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LITIGATION III, ANTITRUST DIV.  
U.S. DEPT. OF JUSTICE

John Read  
Chief Litigation III Section  
Antitrust Division  
U.S. Department of Justice  
450 5<sup>th</sup> Street, NW, Suite 4000  
Washington, DC 20530

Dear Mr. Read,

I am very concerned that the Department Of Justice's investigation into supposed price fixing with regard to e-books is ignoring the real story and the actual ramifications of a decision in favor of Amazon.com.

Whether it is demanding exclusive discounts from suppliers, selling books at a loss, or practicing sales tax avoidance with a vengeance (only recently switching its tune as it plans locations in virtually all 50 states), Amazon continues to prove itself a truly terrible corporate citizen. And now, it has convinced the DOJ to do what Amazon itself was unable to -- bully publishers to change the agency price model and allow Amazon to destroy the e-book market with predatory pricing. The notion of Amazon selling e-books below-cost or at cost prices is good for consumers, is nonsense. The company wants to use e-books as a loss leader to kill off all competition. That will, of course, lead to fewer choices for consumers and, eventually, higher prices.

Prior to the "Agency" model which was introduced two years ago, Amazon had a virtual monopoly with over 90% market share, in large part because Amazon was "dumping" e-books on the market below their cost. If this had been allowed to continue, there would be no e-book marketplace. Agency pricing allowed there to be multiple vendors in the marketplace and broke Amazon's monopoly. With the changes that the DOJ is forcing there will be irreparable harm on the book industry!

Amazon's detrimental discount squeezing and hardball tactics with publishers is shown in its much publicized pricing disagreement two years ago with Macmillan, one of the nation's largest publishers -- Amazon removed the "buy" buttons from all Macmillan's titles (both physical books and e-books) after the publisher sought to put agency pricing in place on e-books. When there was finally an agreement, Amazon took an extra week to put the buy buttons back as a slap

on the wrist for Macmillan. This February, Amazon again asserted its influence when it pulled nearly 5,000 titles by distributor Independent Publisher Group (IPG) from its Kindle e-book store after IPG said "no" to Amazon's demand for better terms than what was being offered to all retailers. Other online retailers, including Barnes & Noble and Apple, continue to sell digital versions of IPG's titles, enabling the distributor to resist Amazon's demands for now - What part of Amazon's tactics don't look like bullying?

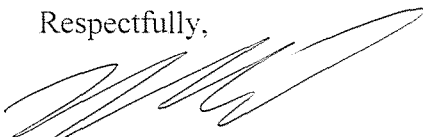
Agency pricing has leveled the playing field and lowered Amazon's monopoly to around 60%. With the DOJ's misguided moves, Amazon will move back to 90% market share and most likely put companies like Barnes & Noble who employs 35,000 people, and Books a Million with a staff of 6,000 out of business – costing over 40,000 jobs, and leaving consumers with no viable bookstores to visit. Once those companies are out of business, Amazon will no longer lose money on e-books, but will increase prices once all the competitors are gone.

For the Department of Justice to challenge a business model that played an essential role in fostering a more competitive, diverse retail environment seems to turn logic on its head and is not in the best interest of consumers. I thought the DOJ was to break up monopolies like the one Amazon had over e-books (which the monopoly had been broken by agency pricing.) With the DOJ's actions Amazon will return to 90+% market share which will force the exact opposite result of what the DOJ's job is.

My company has been in the book business for 33 years and we can clearly see what Amazon is doing. Agency pricing is good for the industry, good for publishers, good for booksellers and good for consumers - the DOJ's actions are spectacularly wrong. The DOJ's actions are like handing a baseball bat to the neighborhood bully - bad things are guaranteed to happen.

Department of Justice - you need to reverse this error in judgment before you have over 40,000 lost jobs on your hands. Virtually every major news outlet (Wall Street Journal, New York Times, Los Angeles Times, and Slate) all agree that the DOJ is making a HUGE mistake. Correct this wrong before irreparable harm is done.

Respectfully,



Ray Hendrickson  
President and CEO