

Ex-CIA Deputy Director Frank Carlucci Fell for This Scam. Would You?

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May 31st 2013 5:00AM



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Intelligence: To most of us it means smarts, wisdom, cleverness -- but when the word sits at the heart of the name "Central Intelligence Agency," it stands for vital information and

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investing.

In Florida this week, former Deputy CIA Director (and former Secretary of Defense under President Reagan) [Frank Carlucci walked into court](#) and demanded that a Florida judge enforce judgment against a huckster who Carlucci says defrauded him out of \$32 million.

The huckster in question, Michael Han, and his company, West Palm Beach-based Envion, had offered the prospect of taking scraps of plastic waste, originally manufactured from oil, and converting the stuff back into oil for use as a fuel source. Basically, it was promising a form of 21st-century alchemy -- except the base material in this case was plastic instead of lead, and the product it would supposedly would be turned into wasn't real gold but "black gold."

According to Carlucci's complaint, originally filed in April 2012, Han had assured Carlucci that Envion had a patent on this plastic-to-oil technology, a stable of "highly regarded directors" running the shop, a bevy of orders in backlog for sale of the "oil generator" machines that would do the conversions, and plenty of heavy-hitter investors lined up to finance the project.

Unfortunately, none of that was true.

More unfortunately still, Carlucci was unaware that it was not true. He got duped.

In for a Penny, In for a Pound

First approached by Han in 2004, Carlucci happily anted up \$500,000 as his first investment in Envion -- apparently doing no due diligence, instead accepting Han's statements at face value.

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Further happy-talk from Han about the great strides the company was making, and Carlucci's own prospects of earning a return 50 times greater than his investment, enticed the former CIA Deputy Director to hand over millions of dollars more in subsequent years.

It was not until eight years later – 2012 -- that Carlucci began to suspect that something was up. This was after Han closed down the Washington, D.C., office of his supposedly hyper-growing company and moved the firm's headquarters to Florida. It also apparently took Carlucci those eight years to begin asking around, and investigating Han's assertions that he had such luminaries as Bill Gates, Warren Buffett, Bill Clinton, and George W. Bush investing alongside him -- with corporations Morgan Stanley ([MS](#)), Petrobras ([PBR](#)), and Russia's Gazprom beating down the door to invest as well.

(Hint: He didn't, and they weren't.)

Of course, by that point Carlucci was \$32 million in the hole, with much of his wealth having gone to pay Han a \$5 million salary, and to buy Han a \$3.5 million home -- in Florida's soon-to-implode real estate market, no less.

Last month, Carlucci won a judgment for \$37 million in Virginia to try to collect what he could out of whatever money Han has left -- nine years too late.

What's the Lesson Here for You?

Now, for small investors there are a couple of possible takeaways to this story. One possible interpretation: If the former second-in-command of the CIA, and a former honest-to-goodness spy (in the early 1960s, Carlucci held an undercover CIA posting in the Congo) couldn't figure out that the company he was investing in was a fraud, what hope can we little guys, we small-fry investors, ever have?

If you ask me, though, the real moral of this story is much more simple: Use your common

sense.

First and most obviously, if some guy walks up to you and offers you an easy way to turn your money into a 5,000 percent profit, ask yourself: If this idea is so great, then why is this guy giving it to me, instead of keeping it to himself?

Second, do some due diligence. Before committing \$32 million, or \$32,000, or \$320 to a project, do a bit of research. You don't need the resources of the Department of Defense or CIA for this. [The SEC](#) will suffice. If some guy named "Han" tells you he's got investors from Petrobras and Morgan Stanley investing in a plastic-to-oil scheme, look up [Petrobras](#) or [Morgan Stanley](#) on the SEC's website, and see if their filings say anything about their involvement in it.

Third, if your suspicions are already up, you may be able to get by on even more basic research. For example, a Google search for "plastic + into oil + machine + hoax" might have turned up a [link to this 2010 post on the snopes.com website](#) -- two years before Carlucci finally caught on to his goof, and filed his lawsuit.

Motley Fool contributor Rich Smith has no position in any stocks mentioned. [The Motley Fool recommends](#) Petroleo Brasileiro S.A.