

# ALLAN RYAN'S ANSWER

## To the Board of Governors of the New York Stock Exchange and Whomsoever It May Concern:

New York, June 16, 1920.

The motive and the underlying scheme of the invitation extended me to appear and stand trial by the Board of Governors are fully understood and appreciated. If I am not mistaken, this is the same Board of Governors who, last March and April, sat in judgment on the Stutz matter and on me; the same Board who, although fully apprised by me in advance of the crisis, still requested me to loan Stutz stock freely, but omitted to take any preventive measures despite my repeated earnest requests; the same Board who secured from me every detail respecting my operations; but declined to give me the slightest information; the same Board who countenanced a persistent "short" campaign, but accorded me only obstruction and difficulty; the same Board who first illegally suspended trading in the Stutz stock, and then later put through an amendment to the constitution in order to acquire such authority; the same Board who permitted its members to sell Stutz stock up to the sound of the gong on the very day when it was about to make this illegal suspension, and then excused them from making deliveries; the same Board who very generously announced that my Stock Exchange contracts should have no Stock Exchange enforcement, but that I must be relegated to my chances either in the courts or by personal negotiation; the same Board upon which sat during all this time some ten or more members themselves actually "short" or representing a "short" interest in Stutz; and the same Board of Governors who thereupon inspired, fostered and approved the banding together of some fifty-eight firms, whose Stock Exchange contracts I held, for the avowed purpose of repudiation. Having entirely failed in the most persistent efforts to cripple me and in their determined purpose to protect gamblers in the stock, and having been frustrated in their attempts at repudiation, despite an array of eminent legal talent, and having delayed for two months the sale of my seat despite the fact that not a dollar's obligation stood against it, these same forces have now prepared a fitting conclusion to the part they have played.

This situation suggests the chances of an allied officer on trial before the German general staff. That at least might be an open proceeding. There perhaps the accused would have the right of counsel. While the result might conceivably be forecast, the evidence would at least be exposed to public view. But the trial designed by the Stock Exchange would extend to me no such privileges. Here I am asked merely to become the willing victim to a vengeful sacrifice. In order to make the obsequies complete, they would like me to furnish the corpse.

My answer is, first, that the New York Stock Exchange has no jurisdiction over me because I am no longer a member, having duly resigned on April 13 last for reasons I then took pains to set forth; second, that I deny there is any basis of truth in the charges made against me; next, that if it be a violation of the Stock Exchange rules and regulations that one should render himself so obnoxious to the selfish clique in control that his expulsion is for them a matter devoutly to be wished, I make no denial of the imputation; and last, as each and every member of the Exchange who has made it his business to investigate the Stutz matter must know by this time, I defended myself single-handedly from the most vicious assault on me and my stockholders; I refused to be intimidated by any person or combination of persons; and not even the great Stock Exchange can blot out the fact that its proceedings have been a disgrace to its honorable traditions and its fine ideals.

No man appreciates more than I that the Stock Exchange is the keystone of the commercial structure of this country. No man has greater respect for its ideals and traditions. No man has a higher regard for those among its members who stand for justice and square dealing no matter whom it hurts. But no man deprecates more than I that this great institution, with its limitless powers for good, should have so fallen that these powers are employed for the evil designs of private ends and personal vengeance. It is a sad spectacle, indeed, that a body boasting the high functions of a court should be debased to such low ends.

When the so-called "charges" against me were served, why was the judgment not simultaneously announced? It had already been formulated, and by the same hands that made the charges. If anyone be deceived by the postponement of announcing this judgment, it must be only its authors. I have heard that the leopard may change his spots, but I have never seen it done. Whitewashing the spots may temporarily conceal them, but will hardly be sufficient to obliterate them.

If the Board of Governors desires merely to prove that it claims the irresponsible power to expel me even after I have resigned, why need it go to all the trouble of a mock trial? If it desires to show that it is now antagonistic to me, and has been so all along, it had amply done so before framing these camouflage charges. If it desires to demonstrate that the same forces which failed to crush me and to destroy my stockholders are still hungry for blood, it needs no further proof. But if the Exchange thinks that by the secret and despotic manipulations it can purge itself in the eyes of the public from the taint of its mishandling of the Stutz matter, I am sufficiently American and optimistic to believe that the thinking public will not be humbugged, and that somewhere and somehow the true facts will be brought to light, so that the iniquity of this proceeding and the menace of this irresponsible power in high places will appear in real colors.

I purpose to hold the Board of Governors responsible, not only to the public but to me personally and to the Stutz Com-

pany and its stockholders, for all damages suffered through this campaign of persecution, and also for any damage they may cause by this latest unconscionable proceeding which they have initiated.

If they feel a shred of responsibility to anyone but themselves, let them support their prepared judgment of expulsion as a court of justice sustains its judgments. Let them make specific findings of fact on the following questions:

1. Did I not appear repeatedly before their committee prior to March 31st, both at my suggestion and theirs?
2. Did I not give them information showing the crisis in the Stutz situation?
3. Did I not, on these appearances, repeatedly request them to take the matter in charge and deal with it equitably?
4. Did I not call their attention to the fact that there was persistent "short" selling despite my endeavors to prevent it?
5. Did I not repeatedly request them to take measures to stop this "short" selling?
6. Did they themselves not request me to lend Stutz stock freely?
7. Did I not comply with their request and lend the stock up to the very last moment?
8. If on any of these frequent appearances I failed to satisfy their committees either as to my good faith or as to my entire frankness, why was I not then so informed and why were no disciplinary measures then taken against me?
9. Were there not members on the Board of Governors and the sub-committees who, either for themselves or their customers, were then and continued to be "short" of Stutz stock?
10. Did I not actually hold the unperformed "short" contracts of firms whose members sat on the board and the committees?
11. Did not some of these very members sell Stutz stock up to the very last hour when trading was permitted?
12. Did not these same committee members actually participate in the official conferences with me at the very time that they represented a "short" interest?
13. Did not certain of these members continue to sell Stutz, having foreknowledge of the very action which they would recommend to the Board of Governors?
14. Did not these very members participate in the Governors' meeting when the suspension was declared?
15. Was not this suspension declared without constitutional authority?
16. Did not the Board of Governors subsequently endeavor to put through an amendment to the constitution granting such authority for the future?
17. Did not the Board of Governors declare that no deliveries need be made upon Stutz sales made on the last day of trading?
18. Did not the Board of Governors officially declare that there would be no Stock Exchange enforcement of my Stock Exchange contracts?
19. Do not the Exchange constitution and regulations entitle a member to official enforcement of his Exchange contracts?
20. Did they not officially declare that I should be relegated to my rights at law or private negotiation?
21. Since the Board of Governors have circulated a pamphlet on the "Stutz Controversy," why did they not arbitrate this "Controversy" when it was pending?
22. Cannot the Exchange compel arbitration between members even when one party thereto is unwilling?
23. Did not the Board of Governors officially declare that it would take no part in the "Controversy"?
24. Was not this action taken to avoid enforcing my contracts and to permit their repudiation?
25. Did not the action of the Board of Governors result in aiding and abetting the association of the Stutz "shorts" in their attempt to repudiate their contracts?
26. What single act, ruling or suggestion has there been on the part of the Board of Governors or any committee for my protection, or for the inviolability of these Stock Exchange obligations, or for my guidance?
27. What suggestion made by any Stock Exchange committee have I failed to follow out, regardless of my own personal interest?
28. Did I not request the Stock Exchange to use its machinery to settle the entire Stutz controversy?
29. Did not the Stock Exchange officially direct me to pursue my legal rights and make such settlement as I might deem proper?
30. Did I not declare that I would stand upon my legal rights, whatever they might be?
31. Did I not yield to a settlement with the defaulting borrowers of stock only upon the urgent request of their own committee?
32. Were not the "short" interests ably represented by eminent counsel at the time when they solicited and made a settlement with me out of court?
33. Is there a shred of evidence that I or my firm ever made a fictitious transaction in Stutz stock?
34. Is there any evidence that a single transaction of mine in Stutz stock, while its market price was advancing, was not an absolutely bona fide transaction?
35. Did I by word or deed make any false representation to the Stutz Company in order to induce a single member or his customer to sell a single share of Stutz stock?
36. Is there any evidence that I was not single-handedly protecting my stock against persistent "short" attacks?
37. Has it become a Stock Exchange crime for a man who is interested in a stock to protect it to the limit of his resources against persistent, vicious short attacks?
38. How could I, as a large stockholder of the Stutz Company, have protected my interests from assault in any other manner than

by buying on the floor of the Stock Exchange such of the stock as was there offered freely for sale?

39. Was there a single transaction in which I failed to make payment for the stock which I bought?

40. Was there, from beginning to end, a single instance of any repudiation or attempt at evasion on my part on my contracts?

41. Was there a price at which the Exchange would have approved and commended a settlement?

42. If so, why did they not state openly?

43. Did they not have ample opportunity to have stated this price before the settlement was made?

44. Did they ever state it or intimate it?

45. Is it possible, under the methods of the Stock Exchange, for an individual, single handed, in the face of continued "short" selling, to manipulate a stock to a fictitious high price in an open market?

46. Are not the net profits of the Stutz Company at the rate of over \$3,000,000 a year?

47. Is it not the proper practice to value stock, not, as attempted in the charges, solely on the book value of its assets, but on its earning power and market value as well?

Each and every one of these findings is essential to any fair judgment on the charges. A truthful finding on these questions would not only exonerate me, but would put the blame where it belongs.

I have not heard of any charges being brought against a single one of the fifty-eight Stock Exchange firms who were "short" of Stutz stock when the Board of Governors benignly declared an illegal moratorium for their benefit. I blush at the implied compliment that I, single-handedly, could so entrap the unwary as to send aloft a single stock to ten times its alleged actual value. I dare say that even among my enemies some will be found to assert that I could not all alone have accomplished this gigantic achievement.

Surely that energetic committee, which had made sufficient investigation up to March 31st to order a suspension in trading, and has since plied its efforts with such unceasing diligence in order to reach a conclusion which would justify charges, must have found in its careful research some traces at least of co-operation on the part of those fifty-eight "short" houses. But if this has been the case, they have carefully omitted to state it in any document which I have seen. They have been impartial enough to circulate a monograph styled a "presentation" which could hardly be called an exposition of my side of the matter. But here, too, there is, strangely, an absence of reference to any co-operation on the part of the "short" members at some stage of the Stutz matter.

Indeed, far from being condemned or even criticized for their part in this assault upon my stock and upon me, these gentlemen who sold "short" are lifted to the inner circle of judges, with the supreme confidence that when I appear before them in person their resentments, their losses and the disgrace of their futile attempts at repudiation, all will be laid aside, and then at last, in the purity of their judicial prerogative, they will mete out to me fair and impartial justice.

Here is my answer to all of this: I want none of that style of justice; I have made this fight for a principle, and I intend to go through with it; when I resigned from the Stock Exchange I did so deliberately and for sufficient reasons then stated, and I adhere to my resignation and refuse to recede from it, even though the Board of Governors were to offer me in advance the testimonial of the whitewash which has been so carefully prepared for my adversaries.

I shall fight the persistent efforts to depreciate the Stutz Company which have been translated by the Board of Governors even into their charges against me personally. Fortunately, the business and standing of that company do not need the favor of the Exchange, but rest securely upon the good will of the American people. Fortunately, the public is not a stranger to what has gone on since March last. And fortunately for me—yes, and even for the Exchange itself—there is no longer a place in American institutions for a survival of the despotism and irresponsibility of czarism.

Gentlemen of the Board of Governors, you may lay aside your pretenses. You need not wait until the 23d of June. You may tell the public now of the proscription which you have written for me, which awaits only my appearance for formal signature and summary execution. While I am not gifted with clairvoyance, I believe that I can read with accuracy a finding of "Guilty" to any charge that you, in your great solicitude for justice, may have prepared for me. If you will come out in the open and give me a public trial with the benefit of my own counsel, as you have yours, I will gladly appear before you even though your judges be every one of them short of Stutz, because I will present such a case that not even a partisan and interested judge would dare find against me. But your invitation to appear in a star chamber and to join with you in placing a laurel wreath upon the past and present conduct of your committees and to furnish myself as the sacrificial lamb is respectfully declined.

(Signed) ALLAN A. RYAN.