

UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK

UNITED STATES OF AMERICA,
Plaintiff,
v.
APPLE, INC.,
HACHETTE BOOK GROUP, INC.,
HARPERCOLLINS PUBLISHERS L.L.C.,
VERLAGSGRUPPE GEORG VON
HOLTZBRINCK GMBH,
HOLTZBRINCK PUBLISHERS, LLC
d/b/a MACMILLAN,
THE PENGUIN GROUP,
A DIVISION OF PEARSON PLC,
PENGUIN GROUP (USA), INC., and
SIMON & SCHUSTER, INC.,
Defendants.
Civil Action No. 12-CV-2826 (DLC)

DECLARATION OF KARRY LU
IN SUPPORT OF THE UNITED STATES' MOTION FOR
ENTRY OF FINAL JUDGMENT

KARRY LU, declares:

1. My name is Karry Lu and I am a Research Assistant at the Antitrust Division of the United States Department of Justice ("DOJ"). I received a Bachelor of Arts degree in Economics from the University of Chicago in June 2010, and have worked professionally in that field since then. I joined the Economic Analysis Group at the Antitrust Division in June of 2011. At the Antitrust Division, my duties regularly include using a variety of statistical software packages to clean and analyze large datasets.

2. The purpose of this declaration is to explain the method by which data was compiled to generate the charts included as Exhibits 1 and 2. I was asked to consider data for all sales through Amazon of Penguin e-books during a period of approximately one month surrounding the time at which Penguin took retail pricing control of those e-books from Amazon. On Exhibits 1 and 2, the term “Pre-Agency” refers to the period prior to Penguin’s exercise of retail pricing control, and thus reflects retail prices set by Amazon. Likewise, the term “Post-Agency” refers to the period during which Penguin set retail prices. The term “New Release” is defined to be consistent with Penguin’s use of that term in its “Observations,” Penguin at 5, that is, the universe is limited to only those e-books having a first publication day on or after June 12, 2009.

3. To generate the results in Exhibit 1, I isolated Penguin e-book titles sold through Amazon in the week ending May 15, 2010, and the week ending June 12, 2010. I excluded all titles without sales in both weeks (*i.e.*, I removed all titles that lacked sales in either the week ending May 15, 2010, or the week ending June 12, 2010). To generate the average Pre-Agency price, I summed the revenue and units for all titles sold in the week ending May 15, 2010, and divided total revenue by total units sold. The blue bar in Exhibit 1 represents the result: the average Pre-Agency price of Penguin titles sold by Amazon weighted by units sold. To generate the average Post-Agency price, I summed the revenue and units for all titles sold in the week ending June 12, 2010, and divided total revenue by total units sold. The red bar in Exhibit 1 represents the result: the average Post-Agency price of Penguin e-book titles sold through Amazon weighted by units sold.

4. To prepare the chart in Exhibit 2, I used a subset of the data compiled for Exhibit 1, limited to only those e-books having a first publication day within one year of the Post-Agency period, that is, on or after June 12, 2009. To generate the average Pre-Agency price, I summed the revenue and units for all such titles sold in the week ending May 15, 2010. I divided total revenue by total units. The blue bar in Exhibit 2 represents the result: the average Pre-Agency price of Penguin “New Release” titles sold by Amazon weighted by units sold. To generate an average Post-Agency price, I summed the revenue and units for all such titles sold in the week ending June 12, 2010. I divided total revenue by total units sold. The red bar in Exhibit 2 represents the result: the average Post-Agency price of Penguin New Release titles sold through Amazon weighted by units sold.

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge and belief.

Dated: August 22, 2012

A large, stylized handwritten signature in black ink, appearing to read 'Karry Lu', is written over a horizontal line.

Karry Lu
Research Assistant, Economic Analysis Group
United States Department of Justice
Antitrust Division
450 Fifth Street, N.W.
Washington, DC 20530

CERTIFICATE OF SERVICE

I, Stephanie A. Fleming, hereby certify that on August 22, 2012, I caused a copy of the Declaration of Karry Wu in Support of Plaintiff United States' Motion for Entry of Final Judgment, and attached exhibits, to be served by the Electronic Case Filing System on all parties to this action. Additionally, courtesy copies were provided electronically to the following individuals:

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