Informer

So Crime Did Pay

Soon after Timothy J. McVeigh was convicted in 1997 of the 1995 Oklahoma City bombing, his court-appointed lead lawyer, Stephen Jones, gave 171 boxes of defense documents to the University of Texas and with his wife claimed a $295,000 tax deduction. A U.S. Tax Court judge just agreed with the Internal Revenue Service that under Oklahoma law Jones didn't own the files--McVeigh did--and couldn't take the tax benefit. The judge disallowed carryover deductions totaling $15,000 for 2000 and 2001, the year McVeigh was executed. Fighting the IRS over another donation, Jones tells FORBES he'll appeal on grounds he can show ownership, even though McVeigh didn't sign a deed. But Jones says he still was able to use the other $280,000 in earlier tax years because the feds brought their challenge too late. --Ashlea Ebeling

 Biggest Blot of All

A Hawaii bankruptcy judge's recent finding ordering Phoenix's Mesa Air Group to pay $80 million for misusing a rival's confidential data isn't the first blot on the résumé of Jonathan G. Ornstein, who runs the airline. As FORBES reported years ago, the SEC in 1992 upheld a fine and multiyear suspension as a stockbroker—his prior career. The agency cited unauthorized trading, misrepresentation and frustrating investigators. Ornstein's official disciplinary record printout back then: 21 feet long. In the new case the judge said that Mesa's now fired chief financial officer covered up evidence on his own but that the regional carrier benefited. Mesa disputes the finding, is appealing and calls it unfair to cite old Ornstein baggage. Mesa shares recently traded at $3.90--down 72% over four years. --William P. Barrett

 Long-Term View

Since a reverse merger in September with a dormant Internet mortgage services firm, shares of Nile Therapeutics have risen 240% to a recent $6 for a $143 million market cap. Latest financial statements show nil revenue, losses and an accumulated deficit. The Berkeley, Calif. company hopes to win approval for a heart treatment product licensed from the Mayo Clinic. Yet current shareholders have filed to unload large stakes—in a prospectus listing 11 pages of investment risk factors. Nile has just four employees, one of whom--boss Peter Strumph--says that so few shares trade daily that the stock price means little. Nile says in a filing it doesn't expect success "for several years, if ever."--W.P.B.

 Deep Gloat

New York City porn moviemaker Pitbull Productions told competitors to close a Web site allowing unauthorized downloads of its, ah, intellectual property. The irked rivals then posted online comments suggesting Pitbull personnel carried sexual diseases. Pitbull sued successfully—not for defamation but for trademark infringement. A federal judge just gave Pitbull $500,000 plus ownership of the offending Web site itself. --Asher Hawkins

 Monthly Miracles

Two business professors suggest in a paper that hedge fund managers engage in "the purposeful avoidance of reporting losses." Examining 4,200 funds from 1994 to 2005, Vanderbilt's Nicolas P.B. Bollen and Indiana's Veronika Pool found what they call a strange but persistent "kink": Funds reported far more months of small gains than of small losses, in a pattern not explainable by underlying fundamentals. The good months tended to be periods when the managers could value their own illiquid investments because the yearly audit was not imminent. While not ruling out simple undue optimism, the profs speculate managers were trying to attract investors who measure funds by the number of up months. Recommendation: Regulators should take a closer look. --Daniel Fisher