

# With a wave to her fans, Martha Stewart heads to trial

By Erin McClam  
THE ASSOCIATED PRESS



STEWART

NEW YORK — Martha Stewart waved to her supporters, strode into a Manhattan courthouse and repeated a plea of innocent at the formal start of her stock-trading trial Tuesday.

The 62-year-old millionaire gracious-living guru stood in court and nodded at the first batch of jurors, who were interviewed one by one in a judge's private robing room.

"Not guilty," Stewart said five times, speaking almost inaudibly and nodding as she re-entered her plea to five criminal counts related to her 2001 sale of nearly 4,000 shares of ImClone Systems.

Stewart, in a dark overcoat, clutched two bags as she stepped out of a black town car and said "Good morning" while passing a phalanx of cameras. She then climbed the courthouse steps and briefly waved to two fans standing in the freezing cold, including a man wearing a "Save Martha" chef's hat and matching apron.

In court, she produced a ballpoint pen and green stenographer's notebook and listened to U.S. District Judge Miriam Goldman Cedarbaum instruct the potential jurors on their role in the trial.

"Only you can determine what happened, and the verdict as to each count will be your decision alone," the judge said.

Cedarbaum told the potential jurors that opening statements will probably begin next week. The trial is expected to last into March.

Stewart faces 30 years in prison and penalties of \$1.25 million, although she would likely receive far less under federal sentencing guidelines if convicted.

Stewart is the highest-profile figure to stand trial since the government began its crackdown on corporate corruption two years ago.

She became the queen of home decor and amassed a fortune as the head of Martha Stewart Living Omnimedia, which stamped her style on everything from magazines and recipes to bed linens and bath towels. Her legions of supporters argue she is being targeted because of her celebrity status.

"This is a witch hunt," said Linda Smith,

who took a two-hour bus ride from New Jersey to stand outside the courthouse in support of Stewart. "Martha's public believes her, believes in her innocence."

The ImClone stock fell sharply the day after Stewart's sale on a negative government report about an ImClone cancer drug. Prosecutors say Stewart lied to investigators to cover up that her stock sale was prompted by a tip that ImClone founder Sam Waksal was trying to sell his shares after getting advance word of the report.

Stewart claims she and her stockbroker had a pre-existing order to sell ImClone stock when it fell to \$60 per share.

The broker, Peter Bacanovic also is charged with five criminal counts in the trial.

Bacanovic, 41, also re-entered a plea of innocent to each count against him, clearly and emphatically repeating the phrase "not guilty." Bacanovic's five counts carry a total of 25 years and \$1.25 million.

Stewart and Bacanovic entered the same innocent pleas on June 4, the day they were indicted. They had to formally re-enter them Tuesday because the government made last-minute changes to its indictment.

The jury selection process is routinely held in open court, but Cedarbaum closed it for this case, saying she was worried jurors might be less forthcoming with their answers if they knew reporters were in the room.

Instead, a transcript of each day's juror questioning will be provided to the press on the following day.

Lawyers for 17 media organizations, including The Associated Press, asked a federal appeals court to overturn the closing of the process. The appeals court scheduled arguments for Monday, meaning any decision probably would affect only future cases, not the Stewart trial itself.

In addition to lying to investigators, Stewart is charged with securities fraud. The government claims she repeatedly misled her investors in her own company by declaring her innocence in 2002.

The government's star witness will be Doug Faneuil, 28, a former Merrill Lynch brokerage assistant who is expected to back the government's version of events and say he was plying with gifts in exchange for initially supporting Stewart and Bacanovic's version.

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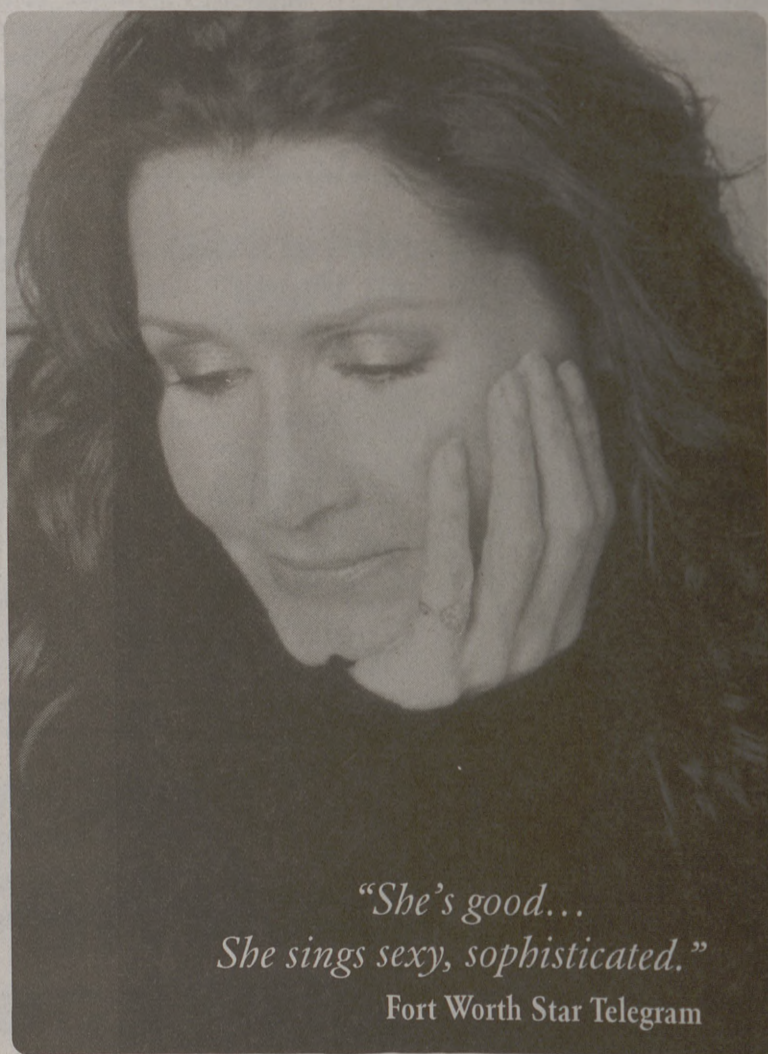
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