



ARTICLE

Eyes Wide Shut

Photography by [Fred Lopez](#) • By [Tony D'Souza](#) • 8/31/2012 at 8:00pm

By *Tony D'Souza*

On a quiet afternoon in June, Peg Nadel, 76, paces the kitchen of her east Sarasota home, suffering through a debt collection call. “My friend,” she sighs into the phone, “my status has been in the trash. I can’t make any monthly payments. I struggle just to live. Hopefully in a month things will change.” In a month, a judge will decide whether Nadel—who has filed an affidavit that she is destitute and needs money for “sustenance” and medication—can access \$30,000 frozen in her checking accounts since January 2009. That was when her husband—a hedge fund guru and jazz pianist—went on a secretive 13-day “vacation,” as he would later describe it to the FBI, to the great musical cities of New Orleans, Austin, and San Francisco, leaving the largest Ponzi scheme in Southwest Florida history in ruins behind him.

Peg Nadel, of course, is the fifth and final wife of Arthur Nadel, a disbarred lawyer and convicted “mini-Madoff” who died in prison on April 16, 2012. He was 79. Along with Neil and Chris Moody—a father-and-son team of investment advisers—Nadel managed six hedge funds that from 1999-2009 attracted \$330 million by touting annual returns as high as 55 percent, even as the funds secretly lost money. Authorities say it was all a complex scam that stole \$168 million from nearly 400 investors.

The slender Mrs. Nadel hasn’t given many interviews since that day her husband “disappeared.” But one with the *Sarasota Herald-Tribune* in October 2009 included her agreeing to sit for a portrait. Though she smiled through most of the photo shoot, the paper chose to run a picture of her scowling. That was irksome to the former Ford Agency model, who once graced the cover of *Vogue*. Now that Arthur has passed, Peg—who currently lives on \$1,046 monthly Social Security payments and has taken in a boarder, a car salesman she found via Craigslist, to make ends meet—would like to do a reality show about her life, or publish a memoir. She feels she has to talk because, “My story is all I have left.”

What could Peg Nadel add to a narrative that for the last 3 ½ years has been covered by TV and newspapers around the country and has been the focus of a court-appointed receiver in Tampa, who has a team of lawyers, paralegals, forensic accountants and at least one full-time private eye hunting down every detail of the case?

I'm not sure, but I'd followed Art's flight from justice back in 2009, and I love covering intricate stories. When I heard she might be willing to talk, I grabbed the assignment.

The debt collector on the phone won't manage to squeeze anything out of Peg; in the end, my three-part, 12-hour interview will turn out to only be a starting point, too. Peg—who has never been charged with a crime—will steadfastly claim that she was Art's "No. 1" victim and deny that she knew *anything at all* about what can only be called the major event of her life. At times, I'll feel sympathy for her losses and evident desperation; at other moments, I'll find it incredible that this sharp, articulate woman could have been fooled by anybody. But something she says—a single word—I'll circle in my notes. That word will turn my dining room table into a legal library of court documents, news clippings, equations and Post-it notes, and lead me down a twisted trail to startling new information that will make me question whether Peg was a victim at all.

Soon after the scandal unfolded, a major Sarasota philanthropist, Virginia Toulmin, died. Peg showed up for the funeral, where she walked to the front and sat with the family. "Half the people there had lost a fortune," one woman who attended says. "Peg may have been close to Virginia, but couldn't she have sat in the back?" Many felt that whatever Peg did or didn't know about her husband's trading, she was tone-deaf to the depth of rage and betrayal in the community, and had unrealistic expectations of being warmly received as a victim.

Yet the story Peg tells is sad and compelling. It is the story of a woman who, one morning, found her husband missing, and soon after, TV crews at her door, and the FBI in her house. She discovered at her husband's arraignment that he'd been disbarred years earlier. Strangers seized her wealth, her businesses, even the pictures from her walls. She was stripped of her achievements and accolades, her very sense of self. Former friends now looked through

her, and despite all his crimes, her husband's imprisonment and death was another loss.

"Arthur's death hit me harder than I would have thought," Peg says of his passing in prison hospice in April. He'd had a long-standing heart condition, and refused food at the end. "I've never been angry at him. I've needed all my energy to survive. Arthur's finished. I'm living. I'm his biggest victim, as he said in his own words."

Still, Peg says she understands why people might think she was involved in Art's Ponzi scheme. As she describes the common reaction, "She lived with him, she worked with him. How could she not have known?"

In fact, Peg did more than simply work at her husband's business. She was intimately involved from the very beginning, helping Arthur in 1997 set up "Inside Scoop," a series of small investment clubs at the 1668 Main St. office that would later become Scoop Management—home of the hedge funds. Marguerite "Peg" Quisenberry, her name then, was recovering from the end of a stifling 30-year marriage to a banker, Blake Quisenberry, as well as the loss of most of a \$100,000 nest egg in her failed spa, "Harmony in Mind."

For his part, Arthur Nadel was playing piano at a failing dinner theater, "Homestyle Harmony," and driving a \$4,000 car he'd bought from his divorce lawyer. At Inside Scoop, however, Peg handled customer

relations while Art began timing stocks with a new “black box” trading program he’d come across called “Microstar.”

Intrigued by the idea of a black box, I write down the name and circle it. I ask Peg to tell me more about Microstar, but all she says is it was a Sarasota-based company. In any case, Art’s amazing returns soon attracted the attention of Neil Moody, a Paine Webber VP, who in early 1999 used family money to launch the first of the hedge funds—“Valhalla”—with Art and his mysterious black box making all the trades.

“You married the genius,” Peg says a friend told her after the couple’s wedding in 2002.

After his arrest, Art Nadel filed court documents saying he wanted to go back to his “modest home” to prepare for his trial. The Nadels did live in a pleasant-looking house in a middle-class Sarasota neighborhood, and the car Art left at the airport when he fled was an anything-but-flashy green Subaru Outback. But although Peg invariably describes their lifestyle as “modest,” by 2003, the Nadels were acquiring the first of more than \$16 million in buildings, land, and businesses they would eventually own or operate in at least five states.

These would include a 420-acre property near Asheville, N.C.; a 31-hangar airport property in Newnan, Ga.; a smaller airport property in Venice; a 200-year-old Appalachian farm house; various commercial rental properties; a downtown Sarasota flower shop; an interest in a home manufacturing company; a condo in Ohio; a helicopter; five planes; and a \$240,000 stake in an interior design company owned by Peg’s son, Geoff Quisenberry. The Guy-Nadel Foundation—“Guy” is Peg’s maiden name—was formed that year and would go on to donate \$2.5 million to assorted charities.

Today, the court-appointed receiver charged with “clawing-back” investor losses, Tampa attorney Burton Wiand, says that absolutely everything Art and Peg Nadel purchased or donated since 1999—every bite of food, every stitch of clothing, the millions in real estate and charitable giving—“was paid for by money taken from the scheme.”

“If I had known,” Peg insists, “this would have never happened. I’ve spent the last 3 ½ years going between heaven and hell and purgatory. Arthur was the only one who did the trading; he created the reports. I look at all this and wonder, ‘How could he have lived with this all of these years?’”

To get a better grip on the slippery Nadel Ponzi scheme, I’ve put together a timeline, printed it out, and taped it lengthwise across my dining room table. The day after finishing my interview with Peg, my timeline is eight pages long and growing; 2009 alone has close to 40 entries. I’m wondering if a Ponzi scheme as big as Nadel’s could have happened only in those heady years before 2008, when people believed housing prices would rise forever and that an aging piano player with a checkered past could post 10 percent to 55 percent in annual returns day-trading on the Internet. But even the real estate boom can’t explain why some of Sarasota’s wealthiest could have been suckered by this scam’s outrageous claims. An average 20 percent yield year after year with almost no down months at all? From someone who hadn’t begun trading until he was 63 years old?

“No one expects to be lied to from beginning to end,” Morgan Bentley, a Sarasota lawyer who represents dozens of Nadel’s victims, tells me the following morning at his Orange Avenue office. Bentley’s an affable

guy, but his demeanor darkens as he talks about the case. “As far as Peg goes,” he says, “half believe she was taken in, the other half don’t believe she wasn’t asking questions. This was a terrible thing that happened to Sarasota. Our philanthropic community had never been hit like this.”

Aside from the investors themselves, charities that accepted millions in donations from the Nadels and the Moodys—including the YMCA Foundation, the Diocese of Venice, Girls Inc., and the Sarasota Opera, among others—have had their budgets hammered by clawbacks, litigation or lost funds. To add insult to injury, the mess has led to attorneys’ fees and wrangling with the IRS.

What’s been so painful is that Sarasota trusted the Nadels and Moodys. Bentley, who has worked on the case since the day after Art fled, says it’s a classic “affinity fraud.” “When you’re at a cocktail party, friends talk about their investments, even when you’re a multimillionaire in your 60s,” he explains. Within Sarasota’s well-heeled philanthropic community, Arthur Nadel and Neil Moody gained “that badge of believability,” Bentley says. “Peg was definitely part of that package.”

A quick look through public records shows just how high-profile the Nadels and Moodys were. In the Winter 2007-2008 Jewish Family and Children’s Services of Sarasota-Manatee newsletter, Arthur and Peg are honored with a National Family Week Advocacy Award, while Neil Moody appears as a co-chair of the JFCS’s Annual Gala held at the Sarasota Ritz-Carlton’s Grand Ballroom. In August 2008, Peg walked the runway at the Black Tie Bash at Saks Fifth Avenue, while in November, Sharon Moody—Neil’s then-wife—was at the Fashion Week “Jewels of Sarasota” VIP Preview Party. In just the last few weeks before the hedge funds’ collapse, the Nadels were photographed at the National Philanthropy Day Luncheon (Nov. 18), the “New York, New York” Party (Nov. 21), the Designing Women Boutique Cabaret Style Show (Dec. 15), the Perlman Music Program Celebration Concert (Jan. 3), and “An Evening of Ageless Delight” at Circus Sarasota (Jan. 9). At that event—for the second year—Peg soared before the crowd on the aerial rings after making the winning bid. Art fled five days later.

But Peg firmly rejects the notion that their social prominence helped her and Art win clients. “We did not solicit clients. If that was done, it was not done by us,” she insists. “If the subject [of the hedge funds] came up [at social events], the only thing I could say was, ‘The reason Arthur’s so successful is because he trades.’”

Peg also denies that their donations turned a spotlight on the success of her husband’s hedge funds. “I never gave money for any reason other than to help,” she says. Peg made a first large donation—\$100,000—to the Sarasota Opera around 2003, and says she was amused when executive director Susan Danis told her, “You can sit up here; you can become a member of the club.” While she said that was “kind of fun,” mostly Peg remembers thinking to herself, “Big deal. Everybody shares the same bathrooms.”

She points out that she’s been involved with the Opera Guild since 1985, long before she became a Nadel. While she’s aware of the havoc her gifts have wreaked, she doesn’t feel she owes any apologies: “[The charities] knew what I gave was given in good faith. I married Art, there was a business, obviously the business was very successful. At least that’s what everybody thought.”

The Nadels' financial donations became so prolific that they began receiving honors for their generosity, such as being inducted into Buncombe County, N.C.'s "Hall of Fame" for granting a land easement (since clawed back). Consequently, many early news reports referred to Arthur as a "philanthropist." His son, Chris Nadel, even mentioned it when he wrote to his father's sentencing judge asking for leniency in 2010: "Although he did reap the benefit of ill-gotten gains, [my father] did use quite a bit of his funds and energy for charitable purposes."

The problem with that, of course, is that it's now known all the money belonged to other people.

A few days later, the human costs of this case become clear to me as I read through the voluminous "Victim Impact Statements." Gathered by the U.S. Attorney's Office in 2010 in preparation for Art Nadel's sentencing, the 96 victim statements form a monument to the pain and horror of financial crime. The victims, most past retirement age and having lost everything, speak of heart attacks, strokes and divorces, all as fallout of the scam. "When I met Art Nadel my net worth was about \$250,000. [Now] I am financially broke. I need every penny I have just to exist until I die." "Arthur Nadel's despicable thievery and blatant narcissism have sentenced my wife and me to lives of destroyed dreams." "I feel betrayed, stupid, gullible, naïve, cheated, abused, angry." "I now have to work for the rest of my life. Thanks, Art!"

The receiver has detailed that Art Nadel knowingly looted his hedge funds of \$42 million. But many of the victims express outrage that Neil and Chris Moody—who as fund officers received another \$42 million in management fees—have never been criminally charged. "I never had any contact with Arthur Nadel," one wrote, "my only contact was Neil Moody and then later Chris [Chris joined the funds in 2003]...I was astounded when Chris Moody informed me that all of the money was gone, [and] he & Neil had no idea what was going on...[Nadel] deserves NO sympathy. Neither do his associates and partners."

I ask Sarasota attorney Drew Clayton about the Moodys. Clayton knows this case intimately; almost 80 people contacted him in the scandal's first week, and he's represented victims ever since. "Nadel was the focus because he skipped town," he tells me matter-of-factly. "Chris and Neil Moody had very good counsel." He adds, "A lot of people are disappointed that they didn't face more severe punishment."

With their "earnings," the Moodys indulged in waterfront homes, luxury condos, designer jewelry and expensive cars. They dumped (and lost) millions into speculative companies, oil ventures, land developments and family businesses, and made campaign contributions to politicians Katherine Harris, Vern Buchanan and Tramm Hudson, and to a Republican PAC.

In 2010, a spokesman for the Securities and Exchange Commission told the *Herald Tribune's* Tom Lyons, "[The Moodys] meant to defraud people...they did it on purpose." But Neil, now 74, and Chris, 38, both settled civil securities fraud charges by agreeing to "disgorge" any remaining Ponzi money. In Chris's case, that has turned out to be just a small fraction of the nearly \$19 million he earned in fees, including only \$8,000 in cash. Neil's assets were not yet publicly reported by the receiver at press time.

One of those defrauded was Neil Moody's ex-wife, Sharon. Sharon was part of the wealthy "Longboat Key crowd," Peg says. "When all of this first happened, Sharon [told] Neil, 'Honey, I will live in a tent with you.'

She had money because she was a widow. She fell in love with Neil in a big, big way and he invested all of her money and she lost everything.”

Sharon soon changed her mind about living in that tent. “I have been betrayed not only by Art Nadel,” she wrote to the court, “but also by my x-husband [sic]. I could no longer be married to a man like Neil Moody when I learned of the allegations against him.” Sharon wrote that she now lived off \$1,800 a month in Social Security benefits, and she has since turned her house over to the receiver. The Moodys divorced in 2010.

“If Neil had any suspicions,” Peg says, “he kept them to himself. The money was coming in and he was using it. Neil and Chris were the ones who brought investors in. Arthur never, ever solicited clients. And neither did I. It was Neil who showed the way.” The Moodys have since left the area; Chris and his wife, Tamara, are living in Ocean Springs, Miss., and Neil is in Parker, Colo. They have been banned from the securities industry—for just five years. That ban expires in 2016. Through their lawyers, the Moodys declined to comment for this article.

Peg visited Arthur at the Metropolitan Correctional Center in Manhattan in 2009, one of only a few times she saw him after he turned himself in to the FBI. He had recently read the victims’ statements. “Arthur was very subdued,” Peg told me. “He said, ‘I never thought anyone was allowed to invest more than 30 percent of their net worth.’” She wrote to the sentencing judge on Art’s behalf: “why I’m still married to him is...very difficult for people to understand. My brother, at 71, lost everything...my cousin, 79, lost a great deal of money...It is no excuse, but I can live with it as I know that he did not do these things to steal, just to hide his failure long enough to succeed again.”

In the end, Art Nadel couldn’t muster four people to co-sign for his bail. Though he intimated that the Ponzi scheme wasn’t a “one-man operation” and that he knew about secret offshore accounts, he never gave authorities any information. In a letter to the court before his sentencing, he wrote of understanding his victims’ anger and called Peg his “number one victim.” In October 2010, he was sentenced to 14 years.

Peg believes Arthur acted alone. “First of all, you really had to know him,” she says. “Secondly, he was the only one who did the trading. The finance gal [Michelle ‘Shelly’ Bell] created a spreadsheet. I said, ‘Why don’t you give the reports to Shelly and let her put them in?’ He said ‘No, no, no.’ He kept a locked file drawer here in his office. He kept a locked file drawer in Scoop’s office. Nobody knew. *Nobody.*”

But the more I learn, the more I realize that in order to believe that Arthur Nadel ran his massive Ponzi scheme all alone without anyone else’s knowing or even suspecting something was wrong, one must believe certain things. One must believe that for 10 years, financial advisers Neil and Chris Moody never once verified the amounts that Nadel reported were in the hedge funds or had an external audit performed, as they have claimed. One must believe that many others in a position to spot something amiss simply missed everything—among them, the hedge funds’ internal accountant, Michael Zucker, whom the State of Florida ordered in 1999 to stop claiming to be a CPA, but who continued to do so; Sarasota’s Don Rowe, publisher of an investment newsletter that described Nadel as “America’s Top-Ranked Money

Manager,” while the funds paid Rowe millions of dollars; Scoop’s own law firm, Holland & Knight, which concluded in 2004 that it had “no duty” to report practices that Art Nadel said the firm had told the funds “might be illegal under current securities law.”

And, of course, one must believe that Scoop’s bank (Wachovia, which was later acquired by Wells Fargo), broker (Speer, Leeds & Kellogg/Shoreline), clearing house (Goldman Sachs), and especially its clients, never doubted that such extraordinary numbers could be achieved by a piano player and his “black box.”

A few days after Peg tells me about Microstar, the black-box computer program Art used and that I circled in my notes, I come across a letter in which Art, too, mentions, “the microstar company.” Curious, I Google “Microstar Sarasota” and soon find a long-defunct “MicroStar Research & Trading” on Tamiami Trail. Next, I find the owner’s name, Frank J. Alfonso, and then a

Nov. 27, 1995, *Herald-Tribune* article, “Futures bright for Sarasota-based software designer.”

The article describes a Chicago bond trader, Frank Alfonso, 42, his wife, Angela, and their new company, “MicroStar Research & Trading,” which they’d opened at 8320 S. Tamiami Trail. In the article, Alfonso claims to have developed a “black box” program that could yield stock market returns of 100 percent to 200 percent. (The term “black box” refers to programs that conceal their code, ostensibly so they can’t be copied. The user can’t “see” inside and must take on faith that the “black box” works.) A technology reviewer warns in the article, “[The Alfonsos] are putting out mysteries and selling them for \$3,000.”

Have I found Art Nadel’s legendary “black box”? I run Frank Alfonso’s name through a Florida business database and find MicroStar listed as having been at the Tamiami Trail address, but also another Alfonso company, “Indigo Investment Systems.” I run Art Nadel’s name, too. On Dec. 3, 1998, Nadel registered his first investment company with the State of Florida. The name was “Indigo Investment Club.”

I begin frantically reading everything I can on “Indigo.” I learn that around 1996—shortly after that *Herald-Tribune* article—Alfonso renamed MicroStar “Indigo Investment Systems” and his black box “Indigo.” Pretty soon, according to Federal Trade Commission documents, he was using Indigo to make a lot of money, and not long after that, he was also in a lot of trouble.

I come across a name in an Indigo article: Joe Roediger. I check my notes—yes, Peg had mentioned Roediger as a trading program salesman. LinkedIn tells me Roediger worked for Indigo from 1996-2003. I’m now fairly certain that Art Nadel’s “black box” was “Indigo” and that he bought it from Joe Roediger. I call the Nokomis tech firm where Roediger is listed as working now; they tell me he’s no longer with them. I go back through all the Indigo articles, write down every name mentioned, six in all. I search for these names and find two still listed in Sarasota: a tax preparer and a Siesta Key real estate agent. I call and leave messages; it’s now around 4 p.m. and I’ve been buried in Indigo all day. At 4:45, the real estate agent calls. He doesn’t want to talk on the record, but he remembers Indigo and Joe Roediger. “You know Legends?” he tells me. “Joe Roediger’s in there every afternoon.”

I make the 15-minute drive from my home to Legends bar on Hillview Avenue in 11 minutes. It’s pouring, and I have no idea why. Later I find out we’re in the midst of Tropical Storm Debby. I haven’t checked the news in days, or even gone outside. All I’ve been doing is eating and breathing the Nadel Ponzi scheme.

Inside the near-empty bar, I ask the bartender, “Do you know Joe Roediger?” He shakes his head. Just as I’m about to walk away, he says, “Wait. You mean, Joe?” He gives me a phone number. I leave a message and 15 minutes later get a call back. The man on the line asks, “What do you want to know about a company that’s been out of business for 10 years?” Fifteen minutes after that, I’m sitting in Joe Roediger’s garage, talking to Joe Roediger.

“I was doing a ‘money show’ in Miami [in 1997],” Joe Roediger, sipping a Presidente beer, recalls. “Art Nadel and his wife were there looking for a way to get into the money management business. That’s how it all started out.”

Joe Roediger began working for Frank Alfonso in 1996. “It cost us \$25 to ship [an Indigo] disk and we sold it for \$3,000,” he says. “It was a very, very profitable business.”

Promising massive returns and advertising widely, Alfonso grew Indigo from what Roediger says were “zero” sales in 1996 to \$20 million in 2000. In addition to training the sales staff, Roediger wrote all the ad copy, plugging in numbers he says Alfonso gave him: “INDIGO IS NOW UP 193% ANNUALIZED IN 1999!!!!” “\$10,000 to \$10,000,000...

with Indigo.” “HIGH ANNUAL RETURNS LOW RISK.” “If you were using INDIGO you could now have \$539,329 IN PROFITS!!!” Among the places he promoted Indigo were investor seminars at Art and Peg’s Inside Scoop. But, Roediger says, “Most programs were honest about what their limitations were. Indigo was not. I knew it was bullshit and I told [Alfonso] so. He said, ‘They’re buying it.’”

On Jan. 25, 2001, the Federal Trade Commission announced it had settled a “deceptive advertising” complaint against Alfonso, which forced him—without denying or admitting fault—to stop making false claims about Indigo and to add disclaimers to his ads. Facing hugely reduced sales and a rising threat of class action lawsuits from disgruntled clients, Alfonso shuttered Indigo without notice a year later. Reached by phone in Bradenton, where he now lives, Alfonso says that he closed Indigo because of 9/11, not the FTC ruling. “Art Nadel bought [Indigo].” he says. “But I have no idea if he continued to use it.”

Three years after the FTC censured Indigo, it was still being touted as a miracle “black box” money maker, if not by name. In 2003, the *Wall Street Digest* asked: “Did Your Money Manager Return 21.6% in 2002 19.8% in 2001 55.1% in 2000[?] These are actual results achieved by an effective team of managers in Sarasota, Florida...The Nadel Group...My curiosity about Nadel’s computerized trading program eventually led to a due diligence visit to the offices...Understandably, I did not learn the various mathematical formulas in Nadel’s ‘black box’ computer program...What I did learn is very important for the individual investor. After 26 years of reviewing the track records of over 11,000 mutual funds, 6,000 money managers and 5,800 hedge funds, Nadel’s computerized investment program has produced the best track record and most consistent returns I have ever seen. Sincerely, Donald H. Rowe.”

But the receiver alleges that what Rowe did not fully disclose to his readers, many of whom blame him in their victim statements, was that he lived in Sarasota, and was being paid by Scoop. The receiver is suing

Rowe for \$9.4 million, his earnings from the hedge funds. (Over the years, he received commissions, fees and profits from his own investments in the funds.) Holland & Knight, the law firm that prepared the hedge funds' private placement memoranda, allegedly warned Nadel and Neil Moody in 2004 they "might be breaking current securities law" with their commission payments to Rowe, who was not a registered broker authorized to solicit clients. Despite that, in 2005 the law firm handled a "settlement" between the funds and Rowe, allowing payments to continue for "public relations." Holland & Knight has said it had "no duty" to investigate what its clients were doing or to report it. The firm is being sued by the receiver for \$168 million, equal to the Ponzi's losses. Rowe and Holland and Knight did not respond to queries for this article.

Roediger says that although he pitched Indigo to Art and Peg when they were getting started in 1997, they ended up buying it directly from Frank Alfonso. "I really liked Peg," Roediger says. "I thought Peg was way above being involved in anything shady." And yet, he reflects, "I find it extremely hard to believe that she didn't know."

Just as one must believe certain things in order to believe Arthur Nadel acted alone, one must believe certain things to believe Peg's story. One must believe that an intelligent woman married 30 years to a banker, who'd financed her own real estate deals and run various businesses, had suddenly lost all common sense about numbers. One must believe that her high-profile donations at charitable events were not intended at least in part to bolster the reputation of the funds. One must believe that she didn't find suspicious, want or enjoy what can only be called—despite her "modest" surface lifestyle—a 10-year frenzy of spending. Most importantly, one must believe that Peg Nadel didn't know that the very premise of the scam—that Arthur Nadel was a "trading genius"—was as deceitful as the Indigo black box he relied upon for his trades.

In all the coverage about Nadel and the scam, Indigo has never been mentioned. Yet it seems to hold the key to revealing what Peg must have at least suspected: that the trading program they based their business on had been discredited. Is it possible to imagine that in 10 years, Peg never heard about or discussed the FTC complaint against Indigo with her husband? They'd met with the salesman and with the owner. They'd named one of their clubs after it. Local media had covered Indigo's sudden closure in 2002, and around that time, Art quietly rolled the "Indigo Investment Club" into the hedge funds, distancing himself from the tainted name.

When I ask Peg about Indigo a month after our initial interview, she starts to cry. She says she never knew Art had registered an "Indigo Investment Club" with the state, nor that there was an FTC ruling against Alfonso. "We started to get all these complaint calls; we began to realize [Indigo] was worthless," she acknowledges. When I press, asking how she could have missed that Art's black box had been publicly discredited from the very inception of the hedge funds, she says, "That was so long ago. I didn't know. All I was doing was sitting there and trying to create an office."

In the end, Frank Alfonso sold a black box computer program he'd created to thousands of people for \$3,000 each. Clients took it on faith that it worked, until they saw it didn't. Finally, the FTC forced Frank Alfonso to admit his black box was empty.

Clients brought into Art Nadel's scam with a \$100,000 minimum investment, but many invested much more, so firmly did they believe the Ponzi scheme's central lie—that Art was beating and would continue to beat the stock market. Their willingness to believe was fed by the endless stream of false profits, false performance reports, endorsements and philanthropic contributions with which Art seduced both his collaborators and his victims. It all started with the black box he'd bought from Alfonso. But in the end, Nadel carried the greedy logic one step further. He himself became the “black box”—closed, mysterious and ultimately, empty. By the time he was revealed for the fraud he really was, the money was all gone.

Art Nadel alternately claimed the scam started as early as 1999, was never a scam at all, didn't start until 2008, or was just an attempt to conceal embarrassing trading losses. Peg has always said she believes he traded successfully for many years, that the hedge funds didn't become illegitimate until as late as 2006, that Art concealed his losses only because of his “ego” and that, “As the end neared, he gave back everything he had.”

It's easy to see why she wants to believe that. Claiming that the scam started late in the game makes Art's long and vile crime seem less than it was, and makes the early years' fraudulent wealth seem deserved. To say Art lost the money trading is to plant doubt about any maliciousness. And to say he “gave back everything” suggests enough remain-

ing decency in him to not warrant our utter excoriation.

But the numbers tell the real tale: The books were doctored from the first year, and relatively little trading ever occurred. Of the \$168 million lost, only \$36 million was burned in trading and fees. The rest—\$133 million—was carted away. To downplay these numbers continues the decade of lies and deceptions.

This summer, Chris Moody's wife, Tamara (who received a \$577,000 loan from the funds that has not yet been clawed back for her healthcare business, “Respiro”), was posting on Facebook about her new life in Mississippi. She shared details and pictures of travel, Chanel clothing and her participation in New Orleans fashion week, and she and Chris competed in tennis tournaments at private clubs. Although the receiver has managed to return 20 percent of “hard dollar” (funds that were actually invested, not phantom profits) losses through clawbacks and litigation, it's likely to be years before a full tally is done. Meanwhile, millions remain unaccounted for, while the victims of the scam struggle to adjust to bitter new realities and deprivations.

And Peg Nadel continues to see herself as one of those victims. “You can't make a judgment unless you were a fly on the wall,” she says. “Nobody was there to see. I'm innocent. I don't deserve this. I'm so tired; I've lost everything.”

About a month after our first interview, I attend federal court in Tampa and watch Peg beg for access to her bank account. Alone, unrepresented and looking weary, she tells Judge Richard Lazzara her story of illness, ignorance and woe. Lazzara does not hesitate to render his decision. “Excuse me, there are a lot of

people out there who have lost a lot of money,” he tells her. “I see no reason to treat you any differently. I deny the motion.”

“When I become homeless, will that satisfy everyone?” Peg asks through tears.

“I’ve ruled,” the judge says, and her day in court is over.

To read an interview with Tony D’Souza about the process of writing of this piece, [click here](#).

Part-time Sarasota resident Tony D’Souza is the author of three novels and a contributor to leading magazines, including The New Yorker and Esquire. He has covered crime from a high-profile murder in Nicaragua to disaster-profiteering related to the BP Deepwater Horizon oil spill. His most recent novel, Mule, about a young couple who turn to the drug trade, is partly set in Sarasota, and has been optioned by Warner Bros.

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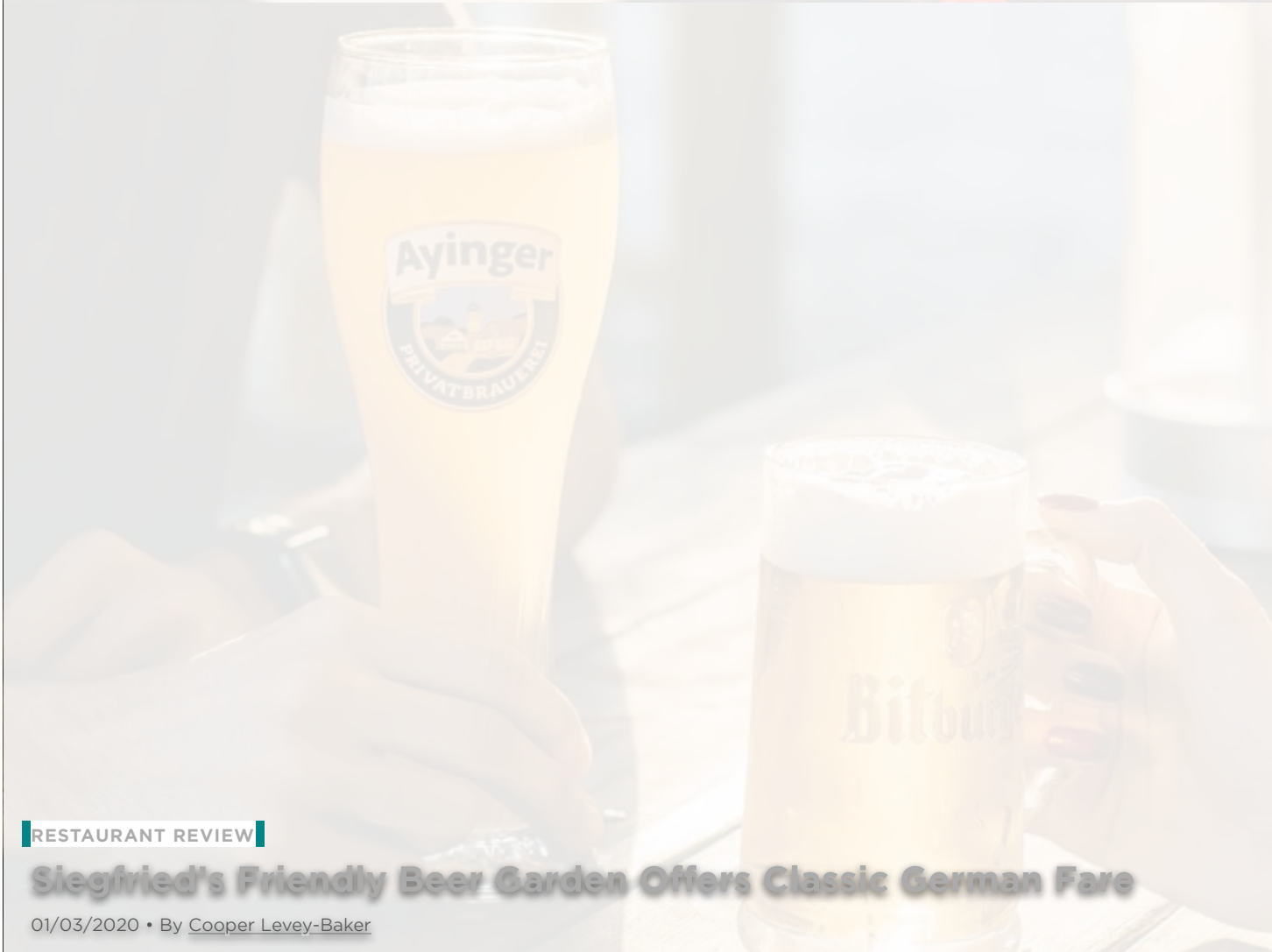




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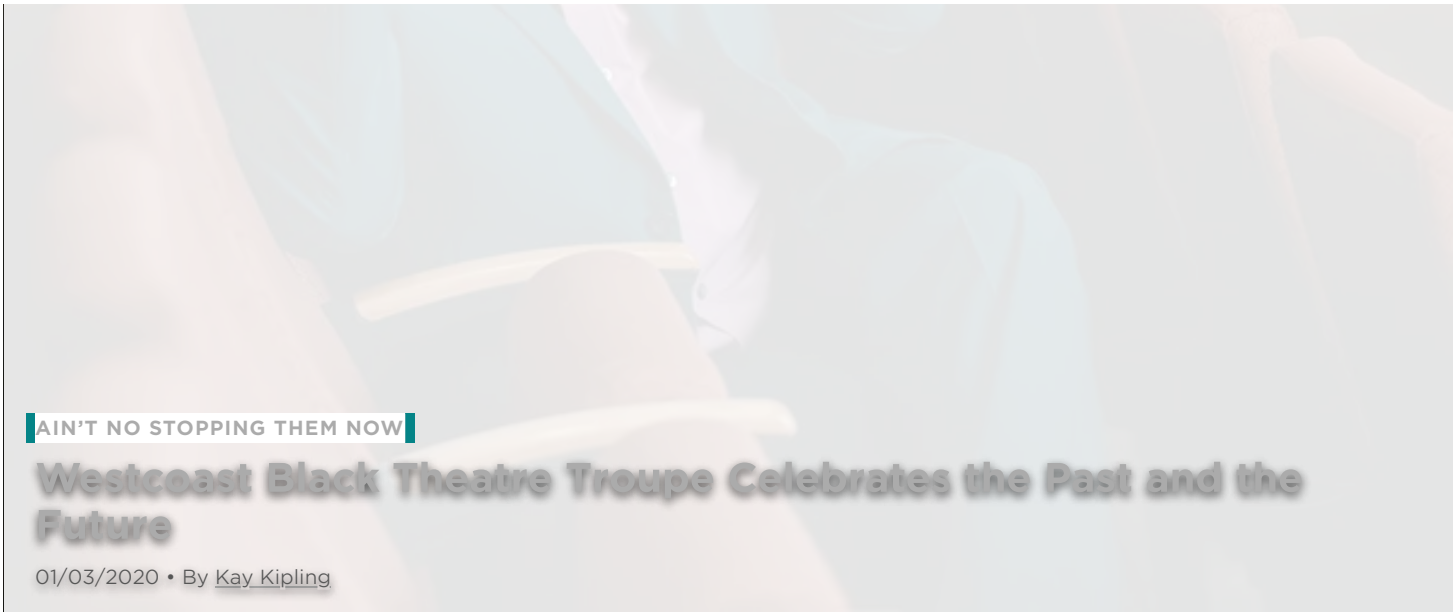


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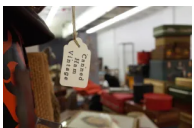
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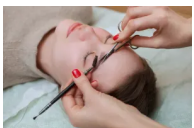
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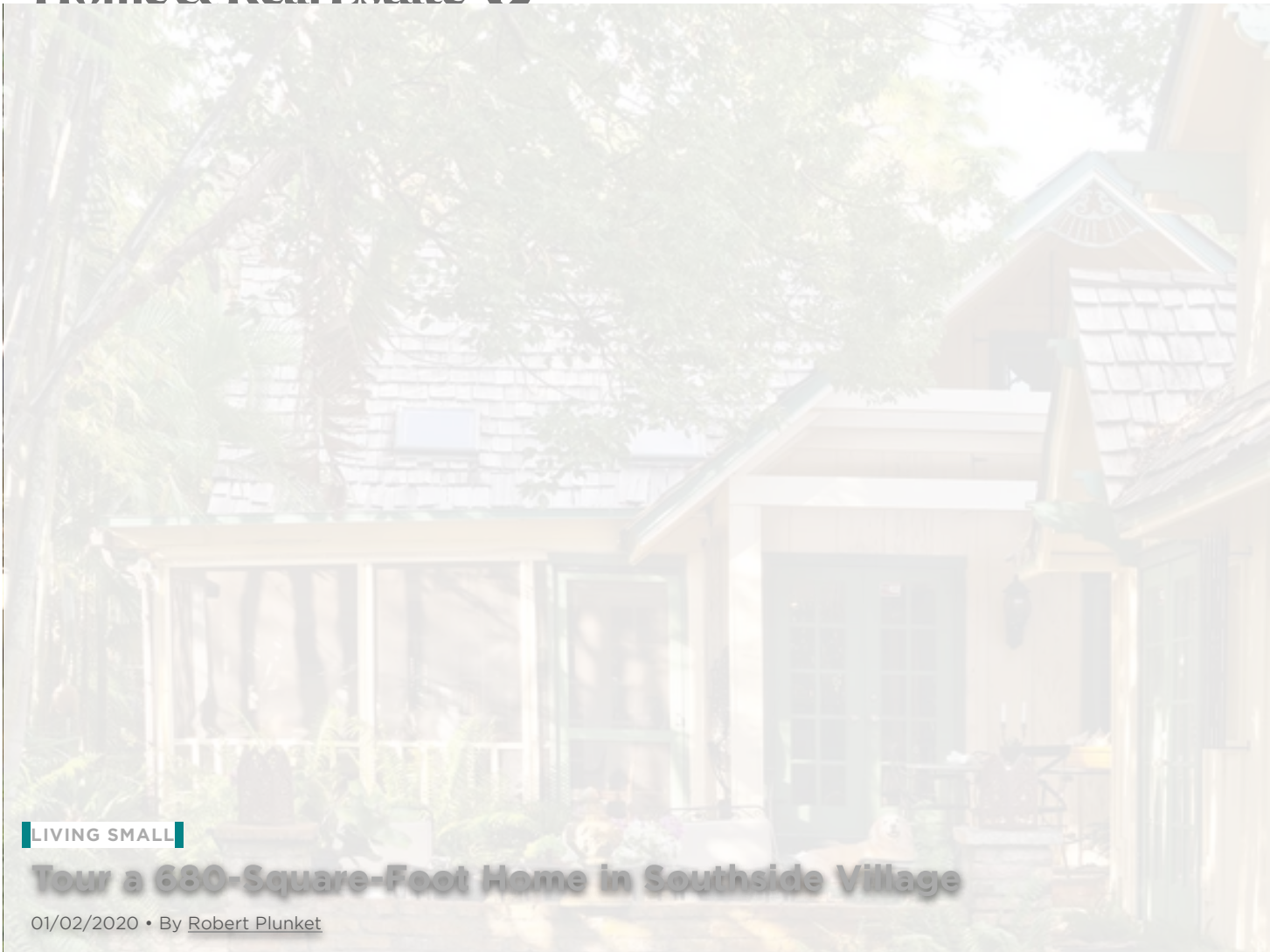


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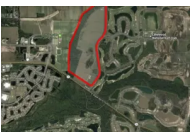
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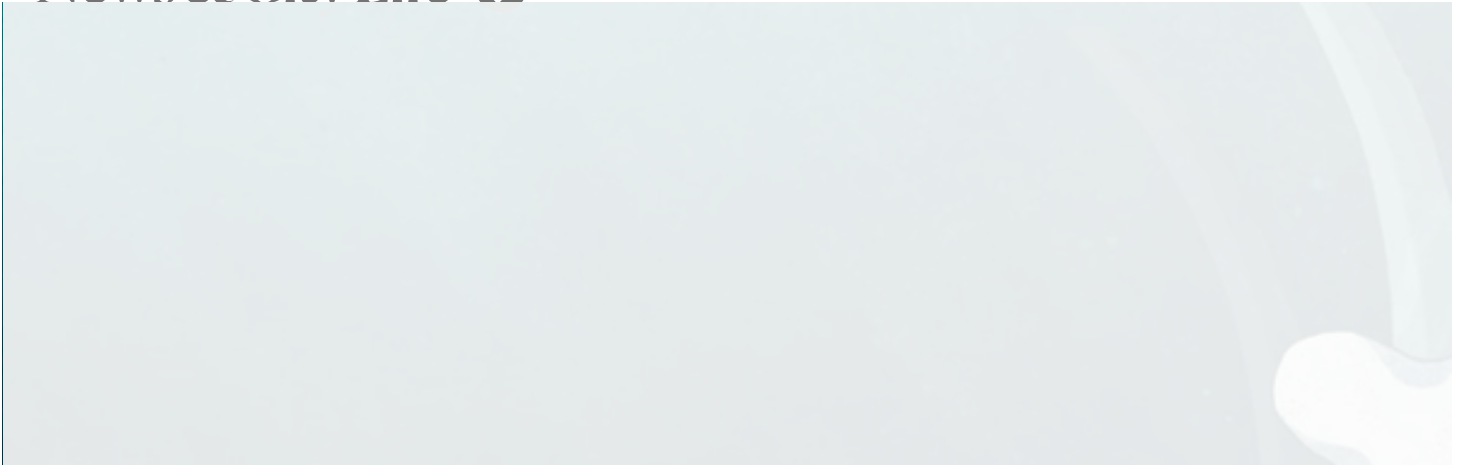


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