

# Guilt by Degree: The FNB of Ballston Spa Defalcation

By Tom Minerley

**I**T HAS TO BE THE DREAM AND AMBITION OF ANY THIEF to profit from his transgressions and live a pleasurable life when his profitable career as a criminal pays dividends. The key, of course, would be not getting caught somewhere along in this less-than upstanding vocational choice.

The star of this flawed tale failed miserably in making much of his walk on the "wild side," although he had nearly 30 years to abscond with the company's funds, thus failing to live out that hoped for profitable retirement.

There are many unknowns in this story. Exactly when it began in earnest has not been determined. How much was taken, depends on whose side of the story you believe. Why? Well, that is left up to the reader's imagination. Is there a fortune lying around somewhere to this day? Perhaps. Was there a massive cover up? Possibly, but highly unlikely.

The balance of the facts are irrefutable, but remain open to speculation. This is a tale of a modern-day Robin Hood, robbing from the rich but with a twist, keeping it. In the end, no individual suffered, only the (owners of a) bank, and who has not wished endless pain and suffering on a bank at one time or another?

In September, 1897, the First National Bank of Ballston Spa was described as an "...institution of appreciative value ...(the management) has always been especially prudent and sagacious and the commercial crisis that have occurred in the United States since its organization have never effected its strength or overshadowed its standing and reliability." How untrue these sentiments really would turn out to be would be splashed all over the newspapers a scant four years later.

By the 1870s-1880s, the economy of the community of Ballston Spa had changed. Its resort tourism industry, which had flourished since the turn of the century, had been eclipsed by Saratoga Springs in the years since the end of the Civil War. While still dependent on the water resources that had originally given rise to the village, prosperous individuals had found more profitable uses for it than drinking or bathing in it.

Industrious and farsighted men -- at least by nineteenth century standards -- saw the area's many streams as untapped and inexpensive sources of limitless

power which could be harnessed to run industries of every stripe imaginable. Lumber mills, axe works, sash and blind mills, paper mills, tanneries, just to mention a few, sprung up along creek banks throughout the area, providing employment for many and handsome profits for a few.

Into this world, during Ballston's very own version of the gilded age, came a man who would one day shake the entire orderly firmament of the community to its very core. Most likely arriving by train, Charles Edwin Fitcham had come to make his place in the world amongst the area's booming industries. Not intending to labor with his hands, Fitcham had come to work with his mind. Whether he came specifically with the position in mind, or whether he had to apply for it once he had arrived, Fitcham found employ as an accountant in one of the village's many mills, and eventually as the teller at the town's newest bank, the First National Bank.

Banking in the "good old days" must appear strange to us more than a century later. The actual day-to-day operations of a bank then were left in the hands of a cashier, assisted by a teller or two and a bookkeeper. In this case, there was a single teller, Fitcham, and a bookkeeper, R. Montrose Medbery. The FNB's cashier, Stephen C. Medbery, had started at the bank in 1866 as a teller and moved up to cashier in 1871, a position he would occupy until elected the bank's last president in 1925. The president of the bank during what would appear to have been the bulk of Fitcham's "productive" years was industrialist George West, quite possibly one of the richest men in the county. West owned a string of paper mills along the county's waterways, and was the FNB's major shareholder. This was the world Fitcham entered, and would ultimately attempt to unravel.

History has been cruel to Mr. Fitcham. It first stole his integrity and then robbed him of his mind. In later years, retirement time so to speak, he never explained exactly when he was seduced by his "dark side." Some have speculated that he started the day he first walked through the doors of the bank. Others, the apologists, would have us think he was beguiled after working long years at relatively low pay (\$1,600 per annum) while handling vast sums of money, which he seems to have forgotten actually belonged to somebody else. Whenever he started his illegal activities, he appears never to have looked back nor regretted the life he chose.

In testimony in his later years, Fitcham alleged that his first foray into illegal activity was to cover up customer overdrafts. Unlikely as that sounds, he insisted this was what gave him his leg up into his life of crime. Fitcham found that the double column accounting system used at the bank lent itself perfectly to his own new found system of creative bookkeeping. Being a two or three man operation, the bank was over dependent on the trustworthiness and integrity of its staff. Each person worked, more or less, independently of the others, and unless he really messed up could pretty much depend on working completely unmolested.

From careful observation of the monetary practices of the bank's customers, Fitcham found who were likely to withdraw sums of any size and when. He noted that the passbook savers were generally less affluent and could not be depended upon to leave large sums uncalled upon for long periods of time. Not that he would not dip into those accounts on occasion, but they were not to prove his bread and butter.

Instead there was the wonderful world of certificates of deposit -- vehicles sizeable enough to bother with and stable enough to not be called upon in the short term, thus exposing manipulation. Sometime between c. 1876 and 1885, Fitcham began cooking the books. Since he was solely in charge of the certificate register, he knew who had what and when any given certificate matured. His plan was simple: (1) Focus in on people not likely to need their money in the near future. (2) Focus in on people who, if they absolutely needed money,

might only take out some and leave the rest secure in the bank.

For example, when a customer bought a CD for \$1,000, Fitcham took the money, issued the appropriately valued certificate, but entered the amount in his ledger as \$100. Thus, he had \$900 to play with. If the owner turned around and needed some or all of his money immediately, Fitcham would simply use whatever money he had available to keep the books in balance. If he had some of the illegally obtained funds available, he used that toward the total he needed. If that were insufficient, he would simply mark as paid in his ledger enough certificates still outstanding to make up the difference. Everything balanced.

Annual reviews by banking regulators and examiners at all levels never found the bank's books to be anything but completely in balance, right down to the last penny. His scheme appeared to have been flawless in its simplicity.

Flawless?

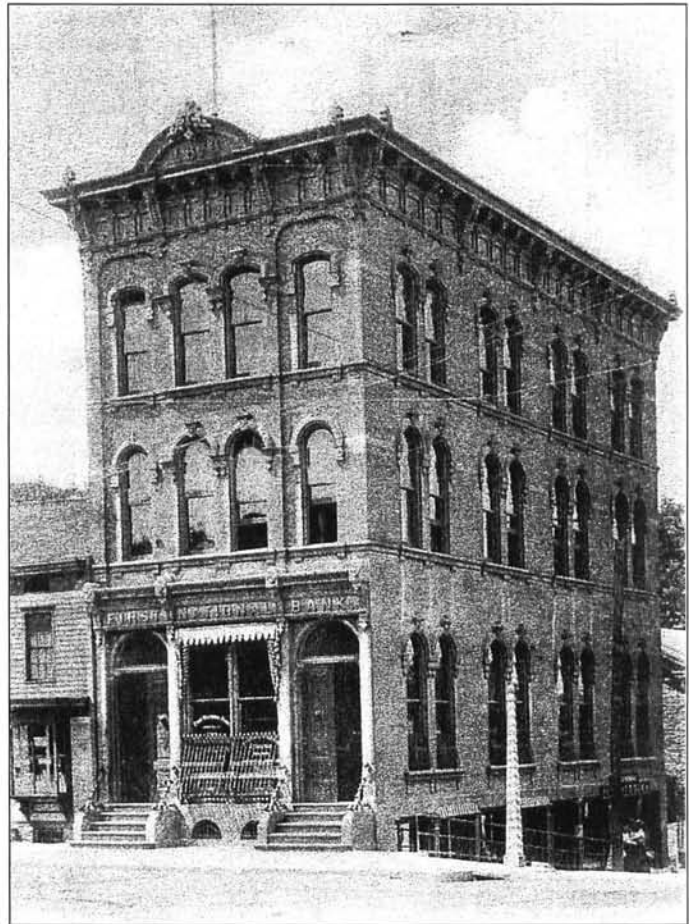
Well, not quite. When he embarked on his felonious career, he may not have really thought out all the possible scenarios that might trip him up in the end. Being solely in charge of the CD register was a plus, but since he was the only person who knew how to read between the lines in that particular bank register, how could he ever absent himself from the bank?

If somebody presented a CD to the cashier for payment that he had already marked "paid," how would that look? Having exclusive run of this phase of banking operations bore a heavy price. Few noticed, although everybody in authority should have, that Fitcham was always there. Six days a week, holidays excluded, of course, he was at the bank. Everyday, all day, he was there, ready to greet and service customers, old or new, in his own special way.

He never took vacation, although why must have been a mystery to his wife and daughter. When asked at the bank, his excuse was he could not afford to take vacations. With a salary of only \$1,600, and the expenses of a house and family, it must have appeared plausible, since nobody ever told him he had to take his vacation time. It must have appeared that here was the perfect employee: punctual, efficient, dutiful and ever present, and they did not have to pay him for not working. Everything appeared up-and-up.

If he never went anywhere, it is only reasonable to ask why he misappropriated the money in the first place? To this question, like so many involving Fitcham, there is no readily available reason. At preliminary hearings while awaiting court action years later, he claimed that it went towards covering other people's overdrafts and general household expenses. Things appeared to have been good around the homestead, perhaps better than his modest salary might have been expected to cover, but no one questioned anything. After all his wife, an artist of some local note, was making her own income, an income that would later be the family's sole source so it must have been somewhat substantial. The actual amount, we shall never know.

Daily as he would leave his house, situated within easy walking distance from the bank, Fitcham strove to maintain the facade that his illegal life had taken on. It is no wonder that when the music finally stopped, he had a complete physical and mental collapse. The strain of juggling all his illegal transac-



The home of the First National Bank of Ballston Spa from 1873 until its demise in 1931.

tions over the years must have been traumatic.

Can you imagine telling yourself that you must, **MUST**, never miss a day of work **EVER**? Since the absence of one day from your work place might ruin your entire carefully constructed universe? The pressures on Fitcham over time must have been crushing. To top it off, a newly appointed Vice President, Senator Harvey J. Donaldson, was due to perform an exhaustive examination of the bank's affairs before taking office.

Eventually, it must have seemed to felonious Fitcham that the fates were closing in on him. That it was only a matter of time.

Then, one day, his universe unraveled.

On or about November 27, 1901, Cashier Medbery became alarmed when a customer presented for payment a certificate of deposit that the register indicated had already been paid. Oops! Here was the scenario that must have given Fitcham many sleepless nights. Disturbed but not wishing to overreact, Medbery consulted with a number of directors to "observe" the suspected teller to see if anything obvious could be detected. What they saw must have convinced them that something had really gone awry. One account says Medbery cracked into Fitcham's desk with a screwdriver, but no collaborating evidence exists in contemporary accounts.

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At any rate, upon the close of business on Saturday, November 30, Vice President Donaldson informed Fitcham that his services were no longer required by that institution and that he was discharged. Somewhat in relief that his nightmare was coming to a close, Fitcham simply dropped his keys on the desk, put on his hat, and coat and walked up the hill towards home.

At the time nobody realized the extent of the damage done, but after operating one more day, it was decided that an investigation far beyond their ability would probably be necessary. Since it was unlikely that the thorough investigation that would most likely be required could be accomplished during normal business operations, the majority of the directorate decided it necessary and prudent to close down operations and request the Comptroller of the Currency to assign an examiner.

The people of Ballston Spa were greeted at the closed door of the First National on Tuesday December 3 with the not-so-cheery news that the bank was not going to be open that day, the day after, or, most likely, anytime soon. Much to the credit of the citizenry, there was no riotous or even unruly behavior in front of the bank (of course, it helps clarify the real nature of things to remember that busy trolley tracks ran right in front of the bank). Crowds merely milled about, discussing the number one topic of the day and a thousand other unrelated things just to pass the day. There were never signs of panic or outlandish behavior, just curious people wondering what would come next.

Apparently only one voice had dissented in closing the bank, Cashier Stephen Medbery. Several days later he argued in vain to keep the bank open while investigation of the potential defalcation transpired. In an interview at his home on Friday, December 6, he remarked to an inquiring journalist:

"...that it was a curious thing for a bank to suspend business with the affairs in the apparent condition that theirs were in at the close of business on Monday night. The bank had to its credit in New York \$214,000, with the Albany City Bank \$22,000, cash in hand consisting



of gold and bills \$100,000, stock and securities negotiable \$50,000, loans that are considered perfectly good approximating \$400,000, in fact their assets amounted to over \$800,000 and their liabilities were \$620,000."

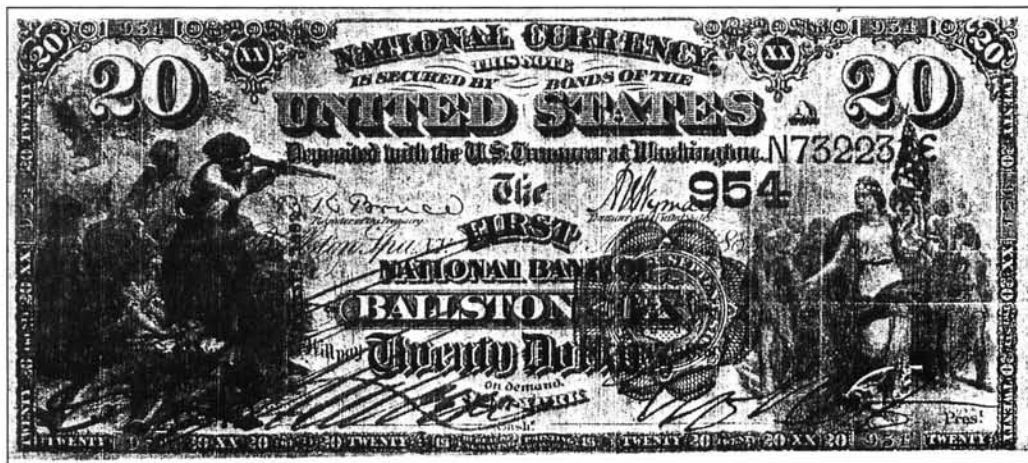
Well, what came next was the grand investigation, lorded over by the Comptroller-appointed examiner, Edward Graham, known for not leaving a stone unturned, and ably assisted by Vice President Donaldson, Cashier Medbery and Bookkeeper Medbery. Certificates of Deposit and pass books were brought into the bank and either examined immediately or left to be compared later against the bank's ledger. Very quickly, the round sum of \$100,000 was echoing around the village as the approximate amount unaccounted for, presumed stolen by Fitcham.

And what of Fitcham?

When last seen, he had just been dismissed from his position at the bank and was walking up the hill to his East High Street house. From all contemporary descriptions of the man's condition, he must have suffered a total physical and mental collapse the minute he got home. He was immediately assigned to bed by his wife. Shortly he was served at his home with a warrant for his arrest, sworn out by Cashier Medbery, but his doctor expressed deep concerns about the seriousness of his condition. Under medical advisement that to incarcerate the man might be to kill him, Fitcham was placed under pseudo house arrest, guarded day and night.

He was scarcely a flight risk. If he were too weak to get out of bed, did anyone really expect him to bolt in the middle of the night? And he certainly did not require protection from anybody, since the community seemed to have charitable feelings toward him to a totally unexpected level. There were no

Photocopy of the only known surviving note on the First National Bank of Ballston Spa that Fitcham might have handled. The note is ensconced in the Higgins Museum. Stephen C. Medbery, Cashier, George West, President. (Note: Mr. West died in September of 1901.)



clamors for tar and feathers, despite his presumed guilt. Newspapers made no secret of his illegal activity in their reports and editorials. Words like "alleged" or "suspected" do not appear in contemporary accounts. However, there was no popular groundswell to cast Fitcham in the rogue's role either.

Perhaps, like some in today's society, his neighbors had the false conception that the thief had not actually stolen money from depositors, but rather had purloined it from the bank. Who would not want to steal from a bank? After all, some feel now as then, the bankers have been stealing, metaphorically of course, from customers for years.

The only real problem with Fitcham's incarceration was working out guard schedules to keep an eye on the guilty party. Disputes involved who paid the guards, and even who got time off to go downtown to look at the local store's Christmas displays. Never a dull moment around the old village.

Fitcham never did go to the Albany County jail as he should have. Between his illness and the bail posted by well meaning friends and associates, he remained free within the confines of his home up to the start of his trial. Needless to say, the bank officials were not pleased.

At the bank, meanwhile, the investigation had progressed rapidly. The call for customers to bring in their financial instruments for comparison with bank records quickly produced a record of how deeply Fitcham's defalcation extended. The review of passbooks showed that he had dipped into some, but not to any great extent. CDs, however, had proven to have been his big cash cow. An equal opportunity felon, the thief had manipulated the accounts of the bank's President, Judge Jessie S. L'Amoreaux, his own physician, even the local jailer. The ensuing investigation disclosed that some certificate holders had been individuals who were thought "to not have had two nickels to rub together," and some who had even gone so far as to have solicited and received funds from the public dole. The results turned up by the investigation certainly made for interesting gossip around town.

Within days the populous could follow rising estimates of the bank's losses in the local newspapers. From \$10,000 . . . to \$40,000 . . . to \$75,000, and finally an estimate by L'Amoreaux of approximately \$100,000. The examiner's final report, forwarded to the Comptroller on December 14, placed the total shortage at \$115,256.87, or approximately 99%?) of the bank's reported surplus on that date of \$116,475.82.

The key point was there still remained a surplus, small as it might be, but a surplus nonetheless. Bank officials must have been beside themselves. This would almost guarantee a speedy reopening of the bank. More importantly to them, perhaps, the paid up capital of the bank was completely intact and there would be no assessment against shareholders as a prerequisite for reopening.

The bankers had lost out on the issue of Fitcham's bail. They wanted it set at \$150,000 in order to put him behind bars and keep him there.

Instead, they saw it set and met at \$20,000. But, for the short term, who cared?

At 8:30 on the appointed morning of reopening, the bank's funds, impounded in Washington since the examiner's assumption of responsibility over the bank, arrived back in the village under the watchful eyes of two armed express messengers. It must have been a joyous occasion when the small safe containing the cash was off loaded at the bank.

Business was back on track. As an ostentatious display of wealth and security, "...heaps of greenbacks and the bags of gold..." were left out in plain sight for customers to see, admire, and take heart in the bank's soundness as a trustworthy place to leave their money. It must have worked, for within the first hour, \$20,000 had been deposited and

**TREASURY DEPARTMENT  
OFFICE OF THE COMPTROLLER OF THE CURRENCY  
WASHINGTON, DECEMBER 17, 1901**

Mr. J. S. L'Amoreaux, President, and  
Mr. H. J. Donaldson, Vice President,

First National Bank, Ballston Spa, NY.

Gentlemen:

Your letter of the 17th instant is received, regarding the question of the resumption of the First National Bank of Ballston Spa, New York, which bank suspended on December 3, 1901. Mr. Edward J. Graham, National Bank examiner, having been commissioned temporary receiver.

You are advised that Mr. Graham has made a report to this office which shows assets available for business as \$827,224.52, of which \$341,203.00 is cash resources, which statement justifies this office in permitting resumption of business.

All deficiencies having been made good and the capital of the bank appearing to be unimpaired you are authorized to open the bank for business at 9 A.M. Thursday, December 19th, 1901.

It appears that the condition of the bank is not only such that warrants its reopening but entitles it to the confidence of the locality in which situated and the country at large.

Respectfully,  
Wm. B. Ridgely, Comptroller

not one cent withdrawn. By noon, deposits totaled \$50,000, while withdrawals of all kinds totaled about \$3,000. The bank was back and as strong as ever.

While this was playing out on Front Street, activity on East High Street was also taking shape. After being certified healthy enough to be incarcerated and the matter of bail was decided, the question had been asked, "So, when are they locking him up?" Deputy U.S. marshall Elmer E. Belden appears to have been somewhat sympathetic to Fitcham's plight, and kept stalling his actual incarceration until the matter of bail had been settled. Once the \$20,000 bail had been posted, the matter resolved itself, at least until the federal Grand Jury met in Albany near the end of February, 1902.

The prosecution presented its case to the Grand Jury, which in total consisted

"...of 202 counts, of which six are for embezzling small sums, amounting to \$500; twenty counts for the detraction of small amounts, aggregating \$2,500; one count for an embezzlement of \$30,000 between March 1, 1899, and December 1, 1901. There are twenty counts for false entries on November 25, 1899, on individual certificates of deposit. The remaining counts were false entries in registering certificates of deposit as paid, when as a matter of fact they were not paid."

Two Hundred and two counts. . . that has to have been a record for a village like Ballston Spa.

Fitcham, showing signs of his protracted mental and physical anguish, answered the charges calmly and in a scarcely audible voice, "not guilty." The trip to Albany had been one of the few times in more than two months he had even left his residence. His lawyer Garrett Logan convinced the judge to continue his client's bail at the previously set level until the next term of the United States District Court, set to convene the following April in Syracuse.

They had already figured out what he had done, and how he had done it. The only remaining question of note is what had become of the money. Besides living beyond his means, was there a pile of loot waiting somewhere? Were the floorboards of the house crammed with money? Were the walls stuffed? These questions remained.

Although pleading innocent at the preliminary hearing in Albany, Fitcham must have had a long, soul-searching change of heart by the time his trial opened. On April 1 just as the proceedings were getting warmed up, Fitcham -- in the presence of his wife and daughter -- changed his plea to "guilty." He was immediately sentenced by Judge Coxe to a six year term without hope of parole in the maximum security Dannemora Prison, located in northern New York near Plattsburg.

Justice certainly was swift in 1902, for shortly after accepting his sentence, he was whisked off and on his way to prison. The following day, a train carrying him to Dannemora passed through Ballston Spa on its long, winding trip north. A guard had lowered all the shades in the passenger car, presumably to keep the curious from gawking or making a scene. However, there were no spectators on the platform who gave his presence a second glance. All that had been accomplished was to block Fitcham from having a final look at the place he had called home for many years. Accompanied by his wife until the train



Jessie S.L'Amoreaux, the bank's vice president 1880-1901, and president 1901-1918.

reached Saratoga Springs, he made the final leg of his trip with his guard as his sole companion. Six years would be a long time to be away from home.

Fitcham need not have worried about not seeing Ballston Spa for the entire six long years of his sentence or of being forgotten. He was gone, but by no means forgotten. A lawsuit in State Supreme Court, the papers of which were literally handed to him and his attorney immediately upon receiving his sentencing, was suing him personally to recover at least the \$30,000 which he had openly admitted to stealing from the bank. Newspapers reported that L'Amoreaux, acting as attorney for the bank, and other officials had an idea where some of the money was located, but in fact they had not a clue.

Years passed, but the memory was always fresh. In August, 1906, in a move which certainly would be without parallel today, the full cast of characters reassembled at the scene of the crime in an upstairs meeting room above the banking floor. Fitcham found himself before District Attorney H. E. McKnight, being severely questioned by bank representatives without the benefit of counsel for himself. Feeling they had been cheated by a trial that ended so abruptly of the opportunity to get answers to any key questions in the case, the bankers were determined to get answers to the questions that remained.

It was apparent that Fitcham had not aged well during his incarceration, having suffering, as he called it, "...fifty-one attacks of one form of apoplexy and undergone a serious operation being at the point of death for five days...." He cooperated in the investigation, providing answers to all the questions put to him, but in the end his answers provided little in the way of useful knowledge about his crimes. Interrogation continued throughout the summer and fall, finally winding down when it became apparent that further questioning was pointless.

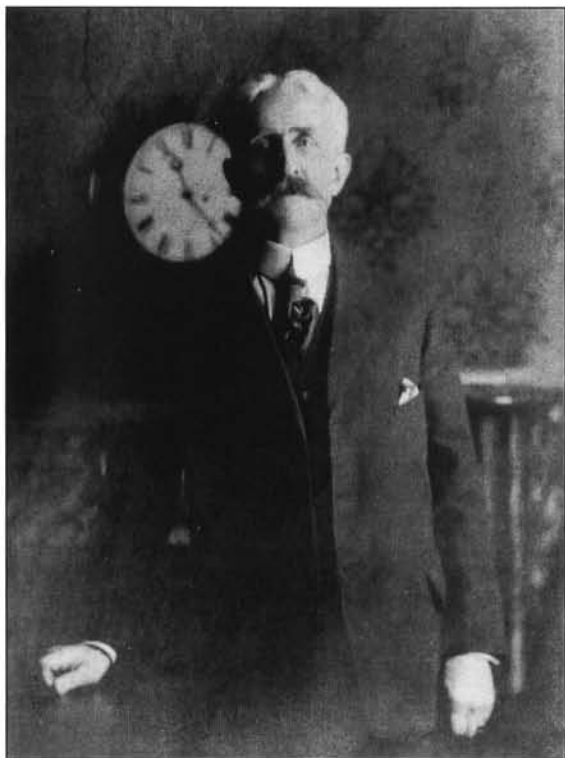
What was determined was that while acting as teller Fitcham must have possessed one of the most "computer-like" minds around or been the luckiest person to have not tripped himself up on his first false entries. He never kept written records of his illicit activities, never bothering to recall -- or maybe just preferring not to remember -- exactly whose accounts he doctored or even when.

Questioned about how long his activity had been going on before discovery, he said he could not recall. Fitcham admitted to having stolen \$30,000, but staunchly refused to acknowledge having been involved in taking the more than \$115,000 that the bank examiner had found missing during his 1901 investigation.

Fitcham's only explanation for the additional missing funds was the cost of paying interest on accounts he had manipulated. Cashier Medbery explained that the bank set aside funds each month to pay the interest on accounts maturing the following month. If a certificate that Fitcham was manipulating

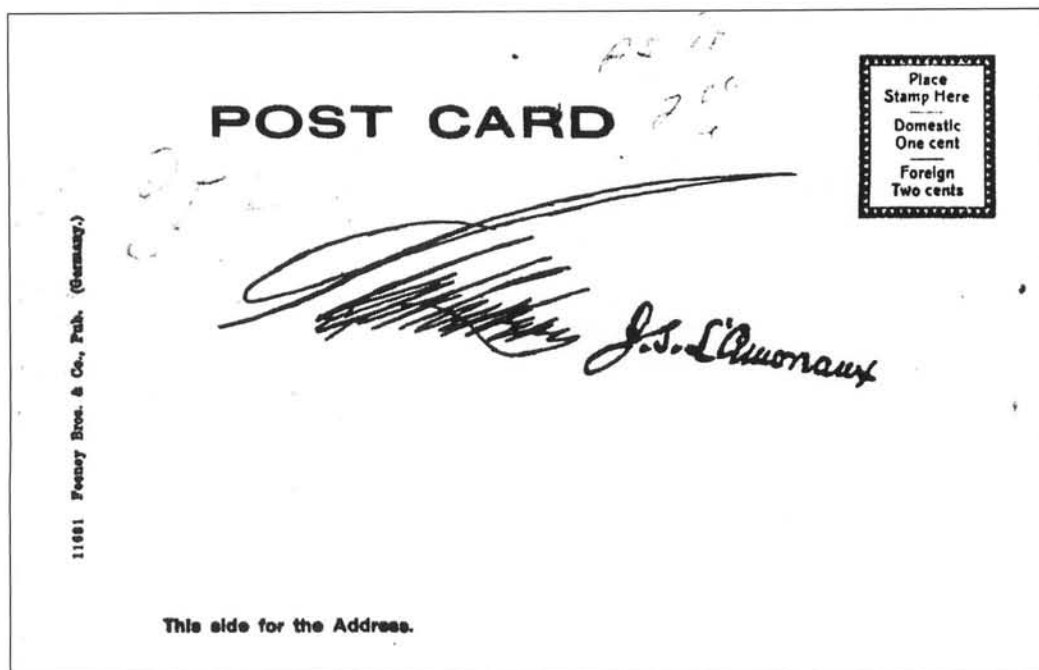
required an interest payment that had not been anticipated, then the responsibility for paying that interest was his, for which he either had to pay it out of his "own" funds, or mark additional certificates "paid" to come up with the necessary amount.

Based on his testimony, the teller certainly had been one busy boy. Always mindful of the ever present risk of discovery, he had to keep all the figures straight in his head, calculating interest, making individual payments, never daring to take a minute much less a day off lest the whole pyramid come crashing down about his ears. It's easy to see how the release of tension after his defalcation had been discovered drained him to the point of total physical prostration.



Stephen C. Medbery, the bank's teller 1866-1871, cashier 1871-1925, and president 1925-1931.





Stephen C. Medbery and Jessie S. L'Amoreaux signed the back of this postcard.

It was not easy making an honest living back then, but Fitcham proved it was not all that much easier making a dishonest living either. In the end he admitted only to covering overdrafts and using funds for his living expenses. There were no stockpiles of notes lying around, no accounts in other cities that he had built up for later use, he contended.

As the investigation dragged on, it became obvious that the chance of any revelatory statements or admissions was just not in the cards. What Fitcham could not, or would not, remember might have filled volumes, but as it were, very little was made available that had not been already known or suspected. During one of the last documented inquiry sessions, Judge L'Amoreaux asked "What money have you today?" to which he replied "Only the change I have in my pocket." That pittance pointedly sums up the total net worth of his life of crime.

The bank never recovered all the money it was due. The United States Fidelity and Guarantee Company paid the \$10,000 bond it had on Fitcham, but that was it. The bank had prevailed upon the State legislature to pass a bill to refund \$1,164, the amount equal to the taxes paid to the local village, town and school district for the money, reasoning that the taxes were based partially on an assessment that included the misappropriated funds. The legislature passed the bill, but the Governor vetoed it, citing the assessment was legal and based on the best available information at the time it was made, and for the State to order localities to refund the money would be an illegal act.

And what of Fitcham?

He had returned home, without fanfare, without protesting crowds, seemingly without much, if any, notice at all. His wife, being an artist and teacher, provided the household with income, and the couple slipped into splendid obscurity. The townsfolk seems to have forgiven and forgotten, although one can rest assured that the bankers never evolved to be that charitable.

The end came to Charles Edwin Fitcham quietly and without the spotlight that he had once brought upon himself.

Charles E. Fitcham died at 12.45 this noon (August 23, 1915) at his home on East High street of oedema of the lungs after a week's illness. He had been in poor health for several years.

Mr. Fitcham was a veteran of the Civil War and was born at Boston, Mass., Feb. 19, 1842, being 73 years of age. He is survived by his wife and one daughter, Miss Ethel Fitcham.

Notice of funeral will be given later.