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THE PRODIGY AND THE PLAYMATE

How did 23-year-old Mark Yagalla go from not being able to get a prom date to sharing women with Hugh Hefner? How do you think? [Hint: Ask the people who trusted him with millions of dollars]

Wan and hungerless from fatigue and mono, Mark Yagalla picks at his lunch and tells some more lies. The woman sitting across from him is old enough to be his mother. She has entrusted this mild-mannered young investment manager with most of her life's savings—\$4 million—so he certainly can't tell her about the pressure, the debts, the insomnia he can't escape.

Instead, as the trusted boy and the trusting woman sit through lunch at an Italian restaurant in Edison, New Jersey, he unspools yard after yard of fabrications about how much money he's making for her and the 109 other investors who've enlisted his services. He talks about his shaky health. And then, inevitably, he starts in on the subject closest to his heart—his girlfriend—which is appropriate, since she's what Mark Yagalla has been spending Mrs. Kalko's money on.

It is for Sandy Bentley, the beautiful and semi-famous concubine of Hugh Hefner, that Yagalla has been writing checks and financing vacations and buying furs and jewelry and cars and houses. He talks about marrying her. He daydreams aloud about bringing her to his 10th high-school reunion and parading her in front of all the classmates who used to make fun of him.

And then, as if on cue, Sandy calls his cell phone. Yagalla cradles the Nokia and breaks the news that he has mono. They'll have to cancel their planned weekend in a \$6,500-a-night bungalow at the Westin Hapuna Beach Prince Hotel on Hawaii's Big Island. He listens quietly. "We'll get out of this," he tells Sandy. And he asks her to come to Delaware to take care of him. Martha Kalko, watching from across the table, sees the look of disappointment cross his face.

"She's taking you for a ride, Mark," she says.

But by now, Martha Kalko is more concerned that she has entrusted this kid with millions of dollars. *We'll get out of this*, Yagalla had said to his girlfriend.

Get out of what? Kalko wonders.

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Mark Yagalla's audacious joyride has brought him light-years from Weatherly, Pennsylvania, a close-knit rural community northeast of Allentown where he grew up on the grounds of a 2,000-acre tree nursery owned by cousins. His father drove a truck for the nursery, and Mark, as a kid, spent his summers there, making \$4.25 an hour. He was shearing hemlocks in 95-degree heat when it first occurred to him there had to be a better way to make money.

When he was 12 or so, he saw the movie *Wall Street*, and it wrought a powerful change in him. He started spending his free time reading the *Wall Street Journal*, ordering financial statements from corporations, and journeying to the public library to read S&P reports. His heroes were Ron Perelman and Carl Icahn and Michael Milken. At 15, Mark decided he was ready for Wall Street. Frustrated by the age requirement for becoming a stockbroker, he convinced his mother to give him a chunk of his saved earnings, half of which he promptly lost.

Determined to try again, he convinced one of his cousins, Francis Dolinsky, to give him \$5,000 to invest, with the agreement that they'd split any profits. This time, Mark took care not to rush. He read voraciously, at last settling on Dell, with its custom configuration of computers and impressive young founder. He sank the whole \$5,000 into the stock. This was in 1994, just before tech stocks took off. Dell went vertical.

Dolinsky gave Mark more money, which he put into tech issues like Microsoft and Intel. These, too, only went up. Mark bought a Corvette, and then a Chevy Blazer. Word began to spread about this kid over in Weatherly. He was an investing prodigy—and a classic high-school nerd. He hit five-foot-three, then stopped growing. He wore button-downs, khakis and glasses, and carried a bag phone, the clunky predecessor to the cell. The other kids called him “Urkel.”

Mark bandaged his wounds with defiance. The more he was called Urkel, the more nerdily he dressed. On prom night, he stayed home—if he couldn’t go with a trophy girl, he preferred not to go at all. Instead, he spent the day manically trading stocks, and made almost \$23,000. Something calcified in him that day, some belief about what he could and couldn’t do. Making a lot of money became his near-exclusive preoccupation. His parents were simple people who didn’t know quite what to make of their unusual son. He had big plans, many of them cribbed from videos he’d watch over and over, movies about hookers and unscrupulous businessmen, like *Indecent Proposal*, *Other People’s Money* and, especially, *Pretty Woman*. That *Pretty Woman* was a fairy tale was lost on him. He seemed to possess a Disney-manufactured filter that transformed every story into a fairy tale. Even when he watched morality plays like *Wall Street*, what he took away was the glamorous premise, not the unhappy ending. Years later, he would say he might have watched too many movies as a kid.

His class rank slipped from first to second, but when he graduated, Mark had \$125,000 in the bank.

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He spent much of the next year at Wharton, day-trading out of a one-bedroom apartment at 36th and Powelton, riding Dell skyward and taking huge profits investing in tech stocks and trading s&p 500 futures. With a knack for flipping failure into success, he started calling himself “the Teflon Kid.” A year and a half out of high school, he was worth \$1 million. He was a player, but he told no one of the accomplishment—which had merely awakened a thirst for much more money.

Yagalla spent another semester at Wharton, where he felt socially isolated. Then he dropped out to concentrate on investing full-time. He continued his margin investing in Nasdaq stocks, and began branching into other business ventures, too. While still in high school, he’d registered Apex Investments as a business name, and he now submitted filings with the Securities and Exchange Commission to establish it as a hedge fund. He also started another fund, Ashbury Capital, with the enthusiastic support of Delaware orthodontist Ron Collins and his wife, Lorraine. The Collinses, who’d met Yagalla through a mutual market-playing friend and written out a check the same day, were now something like surrogate parents to him. At their suggestion, he moved to Wilmington, buying a McMansion close to Winterthur for \$1 million and leasing an office in a nearby strip center.

The first investors in Apex were people from Weatherly and Wilmington, like the Collinses and their friends, who knew the Mark Yagalla story and were impressed by the earnest, polite kid with the unbelievable returns. At the age of 20, he could already boast of more than five years of investing experience.

The Ashbury Capital offering documents billed the fund as a tech-heavy venture that would engage in several risky practices, among them shorting, margin investing, big bets on a single stock and trading in derivatives. Yagalla was to receive one-fifth of all profits as well as an annual fee of one percent of assets. By March 1999, Ashbury had 15 investors. The hedge fund’s offering statement listed \$1 billion in assets as its goal.

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On a Thursday afternoon that summer, a chestnut-haired, gypsy-eyed, silicone-bosomed young woman named Tishara Lee Cousino, who had been Playboy’s Miss May 1999, reclined on a gently rocking bed and looked expectantly at Mark Yagalla, whom she’d just met. They were in the Florida Keys, aboard a 125-foot yacht Yagalla had leased for the weekend. “Do you want to do anything with me?” she asked.

Yagalla had come a long way from the night of his high-school prom, when he’d stayed home distraught over his inability to get a date. Since then, he’d been with more than a hundred women, but he’d paid for all of them, one

way or another. Beginning with a high-school experience with a call girl at a nursery convention in Chicago, he had become a compulsive procurer of high-priced “escorts,” taking them on yachts and vacations and generally living the life of a playboy. After he made his first million, business became just numbers to him, a rigorous tedium of sitting before a computer screen and holding the hands of anxious clients. But he remained socially undeveloped, without hobbies to distract him or the self-assuredness to enter a bar alone, and he sought to combat his loneliness by purchasing companionship.

After a while, though he enjoyed the transactional efficiency of renting prostitutes, he felt bored by them and sufficiently confident to go after a woman who wasn’t a sure thing. He started going to New York and making the strip-club rounds with \$10,000 in his pocket. While other lonely men paid 20 bucks a lap dance, the 20-year-old ceo of Apex Investments would peel off a Benjamin.

He churned through strippers as if sheer numbers could fill the hole in him. But again he grew bored, and this time he turned to the Internet. It was there that he stumbled on Nici’s Girls, a website that was just then taking the online escort business to a new level. Men willing to pay a \$5,000 “admission fee” could gain entrée to Nici’s “Millionaires Club,” billed simply and mysteriously as a harem of unnamed porn stars, Penthouse Pets and Playboy Playmates. That was enough for Yagalla. He called Nici, who was herself just 21, and said he was young and had a lot of money. She matched him with a pin-up girl who came to his home and flew with him to Puerto Rico. The four days only cost him \$28,000 plus airfare.

Soon, Yagalla was flying two new Nici’s girls a week to his house in Wilmington, laying out \$10,000 to \$20,000 for the pleasure of their company and the only sort of love he knew. He relished the jittery feeling of driving to the Philadelphia Airport to pick up a girl. Eventually, he started flying to L.A. to rendezvous with Nici’s “specials,” including porn megastar Jenna Jameson.

Nici was fast becoming the new Heidi Fleiss, L.A.’s reigning madam, and Yagalla, as a preferred (and relentless) customer, ended up befriendng her and learning her real name: Michelle Braun. She had grown up ordinary, discovered certain talents, and gotten sidetracked, not unlike Yagalla. Both were aggressive and in their early 20s, and they shared an interest in talking about Nici’s clients and how screwed-up Nici’s girls were.

Eventually, Yagalla asked Nici to set him up with Playmates. She had a connection at Playboy, so all Yagalla had to do was page through the magazine and, when he saw a girl he liked, call Nici. She’d obtain a phone number or e-mail address for the girl and make the pitch. The women she set Yagalla up with included two Playmates of the Year in addition to Tishara Cousino, whom Nici priced at \$40,000 for an introductory weekend.

Yagalla had been searching for a trophy to cast in a real-life enactment of *Pretty Woman*, and he viewed Tishara as the best candidate yet for something he’d developed called “The Program.” Mark would supply a woman with a car, a place to live, a credit card, and an allowance set according to her needs and market value. In return, she would be his “beck-and-call girl.”

When Tishara lay down in the ship’s berth that first weekend in the Florida Keys and offered herself to Yagalla, he said no. In thrall to a romantic fantasy, he was put off by her bluntness. He said he only wanted her when she wanted him. That Saturday, he bought Tishara a black Mercedes SL 500. When she said she was unhappy with where she was living in Las Vegas, he offered to buy her a house. She ended up going for a place that cost \$450,000. Mark thought this was a bit much, but he wasn’t good at saying no. He wanted his girlfriend to have whatever she desired.

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This was 1999, the year when a lot of people were under the impression that a dot-com-fueled Nasdaq could defy gravity. Being 22 wasn’t just acceptable; it was desirable. And Yagalla—affable, earnest, clearly bright—lacked just enough polish to avoid seeming slick. Investors fearful of missing out on the gold rush were scrambling into his funds. A Weatherly couple, Tom and Marion Huf, would ultimately invest more than \$3 million with him.

He'd send them monthly statements from the "Apex Investments Aggressive Growth Fund," detailing precisely what he'd done with their money. He was big on tech and Internet stocks. Initially he divvied the Hufs' money up among aol, Dell, Microsoft, Yahoo! and emc. Then he pulled out of emc and moved into eBay, Amazon and cmgi, among others. Over time, the Apex statements became less detailed. By the fall of 1999, Yagalla was reporting to the Hufs that their portfolio had leaped more than 50 percent in one month. In November alone, a statement showed their account soaring from \$2.15 million to \$3.47 million.

From the start, Ashbury's monthly statements disclosed nothing more than the net change in an investor's account, but they were just as bullish as the Apex reports. An investor who gave Yagalla \$20,000 on July 1, 1999, would have shown assets of \$34,730 by the end of the year. As for Yagalla, he would later report that his personal income for 1999 was \$6 million.

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Mark Yagalla was cruising through Las Vegas in a limousine, sitting between Tishara Cousino and Sandy Bentley, when he began to get the picture. This was the last weekend of August. A few days earlier, Tishara had called him on three-way with fellow Playboy model Sandy on the line, and they had all agreed to go to tonight's Cher concert at the mgm. Yagalla knew that Sandy was one half of the busty, platinum-blond Bentley twins, who were themselves one half of Hugh Hefner's current quartet of official girlfriends. Suddenly, Mark Yagalla, who not four years earlier had answered to the name Urkel, was asking: "Won't Hefner mind?"

"He wishes," Sandy replied.

Now, as the threesome headed toward Crazy Horse Too, a strip club where Sandy used to dance, things began to make sense. At dinner before the show, Sandy, in a red cocktail dress, had patted the banquette next to her, beckoning for Yagalla to sit there. And in the limo now, post-concert, Sandy said she wished he was her boyfriend, too. Yagalla viewed a girlfriend of Hugh Hefner's as the ultimate trophy, and he rose to the challenge: He *could* be her boyfriend, too, he said. "We'll be a happy family," Tishara said. At Crazy Horse, Yagalla reveled in the moment. He had Tishara on one knee, Sandy on the other. They took turns kissing him. When the club's silicone-bolstered talent wondered aloud what his secret was, he replied honestly: "I'm fucking loaded."

The next morning, Yagalla bought Sandy a Mercedes SL 500 for \$97,000. Then the two of them joined Tishara for lunch at the Venetian, where Yagalla laid out his most outlandish version of the Program yet. He would give both women Platinum American Express cards and pay them each monthly allowances of \$20,000 to \$25,000. Tishara already had her car and house; Sandy had the car and would get a house. Yagalla wanted to make it so they would have a lot to lose by leaving him. Tishara suggested they all get HIV tests. (Though she declined to be interviewed, Cousino denies that she met Yagalla through a madam and that he put her on a "program.")

Sandy began house-hunting by looking at properties in the \$300,000 range. Nothing she saw was quite right, though, and the price escalated until she fixed on a home in one of the most exclusive developments in Las Vegas—Spanish Trails, a gated golf-course community southwest of the Strip.

The house Sandy wanted was a 6,700-square-foot two-story Italian villa with a pool. Yagalla paid \$1.7 million for it. Sandy, unlike Tishara, didn't push to have the house put in her name, which pleased Yagalla. Sandy even said she was eager to visit him in Delaware. There was just one hitch: She refused to fly commercial.

The next weekend, she arrived in Philadelphia on a chartered Challenger jet. Yagalla picked her up in his red Ferrari, and they drove to Manayunk to have dinner at Kansas City Prime. Then they went back to Yagalla's house in Wilmington, where they were amazed to discover that they had the same taste. Sandy loved the decor and decided to use the same interior designer for her house in Vegas. Then she and Yagalla watched *Pretty Woman* on DVD.

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Possessions meant nothing to Sandy, she told Mark; at the end of prior relationships, she'd FedExed back any gifts she'd received. In the first few months Yagalla and Sandy dated, he gave her, in addition to the house and Mercedes, a red Ferrari f1355 Spyder, a Range Rover, a black Cadillac Escalade SUV to drive when she was visiting Mandy in L.A., a pair of fur coats from Bloomingdale's, two Rolexes, a platinum-and-diamond bracelet from Fred Leighton in Vegas, and \$190,000 worth of jewelry from Venetia in Vegas. On a December trip to New York, he bought her two more Bloomingdale's furs—a shaved mink and a monogrammed chinchilla. Each time Yagalla unveiled a new gift, Sandy would light up, drawing her hands together and clapping with glee. Yagalla wanted his girlfriend to live a life without limits. "She's used to billionaires," he explained to a friend. "Millionaires are nothing to her."

Going out on the town with Sandy was a narcissist's fantasy. Yagalla had million-dollar lines of credit at several casinos on the Strip, and he loved walking into a high-roller room with two bodyguards and his girlfriend, who'd be shimmering in diamonds and platinum. When Yagalla arrived at the baccarat pit, the croupier would say, "Mr. Y's here," and slide a million in chips in front of him.

Yagalla believed that Sandy's love was genuine. She wrote him little notes, signing them "Princess" and calling him "sweet pea," "doe-doe," "honey-bunny" and "my little weirdo." Nevertheless they made an odd couple. Yagalla now wore Brioni shirts and \$3,500 suits from Barneys and shoes by Bruno Magli. He had a year-round tan, courtesy of a tanning bed at his house. He no longer wore glasses, thanks to Lasik surgery, and Sandy tweezed his eyebrows to sleekness. But he remained short and a bit flabby, with a persistent Eastern Pennsylvania twang and an earnest manner straight out of Weatherly. He didn't smoke or drink much or do drugs or even dance, and he liked to go to sleep early. At clubs, he'd sit yawning at the table while the girls were out on the dance floor.

Sandy, close to five-foot-nine, had hair extensions and breast implants (the latter paid for by a pre-Hefner boyfriend, slain Vegas mobster Herbert "Fat Herbie" Blitzstein), and ambitions centered on fame and fun and wealth. One night at Rum Jungle, a savage-tropics-themed club at the Mandalay, Sandy was gyrating on the table with her eyes closed. Back in their upstairs suite, after she and Yagalla had sex, Sandy wandered out of the bedroom. A while later, security called to tell Yagalla there was a naked woman outside his door. Sandy had gotten lost. (Through her lawyer, Sandy Bentley declined to be interviewed.)

Yagalla's friends—or what passed for them: his employees, clients and business associates—almost to a person frowned on his dating her. Sandy was using him for his money, they told him over and over.

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Photographs Sandy Bentley kept from those heady first months of the relationship preserve some of its flavor. For instance, the pictures from the Bahamas, where Yagalla took her that December, show a group of young, lithe, beautiful, sun-baked bodies intertwined. There's Sandy and her twin Mandy, who met Yagalla for the first time on that trip, and Dave Osokow, an L.A. club promoter and aspiring actor who was Mandy's real boyfriend. And then, standing off to one side or lurking awkwardly in back, there's Yagalla, who was paying for everyone else.

As Sandy was Princess, Mandy called herself "Superstar." "Su-pa-stah, Su-pa-stah," she'd say in a breathless staccato. The girls used gangsta slang and called each other "nig." Stabs were made at including Yagalla, with Osokow calling him "little brother" and Hefner girlfriend Jessica Paisley telling him he was "one cool nig," but the only way he knew to relate to them was with money. At the Atlantis hotel in Nassau, he excused himself from the dinner table one night, then returned and surprised Sandy with a \$100,000 necklace she'd admired in a store that day. He even bought a \$3,500 diamond-and-gold bracelet so Dave Osokow would be able to give something to Mandy.

Yagalla wanted to settle down and have kids, and he and Sandy were already talking marriage. (To mollify Tishara, he bought her a new house for \$850,000—even though they never did have sex.) On the way back from the Bahamas, he took Sandy blindfolded into a New Jersey car dealership and presented her with a white Bentley Azure convertible he'd just bought for \$310,000. On a piece of stationery at the dealership, Sandy wrote out possible names for herself: *S. Yagalla. S. Bentley-Yagalla.*

That Christmas, Yagalla gave Sandy \$600,000 worth of jewelry, including a custom-made ruby-and-diamond necklace patterned after the one in *Pretty Woman*.

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Sandy's duties as an official Hefner girlfriend required her to spend Christmas and New Year's at the Playboy Mansion, and Yagalla, feeling used, briefly broke up with her. But his business dealings, happily, were going better than ever. At the beginning of 2000, he got a powerful new marketing tool for recruiting investors. Up to this point, he'd had to rely on clients who'd done well with him to back up his claims of astronomical returns. Now he obtained an audited financial statement, prepared by the accounting firm of Ernst & Young, attesting to the financials of Ashbury Capital in 1999. His gain for the year, the statement declared, was a remarkable 62 percent.

Yagalla had begun to broaden his investor base. Perry Scarfo, a Porsche-driving Wilmington hairdresser who did Lorraine Collins's hair, had succumbed to the siren song in November, ultimately investing \$750,000. One source of new referrals was Rita Johnson, a Florida madam whose little black book contained the names of many wealthy men. These investors were a different breed from Yagalla's Weatherly and Wilmington believers. Eddy Louis, for instance, was an absurdly tan French-accented former squash champion who lived in Palm Beach, drove a Bentley, and had recently been left a widower by a wife several decades his senior. Louis had a private investigator look into Yagalla's background; the investigator turned up nothing, and Louis gave Yagalla \$2 million to invest.

Yagalla, in turn, gave Rita Johnson a Jaguar to compensate her for her referrals. He needed all the investors he could get. He was a millionaire who was growing dangerously accustomed to living like a billionaire.

In January, he began leasing a Gulfstream. When Sandy wasn't attending classes at unlv or parties at the Playboy Mansion, she was overseeing the \$1.3 million remodeling of her \$1.7 million house, using Albert's Interiors, of Chester County. She was especially taken with the idea of creating a room to display her collection of Barbie dolls.

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Yagalla and Sandy were vacationing in Cancun in March when they spotted the paparazzi. On this trip, Sandy's posse included Mandy, Mandy's ex-boyfriend Mike, and future Playmate of the Year Brande Roderick, who brought along Chicago Bears quarterback Cade McNown. Each of the girls had to call Hefner daily to check in, and they were constantly worrying that "the old man," as they called him, was going to find out they were with other men. Sandy was already stressed about her upcoming *Playboy* pictorial, for which Hefner had agreed to pay her and Mandy \$100,000 each—\$80,000 more than the going rate. When cameramen with telephoto lenses appeared out of nowhere in Cancun and began shooting the group, the girls freaked. "April Fools!" said Yagalla, who had hired them.

Sandy was unamused, and when they got home, she and Yagalla broke up again. They were still estranged in April, when Hefner and the twins flew across the country to promote the May cover of *Playboy*, barnstorming from *The Daily Show* to *Late Night with Conan O'Brien*. Flanked by the twins in matching hot-pink cowboy hats, Hefner swaggeringly maintained the facade of a relationship, gushing about the power of Viagra. (The heterosexual icon, Sandy had told Yagalla, had trouble finding satisfaction through intercourse; instead, he liked the girls to pleasure each other while he masturbated and watched gay porn.) In New York, though, Sandy slipped away to meet Yagalla at the Four Seasons, and they had make-up sex.

For Sandy's 22nd birthday, on May 18th, Yagalla planned to pay Ricky Martin \$1 million to sing at a birthday party, but logistics scotched the idea. Instead he gave her a \$500,000 ring and then dropped another \$225,000 on her at Fred Leighton jewelers. That night, they had dinner at Sandy's favorite restaurant in Vegas, Morton's steakhouse. When they returned to the Mandalay hotel, the elevator took them to the top floor. The doors parted, and Sandy saw a trail of rose petals leading to the Presidential Suite. Inside, the trail continued into the bedroom and up the steps to the bed, where rose petals had been arranged into a giant heart.

No one would have guessed that Yagalla was facing a small cash crunch that month. Writing to investors in March, he'd touted "the information technology age" and listed Ashbury's "top 20 holdings": They ranged from cmgi to Yahoo! to Red Hat to aol. But in April, he took an unexpected tax hit, and in May, he bounced \$500,000 in checks to American Express. He scaled back some, terminating his Gulfstream lease. His investors remained blithely unaware of his financial difficulties. Hairdresser Perry Scarfo constantly questioned Yagalla about Ashbury, often stopping by the Wilmington office unannounced just to see what was going on. Yagalla had sent him statements sporadically until Scarfo insisted he receive monthly reports. When Yagalla complained, Scarfo told him, "Get used to it." But in the spring of 2000, Scarfo had no inkling that anything was seriously wrong.

In a May 1st letter to Ashbury investors, Yagalla wrote that because of the Nasdaq's recent decline, he was shifting the portfolio out of speculative stocks and into blue chips. While he remained bullish on information technology, he noted that consumer spending was slowing: "Taking on that extra monthly payment, or spending on luxuries, doesn't seem so feasible at this time." He was in no way referring to himself.

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The remodeling expenses on Sandy's house at Spanish Trails were staggering. She was also making plans to buy an apartment in Chicago. And she told Yagalla she wouldn't move anywhere on the East Coast other than Manhattan, so Yagalla put a million down on a \$10 million condo on Fifth Avenue.

He was planning to ask Sandy to marry him in Paris, over Christmas. Through a connection, he was going to have the Eiffel Tower shut down, so only he and Sandy would be at the top when he proposed. Sandy said they'd have the biggest wedding New York had ever seen. But they were still having problems. In the Vegas house, while Sandy displayed only a single photo of Yagalla—a small framed shot squirreled away in the library—she scattered upwards of 50 pictures of herself and her sister. She even put up a *Playboy* poster of herself in the Barbie room. Yagalla would joke, "You and I are in love with the same person."

Sandy often canceled weekends at the last minute, or would come to his hotel room and leave after an hour, saying she was tired. She resisted journeying to Delaware, and she refused to attend the Republican convention in Philadelphia with Yagalla, who had made Ashbury Capital the second biggest Republican donor in Delaware, sandwiched between mbna and DuPont. Yagalla's friends, meanwhile, continued to view his girlfriend as an unalloyed gold digger. "She cut me off from Mark," Eddy Louis would say later, "because the more I talked to him, the more she had to fuck him."

By August, a full six weeks had passed in which Yagalla hadn't seen Sandy. She'd begun to press him to put the house in her name, and to stop her nagging, he sent her a fake deed. She'd had a miscarriage, and she blamed him for the pregnancy, because Yagalla, like Richard Gere in *Pretty Woman*, eschewed condoms. To cheer himself up, Yagalla went to buy a black 2000 Ferrari 456 gts for \$232,000. He was at the dealership in New Jersey when Sandy called to patch things up. "I just bought you a make-up present," he told her.

While Yagalla's expenses mounted, the stock market was tanking. Yagalla, however, continued to mail investors monthly statements showing gains in their holdings. "We have invested in stocks that have explosive growth potential and aren't too heavily tied to the slowing growth of the economy," he wrote in a June 30th letter to Ashbury clients. The stocks he named included telecom infrastructure plays like Redback Networks, Sycamore Networks and Juniper Networks. An August 1st letter to Ashbury investors boasted of "huge appreciations in some of [the fund's] core holdings." Calling the stock market overheated, Yagalla reported that he'd limited the fund's exposure by paring its market positions, taking profits, and shorting some stocks. As of the end of July, he was claiming a 50 percent return for the year.

And he continued to recruit investors. In a July meeting at neurosurgeon Charles Kalko's Jersey office, Yagalla came on strong, deriding the Kalkos' portfolio manager for "making peanuts" and boasting that his own fund had returned more than 80 percent the previous year. The Kalkos made an initial investment of \$300,000; a few days later, Yagalla called to say they'd already doubled their money. When they asked for a detailed breakdown, he told them his rapid style of moving in and out of stocks made such statements useless. The Kalkos gave him another \$3.7 million.

Yagalla was on the verge of taking Ashbury to a whole other level. Besides having a luxurious office constructed at 450 Park Avenue in Manhattan, he was beginning to attract pedigreed employees like Jack Regan, a Harvard-educated market strategist for Josephthal & Co. The Ashbury promotional brochure now even listed as a “senior adviser” Joseph DiMartino, the venerable chairman of the Dreyfus family of mutual funds. DiMartino, who’d met Yagalla through a mutual friend at Salomon Smith Barney, had tentatively agreed to lend his name and advice to Ashbury in return for an office, his secretary’s salary, and a \$20,000 monthly stipend. With investors, too, Yagalla had made A-list inroads, getting \$1 million from Mel Sembler, finance chairman of the rnc.

A September 1st letter to Ashbury investors continued the theme of the “information revolution,” but Yagalla now sounded a moderating note: “The days of the individual investor buying stocks blindly and making money are gone. ... Our strategy has faired [sic] well during the markets’ topsy-turvy ride this year, and we think it will serve us well going into 2001.”

But the truth was, Yagalla hadn’t traded a share of stock in three months.

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About Sandy, at least, he was feeling more confident. By September, she seemed focused on marriage and was planning to move to New York, where she hoped to attend grad school. She intended to become a couples therapist. And she promised Yagalla she would officially sever her relationship with Hefner, who denied a tabloid report that he’d just thrown the twins out of the mansion, suggesting that the only waves being made in the Grotto’s legendary hot tubs were the result of his girls’ jealousy. “Do we sometimes have disagreements about me being with other women?” Hefner said. “Yes, we do.”

But financially, Yagalla was far less sure of himself—the first time in his life when money, not the girl, was giving him trouble. The market’s decline and the constant need to bankroll Sandy had left his investment funds in precarious shape, and he was starting to feel the heat. Some of his investors were beginning to sense that something was wrong. On a Friday in August, when Dr. Kalko was out of the country, Yagalla had pressed Martha Kalko to invest more money, personally delivering her in his chauffeured limousine to Summit Bank so she could wire another \$1.5 million to his fund without delay. The pushiness troubled her, as did Yagalla’s flash; he bragged about the \$500,000 Chopard watch he’d bought Sandy, and talked about his Swiss Bank account. Kalko and her husband decided to begin withdrawing their money.

And investor Perry Scarfo, invited to join Yagalla in his box at FedEx Field for a Monday night Redskins-Cowboys game, didn’t like the people with whom his host had surrounded himself, slick-looking guys in Armani suits who hung all over Mandy Bentley and lit up Cuban cigars even though Scarfo and his wife had their 19-month-old daughter with them.

Worse still, Yagalla started bouncing checks, including ones to Eddy Louis and the Collins family. As the pressure mounted, he began to avoid his office. For a few weeks, he was bedridden with mono. Late in September, he threw a Hail Mary, buying more than \$7.1 million in stock in Intelliworxx, a software maker, and TravelNow.com, two companies he’d been involved with at the venture-capital stage. He bought the stock through a margin account with the investment bank Lehman Brothers. On Friday, September 29th, three days after he had promised to wire the funds to Lehman, he showed up at its offices with a personal check for \$4.5 million. On Monday, Lehman discovered he didn’t have the money to cover that check. The next day, Yagalla again came to Lehman’s offices, this time bearing a check for \$1.3 million. It didn’t clear, either.

As Yagalla dodged more and more of his clients, he began to feel the most intense pressure from his old supporters, the Collins family. When he confided in them about his problems, he’d later tell friends, they turned around and demanded he return their money—or they’d go to the sec. In the first week of October, Yagalla managed to return \$2.7 million to them. With other funds they’d withdrawn since April, they pulled out a total of \$6.2 million. Still, the Collinses—according to allegations filed by a court-appointed receiver—continued to reassure at least one other skittish investor that Yagalla was past any troubles he might have had and that the investor needn’t worry

about his money. (The Collinses declined to be interviewed but have denied these allegations.)

But by this point, Ashbury Capital was a standard-issue Ponzi scheme. To appease the Collinses, Yagalla had turned over to them newly raised money from investors, including another \$1 million he got from his cousin, Bill Dolinsky.

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When Yagalla's check to Eddy Louis bounced and Louis started making noise about it, Yagalla admitted to him that he'd gotten a margin call and was scraping for cash. He and a friend then picked up Louis in the Gulfstream and headed for Vegas.

It was late on a Wednesday night when they arrived, and Yagalla checked them into a suite at the Aladdin, then headed over to Sandy's house at Spanish Trails and crawled into bed with her. He told her he was in serious trouble. "As long as it's just fines," she said. Yagalla wondered if he should run. He had his passport, the private jet, the bank account in Switzerland. But the Teflon Kid still thought he could pull this one out.

Desperate to raise cash, he got Sandy to sign over the Ferraris and had them loaded onto a truck bound for Florida, where he thought he could get at least half a million for them. He had decided to take care of the Lehman problem by bankrupting Ashbury Capital. He was also trying to sell the helicopter, a limo company and the jewelry. During lulls between business meetings and talks with Sandy, he worked his way up and down the Strip, playing baccarat and blackjack. He'd have three \$15,000 hands on the baize at the same time. But there was no way he was going to game back the \$40 million he'd squandered—much of it on Sandy and the Program. At four different casinos, he lost another \$800,000.

Running out of options, Yagalla had some frank phone conversations with Kenny Luppò, his right hand at Ashbury in New York. "Were all the statements phony?" Luppò asked.

"Ah, last year was not," Yagalla responded. "This year was the problem."

"So they were all phony this year?" Luppò asked.

"No," Yagalla said, "it's been within the last three or four months."

He still believed, at this point, that there was a way out of the mess he'd created. "I'm gonna make this right," he said, "if I have to go to every single client myself, look them in the eye, and show them what I did and work out a plan to make it right."

Near the end of the conversation, Yagalla turned wistful. "It's a shame all this happened, because I really think six months from now we're goin' to be rockin' and rollin' with big money. ... I never wanted to hurt anybody. ... I just got myself in a jam. I made a lot of mistakes."

He'd just made another one: Luppò had become an FBI informant and was taping their calls. Five days later, at the U.S. Courthouse in Wilmington, Yagalla was arrested and charged with mail fraud.

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Sitting behind the wheel of his BMW 750iL, invisible behind its tinted windows, Mark Yagalla glances anxiously at the dashboard clock. His hair is gelled back, and he wears a double-breasted suit, a French blue shirt with his monogram on the cuff, and a Chopard watch. It's almost nine o'clock in the evening, six months after his arrest, and Yagalla is speeding along a country road in the Brandywine Valley.

He's tan, and so lean that his very expensive clothing, once form-fitting, bags around his truncated frame like a gangster's zoot suit. He looks as though he just returned from a month at Canyon Ranch. But it's his tanning bed

that supplies the bronzed sheen, his home gym and new protein-shake diet that have shrunk his waist from a 34 to a 28, and his twice-monthly psychotherapy appointments that have restored some of his perspective.

He hasn't been doing much traveling, not since the government took away his passport, placed an electronic monitoring ring around his ankle, and put him under house arrest. He is allowed out of the house, but he has a nine p.m. curfew. Tonight, he makes it home in time, easing the only car he has left into the three-car garage. And he won't have the BMW much longer; in a few weeks, the court-appointed receiver whose job it is to round up and sell anything of value that Yagalla has left in order to return money to his bilked investors is sending someone to collect it—along with his computer and Mont Blanc pen and cuff links and watches. The house has been sold; the new owners take possession this month.

The criminal case against Yagalla is in limbo while the receiver works to determine what fraction of the investors' losses can be recouped. Yagalla may be better off with no wristwatch. Time snails along as it is when you're awaiting a court's judgment. Yagalla is free of the intense pressures that preceded his arrest, but they have been replaced by a crushing boredom. Sometimes, now, he calls his old investors and tells them he wants to make things right, even if it takes him his whole life. Some of them, even those who lost millions with him, feel sorry for him, feel Sandy Bentley was the real con artist. These are the people who'll take his calls. Many won't. His cousin, Bill Dolinsky, told him never to call again, throwing the phone down so hard it broke. Even Yagalla's little brother, David, won't talk to him.

Some of the investors have been utterly devastated by their losses. Lorraine Fusco, an elderly woman in Scarsdale, New York, had to sell her house and move into a government-subsidized nursing home. Yagalla has cried a few times, thinking about what happened to her. He has suggested to a couple of lawyers that they file class-action suits against Ernst & Young, the accounting firm that gave Ashbury its audit. (A firm spokesperson says Ernst & Young stands by its audit.)

Sandy stayed loyal to Yagalla until she learned the government was going to take away all the things he gave her. Then she stopped calling him. The last time he saw her was at her deposition in New York, in December. The last time they spoke was in February, when she was forced out of her house in Vegas. She did call then, to say it was the worst day of her life. Now, Yagalla watches the Bentleys from afar. He watches Sandy refuse to give up her claim to some of the gifts she received. He watches as Tishara Cousino, too, is made to surrender assets.

He used to feel sorry for the women, but now he blames them for his predicament. Nici kept on e-mailing him about the latest "hot!" girl in her stable, until in April he finally told her he wanted nothing more to do with her "harem of whores." Now, alone in his house, Yagalla is trying to become a person, to learn the social skills money made unnecessary. When the Sixers play the Pacers, he forces himself to watch; he's trying to develop interests.

A *Wall Street* poster still hangs in his house, but now Mark has new goals; he recently saw *The Family Man* and was moved by Nicholas Cage's performance as a man who lives for power and success, only to regret everything he missed. Yagalla busies himself studying books on mergers and acquisitions, reading the *Wall Street Journal*, and talking to people about businesses he'd like to start. The Teflon Kid has been readmitted to Wharton. He was planning to start last month and move into the dorms at Penn. He hopes to be finished with college by the time his criminal sentence is handed down. The most time he'll have to serve is five years. If the sentence begins soon, he just might be out in time to attend his 10th high-school reunion and show his old classmates what he's become."