

Former CEO gets 10 years

Van Etten is sentenced for scamming thousands in IHI and Mayflower schemes

ANDREA WEIGL, Staff Writer

RALEIGH - Stan Van Etten took eight years to admit he was a criminal who bilked tens of thousands of people, including a federal judge and the former president of the Carolina Hurricanes, out of \$165 million.

The former chief executive officer of International Heritage Inc. will spend 10 years in prison as a result.

In April 2005, after six of Van Etten's former business associates had admitted their crimes and begun cooperating with federal investigators, Van Etten pleaded guilty to two federal conspiracy counts.

While his co-defendants got either house arrest or up to three years in prison, U.S. District Judge Terrence Boyle on Tuesday sentenced Van Etten to spend the next decade behind bars after prosecutors said his effort to cooperate with investigators produced too little and came too late to warrant a lesser sentence.

U.S. Attorney George Holding described the sentence as "a just end for the man, who with the help of his co-conspirators, built his pyramid and investment schemes on the backs of over 150,000 victims."

Van Etten, 45, was sentenced for conspiracy charges in connection with IHI and the Mayflower Venture Capital Fund III, two schemes in which prosecutors say investors lost a total \$165 million. He will have to repay \$14 million.

Van Etten was once described as the "spiritual leader" of IHI, a Raleigh-based company that at its peak reported \$107 million in sales and a sales force of 150,000 in North America. At one time, he was believed to be worth hundreds of millions because of his holdings of IHI stock. He earned a \$1.53 million salary and bonus at IHI, lived in a sprawling North Raleigh home near Falls Lake and owned a magazine called Success.

Van Etten and other Mayflower executives persuaded people to part with their money -- all hoping to profit off the initial public offering of BuildNet, a Durham dot-com company.



Van Etten pleaded guilty to conspiracy charges.

Story Tools

 [Printer Friendly](#)  [Email to a Friend](#)
 [Enlarge Font](#)  [Decrease Font](#)

Associates also sentenced

Two of Stan Van Etten's former business associates also were sentenced Tuesday:

Tom D. Eilers, 73, was sentenced to 10 months of house arrest and 150 hours of community service during five years of probation. Eilers, an accountant for the Mayflower Venture Capital Fund III, pleaded guilty to conspiracy to commit wire and mail fraud.

John D. Brothers, 41, of Texas, was sentenced to 20 months in prison for a conspiracy count related to his role with International Heritage. He said Van Etten recruited him out after college graduation to push penny stocks at a Raleigh firm, and then went on to work at IHI and the Mayflower fund.

More Local & State

- [Going back to Front Street](#)
- [Charges filed in head-on collision](#)
- [LeGrande gets a stay of execution](#)
- [Paratrooper with 82nd Airborne Division killed in Iraq](#)
- [Motorcycles in pack crash, killing 2](#)
- [Animal shelters getting a boost](#)
- [Medication may help younger ADHD patients, study shows](#)
- [Celebrity is no role model](#)

Some of the Mayflower investors included Jim Cain, the former president of the Carolina Hurricanes who is now U.S. ambassador to Denmark; federal appeals court Chief Judge William W. Wilkins of Greenville, S.C.; and P.W. Underwood, the former football coach at the University of Southern Mississippi. The three lost a total of \$60,000 out of \$15 million that prosecutors say investors lost when BuildNet didn't go public and Van Etten and his crew diverted the money to other startups that went nowhere.

Prosecutors and his business partners describe Van Etten as a charismatic salesman who went from pushing penny stocks to luxury goods via IHI to get-rich-quick investments during the stock market boom in the late 1990s. They say his pitch of financial independence and prosperity convinced more than 150,000 people to invest in his schemes since the 1990s.

By 1998, the Securities and Exchange Commission began investigating IHI as an illegal pyramid scheme because it didn't make money from the sale of Coach leather bags or Mont Blanc pens but rather by recruiting others to pay to open their business centers. IHI filed for bankruptcy and the SEC settled its civil complaint against IHI with Van Etten agreeing to pay a \$150,000 settlement.

But the local FBI office launched an investigation, called "Operation Bogus Bonds," that in 2002 resulted in the first of a series of indictments against Van Etten and others.

However, Van Etten would not admit wrongdoing. Throughout, he proclaimed he was innocent and being persecuted by federal investigators.

Finally, Van Etten pleaded guilty in 2005. At the sentencing Tuesday, Van Etten's lawyer, Jim Craven of Durham, wryly told Boyle that he suffered permanent damage to his throat from having to yell at Van Etten so much to get him to plead guilty.

"It took us a while to bring Stan around," Craven said.

On Tuesday, Van Etten acknowledged his lengthy reluctance to admit his crimes.

"It's taken some time for me to fully comprehend and recognize the wrongful acts I have committed," Van Etten said. "I would like to apologize to the victims. ... I take full responsibility for my actions."

Craven recited for the judge a list of federal crimes with lighter sentences than what Van Etten was facing: second-degree murder, buying and selling children for pornography, providing firearms to terrorists, aircraft piracy.

"Is what Van Etten did more serious than these acts?" Craven asked. "I think the answer is fairly obvious."

Craven said he was "frankly flabbergasted" that Assistant U.S. Attorneys Gaston Williams and Clay Wheeler didn't recommend a lighter sentence for Van Etten given his cooperation. He noted that former Enron executive Andrew Fastow was sentenced to only six years in prison for two conspiracy

Most Popular Stories

Last 24 hours

- [Cartoon: Sept. 1, 2006: It's hard out here for a coach](#)
- [Cop arrested for prostitute strip search](#)
- [Daughtry debut dashes hopes](#)
- [Don't chuck him now](#)
- [Amato is mum on future](#)

Last 7 days

- [Don't chuck him now](#)
- [Cop arrested for prostitute strip search](#)
- [Amato is mum on future](#)
- [Cartoon: Sept. 1, 2006: It's hard out here for a coach](#)
- [New Heels coach may reap benefits of Bunting recruits](#)

Ad Links [Buy a link »](#)

Lose 20 lbs for Fall!

As Seen on 60 Minutes: Hoodia Diet Patch Stops Hunger! Free Trial!
www.curbyourcravings.com/hoodia

Better than Hoodia & Ephedra

New Rio Slim - Safe, effective way to lose 10, 20, 30lbs quickly. FREE trial
www.rioslimsecret.com

Annuities beat CD's

If you have your retirement funds in CD's click here!
www.annuiweb.com

counts.

But Williams told the judge that Van Etten's guilty plea was so late in coming that his information was of little use to their investigation.

"Today," Williams said of Van Etten, "he has to pay the piper for his sins."

Staff writer Andrea Weigl can be reached at 829-4848 or aweigl@newsobserver.com.

© Copyright 2006, The News & Observer Publishing Company
A subsidiary of [The McClatchy Company](#) 