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THE NOTORIOUS SWEPSON-LITTLEFIELD FRAUD  
RAILROAD FINANCING IN FLORIDA, 1868-1871

*by* PAUL E. FENLON

A full account of the financial manipulations of George W. Swepson and Milton S. Littlefield in Florida during the hectic post-Civil War period would entail consideration of scores of events with which a great number of persons were concerned. It is possible, however, to indicate the essential elements involved in their activities through the examination of six major developments that occurred between 1868 and 1871.

The first was the forced sale, on March 4, 1868, of a sixty mile long railroad, the Florida Atlantic and Gulf Central, connecting Jacksonville with Lake City, then only a small town in the interior of Florida.

Next came the forced sales of the Pensacola and Georgia Rail Road and the Tallahassee Rail Road on March 20, 1869. These two railroads, combined with the Florida Atlantic and Gulf Central, formed a line of road that extended from Jacksonville to Tallahassee and southward to St. Marks, on the Gulf coast of Florida.

Passage of legislation vital to the implementation of the Swepson-Littlefield financial maneuvers took place at the June 1869 special session of the Florida legislature. Activities at this special session constitute another essential link in their operations.

The public and private reactions to the railroad sales and the legislative proceedings of the special session exerted significant influences on the actions of the two principals in carrying out their swindle during the remainder of 1869.

A climactic point in the entire scheme was reached in 1870, with the exchange of four million dollars of railroad bonds for an equal amount of State bonds. This action was designed to give the Swepson-Littlefield combination authority to sell

State certificates of indebtedness to anyone who wished to invest in the railroads which it controlled. Lastly, the successful disposal of the State securities to a Dutch syndicate of investors and speculators during the latter part of 1870 and in 1871 completed the implementation of the fiasco.

Though the six major steps in the scheme took place within a period of four years, 1868 to 1871, brief examination of the background of the railroads with which Swepson and Littlefield were concerned, as well as an awareness of the destruction, disappointment, and economic chaos that attended the South's defeat in the Civil War are necessary for an understanding of them.

With respect to the railroads, an account of the finances of the Florida Atlantic and Gulf Central serves as an example of the procedures followed by the other two railroads. A recent issue of this *Quarterly* contains such an account.<sup>1</sup> In brief, the more pertinent points of the story of the establishment of the F. A. & G. C. are the following: A successful plea for financial support was directed to the citizens of Columbia county, Florida, in 1855. They approved, in a special election, the issuance of one hundred thousand dollars of bonds, the proceeds to be invested in the capital stock of the F. A. & G. C. Jacksonville furnished similar additional financial aid through the issuance of fifty thousand dollars of bonds. And the State of Florida, through the Board of Trustees of its Internal Improvement Fund, granted the company approximately two hundred thousand acres of land and guaranteed the interest payments on its bonds.

During the five years spent in constructing and equipping the railroad (1855-1860) the company had many occasions to lean heavily upon these subsidies and aids.<sup>2</sup>

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1. Fenlon, Paul E. "The Florida Atlantic and Gulf Central Railroad," *Florida Historical Quarterly*. October, 1953, pp. 71-80.
  2. *Ibid.* p. 79.

When it became apparent that the various railroad builders in the State had a decided tendency to make exceedingly liberal use of State financial support, Governor M. S. Perry, in June 1859, cautioned them with a warning that was to be ignored completely:

Railroads are useful, but State credit is a pearl above all price. It is easily tarnished, and to be kept without blemish should be carefully guarded.<sup>3</sup>

As a general comment on the post-war economic chaos, it is perhaps sufficient to note that Florida, impoverished by the Civil War and faced with the innumerable problems associated with the loss of slave labor, readily agreed that the "condition of the South has scarcely a parallel in modern times."<sup>4</sup>

More specifically, Florida's greatest economic needs were capital and industrious immigrants to aid in the development of her resources. It had no need for the invasion of impecunious, fortune-seeking, self-styled "capitalists" who came in the immediate aftermath of the war. But throughout the latter part of 1865 the influx of Northerners, with their empty carpet bags, greatly exceeded the longed for immigration of monied men. An opportunity to combine political power and economic gain enticed hundreds of get-rich-quick devotees to Florida's war shattered economy.

This trend of immigration continued, and the need for capital remained a pressing one. The Jacksonville *Florida Times* of July 19, 1866 stated the problem succinctly.

Let us have the capital, and by whom or however employed, it should be welcome, as without it, our prosperity as a people will be seriously damaged.

Despite promises that "land can be purchased in any quan-

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3. *Minutes of the Board of Trustees, Internal Improvement Fund of the State of Florida*. Tallahassee. vol. 1, p. 135.

4. Jacksonville, *Florida Union* November 4, 1865.

tity and at almost any price," and assurance that "a large first class hotel at any prominent place would pay a hundred per cent profit," substantial Northern businessmen displayed reluctance to make long-term commitments in only partially "reconstructed" Florida.<sup>5</sup>

Railroad officials, too, were well aware of this lack of capital, as they strove to meet operating expenses and the costs of long-term debts. They found themselves

... without any funds that were available, the rolling stock in bad condition, the motive power out of repair, the machine shops without the material to make the necessary repairs; in short, with nothing to commence business on.<sup>6</sup>

*The Sale of the Florida Atlantic and Gulf  
Central Rail Road*

The Trustees of the State's Internal Improvement Fund felt it necessary, on July 30, 1867, to order the sale of the F. A. & G. C. R. R. They said that their action was taken because the officers of the railroad had failed to make the required annual payments into a sinking fund that had been set up for the retirement of the company's bonded indebtedness.<sup>7</sup> The railroad's request for a postponement of the sale until September 18, 1867 was granted by the Trustees, but the required sum of \$20,000 seemed a very large one to raise.<sup>8</sup>

Franklin Dibble, president of the company and close associate of the post war "conquerors" of the State, joined with Colonel J. P. Sanderson, a director of the concern, staunch supporter of the defunct Confederacy, and member of the company's first board of directors, in an effort to work out a solution of the railroad's financial problem. Two possibilities occurred to them: (1) to issue new bonds, and (2) to secure a consoli-

5. *Id.* June 29, 1867.

6. *Id.* October 19, 1865.

7. *Minutes. . . Trustees.* vol. 1, p. 305.

8. *Florida Union* August 3, 1867.

dation of the F. A. & G. C. with the Pensacola and Georgia railroad. The second possibility seemed more feasible than the first. Since the P. & G. met the F. A. & G. C. at Lake City and ran from that point westward across the State, it was hoped that consolidation would bring about decreased operating costs and increased efficiency for both railroads.<sup>9</sup>

By early September, Colonel Edward Houstoun, president of the P. & G. R. R., had agreed to cooperate with Dibble and Sanderson in a practical, if not a formal, consolidation of the two railroad companies; and it was assumed that the two companies would soon start to operate as one.<sup>10</sup> Rumors of a long-term lease of the F. A. & G. C. by the P. & G. were widely circulated in Jacksonville, and the Jacksonville Board of Trade even went so far as to petition the directors of the F. A. & G. C. to place no obstacle in the way of a sale of the road to the P. & G., for the Board of Trade was convinced that effective consolidation could best be achieved through a friendly sale.<sup>11</sup> Dibble, on the other hand, was emphatic in his denunciation of the proposed sale and called a mass meeting of the citizens of Jacksonville at the City Hall in order to protest against it "at this time of general depression in business circles."<sup>12</sup>

By September 18 the strength of the opposition to the sale was more clearly demonstrated, when Captain Edward M. L'Engle submitted a bill on behalf of George W. Swepson to enjoin the sale of the F. A. & G. C. before the salesman of the Trustees of the Internal Improvement Fund could hold the sale. The request for an injunction quite clearly indicated that there was much more behind objection to disposal of the railroad's property than had been shown by Dibble's opposition. L'Engle was a young lawyer of high repute in the community, a member of one of Florida's earliest and best known families,

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9. *Ibid.*

10. *Id.* September 14, 1867.

11. *Ibid.*

12. *Id.* September 21, 1867.

and a veteran of the Confederate army. Swepson was thought to be a wealthy capitalist, and it was known that he possessed important political connections in North Carolina. Judge Philip Fraser of the U. S. District Court for the Northern District of Florida, to whom Swepson's bill was submitted, immediately ordered a hearing to be held in Jacksonville. Captain L'Engle argued for the injunction against M. D. Papy, the attorney for the Trustees, and was successful in securing it "until the further order of the court."<sup>13</sup>

The twice postponed sale of the F. A. & G. C. was held on March 4, 1868 and a ninety-nine year lease of its facilities by Colonel Houstoun's Pensacola and Georgia R. R. was agreed upon.<sup>14</sup> William E. Jackson and Associates became the new owners of the railroad, but their claims to ownership were far from being clear. Swepson started legal proceedings, claiming that the company was bankrupt and that the March 4th sale was therefore illegal. The president of another Florida railroad, former U. S. Senator David L. Yulee, filed a notice that there was "nearly one mile of iron rails" that belonged to his company on the property of the F. A. & G. C. The Deputy Collector of Internal Revenue announced that he had levied taxes of "about seven thousand dollars and that there were also other taxes assessed against the company amounting to several thousand dollars more."<sup>15</sup>

As the editor of the Jacksonville *Florida Union* remarked on March 14, "the complications environing this company are difficult to be understood and have become exceedingly interesting."

A company with assets of approximately one million two hundred and seven thousand dollars, and liabilities of about one million and twenty thousand dollars had been sold to the

13. *Id.* September 28, 1867.

14. Tallahassee, *Sentinel* July 17, 1869.

15. *Minutes. . . Trustees.* vol. 1, pp. 320-324.

highest bidder.<sup>16</sup> The purchase price was one hundred and eleven thousand dollars.<sup>17</sup>

Judge Fraser ruled, on April 24, 1868, that the railroad had not been bankrupt at the time of its sale on March 4th.<sup>18</sup> Thus, Swepson's attempt to secure control of the road was stopped temporarily by the defeat of his move to have it declared in a state of bankruptcy.

Colonel Houstoun emerged from the affair as the agent of the new purchaser of the road, William E. Jackson, and he became the agent of the Trustees of the Internal Improvement Fund in the handling of the purchase price to be paid by Jackson and his associates.<sup>19</sup> Furthermore, Houstoun became Swepson's agent in the purchase of a controlling interest in the company, which was incorporated as the Florida Central Railroad Company on July 29, 1868. It is also of interest to note that the lease which Houstoun's Pensacola and Georgia Railroad secured on the property of the Florida Central Railroad contained the provision that no rent was to be paid for the first twelve months.<sup>20</sup>

*The Sales of the P. & G. and the Tallahassee Railroads*

Within a year after the sale of the F. A. & G. C., the Trustees of the Internal Improvement Fund announced that the officers of the other two railroad companies in the east-west transportation system had failed to provide for the retirement of their companies' bonded indebtedness. The sales of the Pensacola and Georgia and Tallahassee R.R.'s were scheduled for March 20, 1869.<sup>21</sup>

Colonel Houstoun, who served as president of both these railroads, was given advance notice some time before the

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16. *Florida Union* May 2, 1868.

17. *Minutes. . . Trustees.* vol. 1, p. 324.

18. *Florida Union* May 2, 1868.

19. *Id.* October 14, 1869.

20. *Sentinel* July 17, 1869.

21. *Minutes. . . Trustees.* vol. 1, pp. 360-361.



Trustees' public announcement of the sale. He wrote to Colonel Sanderson from New York on February 3, 1869,

I have for you a retainer of \$100 from Mr. G. W. Swepson and Associates to represent them in the matter of the purchase of the P. & G. R.R. . . . the Trustees . . . agreed to wait until I could see if a combination advantageous to our State interest could not be made to buy the Road . . . . I am happy to inform you that such an arrangement is about to be perfected. . . . you are to have such additional compensation as the services you may be called upon to render will warrant.<sup>22</sup>

Houstoun had already acted as Swepson's agent in buying up approximately one million dollars of first mortgage bonds of the P. & G. and the Tallahassee roads.<sup>23</sup> These purchases involved a cash outlay of thirty to thirty-five percent of the face value of the bonds.<sup>24</sup> Houstoun, furthermore, had already started to follow Swepson's orders to buy a controlling interest in the successor to the F. A. & G. C., the Florida Central Railroad Company.<sup>25</sup>

The public reaction which accompanied the search for and purchase of over two-thirds of the first mortgage bonds of the P. & G. and the Tallahassee roads led to a special meeting of the Trustees of the Internal Improvement Fund on March 20, 1869. They issued a statement in which it was denied that they had entered into an agreement

. . . to take of . . . Houstoun and others in case they are purchasers of the Pensacola and Georgia and Tallahassee

22. *E. M. L'Engle Papers*. Southern Historical Collection, University of North Carolina.

23. *Deposition of G. W. Swepson*, United States Supreme Court Records, U. S. 100, p. 641.

24. *Deposition of M. S. Littlefield*, U. S. 100, p. 737.

25. *Minutes. . . Trustees*. vol. 1, p 371.

Railroads . . . bonds of said Roads as cash otherwise than at their market values,

and they admitted that "such agreement, if entered into, would place the bidders at said sales on an unequal footing."<sup>21</sup>

The terms of the sale were to be "cash," but a deposit of only fifty thousand dollars "or a satisfactory equivalent therefor" was to be required at the time of the sale of the P. & G. R. R. In the case of the Tallahassee railroad "only ten thousand dollars or a satisfactory equivalent" was to be required.

Franklin Dibble and Associates were the purchasers of the roads on March 20, 1869. The P. & G. sold for \$1,220,000, and the purchase price of the Tallahassee road was \$195,000.<sup>27</sup> They had bought the one hundred and twenty-eight mile P. & G. R. R., from Lake City to Quincy, Florida, by way of Tallahassee, and the twenty-one mile Tallahassee R.R., from Tallahassee to the port of St. Marks, Florida.

Within two hours after the sales, Swepson contacted Dibble with an offer to let him use the large amount of bonds Swepson had in his possession, and an agreement between Swepson and Dibble was reached on March 26th.<sup>28</sup> In return for \$960,300 of Pensacola and Georgia and Tallahassee R.R. bonds Dibble agreed to give Swepson \$150,000, which was to be realized from a proposed sale of new bonds. Swepson was also to receive one-third of the capital stock of a new railroad company that was to be formed through the combination of the two railroads that had been sold on the twentieth of the month. Another part of the agreement conferred on Swepson the privilege of exercising more control over the new company than the ownership of one-third of the stock would have given him.<sup>29</sup>

The Trustees of the Internal Improvement Fund announced,

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26. *Ibid.* pp. 371-372.

27. *Ibid.* pp. 382-383.

28. *Florida Union* September 23, 1869.

29. *Trust Agreement Between Dibble and Swepson*, U. S. 100, p. 62.

on March 29 that they would accept the bonds which Swepson had agreed to transfer to Dibble towards the purchase of the Pensacola and Georgia and the Tallahassee railroads.<sup>30</sup>

This announcement brought forth a caustic comment from the Tallahassee *Floridian*:

There is no controversy that the Trustees, in changing the terms of the sale. . . , perpetrated a wrong against the Stockholders and general creditors. No one has yet ventured to deny this. . . . they violated law, derided faith and outraged justice.<sup>31</sup>

Houstoun's reaction to the March 26 agreement may be inferred from a portion of a letter that he wrote to Colonel Sanderson on March 30, "I desire to separate entirely from Rail Road matters, so that my peace and quiet may not be disturbed."<sup>32</sup> He asked Sanderson to see if Dibble would like to buy his holdings of Florida Central R. R. stock, as he felt it was "important to those who are to control the P. & G. R. R. to control the Florida Central."

About two weeks later, however, on April 15, Houstoun wrote to Sanderson, "I have concluded not to sell my stock."<sup>33</sup> Events that occurred midway in the two weeks period between March 30 and April 15 caused Houstoun's changed attitude toward his further interest in the affairs of Florida railroads.

On April 8 Swepson was appointed a "confidential agent" of the Trustees

. . . with authority. . . to take up the outstanding first mortgage bonds of the Pensacola and Georgia and the Tallahassee Railroad Companies, and the Attorney-General and Comptroller are . . . directed to turn over to . . . Swepson

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30. *Minutes . . . Trustees*. vol. 1, pp. 375-376.

31. Tallahassee, *Floridian* April 6, 1869.

32. *E. M. L'Engle Papers*.

33. *Ibid.*

. . . all money that may be received . . . in behalf of the Trustees for said Roads, for the purpose set forth above. <sup>34</sup>

On the same date the Trustees deeded the two railroads to Dibble. A special committee of the Trustees, Colonel R. H. Gamble, Comptroller, and A. R. Meek, Attorney-General, acted for the Board of Trustees in this matter. They reported,

. . . we received eight hundred and six thousand six hundred dollars of first Mortgage Bonds of the Pensacola and Georgia Railroad Co., at par, and one hundred and fifty three thousand and seven hundred dollars of first Mortgage Bonds of the Tallahassee Railroad Co. at between ninety-four and ninety-five cents on the dollar, and that the difference represented by these bonds and the sum bid for said Roads were turned over by us . . . to George W. Swepson . . . to take up the outstanding bonds of said companies. The receipt of Mr. Swepson for four hundred and seventy-two thousand and sixty-five dollars we have passed over to the Treasurer of this Board. <sup>35</sup>

When Gamble and Meek met with Swepson and Dibble, Dibble proffered a check for the above mentioned sum of money, but both Dibble and Swepson knew that the check was worthless. Swepson accepted it, however, and "for the time being" treated it as money. It was understood by them that the money to be paid the Trustees was to be raised through a subsequent sale of bonds on the part of the new company that was to come into existence by the merger of the P. & G. and Tallahassee roads. <sup>36</sup>

34. *Minutes . . . Trustees*, vol. 1, p. 378.

35. *Ibid.* p. 381. It is probable that the Attorney-General and the Comptroller should have reported that the Tallahassee Railroad bonds were received at between eighty-nine and ninety cents on the dollar, rather than at between ninety-four and ninety five cents on the dollar. The former range would have justified the computation of \$472,065. as the balance due on the purchase price of the two railroads.

36. *Deposition of G. W. Swepson*, U. S. 100, p. 633.

The net result of the Swepson-Dibble-Trustees transactions, as of April 8, 1869, was that two railroads which had been sold for \$1,415,000, presumably in "cash," were deeded to Dibble for the transfer of less than one-half million dollars worth of bonds and a worthless check. The State of Florida had been defrauded of over three-quarters of a million dollars.

Two weeks after Dibble assumed ownership of the railroads he transferred them to Swepson. It was agreed, however, that when Swepson had been paid the \$150,000 that had been promised him in the March 26 agreement and the \$472,000 that had been "paid" as part of the purchase price of the roads, control of them was to pass from his hands.<sup>37</sup>

The entire line from Jacksonville to Quincy, with the branch line from Tallahassee to St. Marks, had been purchased for an estimated six hundred and fifty thousand dollars.<sup>38</sup> This transportation system had been constructed and equipped at a cost of over four million dollars.<sup>39</sup>

In addition to the over two hundred miles of railroad, with its rolling stock, depots, warehouses, and equipment, there were over one million acres of land included in the assets of the three companies.<sup>40</sup> All this had been bought for a little more than three thousand dollars per mile.

The reputedly wealthy North Carolinian who controlled these vast holdings, George W. Swepson, had achieved his control of them without the expenditure of a dollar of his own funds. The entire amount that had been invested in the Florida Central, Pensacola and Georgia, and Tallahassee railroads had come from the treasury of the Western Division of the Western North Carolina Railroad Company, of which Swepson was president. The money had been invested without the approval

37. *Id.* p. 634.

38. *Deposition of M. S. Littlefield*, U. S. 100, p. 726

39. *Florida Union* September 23, 1869.

40. *Id.* June 17, 1869.

of the directors of that company and without the consent of the State of North Carolina, which had issued over six million dollars of bonds to aid in the construction and operation of the Western Division railroad.<sup>41</sup>

Swepson had cooperated with General Milton S. Littlefield, a former commander of negro troops during the Civil War, and other opportunists to mulct the State of North Carolina of several million dollars.<sup>42</sup> Littlefield was mentioned as "a man of peculiar accomplishments," and it was said of him that,

. . . not only is he a pleasant enough person to look at, but he has the art of making himself agreeable to everybody, and is never so fascinating as when he is after something. Then his powers of pleasing are remarkable.<sup>43</sup>

*The Special Session of June 1869*

It was indeed fitting that Swepson should dispatch Littlefield to Florida to implement the next step in the scheme to further defraud the State. Littlefield's experiences in North Carolina and his pleasing personality well qualified him to exert maximum influence during the special session of the legislature that Governor Harrison Reed called for June 8, 1869.<sup>44</sup>

When the Florida legislators convened for this session, Governor Reed greeted them with a message that contained the following statements.

41. *Letter of Robert R. Swepson to Matt W. Ransom. M. W. Ransom Papers.* Southern Historical Collection, University of North Carolina.

42. In a letter written at the request of the Governor of North Carolina, on June 3, 1879, the attorneys for the State of North Carolina made the following comments. "Littlefield. . . in the capacity of King of the Lobby took charge of the destinies of NC. . . . When the Legislature met . . ., Littlefield, Swepson, and others, as lobby members, controlled the entire Legislature of that body. . . this ring procured the issue of \$26,000,000 in bonds to the various public works in the State. They paid the Radical Legislature about \$240,000 in corruption and bribery to accomplish this end. Of this \$26,000,000, \$6,000,000 were for the completion of the Western N. C. R. R. . . . of the entire fund the Railroad realized less than \$250,000." *George W. Swepson Papers.* Southern Historical Collection, University of North Carolina.

43. *Floridian* August 30, 1870.

44. *Id.* June 17, 1869.

The railroad system of the State should be prosecuted to completion as early as possible in order that the State may secure her full share of the immigration and capital now flowing southward. . . .

In all measures the public interests should be first secured, and then the widest inducements, within that limit, offered for the profitable investment of capital. In these matters I doubt not but you will act in accordance with the spirit of the age,<sup>45</sup> and the progress of modern civilization.<sup>46</sup>

Littlefield labored arduously to secure the passage of legislation that would accord fully with his concept of the "spirit of the age and the progress of modern civilization."

Gen. Littlefield prepared and had introduced in the Senate on the 10th of June a bill giving State aid to a road from Quincy in the direction of Mobile, Alabama, to the extent of \$20,000 per mile. . . . Littlefield soon became satisfied that. . . the bill could not pass, whereupon he went to patching and modifying it.<sup>47</sup>

During many hours spent with the legislators, Littlefield won support for a modified version of his original bill. He employed exceedingly persuasive arguments in his conferences with members of the legislature; free food, whiskey, entertainment and promises of future monetary rewards were sufficient

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45. The "spirit of the age" has been described in the following terms. "The decade following the Civil War, because of its extraordinary happenings in speculative finance and in legislative and judicial corruption has been called the fantastic era. It was a time of organized lawlessness under the forms of law. . . . A mania for railroad building in a time of unstable currency, when the concept of public service was not yet developed, an unjustified reliance on competition as a means of regulation, and an easy public complacency in the presence of sharp practices, set the stage for the entrance of a group of powerful, unscrupulous men as chief actors." Kicks, Frederick C. *High Finance in the Sixties*. New Haven. 1929. p. 1.

46. *Florida Union* June 17, 1869.

47. *Floridian* July 13, 1869.

inducements for many of the representatives of the people. But he reserved another argument for the more important, shrewd and hesitant of those with whom he met. To them he gave his personal drafts, some of which were good but more were worthless, as substitutes for the less tangible promises of money offered to the more naive.<sup>48</sup>

The outcome of Littlefield's labors was a railroad act which contained the following important provisions.

- 1) A new company, the Jacksonville, Pensacola and Mobile Railroad Company, was granted authority to extend the existing line of road from Quincy, Florida to the Alabama-Florida border.
- 2) The company was also authorized to issue \$14,000 of bonds for each mile of railroad built west of Quincy.
- 3) The State was to exchange State bonds for company bonds, and the company was to be allowed to sell the State bonds in the open market.
- 4) As security for the issuance of State bonds, the State was to have a first lien on the already completed road from Jacksonville to Quincy.
- 5) Before the State bonds were issued the Governor, Comptroller, and Treasurer of the State were to agree that the Jacksonville, Pensacola and Mobile R. R. Co. had evidence of clear title to the property pledged as security for the State bonds.<sup>49</sup>

Littlefield gave his approval to the first three of these provisions, but he objected to part of the fourth and all of the fifth. Therefore, after the passage of the bill, he bribed State employees to omit both the requirement that the State be given a first lien on the railroad property and the requirement that

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48. Wallace, John. *Carpet-Bag Rule in Florida*. Jacksonville, 1888. p. 102.  
Wallace was a Negro member of the legislature in 1869.

49. *Floridian* July 13, 1869.



the company show evidence of ownership of that property prior to the issuance of State bonds.

Following the accomplishment of these deletions and a few relatively minor changes, the legislation was enrolled as a law of the State. Littlefield's interference in the matter was soon branded as a "cunning fraud, boldly and adroitly perpetrated,"<sup>50</sup> though the exact manner in which he accomplished his purposes has never been established.

While Littlefield carried on his activities in Tallahassee, Swepson remained in North Carolina. He made no personal effort to secure the legislation upon which the greatest railroad fraud in the history of Florida was to be based. Even in a letter written to a close friend and legal adviser, U. S. Senator Matt W. Ransom of North Carolina, Swepson proclaimed his innocence of complicity in the affair.

So far as this Florida matter is concerned, I know nothing of the fraud if one was committed. The Gov. seems to think none was committed. It all grows out of fights in Florida and it is attempted to damage me to prevent my getting hold of the Rail Roads of the State, in this they will fail . . . I shall make a good thing, I have every confidence to believe.<sup>51</sup>

*Reactions to the Swepson-Littlefield Maneuvers*

The Florida matter to which Swepson referred was the development of strong opposition to the results of Littlefield's activities during the June special session of the legislature and the sales on March 20 of the Pensacola and Georgia and Tallahassee railroads.

The first of three important developments that made Swepson's position in the "Florida matter" less attractive than it was immediately after the June special session, was Colonel Robert

50. *Ibid.*

51. The main purpose of Swepson's letter was to thank Ransom for naming a recently born son after him. *M. W. Ransom Papers*.

H. Gamble's demand that Swepson settle with the Trustees of the Internal Improvement Fund. Comptroller Gamble's effort to secure the support of his fellow trustees for a resolution that called upon Swepson for "a final settlement of all accounts between himself and the Board by the first. . .of September" served as a warning to Swepson that Gamble intended to find out what had happened to the \$472,000 Swepson was supposed to have received from Dibble.<sup>52</sup>

Colonel Houstoun also decided that it was time to arrange a settlement of financial accounts with Swepson. Early in August he sold Swepson and Littlefield one hundred and ten first mortgage bonds of the P. & G. and Tallahassee roads and about thirteen hundred shares of Florida Central R.R. Co. stock. In return, he was allowed to keep \$22,000 of the money that Swepson had given him to carry on his activities as Swepson's agent in Florida, and Houstoun got personal drafts amounting to about \$145,000 from Swepson and Littlefield.

The third development was a result of legal proceedings in Florida. A charge that Swepson and his associates had engaged in "the most skillful and deeply planned collusion" to defraud the State so impressed a judge of one of the circuit courts in Florida that he appointed a Receiver for the whole railroad line from Jacksonville to Quincy. The judge's action, which was taken during the last week of September, 1869, was set aside by a Florida Supreme Court judge two weeks later.<sup>54</sup>

It was clear, however, that Swepson and Littlefield were faced with attacks from several directions, and they felt it was necessary to overcome at least some of the bases for opposition to them.

Colonel Houstoun obliged them by the issuance of a lengthy statement concerned with his stewardship of the P. & G. and

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52. *Minutes. . . Trustees.* vol. 1, p. 388.

53. *Deposition of M. S. Littlefield*, U. S. 100, p 732.

54. *Florida Union* October 14, 1869.

Tallahassee railroads and his part in the preparations for the sales on March 20. Houston found occasion to say of Swepson that he was a "gentleman of large means" who promised "to extend the road to . . . Pensacola; and . . . contribute fifty thousand dollars" for the construction of a "first class hotel" in Tallahassee.<sup>55</sup>

Swepson ordered work to begin on the extension of the road toward Pensacola, as Houston had said he would. This progressive step toward the completion of the Jacksonville to Pensacola line evoked a favorable comment in the usually extremely critical Tallahassee *Floridian*.

Go on Mr. Swepson, in your noble enterprise; . . .  
let us have the happy assurance that the iron horse  
will carry us all the way to Pensacola.<sup>56</sup>

The favorable reaction of the *Floridian* was indicative of a feeling shared by many citizens of the State who wished to see a long awaited transportation system across the northern part of the State put into operation. In order to exploit this desire, Swepson arranged to have a few of Florida's leading citizens, including Colonel J. P. Sanderson and his law partner, Captain E. M. L'Engle, confer with him in New York. At the New York meeting he suggested that a meeting of Jacksonville businessmen and civic leaders be called to hear an explanation of his plans for the State. Furthermore, Swepson used his influence to have Colonel Sanderson made the vice-president of the Jacksonville, Pensacola and Mobile R.R., when the company was organized in New York, on July 24. While Captain L'Engle and Colonel Sanderson were in New York, Swepson invited them to ask any questions they wished, and he supplied them with seemingly frank answers.

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55. *Sentinel* July 17, 1869.

56. *Floridian* September 28, 1869.

# Jacksonville, Pensacola & Mobile RAIL ROAD.



On and after Sunday, July 2, 1871,

**P**ASSENGER TRAINS ON THESE ROADS  
will run as follows, every day, except Sundays:

### Trains Going East :

Leave Quincy.....	8.40 A. M.
Arrive at Tallahassee.....	10.20 "
Leave Tallahassee.....	10.50 "
Leave Monticello.....	12.18 P. M.
Leave Madison.....	3.20 "
Leave Live Oak... ..	5.35 "
Arrive at Savannah.....	6.25 A. M.
Leave Lake City.....	7.14 P. M.
Leave Baldwin.....	10.11 "
Arrive at Jacksonville.....	11.27 "

### Trains Going West :

Leave Jacksonville.....	6.30 A. M.
Leave Baldwin.....	8.10 "
Leave Lake City.....	11.18 "
Leave Live Oak.....	1.16 P. M.
Leave Madison.....	3.30 "
Leave Monticello.....	5.02 "
Arrive at Tallahassee.....	7.50 "
Leave Tallahassee.....	8.20 "
Arrive at Quincy.....	10.00 "

### Passenger Train Going East :

Leave Savannah.....	10.15 P. M.
Leave Live Oak.....	10.00 A. M.
Leave Lake City.....	11.18 "
Leave Baldwin.....	1.35 P. M.
Arrive at Jacksonville.....	2.35 "

### Passenger Train Going West :

Leave Jacksonville.....	4.00 P. M.
Leave Baldwin.....	5.10 "

As a result, Colonel Sanderson and Captain L'Engle agreed to participate in an open discussion of his plans and activities in Jacksonville on October 7, 1869. The only existent report of this meeting, at which Colonel Sanderson was the principal speaker, is in the Jacksonville *Union*, a Radical newspaper. The *Union's* editor was a prominent member of the Republican party, a close associate of the Radical State officials of the period, and a staunch supporter of George W. Swepson's plans. The account of the meeting which was printed in the newspaper, therefore, cannot be relied upon as being objective. It is possible, furthermore, that some of the statements attributed by the editorial pen to various participants in the meeting might not have been recognized by the persons who made the statements.

Colonel Sanderson, according to the *Union*, denied that Swepson was implicated in the fraud that was alleged to have taken place at the March 20 sales, and he questioned the motives of those who were responsible for trying to upset Swepson's plans to control and develop a statewide railroad system. He quoted Swepson as saying:

What have I done? Why are the people of Florida unwilling that I should bring my money into the State and aid them in developing their own resources?

Sanderson reported that Swepson had already made plans for the establishment of a national bank in Jacksonville and a line of steamships to ply between New York and Jacksonville, along with the commencement of the extension of the railroad to the west "at his own expense."

Captain L'Engle corroborated his partner's remarks. Then he said that when he went to New York to confer with Swepson he had "entertained a strong prejudice against Mr. Swepson," and that he told Swepson,

I would have to be satisfied both as to his solvency and as to his integrity before I could be associated with him professionally or in any other way. He took my remarks kindly and gave me the assurance which I required. . . . I found that his fortune was counted not by thousands or tens of thousands, but by millions. All my prejudices were removed.

Some of the people at the meeting made remarks that were critical of Swepson. In particular, the matter of his association with Littlefield was mentioned many times. But Sanderson assured the audience that Swepson told him he had “repudiated” Littlefield, because Littlefield had “exceeded his authority.”

L. I. Fleming, a prominent lawyer in Jacksonville and a member of a family which had already supplied Florida with some of its earliest and most constructive leadership, summed up what seemed to be the general reaction of the majority present at the meeting. He said, “We have no money and must depend on foreign capital to assist us. . . let us. . . unite together and join with the person who will spend the money and do the work.”<sup>57</sup>

In the same issue of the newspaper that carried an account of the above meeting there was an editorial condemnation of the “vexatious and groundless suits” that sought to wrest control of the railroads from Swepson. It was stated that they “will find no popular sympathy or encouragement” in Jacksonville. The editor concluded, with respect to the contention that the March 20th sales were fraudulent,

Abstract justice is a very good thing in itself, but it is hardly worth pursuing when the benefits to be derived from its possession can be represented by a

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57. *Florida Union* October 14, 1869.

cipher, while the pursuit will cost us the sacrifice of our most important material interests.

. . . .Let us have peace, and railroads, and steamships, and let such a costly article as abstract justice take care of itself.

Though the *Florida Union* found little in the Sanderson-L'Engle defense of Swepson that merited criticism, the Tallahassee *Floridian* pointed out that Sanderson and Swepson, as members of the board of directors of the J., P. & M. R. R., had voted for Littlefield as president of that company. It was emphasized that the selection of Littlefield for that position occurred as recently as July 24, 1869. The editor of the *Floridian* asked, "Call you that 'repudiating,' Messrs. Sanderson and L'Engle?"<sup>58</sup>

The furore and legal proceedings which followed Littlefield's activities during the June special session and the allegedly fraudulent sales of March 20th prevented Swepson and Littlefield from implementing their plans to issue company bonds to be exchanged for State bonds. But when the Florida legislature met in January of 1870, a new railroad bill was submitted and passed, in order that the bond issuances could occur. The 1870 act provided that \$16,000 of bonds could be issued for each mile of road built west of Quincy; this was an increase of two thousand dollars per mile over the provisions of the 1869 act. Furthermore, the 1870 act had the added provision that \$16,000 of bonds could be issued for each mile of a one hundred mile stretch of road already in existence to the east of Quincy.<sup>59</sup>

It seemed that Littlefield, as president of the J., P. & M. R. R. now had full legal authority to issue company bonds that could be exchanged for State bonds. But Swepson's failure to straighten

58. *Floridian* October 26, 1869.

59. *Id.* February 15, 1870.

out his accounts with the Board of Trustees of the Internal Improvement Fund presented a serious obstacle to the proposed bond issuance. Governor Reed decided that he would not permit State bonds to be issued "to Messrs. Littlefield and Swepson" until Swepson cleared up what had happened to \$472,000 that he was supposed to have received in his capacity as confidential agent of the Trustees. The Trustees gave their enthusiastic approval to this decision.<sup>60</sup>

*The Exchange of State Bonds for Railroad Bonds*

Toward the end of May 1870 Governor Reed stated that it was his understanding that the State had "in no case" promised financial aid before the completion of work on the sections of railroad for which State bonds were to be issued. And he said that,

. . . the falsehoods which have been so widely circulated of loose legislation and lavish issue of bonds have no further basis than the malice and vindictive hatred of disappointed corruptionists, who have in vain sought to fasten themselves upon the . . . railroad systems of Florida for purposes of personal aggrandizement at the expense of the State.<sup>61</sup>

Within ten days after Reed made the above statement he issued \$4,000,000 of State bonds to agents of General Littlefield.<sup>62</sup> But he did so only after he received the written opinion of Colonel Sanderson and M. D. Papy, an attorney employed by Colonel Houstoun and General Littlefield, that the act of 1870 provided that the State could accept bonds of the entire line of road from Jacksonville to Quincy rather than merely on one hundred miles of this stretch of road.<sup>63</sup> Since there

60. *Minutes . . . Trustees*, vol. 1, p. 418.

61. *Floridian* May 31, 1870.

62. *Testimony of Harrison Reed*, U. S. 100, p. 585.

63. *Id.* p. 586.



were approximately two hundred miles of rails in the Jacksonville-Quincy line, the Sanderson-Papy opinion made the issuance of \$4,000,000 of State bonds somewhat more logical than it would otherwise have been.

Of the four million dollars of State bonds, three-fourths were to be exchanged for an equal amount of Jacksonville, Pensacola and Mobile R.R. bonds and one-fourth for those of the Florida Central R. R. The following facts are particularly noteworthy with respect to the Florida Central-State bond deal:

1) There was no mention of the Florida Central company in the railroad act of 1870. Therefore, there was no real basis for the acceptance of that company's securities in exchange for those of the State.<sup>64</sup>

2) Governor Reed transferred the million dollars of State bonds to Littlefield's agent, Colonel Houston, presumably, in exchange for Florida Central bonds on June 1, 1870.<sup>65</sup> But the Florida Central's certificates of indebtedness were not issued until the following day, and they were signed by a man who was not treasurer of the company. Littlefield and Swepson feared that the treasurer of the concern would refuse to sign the bonds so they had persuaded an acquaintance of theirs that he had been made treasurer, and he signed the bonds.<sup>66</sup>

3) Colonel Houston accepted and retained the State bonds as collateral, along with over four thousand of the fifty-five hundred outstanding shares of common stock of the Florida Central for a debt of about \$160,000 which Littlefield owed him.<sup>67</sup>

4) Within a week after the exchange took place, Littlefield signed an agreement that authorized Houston to return the

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64. *Floridian* February 15, 1870.

65. *Testimony of Harrison Reed*, U. S. 100, p. 586.

66. *Deposition of H. H. Thompson*, U. S. 100, p. 740. Thompson was the man Littlefield and Swepson persuaded to sign the Florida Central bonds in June of 1870.

67. *Agreement Between Houston and Littlefield*, U. S. 100, p. 23.

State bonds and get those of the company if he desired to do so.<sup>68</sup>

5) The events and agreements with which the Florida Central securities were concerned had not been approved at either a board of directors' or stockholders' meeting of the corporation.<sup>69</sup>

Another complication in this involved deal was that there had been an agreement signed by Littlefield and Swepson on April 16, 1870 to equally divide "dollar for dollar" the proceeds of the sale of the four million dollars of State bonds with the State of North Carolina until approximately one million dollars of the money which Swepson was accused of stealing from that State was repaid.<sup>70</sup>

#### *The Sale of the State Bonds*

Though it was impossible for funds to be realized from the one million dollars of bonds which Houston held pending the payment of Littlefield's debt to him, the remaining three millions of State bonds were placed in the hands of S. W. Hopkins and Company of New York, a firm that specialized in the importation of iron for railroads and had some dealings in securities.<sup>71</sup> The Hopkins company intended to sell the bonds in New York, but these plans suffered a serious setback when the *New York World* on June 15, 1870 announced,

We have received a telegram dated Tallahassee, June 13, and signed by five respectable names, warning capitalists against purchasing the Florida State bonds which have just been issued for railroad purposes.

Hopkins wrote to Littlefield, on June 16th, "on the arrival here tomorrow of Colonel Houston, we propose having him call at the *World* office and see what can be accomplished in

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68. *Ibid.*

69. *Deposition of M. S. Littlefield*, U. S. 100, p. 731.

70. *Id.*, p. 732.

71. *Floridian* October 24, 1871.

the way of fixing that paper.“<sup>72</sup> The effort to “fix” the newspaper was not successful, and the market for the Florida State bonds in the United States was destroyed.

The next move to dispose of the \$3,000,000 in bonds was to set up operations in Europe. Hopkins and Company’s agents in London were called upon to sell them to one or more London banking houses, but they were hampered in their efforts by the very vocal opposition of N. W. Woodfin, a representative of the State of North Carolina. Woodfin proclaimed that he was going to attach the bonds in the name of the State of North Carolina. This announcement disrupted negotiations in London.<sup>73</sup>

Littlefield set out on a tour of the continent, trying to sell the bonds in St. Petersburg, Berlin, Paris, and the Riviera, while Hopkins and Company’s agents assured Woodfin that his State’s only chance of realizing anything was through the successful sale of the securities. Woodfin agreed to cooperate with them, but insisted that Littlefield make definite commitments that he could report to North Carolina State officials.<sup>74</sup>

Negotiations for the sale of the bonds, amidst the hectic conditions of the Franco-Prussian war, continued to be made with various European banking concerns, but without success until after Littlefield partially fulfilled North Carolina’s demand. He gave his personal draft for about \$10,000, promised to buy and ship to North Carolina enough iron for sixty-five miles of track, and transferred eight hundred thousand dollars of Florida bonds to the State of North Carolina, “to be left with S. W. Hopkins and Company for sale.”<sup>75</sup>

In mid-November of 1870 S. W. Hopkins and Company notified Littlefield that a substantial part of the bonds could be sold for two-thirds of their face value. Littlefield then agreed

72. *U. S. 100*, p. 685.

73. *E. M. L'Engle Papers*.

74. *Ibid.*

75. *U. S. 100*, pp. 616-619.

to accept from Hopkins and Company forty-eight per cent of their face value, with the difference to go to the brokerage company for its expenses. Under these terms, \$2,800,000 of the three millions were sold to a Dutch syndicate, headed by the brother-in-law of one of Hopkins and Company's chief agents.

From the forty-eight per cent of face value that was to be paid Littlefield (\$1,358,000), Hopkins and Company subtracted \$340,000 to pay the first three installments of interest on the bonds and to pay themselves a commission of a little over forty dollars per bond.

Less than one-third of the one million dollars that remained after the \$340,000 was deducted went to Florida for the construction and operation of Jacksonville, Pensacola and Mobile railroad facilities. The other two-thirds was spent for various purposes, including payment of portions of the debts of Swepson and Littlefield, payment of legal expenses, advances designed to placate some individuals and reward others for their cooperation, and to defray the costs of General Littlefield's tour of Europe.<sup>76</sup>

The misappropriation of most of the money received for the State bonds had been foreseen by Captain L'Engle before the Dutch syndicate purchased them. He had cooperated with other persons to persuade a majority of the Board of Directors of the Florida Central to repudiate the June 2, 1870 issue of its bonds.<sup>77</sup> And he had worked successfully to get the J. P. & M. R. R. company's board of directors to resolve that Littlefield did not have the authority to "dispose of or negotiate" the bonds of that company.<sup>78</sup>

Captain L'Engle also wrote a lengthy letter to the leaders of the Dutch syndicate, in which he asked them to "lay before

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76. *Floridian* October 24, 1871.

77. *U. S. 100*, p. 38.

78. *Id.* p. 73.

others who may be interested with you in the negotiations” for purchase of the bonds a factual account of the forthcoming fraudulent allocation of the money to be paid by them to Hopkins and Company.<sup>79</sup>

Captain L’Engle’s interest in the effort to salvage additional financial aid for the Florida railroad system continued throughout the 1870’s and into the early 1880’s. He, along with representatives of the State of North Carolina, part owners and creditors of the railroads, creditors of Swepson and Littlefield, and agents of the Dutch bondholders, instituted legal proceedings designed to wrest control of the roads from Littlefield and to secure portions of the almost three million dollars involved in the bond sale. The cases were argued before courts in New York, Florida, North Carolina, Georgia, and New Jersey, as well as before the United States Supreme Court during the ten years following the sale of the bonds. The hundreds of pages of court records, however, failed to result in the establishment of any increase in the financial strength of the railroad system.<sup>80</sup>

#### *Swepson and Littlefield Go Free*

Attempts to prosecute Swepson and Littlefield for their parts in the fraudulent deals met with about the same degree of success as did the above mentioned civil actions. Littlefield was once indicted for the bribery of members of the Florida legislature, but the case was dismissed, because of a lack of witnesses.<sup>81</sup> Efforts of the Governor of North Carolina to have him brought to trial in that State were thwarted by Florida’s Radical carpetbag chief executives. The North Carolinian appealed several times to the State of Florida for permission to extradite Littlefield, and, when his requests were refused, offered a five thousand dollar reward to anyone who would deliver

79. *Id.* pp. 135-138.

80. *Floridian* July 12, 1881.

81. *E. M. L’Engle Papers.*

Littlefield to him.<sup>82</sup> This offer was countered by Governor Harrison Reed's offer of a reward of an equal sum for anyone who could catch persons who sought to earn the North Carolina reward. Reed, furthermore, bolstered the force of his offer by threatening that severe punitive measures would be taken against anyone who molested his friend Littlefield.

Portions of a lengthy correspondence that was carried on between Governor Tod R. Caldwell of North Carolina and Governor O. B. Hart of Florida in the Spring of 1873 indicate that Littlefield's presence in Florida was also desired by Governor Hart. Caldwell opened the correspondence by writing, "I feel sure that your Excellency has no desire to protect and shield a huge swindler and conspirator against the laws of a sister state." Hart replied,

A conspiracy by him and Swepson to cheat persons out of bonds and money. . .and a conspiracy by them to elect him President of a certain railroad. . are all that he stands charged with, and after much careful thought I cannot bring my mind to the conclusion that. . .on such charges alone a citizen should be arrested, imprisoned and delivered up.

Caldwell then wrote, in a letter which ended the correspondence, "I can assure your Excellency that if Mr. Littlefield could set up. . . no stronger defense for himself than you have done for him, his guilt would be a foregone conclusion."<sup>84</sup>

A Florida newspaper's comment on this correspondence included the following remarks.

There is no disguising the fact that the Governor's reasons for his refusal are totally indefensible. . . .  
No one denies that Littlefield's presence here has been

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82. *Floridian* February 7, 1871.

83. *Ibid.*

84. Raleigh, N. C., *Daily News* April 19, 29, 1873.

an unmitigated curse to the State and its interests . . . Nobody expected anything better from Reed, who was regarded as Littlefield's tool; but from Reed's successor a different course of action was anticipated.<sup>85</sup>

As for Swepson, the closest he ever came to being punished for his North Carolina and Florida financial manipulations was when he was forced to post a two hundred thousand dollar bail in connection with a North Carolina case which was never heard.<sup>86</sup>

Both Littlefield and Swepson maintained that jealous Floridians had caused their difficulties through vicious and unwarranted attacks upon them, and Swepson held that even though Littlefield had mislead him somewhat, the Florida investments were basically sound, but rather irregular.<sup>87</sup>

Mrs. George W. Swepson remained convinced that her husband's motives had been misunderstood, and that he had been unlucky rather than dishonest. She wrote to Matt W. Ransom, her husband's close friend, that if Swepson's business plans had succeeded,

... as he reasonably hoped when they were projected, ... he would have been flattered and called the greatest financier in the State, even though all he has done should have been known just as it was. I trust the time may soon come when no one can say you are dishonest by being the warm friend of G. W. Swepson.<sup>88</sup>

On the other hand, Robert R. Swepson, George W. Swepson's brother, characterized Swepson as a "selfwilled, money worshipping man" who "must tell all and put himself right in the eyes of all honest and just men."<sup>89</sup>

85. *Floridian* May 13, 1873.

86. Raleigh, N. C., *Sentinel* January 6, 1871.

87. *George W. Swepson Papers*.

88. *M. W. Ransom Papers*.

89. *Ibid.*

*U. S. Supreme Court*

A majority of the Justices of the United States Supreme Court concluded that both Swepson and Littlefield had “shown themselves capable of the most shameless frauds, and we cannot but look with suspicion upon everything they do or say.”<sup>90</sup>

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90. *U. S. 103*, p. 144.