement is attached hereto as
23 Exhibit 6.

24
25 19. In 2009, with the assistance of counsel (Raskin, Peter, Rubin & Simon), Sanchez was
26 able to save Murphy's position on *So You Think You Can Dance* and, for all intents and purposes,
27 killed the *Eyecon* deal.

1 20. Murphy's relationship with Raskin, Peter, Rubin & Simon ended acrimoniously when
2 Murphy refused to pay their full fees after the *Eyecon* fiasco and while they were advising Murphy
3 during Murphy's latest *So You Think You Can Dance* renewal negotiations.
4

5 21. In 2009, Murphy's bitter jealousy over *Emmy*-winning *So You Think You Can Dance*
6 choreographer Mia Michaels success led her to threaten to "fire" Sanchez if he ever signed Ms.
7 Michaels as a client. Sanchez put the possibility of working with Ms. Michaels on the back burner
8 until late 2009 when he negotiated Ms. Michael's contract for *So You Think You Can Dance*
9 Australia with Murphy's blessing. Murphy approved of the temporary representation arrangement
10 because she believed Sanchez would share confidential details from Ms. Michaels' agreements with
11 her. When Sanchez refused to share any confidential information, Murphy had a meltdown in her
12 Los Angeles apartment and again threatened, "I'll fire you if you ever help Mia again."
13

14 22. In 2010, Sanchez/Axis and Murphy/MMPI modified their existing management
15 relationship, the terms of which are attached hereto as Exhibit 7, including a revision/addition which
16 Murphy specifically requested to carve out income from *Los Angeles Dancesport*, a dance
17 competition she had recently purchased.
18

19 23. By 2010, Sanchez had molded Mary Murphy and MMPI into a global brand
20 generating millions of dollars in revenue through the following vehicles, including, but not limited
21 to: (a) *So You Think You Can Dance* U.S.; (b) *So You Think You Can Dance* Australia; (c) *So You*
22 *Think You Can Dance* Canada; (d) *So You Think You Can Dance* Norway; (e) *Core Rhythms*
23 Spokeswoman; (f) A featured role co-starring with A-list actors like Leighton Meester, Kaley Cuoco
24 and Paul Wesley in *Killer Movie*, a film produced by Sanchez; (g) A role in the *MTV/CTV* television
25 series *Degrassi*; (h) A featured role in *Burn the Floor*, Murphy's Broadway debut; (i) Appearances
26
27
28

1 on major television shows such as *American Idol*, *Ellen*, *Chelsea Lately*, *Jane Vellez Mitchell*,
2 *Wendy Williams*, *Rachel Ray* and *Larry King Live*.

3 24. In addition the management services described above, Sanchez also provided the
4 following services, without additional compensation, including, but not limited to:
5

6 (a) Public Relations;

7 (b) Writing Murphy's *So You Think You Can Dance* "one-liners;"

8 (c) Rehearsing Murphy's scripted *So You Think You Can Dance* reactions;

9 (d) Coordinating Murphy's styling needs (e.g. hair, make-up, wardrobe, jewelry);
10

11 (e) Negotiation of Murphy's most recent divorce, from Phillip Gott [prior to Sanchez'
12 discovery that Murphy was willfully defrauding Gott by hiding assets and engaging Vi Aguilar,
13 Murphy's dance studio manager, to deposit cash in a "dual-key" bank safe deposit box];

14 (f) Counseling Murphy on financial matters and staffing issues related to her money-
15 losing dance studio, including advising her to adopt Aguilar's recommendation that the studio accept
16 credit cards for charges under \$10.00, a common sense practice Murphy previously banned because
17 she erroneously believed the credit card company would charge \$10.00 per transaction;
18

19 (g) Counseling Murphy on personal issues, including: (i) her self-described
20 "depression;" "suicidal thoughts;" and "addiction to plastic surgery" which caused Murphy to
21 undergo multiple, secret operations; and (ii) prescription and illegal drug abuse which caused
22 Murphy to miss and/or underperform in meetings and major P.R. appearances, including a series of
23 2009 radio interviews, after which Sanchez was forced to enlist the help of *The Palazzo* security
24 personnel to break into Murphy's apartment when she was unresponsive, and, following a cocaine-
25 fueled evening of partying, a *Mardi Gras* appearance in Sydney, Australia. After the missed *Mardi*
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1 *Gras* appearance, Sanchez and another witness found Murphy in her hotel suite, high on drugs, in
2 bed with a *So You Think You Can Dance* producer, with cocaine on the nightstand;

3
4 (h) Brand Protection, including the cover-up of Murphy's many inappropriate sexual
5 relationships with *So You Think You Can Dance* and *Chelsea Lately* crew members, as well as other
6 questionable men, including a drug dealer, a married U.S. Naval officer who Murphy met online,
7 and a faux "prince" who had allegedly duped other wealthy, older women; all of which led Sanchez
8 to conclude Murphy had become a desperate, cocaine-fueled nymphomaniac.

9
10 (i) Confidential hiring and coordination of a professional trainer and a world-
11 renowned nutritionist, after Murphy failed to meet contractual weight loss obligations required by
12 her lucrative *Core Rhythms* deal;

13 (j) Curing Murphy's breaches of her *So You Think You Can Dance* U.S. agreement
14 including the *Eyecon* matter, Murphy's practice of violating Fox TV rules (and U.S. game show
15 fixing laws) by secretly coaching and working with *So You Think You Can Dance* ballroom
16 contestants behind-the-scenes, contestants who she later judged; and Murphy's demands that *So You*
17 *Think You Can Dance* producers provide her with alcohol (disguised in a *Coke* cup) to drink during
18 studio tapings;

19
20 (k) Salvaging Murphy's October 2009 *Us Weekly* cover story "How I Survived
21 Abuse" after the magazine's attorneys discovered several of Murphy's stories were lies and/or
22 contained material omissions, including Murphy's claim that her allegedly abusive ex-husband
23 Mohamad Masri Elyafaoui ("Mohamad") was deceased, when, in fact, he was alive; the previously
24 undisclosed fact that Murphy married Mohamad *twice*; and the fact that it was *Mohamad*, not
25 Murphy, who filed for divorce; counter to what Murphy claimed; and
26
27
28

1 (l) Developing plausible stories for the media when Murphy's desperate thirst for
2 fame caused her to lie about and/or fake illness or injury, including the time she faked an ankle
3 injury at the *Kids' Choice Awards*.
4

5 25. In November 2009, after Murphy's lies and omissions related to the *Us Weekly*
6 "abuse" story became an issue, Murphy attempted to shift the focus away from her deceit with a
7 manufactured "assassination" plot in which she

8 (a) claimed she was afraid Mohamad would "kill" her,

9 (b) filed a police report claiming her home had been burglarized,

10 (c) instructed Sanchez to meet with *So You Think You Can Dance* U.S. and Canada
11 security personnel, and
12

13 (d) consulted with outside security experts; including soliciting bids for security
14 systems at Murphy's home and dance studio, none of which were ever installed.
15

16 26. In 2009, with the assistance of Murphy's new attorney, Joe Carlone, Sanchez
17 provided guidance and advice with respect to the continued renewal negotiations with 19
18 Entertainment.

19 27. Based on the contentious 2007 negotiations, Sanchez, Murphy, her former attorneys
20 (Peter and Rubin) and Carlone knew Lythgoe was intent on eliminating Murphy's "Permanent"
21 status. As such, they developed a strong negotiation strategy which included plans to once again go
22 directly to Fox if/when negotiations with 19 Entertainment collapsed.
23

24 28. With Carlone's advice to counter 19 Entertainment's initial low ball offer at "around
25 a million a year," advice of which Sanchez agreed and Murphy approved, 19 Entertainment was
26 presented with an initial counter offer which would net Murphy approximately \$1,000,000.00 for the
27 2010 season (depending on the number of episodes ordered by Fox).
28

1 29. Sanchez and Carlone developed a strong legal and PR strategy to protect Murphy's
2 "Permanent Judge" status on *So You Think You Can Dance* after it became clear Lythgoe was
3 planning to use Murphy's erratic behavior and contract breaches to demote Murphy to "part-time"
4 status; including but not limited to:

5
6 (a) Going directly to Fox TV executives as had been done when the previous 2008
7 negotiations with 19 Entertainment collapsed;

8 (b) The possibility of joining forces with Lauren Sanchez, the original host of *So You*
9 *Think You Can Dance* (and another of Sanchez' clients), who Lythgoe fired after she became
10 pregnant; and

11
12 (c) Utilizing AFTRA union resources to prevent Lythgoe from executing his plans to
13 demote Murphy.

14 30. From the beginning of their professional relationship in 2006, through mid-2009,
15 Sanchez and Murphy operated under the following accounting procedures:

16 (a) Sanchez collected all entertainment related compensation (per industry practice),

17 (b) Sanchez made copies of the checks,

18 (c) Sanchez sent Murphy the check along with an invoice for his ten percent (10%)
19 commission, and

20
21 (d) Murphy sent Sanchez a check for his 10% commission.

22
23 31. The industry standard accounting arrangement outlined in paragraph 29 worked
24 perfectly until Murphy lost checks in mid-2009 totaling approximately \$50,000.00.

25 32. As a result of Murphy's negligence, Sanchez was forced to request that 19
26 Entertainment/DCP process a "stop payment" and re-issue the lost checks. The checks were later
27 found in the trunk of Murphy's car but, rather than apologize for the stress and payment delay her
28

1 mismanagement caused, Murphy demanded that Sanchez set up an entirely new accounting process
2 whereby all checks would be sent to her first and then she would send Sanchez his 10% commission.
3 Sanchez agreed to Murphy's demands and created an entirely new accounting process for Murphy;
4 separate from the accounting process he used for all of his other clients.
5

6 33. Murphy compounded the stress created by her loss of the checks by demanding an
7 audit of Sanchez' books. Sanchez complied with Murphy's demand, allowing Murphy's accountant
8 to go through all of his files. The result: after hundreds of transactions involving millions of dollars
9 over four years, Murphy's accountant gave Sanchez his seal of approval.
10

11 34. On February 22, 2010, without cause, Murphy terminated the management
12 relationship with Plaintiffs via an email message ("Exhibit 8").

13 35. Murphy has breached her agreements by failing to pay Sanchez/Axis the
14 commissions owed, per their agreements.
15

16 **FIRST CAUSE OF ACTION**

17 **(Breach of Written Contracts - Against All Defendants)**

18 36. The allegations set forth in Paragraphs 1 through 35 are re-alleged and incorporated
19 herein by reference.

20 37. Plaintiffs allege that on or about February 23, 2006, February 10, 2008 and again on
21 February 10, 2010 written agreements were made between plaintiffs and defendants, copies of which
22 are attached as Exhibits 1, 4 and 7. Although Murphy did not sign the three agreements, she ratified
23 the terms of the three agreements and, up until February 22, 2010, the parties' respective financial
24 arrangements were in all respect in accordance with the terms of the three written agreements.
25

26 38. Since February 22, 2010, defendants have breached the terms of the agreements by
27 failing to pay plaintiffs any of the commissions owed per their agreements.
28

1 39. Plaintiffs have performed all obligations to defendants except those obligations
2 plaintiffs were prevented from or excused from performing.

3 40. Plaintiffs suffered damages proximately caused by defendants' breaches of their
4 agreements. Through the present date, plaintiffs have suffered monetary damages in an amount
5 subject to proof, but for purposes of pleading, in an amount in excess of \$164,660.00. Plaintiffs also
6 reasonably anticipate that they will suffer future monetary damages in an amount subject to proof,
7 but for purposes of pleading, in an amount in excess of \$1,000,000.00.
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13 **SECOND CAUSE OF ACTION**

14 **(Breach of Oral Contracts - Against All Defendants)**

15 41. The allegations set forth in Paragraphs 1 through 35 are re-alleged and incorporated
16 herein by reference.
17

18 42. Plaintiffs allege that on or about February 23, 2006, February 10, 2008 and again on
19 February 10, 2010, oral agreements were made between plaintiffs and defendants, the essential
20 elements of which are memorialized in Exhibits 1, 4 and 7.

21 43. Since February 22, 2010, defendants have breached the terms of the agreements by
22 failing to pay plaintiffs any of the commissions owed per their agreements.
23

24 44. Plaintiffs have performed all obligations to defendants except those obligations
25 plaintiffs were prevented from or excused from performing.

26 45. Plaintiffs suffered damages proximately caused by defendants' breaches of their
27 agreements. Through the present date, plaintiffs have suffered monetary damages in an amount
28

1 subject to proof, but for purposes of pleading, in an amount in excess of \$164,660.00. Plaintiffs also
2 reasonably anticipate that they will suffer future monetary damages in an amount subject to proof,
3 but for purposes of pleading, in an amount in excess of \$1,000,000.00.
4

5 THIRD CAUSE OF ACTION

6 (Declaratory Relief - Against All Defendants)

7 46. The allegations set forth in Paragraphs 1 through 35 are re-alleged and incorporated
8 herein by reference.

9 47. An actual controversy has arisen and now exists between plaintiffs and defendants
10 concerning their respective rights and duties in that plaintiffs contend that defendants are
11 obligated to continue to pay to plaintiffs 10% of all of defendants' future entertainment-related
12 earnings from *So You Think You Can Dance* and, except for those projects specifically excluded
13 in the February 23, 2006, February 10, 2008 and February 10, 2010 agreements, any other
14 commission generating projects that were in existence as of February 22, 2010. Plaintiffs are
15 informed and believe that defendants dispute these contentions, and contend that all of
16 defendants' obligations to plaintiffs terminated as of February 22, 2010.
17

18 48. A judicial declaration is necessary and appropriate at this time under the
19 circumstances in order that plaintiffs may ascertain their rights under their agreements with
20 defendants.
21

22 PRAYER

23 WHEREFORE, Plaintiffs Axis Management, Inc. and Michael Sanchez pray for judgment
24 as follows:
25

26 ON THE FIRST CAUSE OF ACTION:

- 27 1. For monetary damages in the sum of \$164,660.00 for present damages.
28

2. For monetary damages in the sum of \$1,000,000.00 for future damages.
3. For prejudgment interest according to proof.

ON THE SECOND CAUSE OF ACTION:


4. For monetary damages in the sum of \$164,660.00 for present damages.
5. For monetary damages in the sum of \$1,000,000.00 for future damages.
6. For prejudgment interest according to proof.

ON THE THIRD CAUSE OF ACTION:

7. For a declaration that defendants Mary Murphy and Mary Murphy Productions, Inc. are obligated to pay to plaintiffs 10% of all of defendants' future entertainment-related earnings from *So You Think You Can Dance* and, except for those projects specifically excluded in the February 23, 2006, February 10, 2008 and February 10, 2010 agreements, any other commission generating projects that were in existence as of February 22, 2010.

ON ALL CAUSES OF ACTION:

8. For costs of suit incurred herein;
9. For such other and further relief as the court may deem just and proper.


STEVEN P. KRAKOWSKY, ESQ.
Attorney for Plaintiffs MICHAEL SANCHEZ
and AXIS MANAGEMENT, INC.