Son of Pastor John MacArthur Charged in $16 Million Investment Scheme

A complaint was filed against Mark MacArthur, son of evangelical pastor and radio host John MacArthur, alleging the younger MacArthur and his former business partner defrauded clients in a $16 million investment scheme.

The Securities and Exchange Commission on Feb. 12 charged the California-based investment advisory firm Criterion Wealth Management Insurance Services and its then co-owners Mark MacArthur and Robert Gravette with failing to reveal financial conflicts of interest when recommending certain investments to their clients between 2014 and 2017. MacArthur left the company in 2017.

MacArthur and Gravette encouraged their clients to invest more than $16 million in four private real estate investment funds without notifying them that the fund managers for these investments had paid them more than $1 million in side compensation, according to the complaint that was filed in U.S. District Court in California. This was on top of the fees that the business partners were already charging their clients.

Both Gravette, 54, and MacArthur, 52, were longtime social acquaintances of one of the fund manager's principals, "dating back to the 1980's, when they attended the same university," the complaint reads.

According to the complaint, MacArthur and Gravette were financially encouraged to keep their clients invested in the funds, instead of issuing their capital elsewhere, "because this additional side compensation was recurring and depended on Criterion's clients remaining invested in the subject funds."

For two of the private placement funds, the undisclosed compensation reduced the investment returns their clients would have otherwise received, according to the complaint.

MacArthur and Gravette "kept their clients in the dark as to all these material facts and, in doing so, they violated their fiduciary duty and defrauded their advisory clients," the complaint reads.

The complaint seeks permanent injunctions prohibiting future violations of the federal securities laws. It also calls for civil penalties and an order requiring MacArthur and Gravette to expel "their ill-gotten gains" with interest.

MacArthur and Gravette are both alumni from Master's University, where John MacArthur was the longest-serving president and is now the chancellor emeritus. {eoa}