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# ARNOLD & PORTER

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June 12, 2002

## CONFIDENTIAL

The Honorable Jim Greenwood  
U.S. House of Representatives  
2436 Rayburn House Office Building  
Washington, D.C. 20515-3808

The Honorable Peter Deutsch  
U.S. House of Representatives  
2421 Rayburn House Office Building  
Washington, D.C. 20515-0920

Dear Congressmen Greenwood and Deutsch:

There have been press reports in connection with the sale of ImClone stock by our client Martha Stewart. I wanted to provide you with the following which will make clear that her actions had absolutely nothing to do with any nonpublic information about an imminent report from the Food and Drug Administration relating to ImClone. This information is based on a thorough review of the circumstances by Ms. Stewart's New York lawyers.

1. On December 27, 2001, Ms. Stewart sold 3928 shares in ImClone. This sale was the result of implementing an understanding reached about a month earlier with her broker that if ImClone shares were ever to sell below \$60 per share, she would sell. That decision had nothing to do with any information about ImClone; it was just a conventional method to protect against down-side market risk. On the 27<sup>th</sup> Ms. Stewart's broker called her. They had a brief conversation that ended at 1:41 p.m. The broker told Ms. Stewart that the shares had gone below \$60, and they agreed to sell the shares. This was done immediately; the brokerage records indicate Ms. Stewart's sell order entered the market at 1:43 p.m. and the stock was promptly sold pursuant to that order at about \$58 per share.

2. At no time did Ms. Stewart ever receive from anyone any information concerning any action by the FDA with regard to ImClone or any planned or imminent announcement by ImClone of any action by the FDA that was ultimately made public on the day after the sale, on December 28<sup>th</sup>. The sale noted above was prompted solely by a

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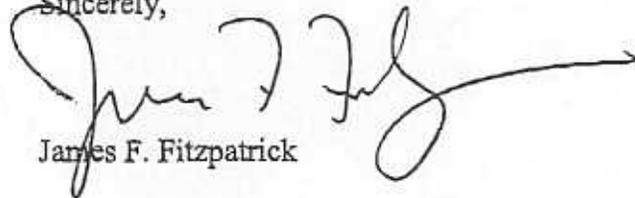
The Honorable Jim Greenwood  
The Honorable Peter Deutsch  
June 12, 2002  
Page 2

call from her broker based upon her preexisting understanding with him, and was not based upon any nonpublic knowledge or information about the FDA announcement or an FDA action in respect of ImClone.

3. Shortly after placing the order to sell her remaining ImClone shares, Ms. Stewart placed a call to Dr. Sam Waksal's office. She did not reach Dr. Waksal, and his assistant took a message from Ms. Stewart. On its face, the message confirms that Ms. Stewart knew nothing about what might be happening at ImClone. Dr. Waksal never returned the call.

I trust that this will clarify the sequence of events and the factors, which led to Ms. Stewart's decision to sell ImClone shares. As you can see, her transaction was entirely lawful.

Sincerely,



James F. Fitzpatrick

cc: The Honorable Billy Tauzin  
The Honorable John D. Dingell