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How McNells Made an Enemy Of Max Hugel

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NEW YORK—It was right out of a classy potboiler. Two brothers, oil men, accuse the Central Intelligence Agency's chief spook of violating securities law. The brothers and \$3 million mysteriously vanish. A third brother, only 42, suddenly dies.

The CIA, naturally, takes an interest in the case. So does the Federal Bureau of Investigation. It all leaves the New York Daily News breathing hard. "The story," says the paper, "reaches into the labyrinths of the Washington bureaucracy, the monied halls of Wall Street. . . ." Soon, it seems, agents of the KGB, the RCMP, or Charlie's Angels will appear.

Nope. More like agents from the IRS—for the true story, as it turns out, seems a bit more run-of-the-mill. The brothers Samuel and Thomas McNell, a lawsuit and other evidence now suggests, tried to blow a whistle on former CIA director of covert operations Max C. Hugel because the tough-minded Mr. Hugel had lent them money that he ungraciously made them repay, even making one of them give a mortgage on his home to secure the debt.

Suit Against Brothers

To repay Mr. Hugel, the suit says, the brothers took funds that outside investors had put in their oil businesses. Then the brothers, in the belief that interest rates would fall, allegedly plunged heavily in the Treasury bill and bond futures markets. Interest rates rose, the brothers dropped a bundle, and blew town. Just before they disappeared they made charges against Mr. Hugel that cost him his job.

On Sept. 2, lawyers for the two oil companies that the McNells had controlled, Triad Energy Corp. and Everest Petroleum Inc., filed suit against the brothers in federal court in New York. The suit charged them with taking more than \$3 million in company funds and losing at least a third of it in six months of speculation that began in December 1980.

In May or June, the two brothers began traveling around the country and even to Switzerland. One of them, Tom McNell, made a series of telephone calls from booths throughout the country to the Washington Post. Eventually he met a Post reporter in New York and, on July 14, the Post published the McNells' story of their dealings with CIA man Hugel. The tale:

That back in 1974, when they were in the securities business, Mr. Hugel gave them "inside" information about Brother International Corp., of which Mr. Hugel then was president. That he lent money to the McNells—improperly, because the securities

firm was a market maker in Brother stock—to finance the purchase of a big position in Brother. That after 1974's market crash put the McNells' securities firm out of business, Mr. Hugel harassed and angered the McNells by demanding repayment of the loans. Mr. Hugel, who denied any wrongdoing, since has resigned from the CIA.

Treasury Futures

Now, the lawsuit filed in New York alleges that the McNells used \$90,000 in funds taken from the oil businesses last December, just before they began speculating in the futures market, to repurchase family real estate in Maine from their old antagonist, Mr. Hugel; he had assumed control of the property because of the debt the McNells owed him. In spring 1981, according to the suit, the McNells used additional company money for a final repayment to Mr. Hugel, who then returned a \$275,000 mortgage he held on Sam McNell's New Jersey home.

The McNells' two oil companies, Triad and Everest, went into business only last year. Triad raised initial capital of \$700,000 in the spring of 1980. It sold \$2.5 million of shares in a public stock offering last February, while the brothers were allegedly speculating in Treasury bill and bond futures. Everest raised \$1.2 million in the fall of 1980, and actually used some of the money to successfully drill for wells in New York State. Sam McNell, 47, was Triad's president; Tom McNell, 49, was Everest's.

According to the lawsuit, the brothers, through Everest trading accounts, gained \$26,257.50 in Treasury futures in December 1980. Then the market turned against them. The accounts, according to the suit, dropped \$203,000 in January, \$220,000 in February, \$196,000 in March, \$400,000 in April, and \$116,000 in May, when the brothers became increasingly hard to reach.

The suit also charges that the McNells funneled corporate money into personal trading accounts.

The June 1 death of a third brother, Dennis, raised questions. On July 29, the Chicago Tribune published a story quoting a director of Triad Energy as saying he had heard Dennis had been twice beaten before his death. Another Triad director and old friend of the McNells, Thomas Walsh, now says that Dennis was indeed beaten—in fights in a bar he had owned in a tough Queens, New York, neighborhood. "He told me," Mr. Walsh says of Dennis, "The dumbest thing an Irishman can do is open a bar in an Italian neighborhood."

A few days ago, as television cameras whirred and shutters clicked, a wooden casket containing the body of Dennis McNell was lifted out of its plot in a Maine cemetery, loaded into a blue hearse, and taken to a morgue 50 miles away. After an eight-hour autopsy, pathologists determined that Dennis had hepatitis and cirrhosis of the liver and had died a natural death. The other brothers are still unreachable.