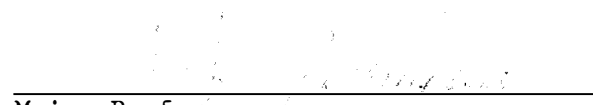


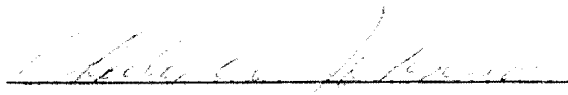
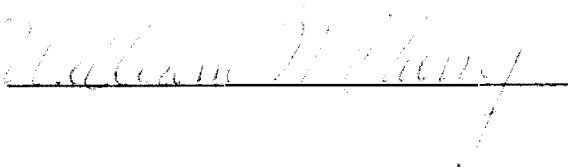
May 15, 1969

To the Graduate Council:

I am submitting herewith a thesis written by William Robert Rogers entitled "A History of the Smoky Mountain Railroad." I recommend that it be accepted for nine quarter hours of credit in partial fulfillment of the requirements for the degree of Master of Arts, with a major in History.


Major Professor

We have read this thesis and
recommend its acceptance:

Accepted for the Council:


Vice Chancellor for
Graduate Studies and Research

A HISTORY OF THE SMOKY MOUNTAIN RAILROAD

A Thesis

Presented to
the Graduate Council of
The University of Tennessee

In Partial Fulfillment
of the Requirements for the Degree
Master of Arts

by
William Robert Rogers
August 1969

PREFACE AND ACKNOWLEDGMENTS

Railroading has a distinct place in American life. One could almost say American prosperity in the late 19th century rested on railroad development, nationally and regionally. In the geographical area covered by this paper, railroading was fairly well entrenched. Many had been the schemes of promoters to build railroads in the area. Therefore, it was not unusual for a new railroad to be proposed in the Knoxville region.

The sources of material for this study have been very limited. Large gaps in material (available and usable) have resulted in unavoidable gaps in this presentation. Newspapers have in most cases been less than liberal in their reports, and Interstate Commerce Commission findings have been limited because of the lack of pertinent facts even when the reports were made. The official records which were in the old railroad office in Sevierville, Tennessee, were available only for the years after 1938 and even these were limited because vandals had destroyed or scattered them.

Each area of the United States has had its own particular kind of railroad, and the reasons for building them have been many and varied. Many of these reasons have been unique and can only be understood in the light of the times and area in which they were built. Even small railroads that made little profit had a great effect on the history of a region and are, hence, worth study.

Railroad building reached its zenith about the turn of the present century; promoters were spending vast sums of money to place rail connections into any area where they felt that they could make a profit. The Smoky Mountain Railroad provides one example.

The East Tennessee area, especially that part adjacent to North Carolina, was rich in timber resources. A good market existed for this lumber and many people were interested in any scheme that would enable them to get it out. Some men, such as Colonel W. B. Townsend, were able to build their own lumber companies and railroads in order to accomplish this. Since this was before the creation of the Great Smoky Mountain National Park, there were no governmental restrictions on the exploitation of these natural resources.

Where it was possible, men of enterprise and ability purchased timber rights and then sought economical means of transporting the lumber to market. In Sevier County, where an abundance of timber provided many "mountain men" with a meager living, such people, along with the investors in the timber resources, began to agitate for a railroad. There was no rush, however, to build, because experts saw that any railroad built into Sevier County would eventually fail. Because of the nature of the land, it was almost impossible to build a line across the area which was to become the Great Smoky Mountains National Park. William J. Oliver, owner and operator of a Knoxville manufacturing company which made steel railroad cars, was concerned with his immediate profit, and was willing to make such an effort. Not surprisingly, he found it very difficult to gain outside backing for such an enterprise. Nevertheless, since he had built some

successful railroads, he perhaps felt that he would succeed, but such was not to be the case. The later owners of the Smoky Mountain Railroad, in most cases, were men interested in personal gain rather than proper maintenance and operation of the line. Moreover, they were involved in numerous unsuccessful attempts to abandon the road, before they finally succeeded in obtaining permission for abandonment. This paper is an attempt to tell the story of the Smoky Mountain Railroad, a shortline railroad, unique in that it seemingly could not die, even though the blood had been slowly but steadily drained from its veins.

There are many people to whom I owe a great debt of gratitude. I am deeply indebted to my advisor, Dr. S. J. Folmsbee of the History Department of The University of Tennessee, without whose kind help and understanding this thesis would not have been possible. Mr. J. B. Waters, Sr. has been most helpful in supplying needed information. I am appreciative of the help given to me by the employees of the Knox and Sevier County courthouses who gave invaluable aid in finding needed materials. Thanks must be extended to the readers of my thesis, Dr. Charles W. Johnson and Professor William N. Cherry, who have taken time from their busy schedules to perform this task. To the typists of the preliminary copies of this thesis, Gale Walker and Brenda Green, former students of mine, I say a heartfelt thank you. Last, but not least, I mention my wife, Martha, who made many sacrifices willingly in order to enable me to write this paper.

ABSTRACT

This thesis is concerned with the history of a local enterprise, the Smoky Mountain Railroad.

The writer has had to rely on limited sources of information. Extensive use has been made of the newspapers with additional information coming from government documents, court records, interviews, and some records of the later years of the railroad. The writer has spent many long, hard hours reading and taking notes on this material. Much of the information available was of little use in writing a thesis and the writer has had to assume many things.

The writer found that the railroad began in 1907 as an undertaking of prominent local Knoxvilleians. It was owned and operated by several men and firms over the years and had several different corporate names. Most of its owners were interested only in personal gain and therefore the railroad was neglected until it finally reached the point of no return and was abandoned in the mid-1960's.

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CHAPTER I

THE KNOXVILLE, SEVIERVILLE AND EASTERN PERIOD OF THE SMOKY MOUNTAIN RAILROAD

Unique in the annals of American railroading is the history of what is usually called the Smoky Mountain Railroad. Operated under various corporate names and frequently leased by other railroad companies, it ran from Knoxville to the small town of Sevierville, Tennessee, a distance of some twenty-six miles, and for a time was extended for some distance into the Great Smoky Mountains. Its interstate designs for connections with other railroad systems were, however, unfulfilled and it was eventually abandoned (see Figure 1).

Although the first company actually to build and operate any part of the line was the Knoxville, Sevierville and Eastern Railroad (usually noted hereafter as KS&E), chartered by the state of Tennessee in 1907, it was preceded by several attempts to provide a railroad link between Knoxville and Sevierville, which usually included optimistic hopes for interstate connections.¹ The Louisville, Cincinnati and Charleston Railroad Company, primarily the dream of ex-Senator Robert Y. Hayne of Charleston, South Carolina, was created with this aim in mind in 1836, but failed, as far as Tennessee was concerned, because of the Panic of

¹Charter of Knoxville, Sevierville and Eastern Railroad (copy obtained by the writer from Records Division, Department of State, Nashville, Tennessee).

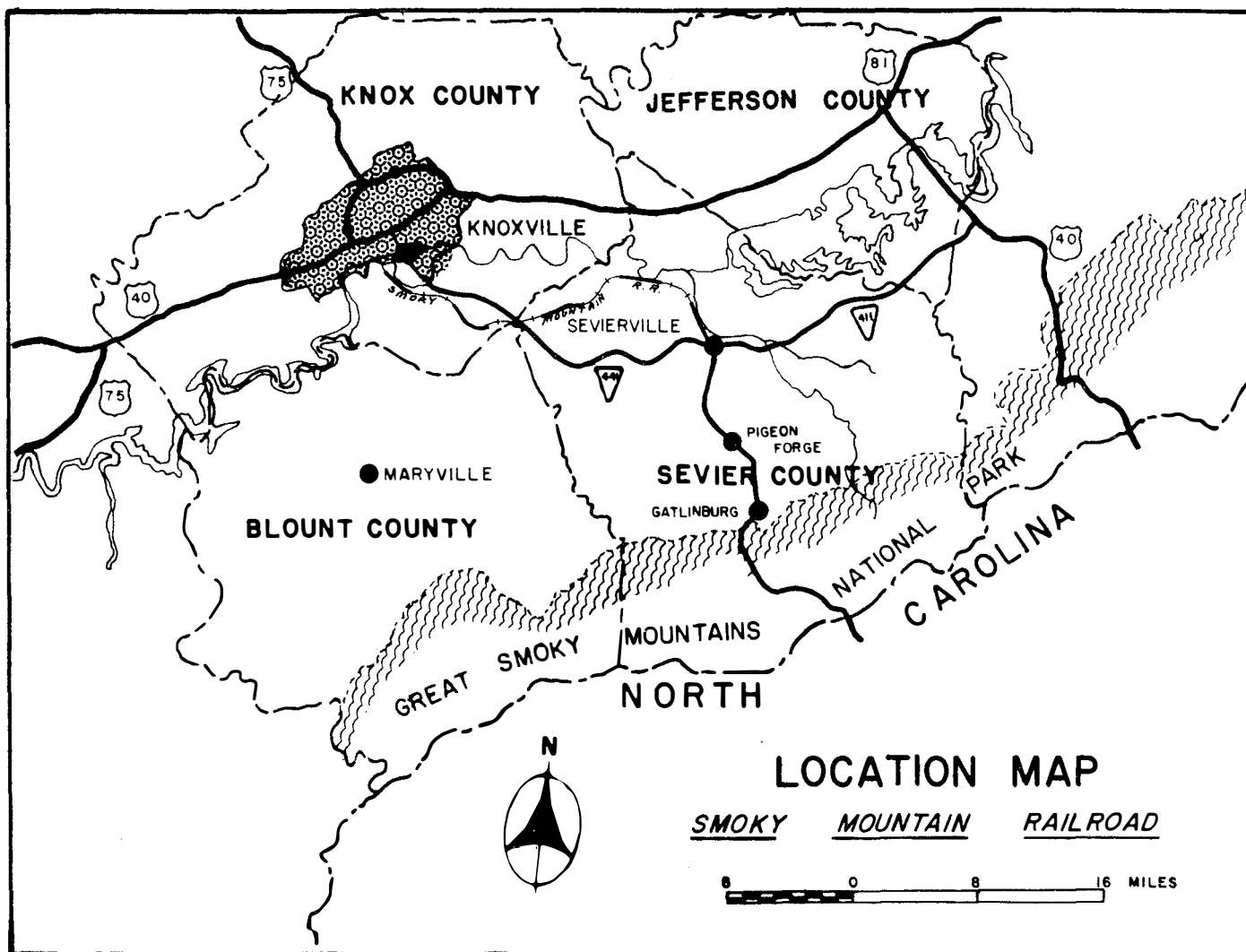


Figure 1. Location map--Smoky Mountain Railroad.

1837. The idea for such a road remained a persistent force, however, for many years.² In 1887, the Carolina, Knoxville and Western Railroad put a construction force to work to build a line between Knoxville, Tennessee, and Greenville, South Carolina, which was to pass through Sevierville. A few miles were built, beginning at Greenville, but nothing further was accomplished except that several miles of grading, including a heavy cut at Bays Mountain, were done between Knoxville and Sevierville, and the company went bankrupt in a few years.³ This grading and cut at Bays Mountain was a decisive factor in the later route of the Smoky Mountain Railroad. The Knoxville, Sevierville and Eastern Railway, chartered in 1898, also came to naught.⁴ Still proposals continued to be made, but they also were not realized.⁵

The Knoxville, Sevierville and Newport Railway Company put forth an apparently concrete proposal in 1905, and in January, 1906, the Sevier County quarterly court voted to issue \$50,000 in bonds when the road company should be organized with the road completed and in operation, and it provided for an election in February to seek public approval of the bond

²Riley Oakley Biggs, Development of Railroad Transportation in East Tennessee during the Reconstruction Period (Master's thesis, The University of Tennessee, 1934), 5-6. See also Stanley John Folmsbee, Sectionalism and Internal Improvements in Tennessee, 1796-1845 (The East Tennessee Historical Society, Knoxville, 1939), 112-147.

³Knoxville Journal and Tribune, June 8, 1908. Hereafter cited as Journal and Tribune. Sevier Countians had voted 2227 to 139 to subscribe \$75,000 to its capital stock. Ibid., September 21, 1887.

⁴Charter of Knoxville, Sevierville and Eastern Railway of 1898 (copy obtained by the writer from Records Division, Department of State, Nashville, Tennessee).

⁵Journal and Tribune, January 3, 1906.

issue.⁶ After a vigorous campaign, the bond issue carried by a vote of 2,311 to 356.⁷ The company was rapidly acquiring the rights-of-way, (its working capital based on the planned sale of the bonds), when the strict conditions concerning the bonds made it impossible to sell them.⁸ Since apparently all sources of money had dried up, the work came to a standstill and the franchise and rights-of-way were sold to the Knoxville, Sevierville and Eastern Railroad in 1907.⁹

In June, 1907, a group of Knoxville businessmen had applied to the state of Tennessee for a charter of incorporation for the Knoxville, Sevierville and Eastern Railway Company, which was certified. The charter provided for the construction and operation of a railroad from a point near Knoxville to Sevierville. It further provided that the railroad could extend through Gatlinburg into North Carolina or connect with the Southern Railway near Newport, Tennessee, while at the same time constructing branch lines to sources of revenue in the nearby mountains. The capital stock of the new road was set at \$500,000.¹⁰

⁶Charter of Knoxville, Sevierville and Newport Railway (copy obtained by the writer from Records Division, Department of State, Nashville, Tennessee). Journal and Tribune, January 3, 1906. Montgomery's Vindicator (Sevierville, Tennessee), January 17, 1907. Hereafter cited as Vindicator.

⁷Ibid., January-February, 1906, passim, and April 11, 1906.

⁸Journal and Tribune, June 8, 1906, August 17, 1906.

⁹Ibid., June 8, 1908, June 29, 1907.

¹⁰Charter of Knoxville, Sevierville and Eastern Railway (copy obtained by the writer from Records Division, Department of State, Nashville, Tennessee). The correct name of the railroad was the Knoxville,

The company was organized on July 20, 1907, with William J. Oliver as the central figure. Oliver, a noted Knoxville industrialist with nation-wide contacts, owned the William J. Oliver Manufacturing Company of Knoxville, a heavy equipment concern, which was instrumental in building several railroads. At one time he was considered as a possible builder for the Panama Canal, but in his later years, he suffered severe financial reverses. As the central figure in the KS&E, Oliver named the directors after the charter had been accepted and the company organized.¹¹ The group behind the company, according to the newspapers, consisted of local men of enterprise, ability and money.¹² Oliver subscribed \$5,000 of the stock of the company, and \$100 subscriptions were made by S. B. Luttrell, E. G. Oates, D. M. Rose, Alex McMillan, W. P. Chamberlain, C. S. McManus, Jerome Templeton and L. C. Gunter. These men, with the exception of William J. Oliver, were elected as directors. The directors then elected the following officials for the railroad: C. S. McManus as president; S. B. Luttrell as vice president; E. G. Oates as secretary and treasurer and Jerome Templeton as general counsel.¹³ Templeton was primarily responsible for the new company acquiring the Knoxville,

Sevierville and Eastern Railway Company. Some references, especially court records, vary as to the name. The incorporators of the road were S. B. Luttrell, William P. Chamberlain, D. M. Rose, Alex McMillan and E. G. Oates.

¹¹Deposition of Jerome Templeton, in Bank of Sevierville v. Knoxville, Sevierville and Eastern Railway, et al., Chancery Court of Knox County (Knox County Courthouse, Knoxville), Case No. 10177. Hereafter cited as Templeton deposition. Oliver's biographical sketch is compiled from Journal and Tribune, 1900-1926.

¹²Vindicator, July 17, 1907.

¹³Templeton deposition.

Sevierville and Newport franchise and rights-of-way.¹⁴ At a special stockholders meeting held at Oliver's office, three additional directors were selected, making a total of eleven.¹⁵

Attempting to assure adequate local support, Oliver emphasized from the beginning that he would be able to build the railroad because he had assurances of financial assistance from a New York banker, Frederick Stevens, and from R. A. Chester of Washington.¹⁶ Templeton applied to the Sevier County quarterly court for a \$150,000 subscription to the stock of the KS&E, and Oliver agreed to defray all expenses involved in an election to authorize the subscription and the issuance of the bonds. The proposed line of the railroad from Knoxville to Sevierville was to be completed by November 1, 1910, and it was estimated that the cost would be \$1,000,000.¹⁷

There was a great deal of speculation by those who wanted a quick profit as to just how far the KS&E would extend and whether or not it was to be a part of a larger and stronger line such as the Southern Railway or the Seaboard Air Line. Knoxville had at least two major railroads with interstate connections, the Southern Railway and the Louisville and Nashville Railroad. These two railroads expressed no interest in the KS&E proposal. Since the Seaboard Air Line was east of the Appalachian Mountains, it did not seem feasible to many people that the new road

¹⁴Vindicator, July 17, 1907.

¹⁵Templeton deposition.

¹⁶Vindicator, July 24, 1907.

¹⁷Templeton deposition; Vindicator, November 13, 1907; Minutes of Sevier County Quarterly Court (Sevier County Courthouse, Sevierville), October 29, 1907, Minute Book 13, pp. 306-308.

would connect with it; however, those favoring the bond issue stated that the KS&E would create new jobs and increase property values, hoping that this argument would offset the lack of interest by the large rail lines.¹⁸ Formal opposition was limited largely to that of a Judge Lindsey of the Transcontinental Railroad and the Bank of Sevierville, who feared that the new enterprise would start a competing bank in Sevierville.¹⁹

In the bond election, 270 disputed votes were thrown out, making the final official vote 2,008 for and 555 against.²⁰ Although this vote was less than the required 3/4 majority, the Tennessee supreme court in June, 1908, upheld a twenty-seven to six decision of the Sevier county court on December 25, 1907, to authorize the issuance of the bonds.²¹

During the campaign on the bond issue Oliver became dissatisfied with the old route of the Knoxville, Sevierville and Newport Railway and sought a more direct one. He admitted that the more direct route probably would increase its cost by nearly \$200,000, but claimed that it would be worth it to Sevier County because of the amount of time that would be saved in transporting cargo and passengers over the line. He decided to build directly from Knoxville through the heavy cut made several years

¹⁸Vindicator, July-December, 1907.

¹⁹Templeton deposition.

²⁰Vindicator, December 18, 1907. See also W. R. Catlett et al. v. Knoxville, Sevierville and Eastern Railroad Company, Sevier County Chancery Court (Sevier County Courthouse, Sevierville).

²¹Journal and Tribune, May 8, June 6, 1908. Vindicator, December 25, 1907. In a vote to subscribe to such a bond issue, the state law required a 3/4 majority in favor.

before in what was called Shook's Gap and on to Sevierville, a sound judgment in light of the subsequent history of the line.²²

With the money secured, actual work on the KS&E began in June, 1908, under the direction of W. A. Seymour, who was associated with William J. Oliver in Oliver's railroad contracting firm, the Revilo Construction Company.²³ In January, 1909, the KS&E signed a contract with the company to construct and equip a line of railroad from Vestal, across the Tennessee River from Knoxville, to within one mile of Sevierville. In return, the Revilo Construction Company was to receive certain stocks and bonds of the KS&E valued at \$1,048,700 along with the right to collect the \$150,000 in bonds in payment of the stock subscription in the KS&E by Sevier County.²⁴

The Revilo Construction Company obtained from the Mechanics' Bank and Trust Company and the Knoxville Banking and Trust Company a loan of approximately \$308,000, ostensibly to construct the railroad, and pledged as security these stocks and bonds.²⁵ The KS&E bonds used as collateral were a part of a \$700,000 gold mortgage bond issue authorized by the directors and officers of the Knoxville, Sevierville and Eastern Railway

²²Vindicator, August 7, August 21, 1907.

²³Ibid., June 10, 1908; Journal and Tribune, June 8, 1908.

²⁴Revilo Construction Company v. Knoxville, Sevierville and Eastern Railroad Company, Case 11450, as reported in Knox County Minute Book 52 (September 12, 1911), 428-434, Knox County Chancery Court (Knox County Courthouse, Knoxville). Hereafter cited as Revilo v. KS&E with date and number of Minute Book. Records in support of this case are missing, but fortunately there are numerous references to the records in the Minute Books. See also copy of contract in Sevier County v. Knoxville, Sevierville and Eastern Railroad Company, Case No. 1118, Sevier County Chancery Court (Sevier County Courthouse, Sevierville). Hereafter cited as Sevier County v. KS&E.

²⁵Revilo v. KS&E, Minute Book 52 (September 12, 1911), 408.

on January 1, 1909, to cover the cost of constructing the railroad. A trust deed was entered into on that date between the railroad and the Mechanics' Bank and Trust Company and the Knoxville Banking and Trust Company as trustees, with the assets, liquid and otherwise, of the railroad being assigned as security for the mortgage. If the company should be delinquent for six months in the payment of interest or taxes, then, at the option of 75 percent of the bondholders, the principal and interest would be at once due and the banks could foreclose. If this situation continued for one year, any individual bondholder could ask for foreclosure.²⁶ It is interesting to note that the principal owner of the construction company, as well as of the railroad, was William J. Oliver, which indicates a probable conflict of interest. Oliver was assuring himself of a profit.²⁷

Work progressed rapidly on the railroad, and sixteen miles of grading were completed by the end of August, 1909. By October, tracks had been laid on ten miles of road and trains were running over that section.²⁸ By the first of December, track laying had been completed to within one mile of Sevierville, and the work of repairing the old depot

²⁶Copy of trust deed between Knoxville, Sevierville and Eastern Railway Company and Mechanics' Bank and Trust Company and Knoxville Banking and Trust Company as recorded in Trust Book No. 10 (Register of Deeds Office, Sevier County Courthouse, Sevierville), 36-49.

²⁷Knoxville, Sevierville and Eastern Railway Company, Valuation Docket No. 306, Interstate Commerce Commission Reports, Vol. 84 (Government Printing Office, Washington, 1925), 338. Hereafter cited as KS&E Valuation.

²⁸Journal and Tribune, March 18, 27, 1909; Vindicator, October 20, 1909.

of the Atlanta, Knoxville and Northern Railroad on Main Avenue in Knoxville neared completion.²⁹ The first passenger train left Knoxville for Revilo, six miles out of Sevierville, on December 18, 1909, with a group of promoters aboard, and regular traffic began the following day.³⁰ By December 29, daily ticket sales had risen from 12 on the first train to 93.³¹ The first train to run within one mile of Sevierville made its trip on Sunday, January 9, 1910.³² According to the terms laid down in the bond issue, the railroad company had fulfilled its contract with Sevier County, even though a few days earlier someone had wrecked the train.³³

The work of putting in a turn table one mile out of Sevierville was unaccountably stopped about January 15, 1910, and those connected with the railroad began surveying for locations for a depot and a bridge over the Little Pigeon River.³⁴ The last mile of track necessary to reach

²⁹Journal and Tribune, December 2, 1909. At about the same time, arrangements were made with the Southern Railway for joint use of the tracks from Vestal across to Main Street where the old depot was located. Track rental from the Southern amounted to \$2,172 per year, while depot rental was \$600 a year.

³⁰Ibid., December 18-21, 1909. It seems that a sizeable amount of freight was also sent to Sevierville. Revilo is Oliver spelled backward and the place was named in his honor.

³¹Ibid., December 24, 1909. ³²Ibid., January 9, 1910.

³³Vindicator, December 28, 1909. This wreck resulted in the railroad posting a \$500 reward for the arrest and conviction of anyone for placing any obstruction on the railroad right-of-way.

³⁴Ibid., January 19, 1910.

Sevierville saw its completion by early March, 1910, but the bridge over the river was not completed until some time in late 1916 or early 1917.³⁵

Litigation against the KS&E came early in its history and served to weaken the line as one suit followed another. In March, 1910, Jerome Templeton instituted a suit against the KS&E for fees that he said were due him for his successful defense before the Tennessee supreme court of the legality of the bond election in Sevier County.³⁶ In the compromise settling the suit, the Revilo Construction Company agreed to pay Jerome Templeton \$8,000 "in full payment, satisfaction and discharge" of his claims on the Knoxville, Sevierville and Eastern Railway.³⁷

During the first few years of its operating history, the KS&E made money, but the huge bonded debt limited profit and Oliver did nothing to pay off the debt. In March, 1910, twice-daily service was inaugurated and the railroad announced that the KS&E would begin transporting the mail between Knoxville and Sevierville.³⁸ Mail service was instituted on May 9 to Knoxville, Shook's Gap, Trundles' Cross Roads and Boyds Creek. Mail service was much faster than before, but all mail was of the "express"

³⁵Journal and Tribune, March 7, 1910; Vindicator, July 28, 1914, September 16, 1914, May 23, 1917.

³⁶Journal and Tribune, March 15, 1910.

³⁷Revilo v. KS&E, Minute Book 52 (September 12, 1911), 429.

³⁸Journal and Tribune, March 26, 1910. This meant the end of the fast hack service between Knoxville and Sevierville which had carried both passengers and mail; with the handling of mail going to the KS&E (passenger services had gone to the railroad), the hack had given away to progress. Ibid., April 29, 1910.

variety, which meant that no mail clerks were ever used on the train.³⁹ This may have caused the mix-up in mail service which later cost the railroad its mail contract.

Excursion trips, sponsored by the Knoxville, Sevierville and Eastern Railway, served as a source of revenue as well.⁴⁰ From 1910 through 1916 the revenues were more than sufficient to meet the operating expenses, but there was a net loss after payment of interest on the funded debt.⁴¹ During this period, there were several rumors concerning the extension of the KS&E, but nothing came of this until 1916.⁴²

A controversy between Sevier County and the KS&E over the county's subscription to the capital stock of the railroad ended in court. In a letter to the people of Sevier County, Jerome Templeton, noting that his connection with the railroad had ended when it was completed to Sevierville, urged the people to see to it that the stock of Sevier County was formally issued.⁴³ The county court voted to issue the bonds in payment of Sevier County's subscription to the capital stock of the KS&E. Previously, the county court had voted to issue 150 twenty-year bonds of

³⁹Ibid., May 9-10, 1910.

⁴⁰Ibid., May 9-10, 1910; Vindicator, 1910-1921; KS&E Valuation, 331.

⁴¹Ibid.

⁴²Journal and Tribune, January 27, 1911, August 13, 1916.

⁴³Vindicator, March 16, 1910. According to the Vindicator, March 1, 1911, Templeton had been fired as Knoxville, Sevierville and Eastern Railroad counsel as well as Oliver's lawyer on January 9, 1909.

\$1,000 each, and at the July meeting, the court approved these bonds, with the provision that the interest rate was to be 5 percent instead of 6 percent.⁴⁴

At a special session held on January 28, 1911, the Sevier County court elected three men to represent Sevier County as a stockholder in the KS&E and to instigate legal proceedings against the railroad on the grounds that the company had issued more stock than it could justify financially.⁴⁵ The committee, composed of George Blalock, J. H. Hickman and Joe Williams, hired the firm of Zirle and McMahan of Sevier County and Jerome Templeton of Knoxville. H. D. Bailey, I. L. Maples and A. J. Temple were elected to represent Sevier County's stock in the railroad.⁴⁶

On January 31, 1911, Sevier County instigated legal proceedings against the KS&E. In the suit, Sevier County stated that, when the Revilo Construction Company was organized (in either 1908 or 1909), William J. Oliver was the owner and controlling factor in it. Although the agreement between the construction company and the railroad had stipulated that the cost of construction was not to exceed \$500,000, the construction company, actually Oliver, had received stocks and bonds, along with some cash, totaling \$1,200,000. The actual cost of construction, according to the suit, was about \$350,000, which according to all records available is

⁴⁴Minutes of Sevier County Quarterly Court, April 4, July 20, 1910, Minute Book 14, pp. 21-22, 61-64.

⁴⁵Journal and Tribune, January 29, 1911.

⁴⁶Minutes of Sevier County Quarterly Court, January 28, 1911, Minute Book 14, pp. 117-119.

fairly close to the cost of the construction of the railroad. The suit also pointed out that there was a debt of \$60,000 against the KS&E, and that the railroad was not properly equipped and that the equipment used was not even owned by the railroad in its own right.⁴⁷ The county then asked for a receiver (a person who operates a company which is bankrupt or involved in a lawsuit), but this was denied pending the results of a hearing which was to be held on February 11, 1911. If the above allegations were true, and they probably were, Oliver would make a profit of over \$850,000 if he could collect it.

The Revilo Construction Company on January 31, 1911, however, asked for and obtained from the chancery court of Knox County a receiver in the person of William J. Oliver, probably because of his position in the community and his connection with the railroad. The court placed the road in receivership in an attempt to straighten out the legal questions concerning its financial backing. In reality, the road was then on the verge of bankruptcy. It seems that the reason for the early filing of this bill by construction company officials was the rumor that the Sevier county court was going to ask for an injunction to restrain the stockholders of the KS&E from disposing of any stocks or bonds of the railroad.

The railroad stockholders, with the exception of Oliver, who met at the Knoxville Banking and Trust Company on January 31 hoped that the Knox and Sevier county courts would have reconciled themselves, and they instructed Templeton to prepare their case for the court. Judge Bailey

⁴⁷Sevier County v. KS&E.

of the Sevier county court, who served as chairman, I. L. Maples, A. J. Temple, T. C. Drinnen, George Zirle, Jerome Templeton and Dan M. Rose contended that only \$152,000 of the \$500,000 in capital stock had been legally issued and disposed of.⁴⁸

A mass meeting of Sevier county citizens held at the courthouse on February 6 adopted a resolution asking Sevier County to drop its suit against the KS&E for fear that it would harm the county. Oliver was commended by the Sevier County court for his work on the railroad and the group pledged support to his efforts to extend it to the county line.⁴⁹

In an editorial in the Vindicator, W. A. Montgomery, a vigorous defender of the railroad, pointed out that he felt Jerome Templeton was up to no good. A few months earlier the lawyer had advised the county to turn over its bonds for a like amount of stock, which Templeton later declared to be worthless. Even the county court had openly admitted that Templeton had misled them.⁵⁰ If the transfer had taken place the county would have lost everything invested in the railroad since the stock was worthless.

Knox County Chancellor Will D. Wright denied a petition to transfer the suit of the Revilo Construction Company et al. v. Knoxville, Sevierville

⁴⁸Journal and Tribune, January 31, 1911. Sevier County asked for and was granted an injunction to prohibit the transfer of the stocks and bonds of the Knoxville, Sevierville and Eastern Railway. Ibid. The case was styled as the Revilo Construction Company, et al. v. Knoxville, Sevierville and Eastern Railroad Company.

⁴⁹Ibid., February 7, 1911.

⁵⁰Vindicator, February 7, 1911.

and Eastern Railroad from the Knox County chancery court to Sevier County. He also enjoined any further proceedings in Sevier County's case against the KS&E unless they were brought into his court.⁵¹ Chancellor Wright empowered Oliver to borrow money to operate the railroad and to meet expenses and to hire any extra people needed to operate the railroad as well as any attorneys needed to maintain the interests of the railroad, reporting his actions to the court.⁵² Oliver was also empowered to renew contracts with the Southern Railway Company for joint use of tracks from Vestal to Knoxville and of other facilities, including the depot on Main Street, and also certain tariff agreements between the two railroads dating back to 1909.⁵³

Sevier County, apparently unaffected by mass meetings, filed a cross bill in the chancery court of Knox County in the suit of the Revilo Construction Company against the Knoxville, Sevierville and Eastern Railway which asked for a decree against the KS&E for the amount due the county on its KS&E stock and to force Oliver to pay off all debts on the railroad, which he had agreed to do when he constructed the road. The cross bill also asked that the Mechanics' Bank and Trust Company and the Knoxville Banking and Trust Company be made to restore the \$78,000 of

⁵¹Journal and Tribune, February 10-11, 1911. See also Revilo Construction Company v. KS&E, Case No. 11450, as reported in Knox County Minute Book 41 (February 3, 1911), 280-281. The reason for asking for a change of venue was that Wright was a brother of T. Asbury Wright, a stockholder in the Mechanics' Bank and Trust Company, a stockholder in KS&E.

⁵²Revilo v. KS&E, Minute Book 51 (1911), 320-321.

⁵³Ibid., 386-387.

railway stock which had mysteriously vanished from the treasury and that it be cancelled. At the same time, not surprisingly, the county then sought a new receiver for the road, but the petition to remove Oliver as receiver was denied by the court.⁵⁴

On August 24, 1911, the Revilo Construction Company, William J. Oliver, Sevier County, Mechanics' Bank and Trust Company, Knoxville Banking and Trust Company, the Knoxville, Sevierville and Eastern Railway Company and Jerome Templeton reached an agreement. In general all contracts for building and maintaining the railroad were accepted by those concerned. Jerome Templeton received compensation for his legal services and William J. Oliver agreed to purchase Sevier County's stock in the KS&E Railway for \$25,000 in bonds to be paid later in cash. The Knox County chancery court assessed Oliver and the Revilo Construction Company all the costs arising in the case of Revilo Construction Company, et al. v. Knoxville, Sevierville and Eastern Railroad Company. The agreement was ratified by Sevier County four days later.⁵⁵

Evidently, Oliver had decided to buy the KS&E outright so he could receive all the revenue from its operation, because during the summer of 1911, the railroad had prospered, as had the owners.⁵⁶ After he had purchased the stock owned by Sevier County, Oliver became the sole owner of

⁵⁴Journal and Tribune, April 8, June 29, 1911. The \$78,000 referred to was kept out of the \$700,000 bond issue of January, 1909, for general purposes. Sevier County v. KS&E.

⁵⁵Revilo v. KS&E, Minute Book 52 (September 12, 1911), 428-434. It is a mystery why Sevier County would sell \$150,000 of stock for \$25,000.

⁵⁶Vindicator, May-August, 1911.

the railroad except for those shares of stock owned by the old board of directors. Oliver's purchase note for Sevier County's bonds was due by January 1, 1913, and until that date, Sevier County was to retain the right to vote as a stockholder, although the bonds themselves were to be deposited with the Mechanics' Bank and Trust Company and the Knoxville Banking and Trust Company, which were to serve as trustees. On September 8, 1911, the Knox County court, noting that a compromise had been reached concerning the financial backing of the KS&E, dismissed Oliver as receiver and put the railroad back under its elected officials.⁵⁷ The Sevier county court on October 2, 1911, ordered Oliver's \$25,000 note sold for face value less the accrued interest, on the condition that the note be sold within 30 days.⁵⁸

A great deal of work was done on the property of the KS&E after Oliver acquired the rest of its stock, and large amounts of tan bark and lumber were shipped out, which accounts for the continued interest in extending the road toward the mountains.⁵⁹

On April 1, 1912, Oliver presented to the Sevier county court a proposition to extend the railroad to the eastern edge of Sevier County within the next eighteen months if the county would surrender the \$25,000

⁵⁷ Minutes of Sevier County Quarterly Court, August 28, 1911, Minute Book 14, pp. 189-193. The vote to accept the compromise was 29 to 3. Templeton was given a \$2,000 note, which made his total compensation as attorney amount to \$10,000.

⁵⁸ Ibid., 208.

⁵⁹ Vindicator, September 11, 1911.

note which he had given to it to guarantee his purchase of Sevier County's \$150,000 bond subscription. The court agreed to surrender the note when the road was completed, less the amount of the attorney's fees in the county's litigation against the KS&E Railroad.⁶⁰

Although Oliver had not begun any work on the extension of the road, he had paid the interest of \$1,410.10 on the note, and, on April 7, both the note and the date to begin work were extended six months.⁶¹ Oliver seems to have been stalling in an effort to get out of extending the line. Finally, he agreed to build fifteen miles of new railroad in Sevier County within five years from January 5, 1915. Sevier County surrendered the old \$25,000 note to Oliver and he signed a new \$10,000 bond guaranteeing that he would spend \$25,000 in Sevier County in extending the Knoxville, Sevier-ville and Eastern in the next two and one-half years.⁶²

The bonded debt of the railroad continued to plague its operation and resulted in further court action. The debts finally forced the KS&E to issue a second mortgage when one of the trustees of the first mortgage issue became insolvent. Provisions in the first trust deed executed by the KS&E to the Mechanics' Bank and Trust Company and the Knoxville Banking and Trust Company as trustees had provided that if either of the trustees were to become insolvent, a majority of the stockholders of the

⁶⁰Minutes of Sevier County Quarterly Court, April 1, 1912, Minute Book 14, pp. 347-348.

⁶¹Ibid., January 7, 1913, pp. 347-348; April 7, 1913, pp. 371-372.

⁶²Ibid., January 5, 1915, pp. 551-552.

railroad could apply to the chancery court of Knox or Sevier counties for the appointment of a new trustee.⁶³ On July 1, 1914, Walter McCoy, a stockholder and trustee, and owner of all of the bonds secured by the above-mentioned trust deed, petitioned for the appointment of a new trustee to replace the insolvent Knoxville Banking and Trust Company, and the Mechanics' Bank and Trust Company was appointed as the sole trustee of the mortgage bonds.⁶⁴

Regarding the compromise reached concerning the debts of the Revilo Construction Company, the court instructed John W. Green, receiver for the insolvent Knoxville Banking and Trust Company, to take up and cancel 400 of the KS&E mortgage bonds of January 1, 1909, which he proceeded to do. The South-Western Surety Insurance Company of Oklahoma arranged a bond to guarantee the prompt payment of the interest on the remaining \$300,000 of the first mortgage bonds. Another bond was also issued by the same insurance company to the Mechanics' Bank and Trust Company to guarantee that for a period of fifteen years the Knoxville, Sevierville and Eastern Railway and its equipment would be kept in good operating condition and that no

⁶³ Copy of trust deed between Knoxville, Sevierville and Eastern Railroad and the Mechanics' Bank and Trust Company and the Knoxville Banking and Trust Company as recorded in Sevier County Trust Book 10 (Register of Deeds Office, Sevier County Courthouse, Sevierville, Tennessee), 36-49.

⁶⁴ Petition of Knoxville, Sevierville and Eastern Railway Company, Case No. 13533, before Chancellor Will D. Wright on July 1, 1914, as recorded in Knox County Minute Book 59 (Knox County Chancery Court, Knox County Courthouse, Knoxville, Tennessee), 337-338; Mechanics' Bank and Trust Company, Trustee v. Knoxville, Sevierville and Eastern Railway Company, Case No. 18039, as reported in Knox County Chancery Court Minute Book 77 (July 21, 1921), 402. Hereafter cited as Mechanics' Bank and Trust Company v. KS&E with number and date of Minute Book. Records in support of this case are missing, but fortunately there are numerous references to the records in the Minute Books.

debts would be permitted to accumulate beyond the \$300,000 of first mortgage bonds. From these bonds Green was to pay the debt owed to the Revilo Construction Company by the railroad.⁶⁵ Of the total debt of \$130,530.58, \$530.58 was paid in cash, the remainder in bonds.⁶⁶ At about the same time, a second mortgage bond of \$200,000 was issued by the KS&E, with the Mechanics' Bank and Trust Company as trustee.⁶⁷ This second mortgage bond issue was to pay off the remaining debts owed by the KS&E to William J. Oliver and the William J. Oliver Manufacturing Company for work done to railroad equipment, as well as to purchase the locomotives and other equipment used by the railroad in order to protect its creditors.⁶⁸ Oliver gave a personal note guaranteeing that if the \$130,000 in first mortgage bonds in settlement of the debt owed the Revilo Construction Company by the KS&E did not sell at par value, if held by Green for twelve months, he would make up the deficit.⁶⁹

Although Oliver was unable or unwilling to begin extending the railroad, on October 4, 1915, the Sevier County quarterly court gave him until July 1, 1916, to pay the \$10,000 note and sixty days to pay the

⁶⁵Joseph Knaffl, et al. v. Knoxville Banking and Trust Company, Case No. 12465, as reported in Knox County Chancery Court Minute Book 59 (July 15, 1914), 336-337 (Knox County Courthouse, Knoxville). Hereafter referred to as Knaffl v. KB&T with number and date of Minute Book.

⁶⁶Ibid., (August 1, 1914), 419-421.

⁶⁷Copy of trust deed between the Knoxville, Sevierville and Eastern Railway Company and the Mechanics' Bank and Trust Company as trustee, as recorded in Sevier County Trust Book 10, pp. 556-569.

⁶⁸Knaffl v. KB&T, Minute Book 59 (July 15, 1914), 336-337.

⁶⁹Ibid., (August 1, 1914), 419-421.

interest due. If this was not done, the court said the chairman was to collect the note.⁷⁰ But on July 3, 1916, the court again extended Oliver's note for six months.⁷¹

A tentative valuation by the Interstate Commerce Commission as of June 30, 1916 showed the original cost of rights-of-way and other company lands to be \$37,780.93. No part of this cost was supported by records, however, which shows lax bookkeeping, or worse, by officials. The ICC set the final valuation of the property used by the carrier at \$400,000 and the value of the property used but not owned at \$10,650. The KS&E had issued \$1,400,000 in capital stock and mortgage bonds, of which \$1,000,000 was outstanding in 1916. William J. Oliver controlled the railroad through ownership of a majority of the outstanding capital stock.⁷²

At the time of valuation, in addition to the tracks and roadbed from Vestal to Sevierville, the railroad used two locomotives, twenty-two freight cars and three passenger-train cars.⁷³ Between Vestal and Knoxville, the railroad operated 2.3 miles of road at a yearly rental to the Southern Railway of \$2,172. Depot, station facilities and side tracks of 0.16 miles in Knoxville were also under lease from Southern Railway for a yearly rental of \$600.⁷⁴

Although the financial status of the KS&E was anything but rosy by 1916, the dream of an interstate connection remained a persistent

⁷⁰Minutes of Sevier County Quarterly Court, October 4, 1915, Minute Book 15, p. 62.

⁷¹Ibid., July 3, 1916, p. 141.

⁷²KS&E Valuation, 329-333.

⁷³Ibid., 337.

⁷⁴Ibid., 341.

force and resulted in Oliver's announcement on August 12, 1916 that the KS&E would be extended twenty-six miles by way of Gatlinburg to the state line.⁷⁵ Work was scheduled to begin in thirty days. The Pigeon River Railway Company was chartered at \$50,000 with L. S. Hall, Frank J. Carpenter, R. H. Simmonds, John P. Moffett and Frank P. Gaut as charter members. Another charter had been issued for the Pigeon River Construction Company, capitalized at \$10,000 and having as charter members, David G. Madden, Walter McCoy, Irvin S. Saxton, Charles E. Gentry and W. A. Montgomery. Surveying had been under way for months and much of the right-of-way had been secured.⁷⁶

The Pigeon River Construction Company planned to construct the road from Sevierville, crossing the Pigeon River above Sevierville, and going through the mountains by way of Pigeon Forge and Gatlinburg to the state line. The anticipated cost of the road ran into hundreds of thousands of dollars; the track was to be of standard gauge and heavy rails were to be used. L. E. Wooten, general manager of the KS&E, who was also an official of the construction company, was to direct the work and General Frank Maloney was the chief engineer. After completion of the road, the plans called for the Pigeon River Railroad to be operated under a lease arrangement by the KS&E Railway. The vast tracts of timber

⁷⁵Vindicator, August 16, 1916.

⁷⁶Journal and Tribune, August 13, 1916. The Vindicator for August 16, 1916 differed as to charter members in the Pigeon River Construction Company, listing C. A. Murphy and R. L. Cates in place of Irvin S. Saxton and Charles E. Gentry. Among the charter members of the railway company, Moffett was listed as John T. Moffett, rather than John P. Moffett.

and valuable iron ore deposits in the vicinity were clearly influential in building the road. At the time of these announcements, Oliver was referred to in the press as the owner of both railroads. The Pigeon River Railroad and the KS&E were thus, in effect, the same although they operated under different corporate names.⁷⁷

In order to prevent any further complications, Oliver obtained permission to build and to operate a standard gauge railroad through Sevierville and also to construct a depot in the town within one-half mile of the courthouse.⁷⁸ The railroad was completed through the town and the depot built, but not before Oliver again had trouble with Sevier County, which called in his \$25,000 note on January 2, 1917.⁷⁹ By unanimous vote on April 2, 1917, the Sevier County quarterly court ordered that upon completion of ten miles of the Pigeon River Railroad from the end of the KS&E at Sevierville, that the chairman of the court should surrender the \$25,000 note to Oliver and release the lien held by Sevier County on Oliver's stock or equity in the KS&E.⁸⁰ Under the leadership of L. E. Wooten, who had been

⁷⁷Journal and Tribune, August 13, 1916; Vindicator, August 16, 1916. Woody Construction Company graded the right-of-way. Ibid., January 10, 1917. The writer was unable to find any evidence that such a lease was formally made.

⁷⁸Ordinance No. 85 of the town of Sevierville, passed September 9, 1916, in Smoky Mountain Railroad Records (Special Collections, The University of Tennessee Library, Knoxville).

⁷⁹Vindicator, May 15, 1920, August 29, 1917, March 14, 1917. Sevierville was slow in extending Bruce Street to the new depot. Ibid., December 18, 1918. Evidently the depot was used by both the KS&E and the Pigeon River Railroad as common property. Minutes of Sevier County Quarterly Court, January 2, 1917, Minute Book 15, p. 186.

⁸⁰Ibid., April 2, 1917, p. 202.

elected president of the Pigeon River Railroad Company in August, 1919, the ten miles of railroad were finally completed to McCookville, just east of Pigeon Forge, by the end of March, 1920.⁸¹ Meanwhile, all of the railroads in the country had come under federal control because of World War I.

The period of federal control postponed the inevitable end for the KS&E. The railroad was under federal supervision from January 1, 1918, to June 30, 1918.⁸² During this period of national crisis the railroad had to operate, regardless of the profit or loss.⁸³ This period was to provide a source of apparent prosperity for the KS&E after the railroad was returned to private control, but was not, however, the new blood that the company needed.⁸⁴ The apparent prosperity never became a reality.

The owners of the KS&E were not able to operate the railroad profitably and problems soon arose, which threw the railroad into court for the final time. In the course of the litigation, some of the financial manipulations of the owners of the KS&E, especially Oliver, came to light. Such maneuvers as those made by Oliver had created debts, and the inability to pay these debts resulted in the order to sell the line to satisfy the creditors. Reference has been made previously to \$130,000 in first mortgage bonds used to pay the debt owed by the KS&E to the Revilo

⁸¹Vindicator, March 24, 1920, August 20, 1919.

⁸²Deficit Settlement with Knoxville, Sevierville and Eastern, Finance Docket No. 159, Interstate Commerce Commission Reports, Vol. 72 (Government Printing Office, Washington, 1923), 165. Hereafter cited as Deficit Settlement with KS&E, ICC Reports, Docket No. 159. Railroads were taken over during the war in order to operate them to help the war effort.

⁸³Vindicator, February 4, 1920.

⁸⁴Ibid., March 10, 1920.

Construction Company. John W. Green, receiver of the Knoxville Banking and Trust Company, had been ordered to sell these bonds, but he was unable to do this at anything resembling their face value because the KS&E had defaulted on the semi-annual interest payments on both these first mortgage bonds and the \$200,000 second mortgage bonds. The total amount of interest due was over \$9,000. On November 6, 1920, Chancellor Charles Hays Brown of the Knox County chancery court directed that in the best interests of the creditors of the KS&E, the company be taken out of the hands of its current management and that the railroad be sold at the earliest date possible. Green was ordered to notify the company that the KS&E bonds held by the Knoxville Banking and Trust Company which had matured should be paid within thirty days from November 6, 1920, along with the interest due, or that according to the terms of the bonds and mortgages, he would be obliged to ask for foreclosure.⁸⁵

On January 21, 1921, the Mechanics' Bank and Trust Company, as trustee, filed suit against the KS&E in Knox County chancery court for the appointment of a receiver to operate the road, and the railroad was ordered to appear before the court on January 24, 1921, to show cause why a receiver should not be appointed.⁸⁶ In order to protect their interests, a majority of the first mortgage bondholders nominated Sam E. Cleage for receiver and he was appointed on January 27, 1921, by Chancellor Brown.

⁸⁵Knaffl v. KS&T, Minute Book 75 (November 6, 1920), 379.

⁸⁶Mechanics' Bank and Trust Company v. KS&E, Minute Book 76 (January 21, 1921), 71.

He was to operate the road and, as soon as possible, file a report on its condition.⁸⁷ Cleage was instructed not to pay any debts owed the Pigeon River Railroad, evidently in order to give time to separate the accounts of the two lines.⁸⁸

The directors, officers, and bondholders of the KS&E had apparently made an agreement with the directors and officers of the Pigeon River Railroad, some of whom were connected officially with both railroads, to rent two old, worn-out, defective engines to the Pigeon River Railroad for \$750 per month. At the same time, the KS&E had agreed to maintain these two engines and furnish all coal and labor necessary to operate them over the line of the Pigeon River Railroad. Thus, large sums of money, which could have been used to keep the KS&E roadbed and equipment in good condition were spent on the Pigeon River Railroad, evidently just to please Oliver and his friends.⁸⁹ It appears that the KS&E was being milked by its owners of all its assets.

⁸⁷Ibid., 100. Cleage asked the court at various times for permission to borrow money to pay taxes, to meet payrolls, etc., as is noted throughout the case of Mechanics' Bank and Trust Company v. KS&E. He had been placed in charge of the company's affairs by the bondholders on December 4, 1920, in an effort to free the company from its financial condition and to make it a going concern. Mechanics' Bank and Trust Company v. KS&E, Minute Book 83 (November 7, 1923), 97.

⁸⁸Ibid., 117, 133. He was instructed by the court to pay \$2,000 to the Pigeon River Railroad for freight collected on February 17, 1921. Ibid., 184.

⁸⁹Separate answer of South-Western Insurance Company and Southern Surety Company, to the bill filed by them and others in Mechanics' Bank and Trust Company v. KS&E, Minute Book 76 (Knox County Courthouse, Knoxville), Case No. 17981. Hereafter cited as Answer of South-Western Insurance Company.

On March 15, 1921, Receiver Cleage filed his report and inventory. The receiver's report showed considerable equipment in possession of the company, but the engine used by the KS&E was a rented one. Several pieces of equipment in use were the property of the Pigeon River Railroad. Much of the material on hand was almost worn out. There was a great deal of scrap iron and steel along the tracks which the receiver planned to sell, but no total value was given.⁹⁰

According to the Transportation Act of 1920, the KS&E was entitled to certain government funds as a result of losses incurred while under federal control during World War I.⁹¹ In March, 1921, Cleage received permission from the court to seek further funds which might be forthcoming from the federal government, and during the succeeding years the receiver was able to collect several thousands of dollars from this source.⁹² Other events, however, took precedence.

On July 22, 1921, a momentous day in the life of the Knoxville, Sevierville and Eastern Railway, Chancellor Brown, because of the deed of trust covering the \$300,000 in first mortgage bonds, ordered the sale of the properties and equipment of the road to satisfy that debt. Including the interest accrued on these mortgage bonds, a total amount of \$347,670

⁹⁰Mechanics' Bank and Trust Company v. KS&E, Minute Book 76 (March 15, 1921), 302-308.

⁹¹Deficit Settlement with KS&E, ICC Reports, Docket No. 159.

⁹²Mechanics' Bank and Trust Company v. KS&E, Minute Book 76 (March 18, 1921), 324.

was due the Mechanics' Bank and Trust Company.⁹³ Unless the above amount was paid by August 22, the property and equipment were to be sold. The purchaser was required to pay \$20,000 in cash and two notes, covering the remainder of the bid, one due in six months, the other in twelve months. None of the creditors or stockholders of the Knoxville, Sevierville and Eastern Railway were to be allowed the right of redemption. The accounts of the railroad were not to become the property of the new owner but were to be used to pay the creditors of the KS&E.

From the proceeds of the sale, the funds would be distributed according to court orders. The oldest and most pressing obligations were to be paid first, if enough money was realized from the sale. If enough was not forthcoming, then the debts were to be paid according to the

⁹³As outlined in Mechanics' Bank and Trust Company v. KS&E, Minute Book 77 (July, 1921), 404-405, the line to be sold was as follows:

"The said right of way and track beginning at or near Vestal in Knox County, Tennessee, thence in a southeasterly direction to King's Gap in Brown's Mountain, a distance of five and one-half miles; thence in a southeasterly direction up the valley of Stock Creek and passing Neubert's Mill near the end of the seventh mile from Vestal to Mud Flat School House, which is eight and one-half miles from Vestal; thence in a northeasterly direction toward the head waters of Stock Creek to the property of Robert Cruze; thence a northeasterly direction to the line between Knox and Sevier County, this line being at Shook's Gap in Bays Mountain; thence in a southeasterly direction to Pitner's Gap, the same being a divide of the waters flowing northwestwardly and southeastwardly; thence down the valley leading to Boyd's Creek to a point near Fox's Store on the seventeenth mile; thence in a northeastwardly direction crossing Boyd's Creek near the stone bridge on the Sevierville Pike on the 20th mile; thence in a southeastwardly direction to the lands of Robert Catlett at the mouth of Cannon Hollow, which is on the 23rd mile from Vestal--in a southeastwardly direction to the foothills south of Pigeon River; thence southwest and parallel to the river to a point one-half mile northwest of Sevierville, and being twenty-six and one-third miles from Vestal and the ending of the line as located."

amount the railroad owed to each creditor. Thus, the court was making some attempt to pay all or part of all debts and to clear those who were burdened with the unwanted debts incurred by Oliver and his associates in operating the KS&E.⁹⁴

It was easier to order the sale of the KS&E than it was to find a buyer willing to pay a reasonable purchase price. Clerk and Master J. C. Ford of the Knox County chancery court, on October 5, 1921, sold, subject to confirmation by the court, the Knoxville, Sevierville and Eastern Railway to Colonel W. B. Townsend for \$30,000. Townsend was connected with the Little River Railroad and Lumber Company of Townsend, Tennessee, and he was believed by the Journal and Tribune to represent a group of the first mortgage bond holders.⁹⁵ Townsend had a considerable timber interest in the Smokies and was probably interested in having an outlet for his lumber, other than the Little River Railroad.

John W. Green asked the court for a stay on the confirmation of the sale to Townsend, and the Clerk and Master was instructed by the court to receive bids on the KS&E until October 21, 1921. The court reserved the right to reject all bids if they were not high enough.⁹⁶ Again, on October 24, Townsend asked that his \$30,000 bid be confirmed, but the court ordered that bids be kept opened until noon on November 1, 1921.⁹⁷

⁹⁴Ibid., 401-406. ⁹⁵Journal and Tribune, October 6, 1921.

⁹⁶Mechanics' Bank and Trust Company v. KS&E, Minute Book 78 (October 14, 1921), 36.

⁹⁷Ibid., (October 24, 1921), 71.

Several bidders offered bids on November 1, 1921. Townsend renewed his \$30,000 bid; S. R. Rambo, representing another syndicate seeking the road, bid \$33,000, and later raised it to \$44,000. L. C. Gunter, president of the Stony Fork Collieries and the Southern Coal Operators Association, who represented a syndicate of bondholders and local men, bid \$45,000.⁹⁸ The court, not satisfied with the bids, held a consultation with the bidders, and Gunter raised his bid to \$50,000. The sale at that price was confirmed by the court.

The receivership of the physical properties of the railroad, under instruction by the court, ended at midnight, October 31, 1921, but Cleage was retained by the court as receiver of the bonds and other non-physical accounts of the company. This meant that he would defend it against all suits arising before October 31, 1921.⁹⁹ The sale of the road, however, did not end the suit against the KS&E, which required several years to complete. Cleage served as a receiver of all accounts and monies of the Knoxville, Sevierville and Eastern Railway until 1926, and during this period of time served ably.

In the process of settling the claims against the KS&E, Cleage was forced to come before the court many times to report on his actions and to request permission to carry out his plans, especially in regard to the

⁹⁸Journal and Tribune, November 2, 1921. Included in the group was W. B. Townsend.

⁹⁹Mechanics' Bank and Trust Company v. KS&E, Minute Book 78 (November 1, 1921), 103-106.

collection of money due the KS&E by the federal government. On December 2, 1921, Cleage reported that he had settled all claims which he, as receiver, might ever have against the United States under the Federal Control Act of March 21, 1918 and the Transportation Act of February 28, 1920 for \$2,500. Although the court approved this settlement, another settlement was made later between Cleage and the United States for \$5,009.25.¹⁰⁰ A few days later, Cleage petitioned the court that the clerk and master sell the purchase money notes which had been given by L. C. Gunter when he purchased the road. The court agreed.¹⁰¹

Further problems complicated the settlement of the suit by the Mechanics' Bank and Trust Company against the KS&E. Sometime in 1920 the railroad had submitted a claim to the United States government for \$52,874.18. Further, the Mechanics' Bank and Trust Company held bonds of the KS&E amounting to \$12,250. Therefore, the Knoxville, Sevierville and Eastern Railway transferred \$12,250 of its claim against the United States government to the Bank and Trust Company in exchange for the bonds. Likewise, the board of directors of the KS&E ordered that a part of the \$65,573.77 owed by the railroad to the Wm. J. Oliver Manufacturing Company be paid by transferring at least \$20,000 of the railroad's claim against the United States government to the Oliver Manufacturing Company. All authority to transfer these claims came from a special meeting of the board

¹⁰⁰Ibid. (December 2, 1921), 197.

¹⁰¹Ibid. (December 6, 1921), 211-214.

of directors on September 2, 1920, when the president of the KS&E was empowered to collect any money owed the railroad by the government and that when the money was collected that it be used as directed by the board to pay the pressing obligations of the road.

During 1920, the Wm. J. Oliver Manufacturing Company had given a first mortgage of \$100,000 on its property for a loan of that amount from the Chelsea Exchange Bank of New York City, with the repayment to be accomplished by paying into a sinking fund the amount of \$10,000 per month, beginning on August 1, 1920. In order to satisfy this sinking fund, the Wm. J. Oliver Manufacturing Company transferred the above noted \$20,000 claim against the government in the form of a note to the bank.¹⁰²

On May 1, 1922, the validity of these maneuvers came before the chancery court of Knox County, which declared null and void the transfer of the claims to the Mechanics' Bank and Trust Company and the Wm. J. Oliver Manufacturing Company, but stated that the \$20,000 note to the Chelsea Bank was good and should be paid pro rata along with other claims upon the KS&E. At the same time, certain assignments made by the railroad on November 27, 1921, and December 16, 1921, were also declared null and void because the KS&E was insolvent and no longer in operation at that time.¹⁰³

¹⁰² Answer of South-Western Insurance Company.

¹⁰³ Mechanics' Bank and Trust Company v. KS&E, Minute Book 79 (May 1, 1922), 86-88. Just what these assignments were could not be ascertained.

In July of 1922, an agreement was reached between Cleage and the United States government. By this agreement all claims of the KS&E against the United States were finally settled for \$5,009.25, although a final settlement had been previously announced. According to the ICC Reports, the total amount collected by the KS&E from the government under the Federal Control Act of 1918 and the Transportation Act of 1920 amounted to \$36,009.25.¹⁰⁴ Yet, on March 12, 1923, the receiver reported that since becoming receiver he had collected a total of \$51,039.44 from the United States and had spent \$7,169.01, leaving a balance of \$43,870.43. Evidently there had been other claims of some sort on the government.¹⁰⁵

A report by the clerk and master of the chancery court of Knox County on October 9, 1923, showed a large number of debtors, including many railroads. A total of \$500,000 in first and second mortgage bonds remained outstanding. The debts against the receiver were numerous and the clerk and master requested they be given priority. The mortgage bond holders were to be paid pro rata, but the bonds were to be turned over to Cleage and cancelled when paid.¹⁰⁶

R. A. Brown, Clerk and Master, in a report to the court on November 7, 1923, noted that several creditors should be paid in full because their

¹⁰⁴ Deficit Settlement with KS&E, ICC Reports, Docket No. 159. What these claims were could not be ascertained unless they referred to claims arising from the period of federal control.

¹⁰⁵ Journal and Tribune, March 31, 1923.

¹⁰⁶ Mechanics' Bank and Trust Company v. KS&E, Minute Book 82 (October 9, 1923), 536-543. First mortgage bonds were compromised at ten cents on the dollar, exclusive of interest, and the arrangement was

claims were based upon certain material and supplies that were absolutely necessary to operate the road. Brown also reported that the few box cars owned by the road were too light except for local use and that for foreign line service the railroad had to rely on cars from other lines, especially the Southern Railway which had a large lien on the road. This lien, the receiver said, should be given priority, but the court said the lien of Southern Railway should be paid pro rata.¹⁰⁷

S. E. Cleage filed his final report as receiver on April 20, 1926. In the report he listed \$236.09 as all the money remaining in his hands, which the court awarded Cleage. Cleage noted that he owed no receiver's debts. The court discharged him from his position as receiver and also nullified any further liabilities of the Knoxville, Sevierville and Eastern Railway Company.¹⁰⁸

Thus, in 1926, the first phase of the history of the Smoky Mountain Railroad ended. The line had been promoted under the guise of an interstate branch of a major railroad, but this hope could never be realized,

accepted by the court. These were bonds held by Mechanics' Bank and Trust Company. The second mortgage bonds held by the same firm were compromised at 7 1/2 percent of par value and this was also accepted by the court. In Mechanics' Bank and Trust Company v. South-Western Surety Insurance Company, Southern Surety Company and Knoxville, Sevierville and Eastern Railway Company, Case No. 17568, and Case No. 15769 in Knox County Chancery Court (Knox County Courthouse, Knoxville).

¹⁰⁷Mechanics' Bank and Trust Company v. KS&E, Minute Book 83 (November 7, 1923), 96-102.

¹⁰⁸Ibid. (April 20, 1926), 504.

since the route of the road was toward an inaccessible part of the Great Smoky Mountains. An abundance of timber resources had been primarily responsible for the proposal to construct such a line, but there was simply not enough available capital to built it. It seems, however, that a gullible public swallowed the ideas of William J. Oliver without studying the situation.

Such an enterprise was doomed from the first. The age of the automobile made the era of fabulous earnings from railroads a thing of the past, although a great number of railroads, both short and long, were under construction around the turn of the twentieth century. The Smoky Mountain was one of many which would fail in the age of the automobile which was just beginning.

The railroad was the result, primarily, of one man's personal ambitions. William J. Oliver was a promotor and builder of railroads, interested in his own personal gain. His original aim in building the road was to make a fortune for himself, which was not available in Sevier County. Instead, the KS&E probably served to break Oliver financially. The Knoxville, Sevierville and Eastern Railway period of the Smoky Mountain Railroad was beset with litigation between Oliver and those to whom the KS&E became indebted. These court proceedings created doubts in the minds of the creditors of the railroad and the failure to pay returns eventually resulted in the order to sell the road. The lack of faith in the line is shown in the fact that the willingness of financiers to purchase the line was limited to local people whose estimation of the value of the KS&E was

extremely low. The men who finally purchased the road were not at all certain that their decision was wise, even though they publicly voiced their belief that the KS&E would be profitable. Exactly the reverse was true.

CHAPTER II

THE KNOXVILLE AND CAROLINA AND TENNESSEE AND NORTH CAROLINA PERIODS OF THE SMOKY MOUNTAIN RAILROAD

By order of the chancery court of Knox County, the Knoxville, Sevierville and Eastern Railway was sold on November 1, 1921, to satisfy the creditors and unsecured bondholders of the road.¹ L. C. Gunter bid \$50,000 and the new owners took over the line of the KS&E from Vestal to Sevierville.² Chartered as the Knoxville and Carolina Railroad, the new company had as its charter members L. C. Gunter, W. B. Townsend, S. B. Luttrell, T. A. Wright and J. A. Wallace, all local businessmen. Dreaming dreams, the company reserved the right to extend the line to Canton, North Carolina. The authorized capital stock of the road was set at \$400,000 by the charter members and the charter was approved by the state of Tennessee on November 4, 1921.³ Again the promotional idea of an interstate railroad was retained in an attempt to secure local support.

In accordance with an order from the chancery court of Knox County, the clerk and master made a deed which conveyed to L. C. Gunter all the

¹Mechanics' Bank and Trust Company v. KS&E, Minute Book 77 (July 21, 1921), 401-406.

²Journal and Tribune, November 2, 1921. Mechanics' Bank and Trust Company v. KS&E, Minute Book 78 (November 1, 1921), 103-106.

³Charter of Knoxville and Carolina Railroad (copy obtained by the writer from Records Division, Department of State, Nashville).

property sold, which, it will be remembered, did not apply to the accounts of the KS&E.⁴ On November 12, 1921, L. C. Gunter transferred the railroad to the charter members of the company for a "valuable consideration."⁵ The Knoxville and Carolina Railroad Company apparently gave Gunter and his associates who represented \$164,000 or approximately 58 percent of the outstanding first mortgage bonds of the KS&E, \$300,000 in the stock of the new company and \$32,000 in bonds for their stock in the KS&E Railroad. Since this was considered to be the equivalent of the \$50,000 purchase price, it is an indication of the low esteem in which the Knoxville and Carolina Railroad Company was held by local financiers.

Nevertheless, the new incorporators started out bravely to operate the railroad. Scheduling on the Knoxville and Carolina was basically the same as that of the KS&E.⁶ The railroad maintained offices at Knoxville and Sevierville with stations at Vestal, Neuberts', Burnett's, Pitner, Seymour, Oak City, McMahan, Boyd's Creek, Revilo and Ewing.⁷ The new company was, however, hard pressed from the beginning. The weather militated against the proper operation of the road, for the trestle at Boyd's Creek, along with some other smaller trestles in Knox County, were damaged by

⁴Mechanics' Bank and Trust Company v. KS&E, Minute Book 77 (July 21, 1921), 404-405.

⁵Rule Docket 42, Mechanics' Bank and Trust Company v. KS&E.

⁶Vindicator, December 21, 1921.

⁷E. E. Conner v. Knoxville and Carolina Railroad and J. A. Wallace, Trustee, in the Chancery Court of Sevier County (Sevier County Courthouse, Sevierville), Case No. 1740.

flood waters in January and December, 1922, necessitating expensive repair work.⁸

In an attempt to secure support for themselves and the railroad, the new owners sought federal approval of a new mortgage bond issue. T. A. Wright, acting for the original owners of the Knoxville and Carolina, submitted on June 17, 1922, an application to the Interstate Commerce Commission for authority to issue mortgage bonds as a means of raising necessary funds. They proposed to sell the road to the Knoxville and Carolina Railroad Company, which was organized for the purpose of acquiring and operating the road, and using for payment the securities sought in the application. Since it was capitalized at \$400,000 the company hoped to issue 4,000 shares of common stock valued at \$100 each and to give L. C. Gunter and his nominees 3,000 shares in partial payment of the \$50,000 purchase price. The Knoxville and Carolina also proposed to issue \$300,000 in first mortgage bonds to be secured by a mortgage, to be dated January 1, 1922. The amount of \$32,000 of the bonds was to be used immediately, if confirmed by the ICC, to complete the payment to L. C. Gunter for the road.

In its efforts to obtain ICC approval, the company presented an unjustifiably rosy picture of its prospects. The application stated that the road passed through a prosperous agricultural region and had a good prospect of handling a considerable amount of timber products. The railroad claimed to be in the process of making arrangements for improving

⁸ Journal and Tribune, January 25, 1922.

the roadbed and filling most of the trestles. The owners hoped that, by improving the property, they might be able to realize an eventual profit.

The ICC was not impressed. It found the total capitalizable value of the property to be \$392,214 and it authorized the \$300,000 mortgage, but permitted the immediate issuance of only \$132,000 in bonds and only 2,602 shares of common stock valued at \$100 a share. These stocks and bonds were to be paid to Gunter. Under this plan for reorganization of the company, the total fixed charges or interest due on the stocks and bonds would be \$7,920 annually.⁹

The company hoped to obtain increased revenue from the passenger service, but since the funds went to Gunter instead of the railroad, the company had to borrow money on the credit of its officials to make necessary improvements. The major improvement was a gas-propelled motor car installed by the railroad in October, 1922. On October 18, President L. C. Gunter and other officials rode the car to Sevierville and, not surprisingly, voiced hearty approval of the innovation. The car, built by the J. G. Brill Company, of Philadelphia, at a cost of \$16,000 was over 60 feet long and had room for 42 passengers. It was electrically lighted and had both front and rear headlights with current generated by a small motor in the operating end of the car. Composed of steel structure throughout, the car was capable of making fifty miles an hour, but was scheduled to

⁹Knoxville and Carolina Reorganization, Finance Docket No. 2207, Interstate Commerce Commission Reports, Vol. 72 (Government Printing Office, Washington, 1923), 221-223. No mention was made of the Pigeon River Railroad.

run at 25 miles an hour.¹⁰ The gasoline car made three trips a day to Sevierville, carrying passengers. The other service continued to be handled by the steam locomotive.¹¹

During this period the Pigeon River Railroad was also in operation and the Knoxville and Carolina was interested in plans for the extension of the Pigeon River line to Gatlinburg, since this would increase the amount of lumber being shipped out to Knoxville and elsewhere over the two lines.¹²

Rumor became current in March, 1923 that the Knoxville and Carolina would become a part of a trunk line from the Mississippi River to the Atlantic Ocean, and in August, a new electric road was proposed from Knoxville by way of Revilo to Bristol.¹³ The rumors evaporated, however, and passenger traffic on the Knoxville and Carolina was seriously reduced in September, 1923, after William J. Oliver began operating a bus from Knoxville to Sevierville.¹⁴

Since the Knoxville and Carolina continued to operate at a loss, the owners made another inquiry to the ICC for a new mortgage bond issue.

¹⁰Vindicator, October 18, 1922. The same gasoline engine hit a car and killed three or four people at Ellis Crossing near Boyd's Creek in the fall of 1925. Interview with Raymond Norton in Seymour, August, 1967.

¹¹Vindicator, December 20, 1922; interview with J. B. Waters, Sr., in Sevierville, November 19, 1966.

¹²Journal and Tribune, December 17, 1922; Knoxville News, December 18, 1922; Vindicator, December 20, 1922.

¹³Journal and Tribune, March 25, 1923, August 19, 1923. The writer could not ascertain who made the proposal.

¹⁴Vindicator, September 12, 1923.

Although it was granted, it did not help the railroad because the money thus acquired was evidently used to help pay off old debts while new debts piled up and the road continued to operate in the red. In this application the officials said that it had been necessary to purchase additional equipment and make some improvements and that in the near future, the road would need to make more. The estimated expenditures amounted to \$121,324.20.

The railroad had already spent \$61,277.55 to acquire equipment and improve its property. Part of these funds were obtained through advances of \$16,000 and \$9,000 made by S. B. Luttrell and T. A. Wright. Furthermore, in October and November, 1922, and March, 1923, the Knoxville and Carolina Railroad borrowed the sum of \$24,000 from the Union National Bank in Knoxville on promissory notes signed by four stockholders of the road, S. B. Luttrell, T. A. Wright, L. C. Gunter and W. B. Townsend.

Through a verbal agreement, the Knoxville and Carolina had agreed to issue to T. A. Wright and S. B. Luttrell first-mortgage bonds equal to the advances made by both men to the road, and, in regard to the bank loans, Luttrell, Wright, Gunter and Townsend, through a similar verbal agreement with the Knoxville and Carolina, also agreed to accept first-mortgage bonds equal to the loans made. The application pointed out that none of these expenditures had been capitalized prior to May, 1923, and that no part of the loans or advances had been re-paid either to Luttrell and Wright or to the Union National Bank.

In order to satisfy the above loans and advances and make proposed improvements, the railroad requested permission from the ICC to issue \$100,000 of first-mortgage bonds under the first mortgage dated

January 1, 1922 made with the Bankers' Trust Company of Knoxville, as trustee. This mortgage had provided for the issuance of up to \$300,000 in bonds, of which \$132,000, as noted above, had been issued, which left a total of \$168,000, still available. Of the \$100,000 in bonds requested, the Knoxville and Carolina proposed to give \$25,000 of these bonds at par value to S. B. Luttrell and T. A. Wright in satisfaction of their advances and \$24,000 to S. B. Luttrell, T. A. Wright, W. B. Townsend and L. C. Gunter to cover their bank loans; the remaining \$51,000 in bonds were to be sold at par value to improve the road.

The application stated that as of March 31, 1923, the Knoxville and Carolina had an investment in the road and in equipment, minus depreciation, of \$450,699.51, and \$392,200 outstanding in stocks and bonds. The owners admitted, however, that, except for March, 1923, the road had been operated at a loss. Nevertheless, they hoped that through the improvements which would be made possible by the proposed bond issue of \$100,000 the company would be able to gain sufficient amounts of tonnage and new business to make the road a going concern, because people might have added confidence in the road if the ICC granted the request. The bond issue was approved, with the stipulation that not over \$100,000 in bonds be issued, but there is no evidence that the bonds were ever offered for sale, probably because the owners of the railroad realized that the situation was hopeless.¹⁵

¹⁵Knoxville and Carolina R. R. Bonds, Finance Docket No. 2509, Interstate Commerce Commission Reports, Vol. 79 (Government Printing Office, Washington, 1924), 542-546.

The rosy expectations did not materialize and the company continued to lose money, leading the Vindicator to ask its readers, "What is the Knoxville and Carolina Railroad worth to Sevier County?"¹⁶ Since Chapman Highway had not been built at this time, the railroad was the only primary means of getting bulk commodities into the county, and was in a larger sense, extremely important to the people of the area; however, most of the people did not seem to realize this because at about this time, the county court of Sevier County had voted \$50,000 in interest bearing warrants for the purchase of the road at a price of \$100,000, with the remaining \$50,000 to have been raised through private subscriptions, but the proposal had fallen through.¹⁷

The road reduced the rate on passenger fares to \$1.00 per round trip in an ineffectual attempt to meet the competition of the bus line started by the former owner of the railroad, William J. Oliver.¹⁸ Since the road continued to lose money and since there was no real hope of profits, the stockholders, meeting in August, 1926, decided to sell the road, either for junk or for operating purposes.¹⁹ The corporation was bankrupt.²⁰

The same month, however, the Smoky Mountain Railroad, with Irvin S. Saxton, J. A. Wallace, S. B. Luttrell, Josephine Conway and T. A.

¹⁶Vindicator, December 10, 1924.

¹⁷Knoxville Journal, September 18, 1926. Hereafter cited as Journal.

¹⁸Vindicator, December 10, 1924. ¹⁹Journal, August 4, 1926.

²⁰Joe C. Carr to William Robert Rogers, July 10, 1967 (in possession of the author).

Wright, Jr., as charter members, received a charter of incorporation with a capital stock of \$100,000. The charter provided for the construction and operation, leasing or abandonment, of a line of railroad coinciding with the Knoxville and Carolina line, and for the extension of it to Canton, North Carolina, with the right to construct and build the road in whole or part. It is noteworthy that some of these charter members were stockholders in the Knoxville and Carolina.²¹ Evidently, these charter members still had visions of making money out of their investment; on August 25, T. A. Wright stated that the reason for the charter under name of Smoky Mountain Railroad was to enable the owners of the Knoxville and Carolina to have \$100,000 in operating stock.

The willingness to sell the Knoxville and Carolina to the new corporation demonstrated the fact that the owners wanted to get out while they could still get something for their investment; but they had difficulty selling the line. Sale of the road was set for September 1, either as junk or as a going concern. The owners of the Knoxville and Carolina had no plans to operate the road under the new name.²² The charter for the Smoky Mountain Railroad was to be surrendered to the purchaser of the road on the date of sale.²³

At auction time, however, T. A. Wright announced that a bill for an injunction had been filed in the chancery court of Sevier County by a

²¹Charter of Smoky Mountain Railroad (copy obtained by the writer from Records Division, Department of State, Nashville, Tennessee).

²²Journal, August 25, 1926.

²³Ibid., September 1, 1926.

representative of Stokely Brothers Canning Company of Sevierville to halt the sale of the Knoxville and Carolina for junking purposes because the canning factory shipped products out over the line and was interested in buying the road as a going concern.²⁴ A temporary injunction had been given, awaiting a final hearing on September 30. Wright stated that the owners of the road could not afford to offer it for sale only as a going concern, and that they would contest the injunction.²⁵

Arguments on the motion to dissolve the injunction of Stokely Brothers to prevent the sale of the road as junk were heard before Chancellor Ben Robertson of the Sevier County chancery court on September 18. T. A. Wright, representing the railroad, argued that the filing of the injunction was premature, because Stokely Brothers would not be hurt until the sale had been finished. H. T. Stokely of Birmingham, Alabama, and W. D. McSwain of Newport, who represented Stokely Brothers, argued that the proposed sale was an attempt to circumvent the spirit of the interstate commerce acts, and that the proposed sale would push the railroad beyond the control of the ICC.²⁶ Chancellor Robertson allowed the owners of the railroad thirty days to obtain permission from the ICC to sell the road and its equipment as junk, with the temporary injunction to remain in effect for that time. Wright announced that he would file such a request.²⁷

²⁴Ibid., September 2, 1926.

²⁵Knoxville News, September 1, 1926.

²⁶Journal, September 19, 1926.

²⁷Knoxville News, September 18, 1926.

On September 28, Wright announced that an unqualified sale of the Knoxville and Carolina would take place on October 11, with the decision to operate or junk left to the purchaser.²⁸ Evidently, the ICC had agreed to this type of sale.

At the sale on Monday, October 18, 1926, the purchasers were W. J. Parks, C. Boice and J. W. Bell, who bid the sum of \$75,000 and were the only bidders.²⁹

The new owners of the Smoky Mountain Railroad were interested in operating the railroad as a going concern. W. J. Parks of Newport was president of the Tennessee and North Carolina Railroad.³⁰ C. Boice of Hartford, president of a large lumber company, was a major developer of the region along the roadbed of the Tennessee and North Carolina Railroad, which gave some assurance that this 30-mile road operating from Newport by way of Hartford into North Carolina would be connected with the old Knoxville and Carolina.³¹ J. W. Bell was connected with Bell Hardwood Company of Newport.³²

At the time of the purchase of the Knoxville and Carolina the new owners also received the charter of incorporation under the name Smoky

²⁸Ibid., September 28, 1926; Journal, September 29, 1926.

²⁹Knoxville News, October 19, 1926; Journal, October 19, 1926. The auction of the road set for October 11 was postponed until October 18 at the request of the owners. According to C. A. Murphy, superintendent of the road, business had not lagged. Both passengers and freight had been hauled and the gasoline engine had made three round trips per day since the proposed sale had been under discussion. Journal, October 17, 1926; Knoxville Sentinel, October 11, 1926.

³⁰Journal, October 19, 1926. ³¹Ibid., October 24, 1926.

³²Interview with J. B. Waters, Sr. in Sevierville, November 19, 1966.

Mountain Railroad. Among other things, the Smoky Mountain charter had been secured to enable the new owners to operate. This new company was organized with J. W. Bell elected president and H. S. Mantooth of Newport, as superintendent. He served in that capacity until the Tennessee and North Carolina Company surrendered all interests in the road in 1938.³³ The 1,000 shares of capital stock were divided among Boice, Bell and Parks. Later, a modification was made in the capital stock by order of the Interstate Commerce Commission; according to another source only 750 shares were issued, giving the date of issuance as August 19, 1926.³⁴

The new owners of the line sought ICC approval of their purchase and proposed issue of capital stock and lease of the Smoky Mountain by the Tennessee and North Carolina Railroad. In December, 1926, the Smoky Mountain Railroad under its new owners filed, with the ICC, an application requesting that the company acquire the line of road running from Vestal in Knox County to Sevierville, formerly known as the KS&E. This application was approved on May 12, 1927. A second application asked for the authority to issue \$100,000 of capital stock to pay for the road and all other railroad properties acquired with it. Concurrently, the Tennessee and North Carolina Railroad requested permission to acquire control, under lease, of the Smoky Mountain Railroad.

³³Interview with Mrs. J. R. Whaley in Knoxville, August 11, 1967.

³⁴Bankruptcy Case No. 14122, Smoky Mountain Railroad (copy obtained by the writer from General Services Administration, Federal Records Division, East Point, Georgia). Hereafter cited as Smoky Mountain Bankruptcy.

The salvage value of the road was estimated by the Smoky Mountain at not more than \$60,000, with other properties purchased being valued at not over \$25,000. According to the testimony given, the maintenance of the road had been "grossly neglected," with new ties and surfacing badly needed.

The Tennessee and North Carolina Railroad as noted above, was interested in lumbering and was owned by lumbering interests which owned a line running from Newport, Tennessee to Crestmont, North Carolina, a distance of 21 miles. The road had earned a net profit in 1921, 1922, 1923 and 1925, although it had suffered small deficits in 1924 and 1926. The owners of the two roads planned to coordinate service on them through the use of trucks for the 24-mile break between Sevierville and Newport. Bell, Boice and Parks expressed hope of an eventual railroad connection between the two points, which probably accounts for their purchase of the Knoxville and Carolina.

In the presentations to the ICC, the new owners had placed great emphasis on the fact that Sevier County had no other rail service and was dependent upon the Smoky Mountain Railroad for shipping out its major product, lumber, and its by-products. The lumber industry was rapidly developing the area. The presentation noted, however, that the Smoky Mountain Railroad was closely paralleled by a state highway for its entire length and that because of this, both passenger business and less-than-carload freight traffic had been seriously affected by the competition of private automobiles and trucks. But, the new owners pointed out, the railroad was needed for such heavy goods as coal, fertilizer, building

materials, and gasoline in tank-car quantities, as well as timber and lumber. The number of carloads brought in per year was estimated at 300, and the number going out was placed at from 125 to 150 per year. In 1925, however, the expenses of the Knoxville and Carolina Railroad had been considerably more than its income.

According to the lease proposed by the Tennessee and North Carolina, the yearly rental would be set at 6 percent of the \$100,000 of proposed capital stock of the Smoky Mountain Railroad, but the ICC decided that the capital stock was to be limited to \$75,000 (the original purchase price) and the yearly rental was set at \$4,500. The lease was limited to one year's duration; thereafter, either party was permitted to terminate the lease on three months written notice. Under the terms of the lease, the Tennessee and North Carolina agreed "to maintain the properties, to pay all taxes and assessments levied thereon, and to indemnify the lessor against all liabilities for loss and damage arising out of operation of the leased premises by the lessee."³⁵

In making the decision, the commission declared that their granting of the requests was based on public demand and was therefore experimental, but that it hoped that the proposal as drafted would work. Sevier County was at that time still paying interest on its original \$150,000 bond issue to the Knoxville, Sevierville and Eastern Railway.

³⁵ Acquisition of Line by Smoky Mountain Railroad, Finance Docket No. 5956, Interstate Commerce Commission Reports, Vol. 124 (Government Printing Office, Washington, 1927), 523-526.

The county had agreed to waive taxes for five years and many merchants in the area had signed an agreement to refrain from using trucks for shipping purposes.

In its order, the commission approved the issuance of not over 750 shares of capital stock of \$100 denomination each, to be turned over at par to Boice, Bell and Parks to pay them for their investment in the road, but these three men could not dispose of the stock in any manner, unless so directed by the commission. The lease of the Smoky Mountain Railroad to the Tennessee and North Carolina Railroad was approved, subject to the limitations as set forth previously.³⁶ The lease took effect on June 1, 1927.³⁷ Operation of the road was under the name Knoxville Branch of the Tennessee and North Carolina Railroad, but it was to operate under the charter of the Smoky Mountain Railroad Company, which made the operations of the line subject to the charter regulations of the Smoky Mountain.³⁸

Since the Smoky Mountain owners were interested in Sevier County, they acquired 1.17 miles of railroad in Sevier County, the unabandoned part of the Pigeon River Railroad that was then operating separately and serving nine industries. Upon acquiring the line the Smoky Mountain Railroad proposed to lease it to the Tennessee and North Carolina Railroad, which would eliminate the \$6.00 switching fee between the two lines.

³⁶ Ibid., 526-528.

³⁷ Interstate Commerce Commission, Statistics of Railways in the United States (Government Printing Office, Washington, 1928), 184.

³⁸ Smoky Mountain Railroad to W. C. Kendall, December 6, 1938, Smoky Mountain Railroad Records.

Since the owner of the Pigeon River Railroad had paid \$2,829.86 for the road, the Smoky Mountain Railroad agreed to pay the difference between that amount and such donations as the owner was able to collect from the industries affected. These donations amounted to approximately \$1,400. Since the abandonment of this section of line would be detrimental to the people of Sevierville, the ICC approved the acquisition request in May, 1930.³⁹ In May, 1931, the ICC approved a request by the Tennessee and North Carolina Railroad to acquire control, under the lease of 1927, of the short line.⁴⁰

The good intentions voiced by the businessmen of Sevier County to help the railroad by using its facilities in shipping their produce seems only to have been given in order to keep the railroad operating and to gain ICC approval of the new owners. Within two years the business concerns had reverted to the use of trucks and any hope for prosperity for the railroad disappeared. In addition to the automobiles on the state highway, two motor-carriers operated between Knoxville and Sevierville.

The depression resulted in little passenger service; total net income for the years 1933-37 was \$19,562. The transportation of freight account for over 89 percent of the operating revenues. Freight revenue was rather large in 1934, amounting to \$62,742, because of the heavy movement of road-building materials carried over the line. During this

³⁹Smoky Mountain Railroad Acquisition, Finance Docket No. 8129, Interstate Commerce Commission Reports, Vol. 162 (Government Printing Office, Washington, 1930), 692-698. H. S. Mantooth made the application.

⁴⁰Smoky Mountain Railroad Control, Finance Docket No. 5957, ibid., Vol. 170 (Government Printing Office, Washington, 1931), 716-717.

period the owners spent approximately \$12,000 for improvements, but little maintenance work was done, which resulted in the extreme deterioration of the road.

The records for the period show that the Tennessee and North Carolina Railroad never paid the \$4,500 rent due the Smoky Mountain Railroad, which on December 31, 1937, amounted to \$40,148.62. The Smoky Mountain Railroad Company filed a suit against the Tennessee and North Carolina Railroad and obtained a judgment for over \$57,000, including the unpaid interest. There are no records to show that the Smoky Mountain ever collected it.

The Tennessee and North Carolina simply never had sufficient funds available. In addition, the funds from all the operations of the Tennessee and North Carolina were pooled for use by the company, regardless of which part of the company they came from. Evidently, much of the revenue from the Knoxville Branch of the Tennessee and North Carolina was expended on the Newport Branch, which suffered serious loss in the period 1932-1936.⁴¹ The depression of the 1930's is to a large extent responsible for the absence of a profit.

Boice, Parks and Bell suffered such heavy losses that they were forced to sell their stock and in December, 1937, the entire stock of the

⁴¹Smoky Mountain Railroad et al., Proposed Abandonment, Finance Docket No. 12006, Interstate Commerce Commission Reports, Vol. 230 (Government Printing Office, Washington, 1939), 367-375. Hereafter cited as Smoky Mountain Abandonment.

Smoky Mountain Railroad was sold to the Midwest Steel Corporation of Charleston, West Virginia for perhaps \$44,100, a sale which was not approved by the ICC, since it seems to have been carried out in secret.⁴² Midwest Steel Corporation dealt, among other things, with scrap iron.⁴³

Since the Tennessee and North Carolina had not complied with the lease, the Smoky Mountain Railroad owners (presumably Midwest Steel Corporation), cancelled the lease, effective March 31, 1938. Because the Smoky Mountain Railroad was not in a position to operate the line, the owners made another working agreement which allowed the Tennessee and North Carolina to continue to operate the road, pending final determination of its future by the ICC.⁴⁴ On March 1, 1938, the Tennessee and North Carolina, however, had begun a program of improving its Knoxville operation, but evidently on a limited basis.⁴⁵

On June 9, 1938, the Tennessee and North Carolina filed an application with the ICC to abandon operation of its Knoxville Branch, which the commission approved on November 30, 1938.⁴⁶ In the meantime, however, the working agreement between the Smoky Mountain Railroad and Tennessee and

⁴²Smoky Mountain Bankruptcy.

⁴³Smoky Mountain Abandonment, 367-368. The probable sale price was listed in a financial statement of Midwest Steel Corporation as of March 31, 1939, but was not identified as such.

⁴⁴Ibid.

⁴⁵Smoky Mountain Railroad to W. C. Kendall, December 6, 1938, Smoky Mountain Railroad Records.

⁴⁶Smoky Mountain Abandonment, 367-368.

North Carolina had been abrogated on October 14, 1938, and the Smoky Mountain had taken over operation of the road, under its original charter.⁴⁷

The inability of a shortline railroad, even with the best of owner intentions, to make a profit was demonstrated by the Smoky Mountain as it operated under the name Knoxville and Carolina and under lease to the Tennessee and North Carolina. Both operators of the road attempted to gain public support by promising an eventual connection with a larger railroad, but no larger company was interested in acquiring an interest in the Smoky Mountain. The possibility of such a connection became even more remote following the creation of the Great Smoky Mountains National Park in the early 1930's, which removed from private ownership an immense acreage of timber lands. Since the chief source of freight revenue of the Smoky Mountain road was the transportation of lumber, the interstate dreams of its promoters came to an end. This brought to the forefront the question of how the road could remain in existence.

The building of an improved highway had meant an end to a profitable passenger service. Therefore, with declining revenue from both passengers and freight, there was no hope of making a profit; but then, no one had been able to make a profit on the short line. Since the only other major industry in the county, besides lumber, was a small canning factory owned by Stokely Brothers, which had no immediate plans to expand, there seemed no reason for the Tennessee and North Carolina to maintain

⁴⁷Smoky Mountain Railroad to W. C. Kendall, December 6, 1938, Smoky Mountain Railroad Records.

the line. The new corporate owner, Midwest Steel Corporation, purchased the road in 1937 with the avowed purpose of scrapping it, but even this proved to be a difficult operation.

CHAPTER III

THE SMOKY MOUNTAIN AS OWNED AND OPERATED BY MIDWEST STEEL, 1938-1957

In spite of the dismal prospects for a profitable operation, abandonment of the Smoky Mountain was hard to justify.¹ In order to abandon, it was necessary to show the ICC that every effort to operate had been tried and that the railroad just could not offer the service that its competitors could. On April 11, 1938, the Midwest Steel Company, the new owner of the Smoky Mountain Railroad, applied to the ICC for permission to abandon the line, on the grounds that the revenue was not adequate and pointing out that the tracks and equipment were in such poor condition that it was extremely dangerous to continue operation.² Following a hearing in Sevierville on June 25, the ICC, however, decided that public necessity required that the request be denied, adding that the road had been profitable and would, in all probability, be so again.³ Thus the first of many attempts to abandon the road was rejected.

The Smoky Mountain Railroad attempted to operate and improve the line, at least to the point which it would be operated safely, but the

¹Smoky Mountain Bankruptcy. Interview with Mrs. J. R. Whaley in Knoxville, August 11, 1967.

²Smoky Mountain Abandonment, 367-373.

³Smoky Mountain Bankruptcy; Smoky Mountain Abandonment, 367-373.

cost was extremely high.⁴ Since the ICC refused the abandonment request, the Smoky Mountain, unable to borrow money from other sources, applied to the Reconstruction Finance Corporation through the ICC for a five-year loan of \$40,000 to replace cross-ties (\$10,000), worn-out rails (\$24,000) and to add ballast where it was necessary (\$6,000). The road proposed to repay the loan from operating revenue and offered collateral valued at \$95,400.⁵ The ICC, which had to approve all loans requested by railroads, denied the application to the RFC in January, 1939, on the grounds that the earning power of the road would not afford the necessary security.⁶ Evidently, the ICC placed little value on the collateral offered.

At the time of the application for the loan, the officers and stockholders in the Smoky Mountain Railroad Company, all of whom were connected with or had an interest in the Midwest Steel Corporation, were designated as follows: Joe L. Silverstein, president, 7 1/2 shares; C. S. Badgett, Jr., vice-president, one share; Fred Burnett, secretary-treasurer, one share; Max Kesselman, manager, 7 1/2 shares; Midwest Steel Corporation,

⁴Letter to W. C. Kendall, December 6, 1938, Smoky Mountain Railroad Records. The physical characteristics of the road contributed to the high cost of operation and would continue to do so.

⁵Preliminary Application Form, *ibid.* The collateral consisted of the following: 29.15 miles of 56 and 60 lb. rails and fastenings; switches; cross-ties; 1.65 miles of side track; two box cars, standard gauge; one passenger car, standard gauge; real estate and freight house; furniture and fixtures.

⁶Smoky Mountain Railroad Reconstruction Loan, Finance Docket, No. 12245, Interstate Commerce Commission Reports, Vol. 230 (Government Printing Office, Washington, 1939), 612-616.

733 shares, making a total of 750 shares. Joe L. Silverstein received a yearly salary of \$4,200 and Max Kesselman received \$3,600.⁷

Midwest Steel inherited the old problems of the railroad. A great deal of repair work was required in order to keep the old steam engines in operating condition and the company also began the practice of using old or "reject" ties to replace rotten ones, which, of course, resulted in further and repeated replacements.⁸ Mail delivery further complicated the road's operation. When Midwest Steel acquired the Smoky Mountain in 1938, the railroad had a working agreement with the bus company which operated through Sevierville to carry the late mail back to Knoxville. Smoky Mountain Trailways acquired this bus line, which improved service.⁹ Throughout the early 1940's, however, letter after letter from the Railway Mail Service complained of many delays in mail service and stated that mail service in general was unsatisfactory. F. L. Parks, superintendent of the railroad, attempted to remedy this situation, but because of the condition of the tracks and the variation in bus schedule, he was unable to make much improvement. The situation became so serious by October, 1942, that J. W. Oliver of Railway Mail Service gave Silverstein two weeks to make a satisfactory arrangement for mail service to Sevierville

⁷ Preliminary Application Form for R. F. C. Loan, Smoky Mountain Railroad Records. A. R. Yarborough became traffic manager of the Smoky Mountain, a position he held for several years. Sometime in late 1937 or early 1938, Sam Potter became secretary of the road. Ibid.

⁸ Correspondence between Superintendent F. L. Parks and President Silverstein, 1938-1939, ibid.

⁹ Joe L. Silverstein to J. W. Oliver, October 28, 1942, ibid.

or Oliver would recommend a star route service. In his reply, Silverstein noted that mail service had nearly trebled in the previous few years with no added compensation for the railroad. Every effort, he said, had been made to improve mail service, short of purchasing or leasing trucks to carry the mail. Silverstein requested the bus company to hold its 5:25 P.M. bus in order to carry the late mail to Knoxville. Midwest Steel would also check the volume of mail as a means of determining whether the Smoky Mountain Railroad was adequately compensated.¹⁰

Local business seemed to be picking up and this gave new hope for some additional revenue for the railroad. The biggest source of expected revenue was Stokely Brothers which evidently had developed plans for increasing their canning operations in Sevier County.¹¹ In anticipation of this increased amount of cargo, the Smoky Mountain Railroad purchased an engine from the Little River Railroad Company in May, 1940, and acquired a large number of good ties from an abandoned section of the Southern Railway.¹²

Nevertheless, with no advance warning, the Smoky Mountain Railroad filed an application with the ICC in 1940 to abandon the line. To support the petition President Silverstein obtained from C. K. Munson an estimate

¹⁰J. W. Oliver to President Silverstein, October 12, 19, 28, 1942; F. L. Parks to J. W. Oliver, October 31, 1942, ibid.

¹¹F. L. Parks to J. L. Silverstein, April 13, 1940, ibid.

¹²F. L. Parks to John M. Hall, Director of Locomotive Inspection, ICC, Washington, December 18, 1940; F. L. Parks to Carl Smith, October 19, 1940, ibid. This was engine number 110.

indicating an anticipated decline in revenue for 1941 if local conditions remained the same.¹³ Meanwhile, when the news became public, several interested persons sought information about acquisition of the line. They were referred to Midwest Steel by R. F. Burnett, who had become auditor of the road.¹⁴

The alternative to abandonment was the expenditure of considerable sums for repair, plus a great expansion of business and revenue. On May 5, 1941, S. B. Jack, who evidently had been employed for the purpose, estimated the cost of repairing the track from Knoxville to Sevierville at \$59,019.73. In his report he noted that 27,362 cross ties were needed, and many kinked rails needed replacing with 56-pound rails. He pointed out that the amount of one hundred dollars per mile was needed for banking and ditching, without which operation of the road would soon be impossible. All trestle and bridge steel was in dire need of scrapping and painting, and 1,200 cubic yards of ballast were needed immediately, with a like amount the next year. Jack proposed to replace every third tie in the main track and use the old ties in the side tracks. If cheaper ties were used, he said, the price of repair would be \$52,179.23.¹⁵

When abandonment appeared to be inevitable, an opportunity to operate at a profit suddenly presented itself. The Tennessee Valley

¹³Report of W. N. Garrett filed on May 8, 1948 in Smoky Mountain Bankruptcy; C. K. Munson to J. L. Silverstein, May 26, 1941, Smoky Mountain Railroad Records.

¹⁴R. F. Burnett to Vernon Williams, Atglen, Pennsylvania, March 14, 1941; R. F. Burnett to F. C. Culler of Morrison Railway Supply Corp., Buffalo, New York, January 10, 1941, ibid.

¹⁵S. B. Jack to F. L. Parks, May 2, 1941, ibid.

Authority was authorized, because of the nation's wartime needs, to build Douglas Dam on the French Broad River as a means of supplying electric power.¹⁶ TVA was interested in the railroad as a means of getting materials to the project, and intervened to prevent the abandonment of the line.¹⁷ On February 12, 1942, the Smoky Mountain Railroad requested that it be permitted to withdraw its application for abandonment, which was granted.¹⁸

On the same day, the Tennessee Valley Authority entered into an agreement with the Smoky Mountain under which TVA agreed to build at its own expense an access railroad from the dam site that would connect with the Smoky Mountain Railroad at Ewing. The Smoky Mountain agreed to rehabilitate its own line, replacing old and worn-out ties, rails and equipment. In order to repair the track, the TVA made available to the railroad the sum of \$42,500. The Smoky Mountain was to haul all materials to the dam site, except sand, gravel, and crushed rock, which were available at the construction site. In addition, the Tennessee Valley Authority agreed to loan one of its locomotives to the railroad, free of cost, with the provision that the engine be returned in the same condition.¹⁹ Thus the

¹⁶Report of W. N. Garrett, filed May 8, 1948 in Smoky Mountain Bankruptcy Case.

¹⁷Tennessee Valley Authority, Technical Report No. 10, The Douglas Project (United States Government Printing Office, Washington, 1949), 123. Hereafter cited as Douglas Project.

¹⁸Report of W. N. Garrett, filed May 8, 1948 in Smoky Mountain Bankruptcy Case; Moultrie Hitt to J. L. Silverstein, March 3, 1942, Smoky Mountain Railroad Records.

¹⁹Copy of contract (TV-70147) in files of TVA, Knoxville. The access road was 5.6 miles long. Douglas Project, 134. When the possibility of a lucrative agreement with TVA became apparent, the Smoky

railroad had a real opportunity to make a profit. It remained to be seen, however, whether this would benefit the company or only a few of its officials.

The financial manipulations of Max Kesselman and Joe L. Silverstein began to occur at about this time, especially regarding the sale of materials from other companies owned by the Kesselman and Silverstein families to the Smoky Mountain Railroad at extremely high prices. However, these underhanded practices were not generally known. Ties were purchased from the Louisville and Nashville Railroad, but Kesselman cautioned that they be only those "suitable for our purpose."²⁰ Evidently those "suitable" meant "reject" ties. In May, 1942, the railroad purchased a locomotive for \$12,000 from the Railway Construction Company, which Max Kesselman owned and operated. Southern Railway had previously sold this same engine for \$8,500.²¹ Railway Construction Company sold ties to the

Mountain took pains to make itself as attractive as possible to TVA. Shortly after the above agreement was signed, Sam Silverstein noted that he had prepared an application to the Reconstruction Finance Corporation for a loan, but that this application was later destroyed on the orders of Max Kesselman and J. L. Silverstein. This was probably done in order to avoid revealing the condition of the railroad's finances. Sam Silverstein to Smoky Mountain Railroad Company, December 7, 1942, Smoky Mountain Railroad Records.

²⁰Max Kesselman to F. L. Parks, February 25, 1942, ibid.

²¹Report of Frank Maloney for January, 1948 in Smoky Mountain Bankruptcy Case.

Smoky Mountain at \$1.00 per tie, which was above the standard price for reject ties.²² J. L. Silverstein was attorney for the Railway Construction Company.²³

While working behind the scenes to milk the Smoky Mountain, Silverstein began to comply with the contract made with TVA. He instructed Superintendent Parks to appoint Bruce Lynn as supervisor of the track repair and to employ a large work force to begin work at Vestal immediately. Silverstein demanded a daily progress report. Because of the shortage of tires caused by the war, Silverstein believed that it might become necessary very soon to operate a passenger train between Knoxville and the dam site, and, therefore, he ordered Parks to check personally to see that the repair work was done. He also made the following admission:

Heretofore we have not had much business and we have not insisted on good business principles being carried out but as you well recognize now we have an important job to perform as a part of the war effort and it shall be the purpose of Mr. Kesselman and myself to insist that each and every instruction given be carried out explicitly.²⁴

Whether patriotism or the desire for personal gain prompted this sudden change is not clear.

Work on the rehabilitation of the road was divided into three sections and a large number of men were employed. The replacement of a great number of ties and rails indicated the run-down condition of the

²²F. L. Parks to J. L. Silverstein, September 3, 1942, Smoky Mountain Railroad Records.

²³F. L. Parks to J. L. Silverstein, October 9, 1942, ibid.

²⁴Joe L. Silverstein to Frank Parks, May 14, 1942, ibid.

road.²⁵ Work also progressed rapidly on the access road and bridge across the Little Pigeon River, being built by TVA. February 9, 1942 marked the beginning of work on the bridge, and April, 1942, saw its completion, with the access road in service on May 10, 1942.²⁶ The first trip to the Douglas Dam site by the Smoky Mountain was made on June 2, 1942.²⁷

The Smoky Mountain now entered the only period in its history in which it made a huge profit, most of which went into the pockets of Kesselman and Silverstein. The railroad owners made the most of its golden opportunity by trying to bleed all sources of revenue to death. Three mills furnished bulk cement for the dam, and the Smoky Mountain delivered this freight to the dam site. The total amount was estimated at 628,970 barrels.²⁸ The rates charged by Smoky Mountain for hauling material to the dam site were extremely high, and the Tennessee Valley Authority contended that they were unreasonable.²⁹ The large profits, however, were evidently not shared with the workers. A strike over wages began on June 14, 1942, which lasted for four days and resulted in a loss of 1,600 man hours since about fifty men were involved.³⁰ The railroad

²⁵F. L. Parks to J. L. Silverstein and Max Kesselman, May 25, 1942, ibid.

²⁶Douglas Project, 128.

²⁷R. F. Burnett to Max Kesselman, August 29, 1942, Smoky Mountain Railroad Records.

²⁸Aake F. Hedman, "Construction Plant at Douglas Dam," Tennessee Valley Authority Engineering and Construction Departments, Knoxville, May, 1945, Printed Report No. 20-300-5-2, pp. 74-75.

²⁹J. E. Daugherty to A. R. Yarbrough, July 3, 1942, Smoky Mountain Railroad Records.

³⁰Fred Burnett to Max Kesselman, December 11, 1942, ibid.

complied with the federal statutes concerning minimum wages of forty cents an hour, with all employees except one receiving at least that amount.³¹

The rent paid by the Smoky Mountain to the Southern Railway for joint use of its tracks from Vestal to Knoxville and other facilities became \$150.00 per month in April, 1942.³² In September, this rental fee was increased to \$250.00 a month.³³ Although the Smoky Mountain seemed to be able to hold its own, the future of the road after the end of construction at Douglas Dam was uncertain, because no adequate source of revenue was available.³⁴

There is evidence of a lack of interest in the future growth of the railroad in the failure of the railroad officials to maintain necessary supplies. They also showed no desire to establish rapport between themselves and the railroad workmen. Few maintenance supplies were retained by the railroad, which seemed always to rely on the Southern Railway to supply its needs. Southern Railway, in order to avoid the nuisance caused by the requests, had made attempts to get the Smoky Mountain to carry its own supplies, but with apparently no success, because the Smoky Mountain could get the parts cheaper from Southern than from the manufacturer.³⁵

³¹R. F. Burnett to Mrs. J. R. Whaley, September 21, 1942, ibid.

³²Agreement for April, 1942, ibid. This included use of the tracks and the office on Main Street. The previous rental could not be ascertained.

³³General Manager of Southern Railway to J. L. Silverstein, August 4, 1942, ibid.

³⁴Frank G. Williams to J. L. Silverstein, October 29, 1942, ibid.

³⁵L. C. Shults to O. B. Keister, December 14, 1942, ibid. The reason for the cheaper price was probably due to the fact that the Southern

Because of the Tennessee Valley Authority contract, income for 1942 was up greatly over previous years.³⁶ The increase in traffic necessitated the hiring of more employees.³⁷ The payment of higher salaries, especially for management was made possible by the increased revenue. Joe L. Silverstein's salary as president was \$12,000 in 1942, and Max Kesselman received a like amount as general manager. Total salaries plus bonuses paid in 1942 amounted to \$61,656.61.³⁸ Salaries for the president and vice president had been \$3,900 a year, but, effective January 1, 1942, they were increased to \$12,000 a year.³⁹

Prosperity had not ended the railroad's problems. Lawyers spent a great deal of time investigating titles to rights-of-way and other property owned by the railway. Taxes continued to be a point of controversy, as were the negotiations with the C. I. O. over a contract, and the law firm of Testerman, Ambrose and Badgett, which had investigated, requested payment of legal fees. The request was granted by Kesselman.⁴⁰

could purchase in larger quantities than could the Smoky Mountain. J. L. Silverstein to R. F. Burnett, December 18, 1942.

³⁶Accounts of Mrs. J. R. Whaley for 1942, ibid. Because of the absence of complete records, it was impossible to determine exactly the amount of income for 1942; it has been estimated, however, at between \$200,000 and \$300,000.

³⁷Report of R. F. Burnett, February 16, 1942, ibid. The number of employees was 92.

³⁸Annual Information Return to Internal Revenue Service for 1942, ibid.

³⁹Report of Frank Maloney for January, 1948 in Smoky Mountain Bankruptcy Case.

⁴⁰W. L. Ambrose, Jr. to Smoky Mountain Railway, December 22, 1942, Smoky Mountain Railroad Records.

Joe L. Silverstein and Max Kesselman wanted to make money from the Smoky Mountain, which they did. Since good materials were not used in the maintenance of the road, it continued to deteriorate.⁴¹ In January, 1943 Joe L. Silverstein requested his entire salary for 1943 from the Smoky Mountain Railroad Company. His stated reason was that he needed his salary to pay some rather heavy taxes in the near future; furthermore, he contended that this was legal because he was employed on an annual basis. Although this type of payment was unusual, on January 29, R. F. Burnett issued one check for \$11,314.20 to the president and another for \$5,615.20 to Harry Silverstein.⁴² It seems that these two families received most, if not all, of the profits from the operation of the Smoky Mountain. Some of the excessive salaries paid in 1943 were to absentee officials. The total paid in 1943 was \$123,169, of which \$101,025 was in cash and the rest in credit. All dividends of record were declared in 1943, at which time the dividends were 6 percent per annum, covering a period of 6 and 1/3 years. The entire dividend of \$37,500 was paid to stockholders of record on January 1, 1943 all of whom were members of the Silverstein and Kesselman families.

In many cases, excessive and sometimes duplicate charges were made by Midwest Steel against Smoky Mountain for supplies. Records show the

⁴¹Interview with Mrs. J. R. Whaley in Knoxville, August 11, 1967. It was later brought to light by Frank Maloney that good materials were purchased for the railroad, but sold to other people with the profits from the sale evidently going to Kesselman and Silverstein. Smoky Mountain Bankruptcy Case.

⁴²J. L. Silverstein to R. F. Burnett, January 25, 1943; R. F. Burnett to J. L. Silverstein, January 29, 1943, Smoky Mountain Railroad Records.

purchase of fuel, supposedly for railroad operations, which was then sold to third persons. At times, side tracks were removed and sold for junk, but on whose orders is not a matter of record.⁴³ It is apparent that Silverstein and Kesselman (who also received \$12,000 in January, 1943) realized that after Douglas Dam was completed, the future was not bright for the Smoky Mountain Railroad and therefore they wanted to make all they could, when they could.

As construction of the dam neared completion, the Smoky Mountain began to lay off employees, and negotiated a new agreement for joint facilities rent with the Southern Railway, reducing the amount to \$100 per month, effective September 1, 1943.⁴⁴ As business began to fail, Kesselman still managed to make money from the Smoky Mountain, however, by selling ties to it at excessive prices through his company, Railway Construction Company.⁴⁵ The net income of the railroad for 1943 was \$47,429.92, a great reduction from 1942.⁴⁶

When they had made all they could, Kesselman and Silverstein again attempted to abandon the Smoky Mountain. The War Production Board advised Silverstein that the Board, to whom the Smoky Mountain official

⁴³Audit of books of Smoky Mountain by Railroad and Public Utilities Commission of Tennessee, Smoky Mountain Bankruptcy Case.

⁴⁴Notice by Superintendent Parks, March 6, 1943, Smoky Mountain Railroad Records; Agreement dated June 6, 1944, ibid.

⁴⁵Max Kesselman to R. F. Burnett, December 29, 1943; Bill from Railway Construction Company, February 14, 1944, ibid.

⁴⁶Philip Angel to John E. Temple, June 27, 1949, ibid.

had applied, had taken up the matter with the Railroad Unit in Washington, which suggested that the Smoky Mountain submit an application for abandonment in the normal manner through the Interstate Commerce Commission. Since it was interested in the availability of scrap iron, the Board asked to be informed if action were taken. Because there was such a pressing need for scrap iron, English S. DesChamps, Jr. of the War Production Board felt that the chances of securing approval for abandonment were good.⁴⁷ For reasons not clear from the record, the Smoky Mountain declined to push actively for abandonment of the road at that time.⁴⁸ The railroad again faced possible discontinuance in September, 1944, when Silverstein, for no apparent reason, informed Burnett that it might be necessary to file for abandonment and stated that he wanted to get the house in order. Burnett responded that no outstanding bills were due the Smoky Mountain Railroad by Midwest Steel, Standard Iron and Steel (owned by Max Kesselman), or Railway Construction Company.⁴⁹

In order to prevent a strike, all railroads in the United States were taken over on December 27, 1943, by President Franklin D. Roosevelt in his capacity as commander-in-chief of the United States and operated by the government. When the threat of the strike ended on January 10,

⁴⁷English S. DesChamps, Jr. to J. L. Silverstein, April 17, 1944. ibid.

⁴⁸English S. DesChamps, Jr. to J. L. Silverstein, June 14, 1944 (in reply to letter from Smoky Mountain on June 12, 1944), ibid. The writer could not ascertain from available records as to why the abandonment proceedings were not carried out.

⁴⁹J. L. Silverstein to R. F. Burnett, September 1, 1944; R. F. Burnett to J. L. Silverstein, September 6, 1944, ibid.

1944, the railroads were returned to their private owners.⁵⁰ This take-over seemingly had little effect on the operations of the Smoky Mountain.

In further attempts to increase revenue, the Smoky Mountain made several changes in its contracts and operating procedures. In March, 1944, the railroad signed a new mail contract with a bus line, the Smoky Mountain Stages, by which the latter agreed to transport mail between Sevierville and Knoxville for \$100 a month. The contract, which took effect on April 1, 1944, was clearly a help to the railroad since the federal government paid the railroad \$5,000 a year to carry the mail.⁵¹

The ICC postponed from mid-1944 to January 1, 1945, an attempt by the Smoky Mountain to raise passenger rates and freight charges on cargo.⁵² The petition demonstrated the bad financial condition of the road. It was operating only one mixed train daily, except Sunday, between Knoxville and Sevierville with a passenger fare of \$1.00.⁵³

Attempts to increase revenue after the construction of Douglas Dam failed. This was probably due to the desire of the officials of the Smoky

⁵⁰R. F. Burnett to J. L. Silverstein, January 20, 1944; telegram from J. M. Hood to Smoky Mountain Railroad, January 18, 1944, ibid. New Encyclopedia International Yearbook (Grolier Inc., New York, 1944), 534-535.

⁵¹Copy of contract in Smoky Mountain Railroad Records; interview with Mrs. J. R. Whaley in Knoxville, August 11, 1967.

⁵²Special supplement issued by A. R. Yarbrough, May 15, 1944, Smoky Mountain Railroad Records.

⁵³R. F. Burnett to J. T. Stallings, July 18, 1944; R. F. Burnett to J. H. Scott, Auditor of Passenger Accounts, Southern Railway, January 31, 1944, ibid.

Mountain to show a loss in order to abandon the line. According to officials of the railroad, the year 1944 showed a loss of \$20,656. It was later reported, however, by W. N. Garrett, who became a co-trustee under the bankruptcy proceedings in 1947, that this loss should not actually have occurred. The company, he contended, should have made a profit of \$2,000. Garrett claimed that the owners caused the railroad to lose \$8,000 in a tie deal with the Railway Construction Company, along with a \$2,000 loss in buying and selling coal. In addition, Kesselman and Silverstein were each paid \$6,000 during 1944. Therefore, the road did not have to lose money. Rather, those who controlled it caused this loss.⁵⁴

During 1945 the road continued to operate at a loss. Business prospects were poor and the managers had to borrow money from the Bank of Sevierville in order to operate. Federal inspectors on a regular monthly inspection trip found that one locomotive, one passenger car, and 27 freight cars constituted the entire rolling stock of the railroad. Silverstein wanted to drop cargo delivery service at Sevierville because there was very little cargo and very little compensation from Railway Express Agency (\$12.50 a month). Both Joe L. Silverstein and Max Kesselman received a salary of \$2,250 during 1945, but the railroad's taxes were not paid for the year, either in Knox or Sevier counties.⁵⁵

⁵⁴Report of W. N. Garrett filed May 8, 1948 in Smoky Mountain Bankruptcy Case.

⁵⁵R. F. Burnett to Mrs. W. D. Carmichael, October 13, 1945; R. F. Burnett to J. L. Silverstein, June 15, 1945; Max Kesselman to R. F. Burnett, July 27, 1945, reply dated July 28, 1945; J. L. Silverstein to R. F. Burnett, June 18, 1945, ICC inspection report, June 23, 1945; J. L. Silverstein to John West, Superintendent of REA, May 29, 1945, Smoky Mountain Railroad Records; Smoky Mountain Bankruptcy Case.

The abandonment issue was raised again in March, 1946. Max Kesselman explained to a representative of the Tennessee State Planning Commission that the alignment of the rails was bad, grades were steep, rails were too light and too old and that 12,000 ties needed to be replaced. He said he was operating at a loss with a borrowed locomotive and had absolutely no source from which he could acquire the \$300,000 or more which was needed to rehabilitate the line and that he definitely wanted to abandon it. Nothing except coal moved regularly over the line to Sevierville, and outbound traffic consisted only of some lumber and one car of canned goods per week.⁵⁶ The deplorable condition of the tracks brought a request from Smoky Mountain officials that the tonnage per car of asphalt be reduced by 100,000 pounds in order to make travel safe over the line.⁵⁷

The total payroll for 1946 amounted to \$13,483.52, \$9,240 of which were salaries. The road operated at a loss of \$25,151.10 during 1946. A \$5,000 note was due Park National Bank on February 1, 1947, and the railroad had several other outstanding bills. The railroad owed Midwest Steel, \$9,326, and Max Kesselman and Joe L. Silverstein, each \$9,750.⁵⁸

By early 1947, the finances of the road were in such poor condition that when it suffered a washout on January 20, officials claimed

⁵⁶Folder 5, Sevier County File, Tennessee State Planning Commission File, East Tennessee Division, Knoxville.

⁵⁷F. L. Parks to Kentucky Rock Asphalt Company of Bowling Green, September 11, 1946, Smoky Mountain Railroad Records.

⁵⁸Timmons Audit Company, audit of Smoky Mountain Railroad Books, Smoky Mountain Bankruptcy Case. These latter bills were not identified.

that the railroad did not have the \$6,000 they declared necessary to repair the damage.⁵⁹ It is fairly evident that this was just another excuse to abandon the line. In the end, however, the federal courts at the request of Ray C. Sharp and other interested Sevier County citizens, ordered the washout repaired.⁶⁰ At the time of the washout, there were seven cars of other companies stranded on the line, which increased the cost to the railroad, since the daily cost per car was high.⁶¹

Local interest, surprisingly enough, was extremely high. On February 11, 1947, a mass meeting was held at the Sevier County Courthouse in an attempt to put the railroad back into operation. Mayor J. R. Wade of Sevierville appointed a committee which conferred with Max Kesselman, who offered to sell the road for \$75,000. It was rumored that the people of Sevier County would purchase the line by public subscriptions, but no purchase was consummated as a result of the inquiries.⁶²

Max Kesselman filed an application for abandonment of the line with the ICC on March 14, and on March 20, filed a petition before the United

⁵⁹Knoxville News-Sentinel, February 8, 1947.

⁶⁰Ray C. Sharp, John E. Temple, Bon Hicks, and James McAfee v. Smoky Mountain Railroad and Max Kesselman in Chancery Court of Sevier County, Case No. 3709, filed July 20, 1948. Hereafter cited as Sharp, et al. v. Smoky Mountain, et al. Also see Smoky Mountain Bankruptcy Case. It was rumored that some force other than nature might have caused the washout, since a drain, which drained some 300 acres became clogged almost over night.

⁶¹Interview with Mrs. J. R. Whaley in Knoxville, August 11, 1967.

⁶²Knoxville News-Sentinel, February 8, 12, 13, 1947. Smoky Mountain Railroad v. Paine Oil Company, et al. in Chancery Court of Sevier County, 1964, Case No. 6429. Hereafter cited as Smoky Mountain v. Paine Oil Company, et al.

States District Court at Knoxville for reorganization of the company under section 77 of the Federal Bankruptcy Act.⁶³ According to Kesselman, his action was authorized at a stockholders' meeting on March 3, but from the information available, it is very doubtful that such a meeting was held, and almost a certainty that no such resolutions were passed. Joe L. Silverstein opposed the filing of these petitions and he made his opposition known to Kesselman, W. L. Ambrose (Silverstein's and Smoky Mountain Railroad's lawyer), and the other persons connected with the organization.⁶⁴ On March 25, Frank G. Clement, general counsel for the Tennessee Railroad and Public Utilities Commission, announced that the Commission would file a formal protest with the Interstate Commerce Commission opposing the application hearing on the proposed abandonment.⁶⁵

Some Sevierville businessmen instigated receivership proceedings in the chancery court of Sevier County, and on March 27, 1947, the court appointed J. B. Waters, Sr. as receiver and ordered him to borrow a sufficient amount of money to repair the line and put it back into operation.⁶⁶ The men who requested the receivership went so far as to

⁶³ Finance Docket No. 15646, etc. in Sharp et al. v. Smoky Mountain, et al. According to the Knoxville News-Sentinel of March 19, 1947, the application was filed March 19. In order to abandon the railroad, Kesselman filed a reorganization petition in federal court. He did this in order to get the courts to order the railroad sold, but he did not realize his aim.

⁶⁴ Ibid. ⁶⁵ Journal, March 25, 1947.

⁶⁶ Smoky Mountain v. Paine Oil Company, et al. According to James B. Wright to J. P. Tyner, March 21, 1949, the beginning date of receivership proceedings was March 14, 1947, Smoky Mountain Railroad Records. The formal order of receivership was given on March 22, 1947, ibid.

offer to advance the money to restore the road to operating condition, but Kesselman obtained an injunction against them which held up the proceedings. Waters did not act as receiver until mid-1948.⁶⁷ Also, on March 27, James B. Wright, a lawyer, instituted a suit in the chancery court of Sevier County for the state of Tennessee against the Smoky Mountain Railroad asking that its charter be forfeited and that it turn over its property to the state.⁶⁸

In the case resulting from the reorganization petition before George C. Taylor of the federal court in Knoxville, the court appointed John W. Bush as temporary trustee on March 20, 1947, and instructed him to investigate the Smoky Mountain Railroad. The Timmons Audit Company inspected the railroad's books and concluded that the book value of the railroad at the end of 1946 was \$60,276.95.

A co-trustee, W. N. Garrett, was appointed by Judge Taylor on April 11, 1947. In his report, which was filed in May, 1948, Garrett was extremely critical of Midwest Steel's operation of the road, particularly of the manipulations of the Silverstein and Kesselman families.⁶⁹

As early as April 20, there were rumors that a permanent operating trustee would be appointed to operate the road for one year after having restored it to operating condition. At a creditors' hearing in April before Judge Taylor, the court indicated that it would

⁶⁷ Sharp, et al. v. Smoky Mountain, et al.

⁶⁸ James B. Wright to J. P. Tyner, March 21, 1949, Smoky Mountain Railroad Records. This never occurred because the case never came to trial.

⁶⁹ Smoky Mountain Bankruptcy Case.

appoint a trustee to see if the road could operate at a profit.⁷⁰ On April 23, General Frank Maloney, a noted Knoxvilleian interested in the continued operation of the Smoky Mountain, was appointed permanent trustee and authorized by the court to raise funds of not over \$10,000 to operate the railroad and to employ enough people for that purpose. On May 9, Judge Taylor ordered Maloney to borrow \$3,750 to repair the washout. The contract was awarded to Gatlinburg Construction Company at its low bid of \$1,400, and the train made its first trip on May 17, bringing with it the foreign cars stranded on the line.⁷¹

Maloney reported that he was replacing ties at the rate of 1,000 a month in order to make the road safe. He also said that he had tried to purchase or lease ²two light-weight diesel locomotives from the War Assets Administration, but the price was too high, even though the W. A. A. was sympathetic. He felt the engines might be obtained later. Reduction in state taxes was needed, and Maloney proposed to ask the Tennessee Railroad and Public Utilities Commission to reduce them.⁷²

⁷⁰Knoxville News-Sentinel, April 20, 21, 1947.

⁷¹Smoky Mountain Bankruptcy Case. A monthly trustee's report was required. The money was borrowed by court order from the Bank of Sevierville by virtue of a promissory note to pay in 90 days with an interest limit set at not over 5 percent a year. Maloney in his report for May 1-July 1, 1947, pointed out that he obtained the loan on May 10, but at 6 percent interest a year. He gave no reason why the court order was violated; probably it was the only way he could obtain the loan. Maloney was approved as trustee by the ICC on May 8, 1947.

⁷²Finance Docket No. 15657, etc., ibid. A compromise was reached in 1952 to scale down the taxes owed by the railroad to the state of Tennessee as well as to Knox and Sevier counties. Smoky Mountain Railroad Records, March 18, 1952.

The ICC granted authority on June 20, 1947, to the Smoky Mountain Railroad to issue promissory notes not to exceed \$10,000 to provide funds for opening, rehabilitating and operating the railroad.⁷³ In his July report, Maloney noted that he could not borrow the money anywhere. He had had to operate the road on credit.

In his September report, Maloney stated that because of a lack of revenue and for other causes he had released R. F. Burnett, the auditor, and F. L. Parks, the superintendent. L. A. Taylor, agent at Sevierville, replaced Parks, and Burnett was replaced by W. B. Whitlow at \$150 a month, \$25.00 less than paid to Burnett.

Smoky Mountain officials filed a new plan of reorganization with Judge Taylor on September 20, that called for an increase in the capital stock from \$75,000 to \$100,000 within thirty days. Since that could not be accomplished, the ICC, on December 1, held that the plan of reorganization was impracticable.⁷⁴

The trustee's September report noted an increase in revenue as a result of concentrated effort by the railroad to operate efficiently, and to the shipments of road building materials to Sevier County.⁷⁵ Nevertheless, the stockholders, on December 23, petitioned the federal court

⁷³Smoky Mountain Railroad Trustee Notes, Finance Docket No. 15732, Interstate Commerce Commission Reports, Vol. 267 (Government Printing Office, Washington, 1947), 841.

⁷⁴Smoky Mountain Bankruptcy Case. The loans were to be acquired in Knox and Sevier counties and were not to exceed 4 percent interest per year. Maximum compensation allowed Maloney by the ICC at a meeting on July 20 was set at \$400 a month.

⁷⁵Gatlinburg Press, October 16, 1947.

for an order to prosecute the abandonment application before the Interstate Commerce Commission. On February 21, Judge Taylor denied this petition, probably because Maloney had not had sufficient time to see if he could operate the road in a profitable manner. A few days earlier, on February 12, 1948, Judge Taylor had denied Maloney permission to intervene in the abandonment proceedings. Maloney's purpose in trying to intervene is not known.

The state of Tennessee filed an intervening petition which claimed that there were irregularities in the operation of the Smoky Mountain. In response to this action, Maloney, attempting to prove that he could operate the road profitably, stated that he did find certain irregularities in his examination of the railroad's past financial conditions. One of these irregularities involved the activities of Max Kesselman. In order to fulfill a contract for ties between TVA and the Smoky Mountain during the building of Douglas Dam in 1942, the Railway Construction Company (owned by Kesselman), had paid \$1,750 for those ties, but later billed the railroad for \$5,000. These ties were later resold, after Douglas Dam had been completed, to the Blue Diamond Coal Company and to the Emory River Railroad Company for \$5,193.35. This was done at a time when the Smoky Mountain needed ties badly in its main line. According to Maloney, "no part of this money seems to have been received by the Railroad Company."

Maloney also pointed out other irregularities and went on to state that in his opinion the railroad could be put on a paying basis if several of his suggestions were followed. He believed that the train should end its run at Vestal and not pay \$100 a month to the Southern

Railway to run the train into Knoxville. The mail contract should be recovered by fulfilling certain requirements of the Post Office; if the railroad could get the mail to Sevierville on time to go out to rural routes, it could reacquire the contract. The railroad should also allow the train to stay in Sevierville overnight instead of in Knoxville as was then done, because the train crew lived there. If the railroad could sell two of the steam locomotives it owned and purchase a small diesel engine, it would reduce operating expenses by over \$500 a month. The railroad should make efforts to acquire an oil shipping business since the Standard, Sinclair and Gulf companies in Sevierville had said they would prefer to ship oil by rail instead of by truck. Little attention, however, was paid to these suggestions, because a notice of insolvency concerning the Smoky Mountain appeared in the papers of Sevier County on May 19 signed by Maloney.

On June 4, 1948, the ICC handed down its decision of May 25, 1948, refusing to grant the application to abandon.⁷⁶ The petition for reorganization filed by Max Kesselman before Judge George Taylor in Knoxville on March 20, 1947, was declared void in an opinion of the United States Court of Appeals issued on June 28, 1948, on the grounds that it had not been filed in good faith. This decision struck down all orders of the court connected with the case. Shortly thereafter, on July 15,

⁷⁶Smoky Mountain Bankruptcy Case. Mrs. J. R. Whaley informed the writer that the railroad lost the mail contract due to the January 20, 1947, washout. Interview in Knoxville, August 11, 1967.

in compliance with an order given by the United States Court of Appeals for the Sixth Circuit in the case of State of Tennessee ex. rel. v. George C. Taylor, District Judge, Judge Taylor ordered General Maloney to turn over the operation of the road to J. B. Waters, Sr., the receiver appointed by the Sevier County chancery court in March, 1947.

While Maloney was operating the road, the Internal Revenue Service and private individuals had filed claims amounting to \$199,956.⁷⁷ In addition, the road lost about \$1,000 a month during this period.⁷⁸

Evidently franchise taxes for 1947 were not paid, and as a result, the charter of the Smoky Mountain was revoked on March 11, 1949. The railroad paid these taxes later and the charter was reinstated in April, 1949.⁷⁹ Perhaps one reason why this franchise tax had not been paid was because the owners of the road and their lawyer, W. L. Ambrose, were, at that time trying to get the road back into litigation in federal court.

⁷⁷Sharp et al. v. Smoky Mountain et al. Maloney was discharged on September 23, 1948, Smoky Mountain Bankruptcy Case. According to one source, Waters remained as receiver through October, 1948, but the most reliable source indicates that J. E. Temple was appointed by Sevier County chancery court as of July 16, 1948. Bank deposit slip, Smoky Mountain Railroad Records. Also Interstate Commerce Commission, Statistics of Railways in the United States (Government Printing Office, Washington, 1949), 573. A petition was filed in the chancery court of Sevier County July 20, 1948, in an attempt by certain citizens of Sevier County to get the court to declare the \$4,750 note co-signed by them for Maloney to be declared a first lien, but evidently nothing was done. Sharp et al. v. Smoky Mountain et al.

⁷⁸James B. Wright to J. P. Tyner, March 21, 1949, Smoky Mountain Railroad Records.

⁷⁹J. P. Tyner, Supervisor, Franchise and Tax Division, to Smoky Mountain Railroad, April 11, 1949, ibid.

Fearing that a new receiver might be appointed, James B. Wright had the tax paid.⁸⁰

During the early 1950's, the railroad continued to operate, but public apathy continued to grow, although many people, feeling a nostalgic twinge, probably did not want the road to fold.⁸¹ Passenger service, which had become practically nonexistent, was discontinued in 1950. In many cases, the railroad did not adhere to its operating schedule. The Railway Express Agency, in an attempt to move general commodities between Knoxville and Gatlinburg, claimed that "the freight train between Knoxville and Sevierville very often does not run at all, apparently for the reason that in the judgment of the Smoky Mountain Railroad officials there is not sufficient rail freight to justify operation of the train on that particular day."⁸²

During the early 1950's, the railroad became involved in a dispute with the city of Sevierville over street repairs. The city requested that the railroad repair the street, which eventually it did, although a shortage of funds and manpower was plaguing the road. Perhaps one cause of the dispute was the fact that the city paved over the tracks of the road, which stopped train movement in town.⁸³

⁸⁰James B. Wright to J. P. Tyner, March 22, 1949, ibid.

⁸¹Gatlinburg Press, January 19, 1950.

⁸²Copy of Docket No. MC-4199 before Tennessee Public Service Commission, Smoky Mountain Railroad Records.

⁸³Sevier County News-Record, October 18, 1951, October 25, 1951, November 15, 1951, May 15, 1952, May 29, 1952, March 19, 1953. Hereafter referred to as News-Record.

Sevier County still needed the Smoky Mountain, however. An editorial by Bill Burchfiel, Jr., in the Sevier County News-Record, October 29, 1953, pointed out that rail transportation was vital to the industrial growth of the county, and that some means should be found to put the Smoky Mountain on a paying basis. The editorial went on to say that although the road showed a small profit in 1951 and 1952, the outlook for 1953 was not very bright. Burchfiel stated that outbound traffic was four times heavier than inbound traffic, but that new industry in Sevier County would help this situation. The entire road and equipment was available to any would-be purchaser for \$50,000. Burchfiel pointed out that if a diesel engine could be secured, operation and maintenance would be reduced to one-third or even one-fourth of the cost of the three coal-burning engines which could be scrapped for an estimated \$5,000 to \$8,000. This money would then provide a down-payment on the diesel engine.

The editorial went on to state that the total indebtedness of the railroad amounted to between \$25,000 and \$30,000. This included county and federal taxes, legal fees, materials, etc., with federal taxes making up the largest single item. Burchfiel believed that the federal taxes could be compromised, or at least satisfactorily settled. If all coal, cement, fertilizer, any other large commodities used in the county were shipped by rail, the debts could be taken care of.⁸⁴

In late 1953, good news reached the people of Sevier County that Cherokee Textile Mills was going to build in the county. This, the textile

⁸⁴News-Record, October 29, 1953.

people believed, would give new life to the railroad. Also, in late 1953, H. C. Carruth and A. P. Swayne of Bowaters Southern Paper Corporation, which had located in lower East Tennessee, came to Sevierville to set up a buying agency for pulpwood. Bowaters leased land near the rail tracks and began the purchase of pulpwood. Local sources indicated that perhaps as much as \$25,000 in 1954 would be purchased.⁸⁵

In an economy move in December, 1954, the A. J. King Lumber Company agreed to lease to the Smoky Mountain Railroad a diesel locomotive, owned by the lumber company, for \$500 a month. The railroad agreed to maintain the engine at its own expense in as good a condition as when it leased the engine.⁸⁶

A dispute arose in October, 1955, as to whether or not the city of Sevierville could appropriate part of the railroad right-of-way for a street. The railroad barricaded the street, and eventually the dispute ended in court.⁸⁷

In June, 1957, the railroad instituted a new type of fast service for small shipments, which the owners hoped would bring more business.⁸⁸

⁸⁵Ibid., December 10, 17, 1953, February 11, May 20, 1954.

⁸⁶Copy of lease filed in Smoky Mountain Railroad Records. The lease, dated December 30, 1954, could be terminated on five days written notice. The engine was number 440.

⁸⁷News-Record, June 30, 1955, December 4, 1955, September 1, 1955, October 6, 1955. The results are not known.

⁸⁸Ibid., June 21, 1956.

This did not occur, and in 1956 and 1957 the railroad laid off several employees because of insufficient funds.⁸⁹

The road continued to deteriorate. A safety survey, requested by the employees of the railroad, discovered bridges becoming rotten with concrete falling out, weeds growing up along the track and many missing crossroad warning markers. The Tennessee Public Service Commission (formerly Railroad and Public Utilities Commission) requested that the unsafe conditions be rectified, and J. E. Temple, the receiver, said the railroad appreciated their suggestions, but that the Smoky Mountain could not keep warning signs up because vandals destroyed them.⁹⁰

The owners did not press for abandonment, however, and the ICC, on September 5, 1956, said that the Smoky Mountain application for abandonment was being dismissed for want of prosecution.⁹¹ The railroad continued to operate, but, as usual, finances continued in the red.⁹²

When all seemed lost, a last chance hope for survival was found. On November 15, 1957, Chancellor James Parrott, in session at Dandridge, cleared the way for the sale of the railroad to a group of Sevier County businessmen. The agreed order settled all government claims of the Railroad

⁸⁹L. A. Taylor (Auditor of Smoky Mountain) to James M. Couch, August 14, 1956, L. A. Taylor to Amon Smith, June 12, 1957, Smoky Mountain Railroad Records.

⁹⁰B. H. Davis to W. B. Pemberton, July 21, 1956; W. B. Pemberton to J. E. Temple, August 7, 1956; B. H. Davis to J. E. Temple, August 24, 1956, ibid.

⁹¹Copy of Finance Docket No. 15646 in Smoky Mountain Bankruptcy Case.

⁹²Income-expense account for eight months, ending August 31, 1957, Smoky Mountain Railroad Records.

Retirement Board and other creditors. Knoxville attorney W. Leonard Ambrose represented Max Kesselman, the major stockholder and general manager of the road.

The Knoxville News-Sentinel reported the rumor that the purchase price was \$50,000, and that among the buyers were A. J. King, lumberman, J. E. Temple, flour mill owner, J. B. Waters, Sr., real estate dealer, and Jim Atchley, funeral home owner. It was also believed that the owners of the Sevier County Motor Company were involved, but none of those rumored to be involved would comment. It was understood that some thirteen or fourteen men were involved and that when the sale was consummated, J. E. Temple would file a final report and the receivership would be dismissed.⁹³ The operation of the road by the new owners will be discussed in the next chapter.

All attempts to maintain a profitable operation had failed. Knowing this was the case, Midwest Steel Corporation had purchased the railroad for junk. Abandonment of the Smoky Mountain, however, proved to be a difficult task. The Smoky Mountain was the only rail connection between Sevier County and the outside world, and Midwest Steel could not prove to the ICC that the line should be abandoned. This proved especially true after TVA made use of the line in the building of Douglas Dam. Huge profits were made by the Silverstein and Kesselman families whose only

⁹³Knoxville News-Sentinel, November 16, 1957. Other claims, amounting to \$900 were dismissed, but could be re-filed if the creditors so desired.

interest in the contract with TVA was for personal gain. By allowing the tracks and equipment to deteriorate they hoped to obtain permission to abandon, but they failed to recognize the importance of the Smoky Mountain to certain citizens of Sevier County and they failed. Thus, many attempts were made to declare the road bankrupt when a washout occurred. The railroad operated for some nine years under a receiver appointed by the court. In a final attempt to make the railroad a profitable organization, a group of Sevierville businessmen purchased the line. Their luck proved to be no better than that of their predecessors.

CHAPTER IV

THE SMOKY MOUNTAIN UNDER SEVIERVILLE BUSINESSMEN

The sale of the Smoky Mountain by Midwest Steel was completed on November 15, 1957, to a group of Sevierville businessmen, for a price of \$65,000.¹ Receivership proceedings were dismissed by the chancery court of Sevier County at the same time.² Also, on November 15, 1957, approval was given by the officials of the railroad and the Sevier County chancery court, enabling the purchasers to make a demand note of \$13,075 with the United States government as a compromise settlement of the outstanding taxes owed by the railroad. The security for the note was the steel rails in the roadbed of the railroad. If the railroad operated for ten years

¹Journal, November 16, 1957.

²Tennessee State Planning Commission file on feasibility of rehabilitating the Smoky Mountain Railroad (East Tennessee Office, Knoxville, Tennessee). "Before Interstate Commerce Commission. In the matter of 'Application of Smoky Mountain Railroad, a corporation, for certificate of Public Convenience and Necessity permitting the abandonment of railroad lines,' Knoxville, December 18, 1963," filed in Smoky Mountain v. Paine Oil Company, et al. in Sevier County chancery court (Sevier County Courthouse, Sevierville, Tennessee). Hereafter cited as application of Smoky Mountain to abandon, Smoky Mountain v. Paine Oil Company, et al. The businessmen and firms consisted of Stokely-Van Camp, Inc.; A. J. King, Jr.; K. Rawlings, Jr.; E. W. Paine; J. E. Temple; James A. Temple; James H. Atchley; Blaine Atchley; Harold Atchley; David P. Waters; Mary L. Hailey; J. B. Waters, Sr.; J. B. Waters, Jr.; Bon Hicks, Sr.; Cleo Burchfiel; Blalock Brothers; Carl Owenby; Ray C. Sharp and Fred S. McMahon.

the note would be canceled, but if the road ceased operations before that time, the note would be due immediately.³

Elected in November as officers of the corporation were the following men: president, B. M. Angel, Indianapolis, Indiana; vice-president, A. J. King, Sevierville; secretary and treasurer, J. E. Temple, Sevier-ville.⁴ A spokesman for the group said that it would operate the railroad for the benefit of the entire community and hoped to improve service on the road.⁵

In order to put the railroad on a profitable basis, H. A. Cutshaw, Jr., was elected superintendent on January 1, 1958. However, the railroad operated in the red, possibly because the new superintendent knew nothing about operating a railroad.⁶ The year-end report noted eleven employees, most of whom were receiving fair pay for their services.⁷ Business evidently continued as usual. Cutshaw wrote to J. A. Johnson of the Southern Railway that the Smoky Mountain agreed to continue the joint use of the tracks from Vestal to Knoxville. In his reply, Johnson stated that he would complete the cancellation of the lease agreement covering Southern

³H. A. Cutshaw, Jr., Superintendent, to J. A. Johnson, Southern Railway, Knoxville, January 17, 1958, Smoky Mountain Railroad Records.

⁴Intervening petition of the United States of America in Smoky Mountain v. Paine Oil Company, et al.

⁵News-Record, November 21, 1957.

⁶H. A. Cutshaw, Jr., Auditor and Superintendent to O. F. Quinn, Clinchfield Railroad, January 27, 1958, Smoky Mountain Railroad Records.

⁷Ibid., December 12, 1957, Quarterly Report of Compensation to Railroad Retirement Board.

locomotive Number 154.⁸ Evidently, the Smoky Mountain had found it necessary to repair the diesel engine and had leased the above engine to use in its place.

In an attempt in 1958 to secure more operating capital, the Smoky Mountain offered to sell as scrap the three old coal-burning engines (Nos. 107, 110, 207) of the road, but the offers were inadequate and not accepted by the railroad.⁹ The owners of the Smoky Mountain did not pay the taxes in Sevierville and neglected the maintenance of the street through which the train ran. The board of mayor and aldermen voted to prosecute collection of the taxes as well as the collection of an indebtedness of \$534.68 owed to the city of Sevierville for repairs on Bruce Street, but the suit was never instigated.¹⁰

On January 26, 1959, H. A. Cutshaw offered his resignation as superintendent. In his letter of resignation, Cutshaw pointed out that in the previous two weeks it took nine days to get five carloads to Knoxville and two carloads to Sevierville. The train derailed three times, forcing Cutshaw to stay with the engine five nights to start it at two or three hour intervals to prevent its freezing. The superintendent

⁸Smoky Mountain Railroad Records, January 13, 1958, January 14, 1958. During February, 1959, the officials met and arrived at an agreement for joint use of facilities with the Southern from Vestal to Knoxville. Copy of agreement effective November 15, 1957.

⁹Edward Minor to H. A. Cutshaw, Jr., September 12, 1958; R. A. Campbell to H. A. Cutshaw, Jr., August 27, 1958, ibid.

¹⁰News-Record, December 4, 1958.

pointed out that he had been working for over a year without a truck to deliver the express and freight and had used his own car. Even though he had placed 4,000 ties on the track, it still needed to be completely reworked; the chief engineer of the Southern considered it the worst track he had even been over. The superintendent said that he had done his best to keep the train running, serving where he was needed and would continue to help the railroad by keeping the records and reports up to date until a decision could be reached on the railroad's future.¹¹ Evidently, Cutshaw continued to work as auditor until the road went into receivership.

Bowaters Southern Paper Corporation of Calhoun, in order to help the Smoky Mountain out of its current financial difficulties, was willing to let the road add 25 cents to the price of each cord of pulpwood on the condition that the rate be for only two years and that the railroad secure a "substantial loan" to rehabilitate its line and equipment.¹²

The Smoky Mountain continued to face opposition in its attempts to create revenue and good rapport with the local people. March of 1959 witnessed a condemnation suit in the circuit court of Sevier County in which the city of Sevierville attempted to condemn a part of the Smoky Mountain right-of-way in order to open Bruce Street into a connection with High Street behind and to the east of the Sevierville Elementary School. The trial took nearly two days and in the course of the testimony the

¹¹H. A. Cutshaw, Jr. to stockholders of Smoky Mountain Railroad, January 26, 1959, Smoky Mountain Railroad Records.

¹²W. H. Joubert, Traffic Manager, to Smoky Mountain Railroad, March 2, 1959, ibid.

city said that it was only interested in opening the two dead-end streets to through traffic. A jury awarded \$4,000 in general damages, plus \$1,000 for incidental damages to the railroad. The city of Sevierville prepared to appeal, although as far as can be ascertained, the appeal was never filed.¹³ This suit created ill will toward the railroad and probably a loss in revenue to it.

During the year, lawyers who had handled legal matters for the Smoky Mountain requested payment of their fees, which they had not asked for previously so the road could get on its feet.¹⁴ Payment of such obligations was slow at best.

In the latter part of 1959, the Smoky Mountain Railroad owners along with other local businessmen opposed an attempt by the Railway Express Agency, Incorporated, to get a depot or station for its trucks in Gatlinburg and the Tennessee Public Service Commission dismissed the application in October. The News-Record predicted an appeal would be made, but this did not occur.¹⁵

The railroad continued to operate, although with a great deal of difficulty; it experienced fifty-five derailments between January 1 and April 24, 1960, many of them caused by the 11 cars of pipe which had to be moved to Sevierville a few cars at a time. Bad weather hampered this

¹³News-Record, March 26, 1959.

¹⁴O. M. Tate, Jr. to H. A. Cutshaw, Jr., May 19, 1959, Smoky Mountain Railroad Records.

¹⁵News-Record, November 5, 1959.

work. Engineer Jack Foster informed Cutshaw that the diesel engine was operating on dead wheels, but Cutshaw said that since all repair work on equipment had to be done outside and since the weather was bad, that Foster should continue to operate the engine. After being informed of the seriousness of running on dead wheels, Cutshaw made arrangements with W. J. Savage and Company to repair the engine. This move stopped hauling on the road for two weeks, although previously all the cars, except eight in Sevierville, had been cleared from the line.¹⁶

The chief commodity hauled in 1960 was cotton, along with a small quantity of pulpwood.¹⁷ Since Cutshaw worked in Oak Ridge and was only a part-time employee, there was little actual supervision of the road in 1960.¹⁸ Operations for the year ran \$8,269.65 in the red.¹⁹ Some drastic measure had to be taken or the line would be forced to close.

Directors and stockholders of the railroad met on January 7, 1961, to seek some method of keeping the road in operation. A total of 495 of the 650 shares were represented in the meeting and the eight stockholders

¹⁶H. A. Cutshaw to D. E. Williams, District Locomotive Inspector; Interstate Commerce Commission, Nashville, March 9, 1960, Smoky Mountain Railroad Records. Probably the real reason for not fixing the wheels was that the per diem cost for each car per day was \$2.88 and the railroad could not afford this.

¹⁷Auditors Report, ibid.

¹⁸Nat R. Hamilton, Jr., Claims Agent of Continental-National Group to Howard Boody, Jr., May 3, 1960, ibid. A hearing was held in Sevierville on June 14, 1960, concerning a motor carrier's certificate, which was eventually acquired. B. M. Angell to H. A. Cutshaw, Jr., May 20, 1960, ibid.

¹⁹Auditors Report, ibid.

made it known they would sell the line for the \$65,000 invested in it on one condition--that it continue to operate in the future as a commercial common carrier. J. B. Waters, Sr., real estate man and long-time supporter of the road, summed up the feelings of the owners in these words:

When we abandon this line and go to pulling the rails, Sevierville will never have another railroad. The day that Sevierville loses this railroad will be the worst day Sevierville ever had. For my part, I would be willing to give my stock to any company that will put the railroad back into shape and keep it operating.

Waters said that he had talked with the representatives of at least two interests, one a Chattanooga promotion concern and the other an East Tennessee industrialist, who wanted an option to negotiate a purchase. In all fairness, the railroad had little more than sentimental values to Sevierville, because it was both faster and more efficient to haul bulk commodities to Sevierville by truck.

The stockholders, however, felt it best to call another meeting for February 21, to give proper notice. They asked a committee consisting of J. B. Waters, Sr., K. Rawlings, Jr., and Ned Williams to report then on any proposals to put new life into the road.

At the same meeting, E. W. Paine, a director and the acting chairman of the stockholders' meeting, read a proposal offered by a Knoxville promotional group.²⁰ The proposal was to offer 2,000 shares of new stock to be sold at \$200 a share to rail fans, railroad men and the general public, with a limit of three shares per person. Those purchasing one

²⁰Journal, February 8, 1961.

share would become vice-presidents of the railroad, those owning two shares would become executive vice-presidents, and those acquiring three shares would be given the title of executive vice-president and assistant to the president. All the money received from the sale of the shares would be placed in an escrow account in a local bank and held until at least half of the two thousand shares had been sold, at which time it would be used to pay the owners for their stock as well as used to begin repairing the roadbed and placing new equipment on the road. Five percent of the money in the escrow account would be withheld and used for promotional materials as needed to sell the remaining stock. When all shares had been sold, another 5 percent would be paid to the promotional organization.

When all stock had been sold, the new stockholders would elect a new board of directors. This board would then authorize the liquidation of the old stock. The new board in turn would select a manager with some railroad operating experience who would operate then under the direction of the board.

The Knoxville group proposed that the new company would then attempt to secure new freight while running a mixed train, hauling both freight and passengers on a tentative schedule and at such rates as would create a good operating income. The promotional group went further and suggested that when half of the new stock was sold, the company should try to obtain a government loan to re-equip the railroad. The group felt the road might break even or might perhaps be profitable.²¹

²¹"Outline of Proposal to Stockholders, Smoky Mountain Railway, Inc.," Smoky Mountain Railroad Records.

The track was in a deplorable condition and it would be expensive to repair. H. A. Cutshaw, Jr. pointed out that it would take from four to six months to put the railroad into an operational condition, because new cross-ties, heavier rails, and five trestles needed to be put into the road. At one trestle, it was the practice for one crewman to start the engine across and, when the engine reached the other side, for another crewman to jump on the train and stop it.

When the railroad was forced to stop its daily train on January 16, because of the weakness of the track, it declared an embargo on carload freight and during the weeks thereafter transported less than carload freight by truck.

Both the promotional group represented by Paine and the would-be purchasers represented by Waters were interested in using one of the old steam engines on the line as a tourist attraction. Plans called for using the diesel to pull freight only. Waters hinted that there was even a possibility of restoring the extension to Pigeon Forge, which had been abandoned in the 1930's. Waters pointed out that the railroad had been in numerous receiverships, and he said that it "had been milked at both ends" for years. The owners estimated that the total indebtedness at the time of the January 7 meeting was about \$14,330, of which approximately \$4,000 was in local taxes upon which the owners felt they could get relief.²²

²²Knoxville News-Sentinel, February 8, 1961; Journal, February 8, 1961.

The owners agreed at the February 21 meeting that the entire stock of the Smoky Mountain Railroad would be placed in escrow to be held by Bon Hicks, one of the directors, for a 90-day period of time. The stockholders decided to meet again in two weeks and finalize plans to sell their stock at its par value of \$100 a share. When the old stock was sold, then the new promotional plan as outlined would go into effect, which would provide \$335,000 in new revenue. As noted in the plan, only three shares would be allowed per person, a provision which would prevent the accumulation of wealth from the line by any one individual. From the number of letters received, it was evident that many people were interested in purchasing the stock.²³ The red tape involved was very lengthy, however, because the Securities and Exchange Commission had to approve any stock sale of over \$300,000. Rail fans were trying to promote the plan every way they could. In an effort to speed up the SEC, a spokesman for the Smoky Mountain said that a letter would be written to

every Kennedy in America if necessary in an effort to get the family interested, Caroline might be the best bet. We are, however, promised that come hook or . . . , er, ah . . . politician, the veep-laden railroad idea will be rolling soon.²⁴

In August, the stockholders met in Sevierville and decided to go on with their plans to sell the vice-presidents certificates to rail fans across the country. At the meeting, the following officers were elected: president, John B. Waters, Jr.; vice-president, K. Rawlings, Jr.;

²³Ibid., February 22, 1961.

²⁴News-Record, April 6, 1961.

secretary-treasurer, Harold Atchley; and directors, E. W. Paine and Bon Hicks, Sr. Legal details, however, continued to hold up the plan.²⁵

The end had come, although a few diehards continued to believe otherwise. The final report of J. E. Temple as receiver for the Smoky Mountain was accepted and he was dismissed on June 26, 1961, free of any liability.²⁶ The railroad continued to operate for some time by carrying less than carload express and freight by truck to Sevierville, but this was discontinued in May, 1963, because it was not profitable.²⁷

Finally, on April 17, 1963, a joint meeting of the board of directors and stockholders voted to abandon the line. The resolution to abandon read as follows:

Be it here resolved that the Corporation President be hereby authorized and directed to file with the Federal Government, State of Tennessee, and Interstate Commerce Commission all necessary application forms and legal papers for permission and authority to abandon the Smoky Mountain Railroad, and the operating thereof.

This resolution meant that the owners would completely release all control and operation of the road, and the only way it would be reactivated would be for an individual to purchase it.

²⁵Ibid., August 17, 1961.

²⁶Ray C. Sharp, et al. v. Smoky Mountain Railroad, in Chancery Court of Sevier County (Sevier County Courthouse, Sevierville), Docket No. 3907. Also in 1961, the railroad attempted to move the old steam engine number 110 from Knoxville to Sevierville, but this plan had to be abandoned because of the condition of the track and bridges. "Proposed request for Technical Assistance in Determining the Feasibility of Rehabilitating the Smoky Mountain Railroad," Tennessee State Planning Commission Files, Knoxville, Tennessee.

²⁷Application of Smoky Mountain to Abandon, Smoky Mountain v. Paine Oil Company, et al.

A great many legal details had to be ironed out and this required extensive court action. A good deal of right-of-way was (and still is) owned by the Smoky Mountain Company. Details for the sale of this land were to be worked out later and then announced and advertised in the paper in advance. At least ninety days would be required to do this, so new officers were elected. They were: John Temple, president; Bon Hicks, Sr., vice-president; A. J. King, secretary-treasurer; and K. Rawlings, Jr., and Harold Atchley, directors. At the time of the vote to abandon, two steam engines belonging to the line were on loan to Rebel Railroad (now Goldrush Junction) at Pigeon Forge to call the attention of travelers on U. S. 441 to that tourist attraction.²⁸

Events moved slowly. On December 18, 1963, the Interstate Commerce Commission received a formal application from the Smoky Mountain to abandon its line. In its request, the company pointed out that although the railroad was constructed for passenger and freight service, it was not able to compete with the new modes of transportation and that its revenue had declined to the point that it could not operate profitably. In their answer to form questions sent by the ICC, the railroad officials noted that no maintenance work of importance had been done on the line and the equipment was of no practical use.²⁹

²⁸ Ibid.; also News-Record, May 25, 1963.

²⁹ Application of Smoky Mountain to Abandon, Smoky Mountain v. Paine Oil Company, et al.

A certificate and order was issued by the Interstate Commerce Commission on April 15, 1964, granting the Smoky Mountain permission to abandon its entire line of road on May 20, 1964. On April 30, 1964, J. B. Waters, Sr., was appointed receiver and at the time of this writing he was still serving in this capacity. Creditors began to bombard the receiver for payment of debts, with the U. S. government being one of the chief creditors. Collection of these debts was extremely slow.

On July 30, 1965, Waters asked for and received permission to sell the rails and rolling stock owned by the Smoky Mountain with all sales, however, to be confirmed by Chancellor Buford Townsend.³⁰ On August 5, the assets of the railroad were put up for sale and advertised in the News-Record. Bids were requested on three locomotives, several box cars, trackage and all tools and equipment. Each bid had to be accompanied by a check for 10 percent of the bid.³¹ The bids for the assets of the road were as follows:

Group 1. All trackage and track materials for approximately 26 miles--Midwest Steel Corporation, P. O. Box 271, Charlestown, West Virginia--\$95,100.

Group 2. Steam Locomotive Number 110--Railway Enterprise, Middletown, New Jersey--\$855.

Group 3. Steam Locomotive Number 116--Goldrush Junction Railroad, Pigeon Forge, Tennessee--\$2,500.

³⁰Smoky Mountain v. Paine Oil Company, et al.

³¹News-Record, August 5, 1965. All bids were to be sealed and in Water's hands by September 1, 1965.

Group 4. Steam Locomotive Number 125--Goldrush Junction Railroad, Pigeon Forge, Tennessee--\$2,500.

Group 5. All rolling stock--Midwest Steel Corporation, P. O. Box 271, Charlestown, West Virginia--\$1,550.

Group 6. All tools, equipment and scrap in Repair Shop--Midwest Steel Corporation, P. O. Box 271, Charlestown, West Virginia--\$600.³²

The idea that the Smoky Mountain could be rehabilitated became widely accepted by the local populace and eventually an attempt was made to study the situation. On September 24, 1965, the board of directors of the Smoky Mountain and Receiver J. B. Waters, Sr., held a meeting for that purpose. In a prior meeting, Midwest Steel Corporation made it known through its attorney Leonard Ambrose that unless its bid was accepted on the trackage by September 24, the bid would be withdrawn. The directors decided to accept the bid from Midwest Steel of \$95,100 for the old rails and appoint E. W. Paine to chair a committee to determine if it was feasible to rehabilitate the railroad.

In a meeting with the Tennessee State Planning Commission, on September 29, Joe McAfee reported that in May, 1965, the Interstate Commerce Commission granted permission to abandon the railroad by May, 1966.³³ Paine in his capacity as chairman of the committee concerning rehabilitating the

³²Smoky Mountain v. Paine Oil Company, et al.

³³Files of Tennessee State Planning Commission on Sevier County (East Tennessee Office, Knoxville).

line contacted Tennessee's governor, Buford Ellington, both by phone and letter. He pointed out to the governor that the indebtedness of the railroad was approximately \$65,000, of which \$20,000 to \$25,000 was local and state taxes and a federal claim of \$13,000 which could be compromised. Paine pointed out that the right-of-way, owned both in fee and condemned by court action, was worth over a million dollars, and that several contractors had stated that the road could be rehabilitated for about \$500,000. The steel sold to Midwest Steel, however, was too light to operate on, but the chairman believed that local sources could provide \$50,000 to help renovate the line. He hoped that a state grant could finance a study to determine whether or not it was feasible to rehabilitate the road, and said he would appreciate any help Ellington could give.³⁴

In early October, the Sevier County Area Redevelopment Committee, consisting of Ray L. Reagan, president, James O'Neal, vice-president, and Joe Sharp, secretary and treasurer, requested technical assistance from the Tennessee State Planning Commission to determine whether or not to renovate the Smoky Mountain. In their request the committee pointed out that the right-of-way not owned in fee simple would be lost if the line was abandoned. The request also stated that help would be available from several local groups; an alternative possibility was the creation of a utility district which could lease or purchase the property and thus make the rehabilitation a public project. The report noted that funds might be obtained from private sources, or, if the railway should become public property, through

³⁴Ibid., E. W. Paine to Buford Ellington, September 28, 1965.

a combination of grants, loans and the sale of bonds. The request for a study grant was endorsed by the Sevier County Area Redevelopment Committee, Sevier County Court, Sevierville Chamber of Commerce, Sevierville Regional Planning Commission, City of Sevierville, City of Pigeon Forge, Pigeon Forge Planning Commission, State Planning Office (Department of Finance and Administration), Economic Development Administration Field Coordinator in Knoxville, City of Gatlinburg, Gatlinburg Chamber of Commerce, and the Gatlinburg Planning Commission.

The proposal also requested an inquiry into the possibility of the acquisition and rebuilding of the eight-mile extension from Sevierville to Pigeon Forge, an extension to the Sevier County Industrial Park near Sevierville and the rebuilding of the line to Douglas Dam. The report further suggested a study of the operation of an old steam engine as a tourist attraction, as well as an investigation into the possibility of a need for a steam-electric plant near Douglas Dam.

A meeting was held on October 29, 1965, on the proposed study. Those present included Peter Fernald and James Laurie, railroad consultants with Arthur D. Little of Boston, Massachusetts, Charles Pate of the Economic Development Administration, Linzy Albert and Bob Freeman of the State Planning Office, Frank Young of Southern Railway, Pete Hailey, attorney for Smoky Mountain, and Claude Anders, real estate owner. After visiting Sevierville and driving along the route of the rail line, Fernald said that he felt the cost of rehabilitating the line would be from \$3,000,000 to \$5,000,000 and that this was simply not feasible unless some huge

industry were to locate in Sevierville or near the area. Fernald said it would probably be better to study Sevier County as a whole.³⁵

Slowly the assets of the Smoky Mountain were sold to various bidders. Waters, as receiver, announced in late September that the bid for the steel rails had been accepted by the court on his recommendation, but that he had recommended and the court had agreed that all other bids be rejected.³⁶ He also stated that if rehabilitation was impractical, the rest of the rail properties would be sold.³⁷

On May 6, 1966, the court ordered the sale of the combination passenger and baggage car for \$500 and the coach for \$200 to C. F. Reedy, Sr., of St. Augustine, Florida.³⁸ The court, on June 22, 1966, ordered the two steam locomotives on loan to Goldrush Junction (formerly Rebel Railroad) sold for \$5,000.

Just what the future of what remains of the Smoky Mountain is cloudy. Several proposals have been made as to the right-of-way. The old right-of-way could be made into a hiking or bicycle path or as a training path for high school athletes, but there are legal complications since the road is still in receivership.³⁹

³⁵Files of Tennessee State Planning Commission, Knoxville, Tennessee.

³⁶Smoky Mountain v. Paine Oil Company, et al.

³⁷News-Record, October 21, 1965.

³⁸Smoky Mountain v. Paine Oil Company, et al.

³⁹Knoxville News-Sentinel, March 19, June 5, November 29, 1967.

Other problems have arisen. Hodgen Oil Company built a gas station on a section of the right-of-way just east of Shook's Gap and legal action has been threatened if something is not done.⁴⁰ Since the road has been abandoned, some people would like their land back, and at least one owner has gone to court to attempt to get it. Walter Runyan has filed an intervening petition in Paine Oil Company v. Smoky Mountain Railroad (in which the oil company seeks about \$2,800) stating that the deed called for the land to be used for railroad purposes. Since this is not now done, Runyan wants the land deed inherited from his mother to be returned to him.⁴¹

There things rest. Chartered by civic-minded citizens to carry passengers and freight between Knoxville and Sevierville, the Smoky Mountain has seen a colorful life under several operating names. Her chief trouble from the beginning was an inability to make a large profit, and the owners simply used what little money was made for their own personal gain. Some individuals dreamed of a connection with a major Atlantic Coast railroad line, but the Appalachian Mountains seem to have been an insurmountable barrier. The coming of paved highways and motorized traffic served to weaken the line. Passenger service was discontinued, and finally even freight revenue became so small that proper track and equipment maintenance became impossible, with the necessity for abandonment becoming increasingly more evident. An indifferent attitude on

⁴⁰J. B. Waters, Sr., to Hollis Hodgen, February 23, 1967 (office files of J. B. Waters, Sr., Sevierville, Tennessee).

⁴¹Journal, June 29, 1967.

the part of the industrial concerns as well as the majority of the people of Sevier County led to the demise of the road. Thus the name "Ole Slow-Poke and Easy" has become only a memory which those who knew the Smoky Mountain Railroad will cherish throughout their lives.

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VITA

William Robert Rogers was born in Sevierville, Tennessee, on February 23, 1941, the eldest of two children of Victor Boyd and Irene Tarwater Rogers. He attended the public elementary schools of Sevier County and was graduated from Harrison-Chilhowee Baptist Academy, Seymour, in 1959. The following September he entered The University of Tennessee, and in December, 1962, he received a Bachelor of Science degree in Social Studies. In the month of December, 1962, he accepted a position teaching history at Seymour High School. He was elevated to the position of principal of Seymour High School in November, 1967, the position he now holds.

He entered the Graduate School at The University of Tennessee in July, 1964, and received the Master of Arts degree with a major in History in August, 1969.

He is married to the former Martha C. Breeden of Alcoa, Tennessee.