

# “FIFTY SHADES OF greed”

It's the most lucrative book ever brought out by an Australian publisher, but instead of triumphant joy, the team behind the *Fifty Shades* trilogy is at loggerheads.

**Caroline Overington** reports.

**T**HERE CAN'T BE many red-blooded Australian women who didn't read *Fifty Shades Of Grey*, so who is ready for the sequel? Not what happened next for the virgin and her billionaire boyfriend. This is what happened next for the Australian mum and her Texan friends who published the book in the first place.

Maybe you heard they made a million dollars? That's not quite right. They actually made US\$39 million and counting, so they all went out to celebrate.

Kidding! That would be the Hollywood ending. In real life, they ended up in court, fighting over the cash. Interested to know who came out on top? Well, the trial took place in Texas, so strap yourself down for the ride is wild.

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ASK ANY BOOKLOVER, "who is E.L. James?", and chances are they'll say, "that's the pen name of the woman who wrote *Fifty Shades Of Grey*". Ask the same book lover, "who is Amanda Hayward?" and they probably won't be able to tell you.

By her own admission, Amanda prefers to stay under the radar, but she was born in Newcastle, NSW, and after finishing high school in the early 1990s, she moved to London to work as a nanny, where she met her husband, James. They now have two girls and have returned to Sydney to raise them.

Midway through 2009, Amanda had to go to hospital – it was nothing too serious – and when she complained that she was bored, a friend gave her one of the *Twilight* books to read. Amanda wasn't into vampires, but like everyone, she was hooked, reading all four books in four days. Hungry for more, she went onto the author Stephenie Meyer's website, where she found a link to a Fan Fiction site.

Fan Fiction is where fans of different books take the main characters and write steamy stories about them, usually under pen names, so nobody gets embarrassed. Amanda started laughing and eventually plucked up the courage to have a go at writing some of her own Fan Fiction stories, using the name The Spoilt One. To her shock, she soon had heaps of

fans online, hanging out for her next instalment, which was thrilling because, as she told a Texan court in July, she'd never thought of herself as much of a writer. "Most people on the site were like me, bored housewives," she said, "and this was just something to pass the time away."

It was also a way to make friends with other bored mums from around the world. One of the first women that Amanda got to know through Fan Fiction was a bubbly, blonde fourth-grade teacher called Jenny Pedroza from Fort Worth, Texas.

"We just clicked," Amanda said, adding that she encouraged Jenny to "overcome her shyness" and write some erotica, under the pen name Footroza. Both found it thrilling and soon started working on a 110-chapter, full-on erotica e-book together (somewhat prophetically, it was called *Mistakes*). Also at around this point, Amanda started to wonder whether there might not be a way to make money from this malarkey: after all, tens of thousands of people were visiting the Fan Fiction sites every day, devouring each other's stories, and that kind of traffic had to be worth something.

She talked it over with Jenny, who agreed that a new website was a great idea. In September 2009, Amanda registered the name The Writer's Coffee Shop in Australia and, in October of the same year, she posted a note to her fans, saying, "We have joined forces. The Spoilt One is from Australia. Footroza is from Texas. We both have a lot to do with our new venture, The Writer's Coffee Shop." The key words in that statement, for later reference, are "we" and "our".

As Jenny understood it, the idea behind The Writer's Coffee Shop was to encourage people who had been posting to the Fan Fiction sites to post on The Writer's Coffee Shop website instead. Money would come through Google ads, or from the sale of e-books and maybe even print books.

Amanda asked her to help set up the business in the US. To that end, Jenny went out and got an Employer Identification Number, or EIN, which is like the Australian Business Number

(ABN), except it's for use in the United States; and a US bank account, so The Writer's Coffee Shop could start signing contracts and selling books through the big American e-book sellers, such as Amazon and Kobo.

At around the same time, Amanda asked another of her online friends, Jenn McGuire, who also lives in Texas, to design the Coffee Shop site for her, while a third friend, Lea Dimovski from Sydney, agreed to help with content.

The excitement among these women in those early days was palpable, but financially, The Writer's Coffee Shop was a disaster. One of the first books they published, *Blind Faith*, cost about \$500 to produce (the money went towards designing a cover, getting an editor to knock the manuscript into shape and so on) and made about \$100 back in sales, leaving them \$400 out of pocket. *Mistakes* didn't do much better, delivering Jenny the princely sum of \$23 in monthly royalties. Clearly, this was going to be a slog, but Amanda was determined. She maxed out her credit cards and remortgaged her house twice to keep the business afloat, telling her husband James, that "the next month will be better".

As she saw it, all The Writer's Coffee Shop needed was one big hit and Amanda knew just who might supply it: E.L. James

(the pen name of Erika Mitchell). According to Amanda, Erika had been writing Fan Fiction under the name Snowqueen's Icedragon for years. "She was very popular [on the Fan

Fiction sites] and I was very, very nervous about approaching her," she said, "but I did and she was very lovely. We hit it off."

Amanda says she urged Erika to give up writing for free and sign a three-book deal with The Writer's Coffee Shop. According to Amanda's testimony, Erika was "very nervous about publishing. She didn't really even want to do it. I helped her overcome her shyness with it. And, yeah, I pretty much talked her into it."

Part of the problem was that Erika's stories were based on *Twilight* "and you can't really just publish it because that's actually copyright infringement. >

She maxed out her credit cards and remortgaged her house twice.



And it's not just changing the names." Amanda says she "didn't just tell Erika, hey, you need to fix all this ... I actually sat with her and word-for-word actually helped her change it all."

By April 2011, Erika's first book was ready to be published and Amanda's instincts proved correct: *Fifty Shades Of Grey* went off like a rocket. Four months later, The Writer's Coffee Shop published the sequel, *Fifty Shades Darker*, and it went nuts, too. And this, according to one of the lawyers involved in the case, Mike Farris, is "where, if this were a movie, the ominous music would be played. [The business] is starting to make some money, starting to generate some buzz. This is the financial success The Writer's Coffee Shop has been looking for."

Jenny was excited because "she's teaching school and we know how much school teachers get paid." (In the US, around US\$3750 a month, after taxes.) Yet there was no time to celebrate because with success came a monstrous workload, including tens of thousands of emails from customers, writers, editors, suppliers and journalists, plus there was the problem of actually keeping up with demand for the book, printing tens of thousands of labels, keeping the website operating and especially shipping and packing the books.

"We used to have shipping parties. I couldn't move in my house," Jenny told the court. "I had to get my mom to help. It was hundreds of boxes and tape."

Jenny was also in charge of paying suppliers out of the US bank account,

but Amazon kept freezing payments to The Writer's Coffee Shop on the grounds of "suspicious activity" (too much money suddenly going in).

"So Jenny talks to various banks about opening a business account," her attorney told the court, "and what they all tell her is, we need some more evidence of your existence, like a partnership agreement."

Jenny found a basic partnership contract on the internet and she says she knew exactly who to send it to because, some months earlier, Amanda had hosted a conference with all the staff and volunteers at The Writer's Coffee Shop, imploring them to stop pushing every problem onto her and saying she had "three partners in this business, who work quietly in the background. They would be Jennifer Pedroza, Jenn McGuire and Lea Dimovski." Jenny duly sent copies of the partnership contract to Jenn, who signed it, to Lea, whose email bounced it back, and to Amanda, who didn't respond.

And this, Farris told the jury, is where "the next ominous music is cued."

A short time later, the third book in the trilogy, *Fifty Shades Freed*, was launched at a glittering party in Manhattan, hosted by the Diva Moms. (Asked to describe the Diva Moms in court, Jenny hesitated before saying, "I guess they are kind of like socialite women that get together with their kids and drink martinis, and

wear really nice clothes.") Amanda flew into New York from Sydney. Jenny flew in from Texas. They were both really excited, at least until Erika flew in from Britain, with her new agent, Val Hoskins, by her side. Val wanted to have a meeting "and it was of the worst meetings I've ever been to," Amanda says.

Val told Amanda that Erika wanted to get out of her contract with The Writer's Coffee Shop because she wanted to sell the *Fifty Shades* trilogy to a huge, New York-based publishing company like Penguin or Random House, who could sell millions of copies much more quickly and effectively – meaning, without having to have Jenny's mum taping up the boxes in the spare room in Fort Worth – and make Erika a multi-millionaire.

"She also told me that Erika and I can't be friends anymore because it's affecting Erika's business decisions," Amanda says. "She [Erika] was crying as much as I was ... and I basically lost a friend [that day] through no fighting, nothing."

The fact that Erika wanted out is confirmed by an email tendered to the court, in which Erika says, "The time has come for me to move on ... Had *Fifty* stayed small, I would have been happy to stay but it hasn't. It has become a cultural phenomenon ... you told me that you would never hold me back [and] I can

almost taste it, and I want it, really badly."

Amanda says she left the meeting in tears.

At the same time, she could see dollar signs, because there was simply no way she was

going to let Erika just walk away. Amanda discussed the matter with Jenny Pedroza, who suggested "we ask for a million dollars projected profits" or else "make her a partner and we all get rich and ride into the night". Amanda thought about that, and decided to go for more. On February 12, 2012, she wrote to Erika, saying, "I spoke to the girls this morning and [and again, here are some key words] *we* are all in agreement that *we* are willing to let you go, but for a price."

The price Amanda had in mind was US\$2 million, but then Penguin sailed in, offering US\$3 million, then along came ▶

*She was crying as much as I was ... I basically lost a friend through no fighting.*

Random House, offering US\$2 million upfront, plus a three-year deal under which royalties would be split 50/50 between E.L. James and The Writer's Coffee Shop.

Erika chose to go with the Random House deal. The contract was signed in March 2012 and in the days that followed, Jenny jumped on a plane to Australia to help Amanda celebrate, but when she landed and asked to see the contract, Amanda said, "I can't show it to you. I had to sign a non-disclosure".

And that, of course, is the third cue for ominous music.

Jenny returned to Texas feeling a bit confused. Amanda said she'd be back in touch once she had taken financial and legal advice. Some months rolled by and Amanda resurfaced, complaining about stress and headaches, and the "f\*cking shit tax" implications of the deal she had signed.

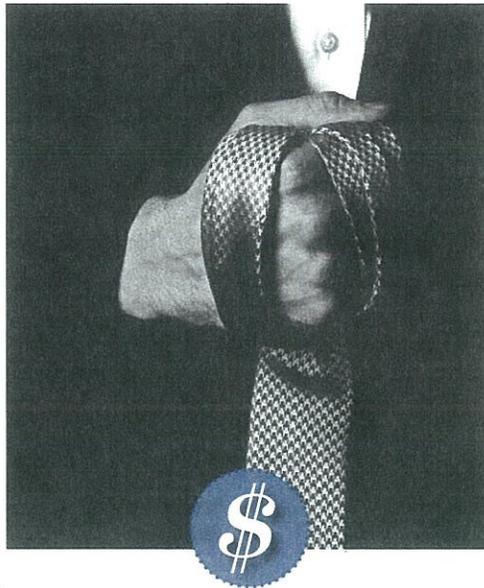
"A lot of what we did earlier is not brilliant tax wise," she said, adding, "I've been told to stop doing press on me, or I'll get them [the Tax Office] sniffing around, which we don't want. [Also] the accountants say we need to change a few things [on the website]. We have to dump the words partners as I'm a sole trader, or we could be up for more tax."

"I HATE this stuff. REALLY HATE IT," the email said. "Just know that I am doing the best I can, mwah xxx."

Jenny wrote back, saying, "I want you to stop worrying. We are partners. We trust you completely." She added, "I love you ... and I will seriously come smack you on that nice ass if you don't stop making yourself sick."

Did Jenny suspect that something was up? No, because Amanda had by then wired a touch over \$100,000 into Jenny's account, with a promise of more to come. Also because she didn't know – and had no way of knowing – that Amanda hadn't signed the Random House contract using the EIN and the US bank account number – she'd signed it using her own, personal tax file number, with directions that the money be paid into her personal bank account.

What Jenny also didn't know – what nobody really understood – was exactly how much money Amanda was about



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That adds up to a touch under US\$35 million.

Over time, the amount would climb to MORE THAN US\$39 million.

to make from the 50/50 royalties deal. Hold onto your hat, because it was more than any Australian publisher has made from a book, ever.

Court testimony shows that the first payment from Random House totalling US\$16.512 million landed in Amanda's personal bank account on November 1, 2012. A second payment of US\$15.729 million arrived in April 2013; and a third payment of US\$2.7 million arrived in October 2013. For those not keeping count, that adds up to a touch under US\$35 million and they weren't done yet.

Happy days, right? Amanda certainly seemed happy and the record shows that she also went on a bit of a spending spree. On December 12, 2012, for example, she and her husband, James, purchased a six-bedroom, six-bathroom estate with pool in Dural, in north-western Sydney, for \$4.78 million.

On January 23, 2013, her family investment company, Spoilt One, paid \$2.56 million for a warehouse in Argyle Street, South Windsor, which they turned into a gymnasium, on May 25, 2013, that company paid \$2.25 million for two hectares of land bordering the Hills Grammar School in Dural and, on March 11, 2014, it purchased a six-bedroom, four-bathroom house with stables, tennis court and swimming pool at nearby Kenthurst for \$1.95 million.

That's just under \$12 million in real estate alone.

How much of the millions did she share with Jenny Pedroza? A touch over US\$200,000, some of which she classified as "wages" because, according to Amanda, Jenny was now nothing more than an employee.

"I was the owner," Amanda told the court. "I did everything. I was in charge of the whole lot."

To that end, Amanda soon began drawing up new contracts for Jenny and others to sign, saying she had no choice other than to restructure the company "because this was a hobby that had become a business".

Jenny told the court that she received a contract from Amanda towards the end of 2013 and that she was too scared to sign it because one of the clauses appeared to give Amanda the power to terminate her "without cause".

"You're not trying to get rid of me, are you?" she said by email because Jenny had by then quit teaching to concentrate on The Writer's Coffee Shop and it would be hard to get a new teaching job in the middle of the year.

Amanda wrote back, saying, "Because of our friendship, I would never do that to you. I swear on my daughters' lives."

Jenny signed and, 10 months later, Amanda duly fired her. >

When Jenny's lawyer, Mike Farris, asked Amanda about this in court, he said, "You said there were financial problems."

Amanda said, "There were."

Mike Farris: "The day before you terminated Jenny, you had received about US\$2.9 million from Random House, correct?"

Amanda: "Correct."

"And in the spring, you had received around US\$15.7 million, correct?"

"Correct."

"And the previous fall, you had received US\$16.5 million, correct?"

"Correct."

Mike Farris seemed perplexed, saying, "You had just received a little under US\$40 million. What did you do with that money?"

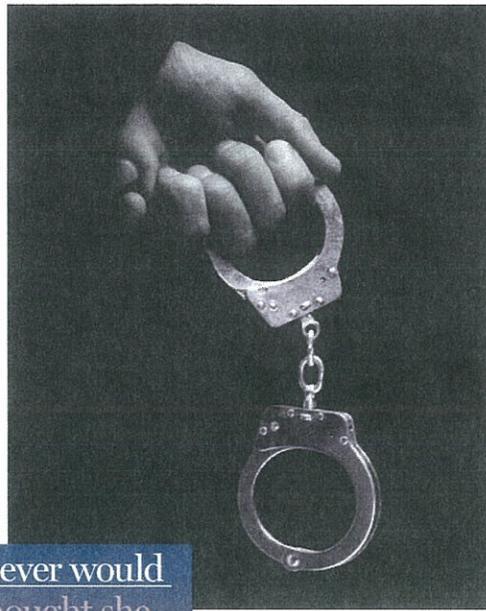
Amanda replied, "I invested most of it and I paid a massive tax bill."

To be clear, Jenny still didn't know anything about the millions when she got fired. All she knew was that she had to find a way to make a living until she could get a new teaching job. One idea she had was a soap-making business, using ingredients mixed up in her own kitchen. In order to give the business a little push along, she gave an interview to her local paper, the *Fort Worth Weekly*, telling the reporter that she'd been one of the partners in the business that had launched *Fifty Shades*, but she hadn't made much money from it.

"You live and learn," she said, ruefully. "Don't take a handshake."

What happened next would rock Jenny's boat as surely as if the billionaire Christian Grey himself had walked into it. Amanda says she didn't read the article, but friends told her it "wasn't nice", so she had her lawyers send what's known as a "cease and desist" letter, threatening to sue Jenny if she didn't stop talking about *Fifty Shades*.

Jenny got a fright and went looking for a lawyer of her own, preferably somebody not too expensive. To this day, she believes that Mike Farris came to her via divine intervention: not only was he the Texan son of a Baptist minister, he's also a writer,



I never, ever would have thought she would have tried something like this.

with five novels to his name. Mike gets this stuff and he couldn't wait to get stuck in.

Jenny explained the whole story, saying she didn't know what to do when Amanda fired her because she had never managed to get Amanda to sign the partnership agreement she had downloaded from the internet, but Mike said that was okay because in Texas – and, to some extent, in Australia – if you call yourself partners and act like business partners, and you trade like a business partners, you are partners, whether you've got it in writing or not. Mike launched a lawsuit against Amanda for "defrauding" her business partners out of their profits, describing the case in court as "Fifty Shades of Greed".

Amanda was stunned, telling the court that Jenn McGuire didn't see herself as a partner and neither did Lea Dimovski, and as for Jenny, "I kind of knew our relationship had fallen apart ... but I never, ever would have thought she would have tried something like this."

The trial took place in Texas, in July. Amanda flew in from Sydney, with her husband James by her side. Jenny arrived with her mum and cut sandwiches for lunch. The two women didn't speak, yet there they sat: two middle-aged women who were once so close they took their kids to Disneyland together, mourning

a friendship torn apart by money. The proceedings took five days. One of the first problems was finding a jury.

Texas is Bible country: four potential jurors told the judge they honestly didn't think they could sit through a trial, given the ungodly content of the books (by chance, the trial took place just as the *Fifty Shades* movie was coming out, so naked-and-blindfolded posters were all over the place).

Amanda struggled from day one, telling the jury that when she said "we" she meant "I" and when she said "our" she meant "my", and that when she said she would never sack Jenny in the middle of the school year – "I swear on my daughters' lives" – that was just "Australians, we swear on everything".

Amanda's lawyer, Bob Kantner, didn't do much better, telling the jury to overlook the memo where Amanda described Jenny as one of three other partners, saying, "I can't tell you how many times, especially in small towns in Texas, I've heard the phrase, 'Howdy, partner'. That don't mean we're partners in a business sense. It's a way of saying 'Hey' in Texas."

Mike Farris took the literary approach. In his view, the jury had to decide between two versions of the same story.

In the first version, "a group of women got together, created a partnership, had financial success with *Fifty Shades*, and then one of them took off with all the money."

In the second version, Amanda was a sole trader "and the other women worked for her out of the goodness of their hearts for no pay and when the financial success hit, she took all the money."

"Y'all get to decide which of those stories is true," Mike told the jury, "and y'all get to decide whether you want to rewrite the ending."

Rewrite the ending they did. The jury found for Jenny, with the court saying she was entitled to US\$10 million of the *Fifty Shades* profits. Upon hearing this, she wept. Amanda did not, telling *The Weekly*: "This case is not over". She intends to appeal, which in turn means that we can expect at least one more chapter and quite a bit more pain. ■