

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**August 15, 1996**

**INVESTMENT ADVISERS ACT OF 1940**  
**Release No. IA-1577**

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 34-7573**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-9063**

**In the Matter of THE CABOT MONEY MANAGEMENT, INC. and ROBERT T. LUTTS, Respondents.**

**ORDER INSTITUTING PROCEEDINGS PURSUANT TO SECTION 21C OF SECURITIES EXCHANGE ACT OF 1934, AND SECTIONS 203(e), 203(f) and 203(i) OF THE INVESTMENT ADVISERS ACT OF 1940, MAKING FINDINGS, IMPOSING SANCTIONS, AND CEASE- AND-DESIST ORDER**

**I.**

The Securities and Exchange Commission ("Commission") deems it appropriate and in the public interest that public administrative proceedings be, and they hereby are, instituted pursuant to Section 21C of the Securities Exchange Act of 1934 ("Exchange Act") and Sections 203(e), 203(f) and 203(i) of the Investment Advisers Act of 1940 ("Advisers Act") against Cabot Money Management, Inc. ("Cabot Money Management") and Robert T. Lutts ("Lutts") to determine whether Cabot Money Management and Lutts willfully violated Section 13(f)(1) and Rule 13f-1 thereunder.-[1]-

**II.**

In anticipation of the institution of these administrative proceedings, each Respondent has submitted an Offer of Settlement

for the purpose of disposing of the issues raised in these proceedings. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission or to which the Commission is a party, and prior to a hearing pursuant to the Commission's Rules of Practice, 17 C.F.R. Section 201.1, et seq. the respondents, without admitting or denying the findings set forth herein, except that they admit to the jurisdiction of the Commission over them and over the subject matter of these proceedings, consent to the entry of the findings and to the issuance of this Order Instituting Proceedings ("Order").

**III.**

On the basis of this Order and the Respondents' Offers of Settlement, the Commission finds the following: -[2]-

**A. RESPONDENTS**

1. Cabot Money Management is an investment adviser that has been registered with the Commission pursuant to Section 203(c) of the Advisers Act since 1983, and is an "institutional investment manager" within the definition set forth in Section 13(f)(5)(A) of the Securities Exchange Act of 1934 ("Exchange Act").

2. Lutts, age 39, is the president, treasurer, director and sole stockholder of Cabot Money Management. Lutts has authority to direct the investment of Cabot Money Management's clients' funds, and is an "institutional investment manager" within the definition set forth in Section 13(f)(5)(A) of the Exchange Act.

3. On March 23, 1987, Cabot Money Management and Lutts consented, without admitting or denying the findings, to the entry of a Commission order finding that it violated Sections 206(1), (2) and (4) of the Advisers Act and Rules 206(4)-1(a)(2) and 206(4)-1(a)(5) thereunder, imposing a censure, and ordering them to comply with certain undertakings. See *In the Matter of Cabot Money Management, Inc. and Robert T. Lutts*, Investment Advisers Act Rel. No. 1063 (March 23, 1987).

## **B. FACTS**

1. In the course of their business as institutional investment managers, Cabot Money Management and Lutts use the mails and other means or instrumentalities of interstate commerce.

2. On the last trading day of July 1995, Cabot Money Management and Lutts exercised investment discretion with respect to accounts that held in excess of \$100 million in publicly traded equity securities described in Exchange Act Rule 13f-1(c) as "Section 13(f) securities." Cabot Money Management's and Lutts' holdings of "Section 13(f) securities" in discretionary accounts also exceeded \$100 million on the last trading day of September, November and December 1995.

3. Pursuant to the provisions of Section 13(f) of the Exchange Act and Rule 13f-1 thereunder, Cabot Money Management and Lutts were obligated to file a Form 13F disclosing their holdings of "Section 13(f) securities" as of December 31, 1995, within 45 days of December 31, 1995 -- the last day of the calendar year in which they first exercised investment discretion with respect to accounts holding "Section 13(f) securities" having an aggregate fair market value on the last trading day of any month in that calendar year of at least \$100 million. That Form 13F should have been filed on or before February 14, 1996.

4. Cabot Money Management and Lutts were obligated to file a second Form 13F within 45 days of March 31, 1996 -- the last day of the following calendar quarter, disclosing their holdings of "Section 13(f) securities" as of the end of that quarter. That Form 13F should have been filed on or before May 15, 1996.

5. Cabot Money Management and Lutts did not file the required Forms 13F with the Commission until June 11, 1996. On that date, Cabot Money Management and Lutts filed two Forms 13F, one reflecting their holding of more than \$138 million of "Section 13(f) securities" as of December 31, 1995, the other reflecting their holding of more than \$199 million of "Section 13(f) securities" as of March 29, 1996, the last trading day of that quarter.

6. Lutts father, a director of Cabot Money Management, publishes an investment advisory letter known as The Cabot Market Letter, and otherwise disseminates investment advice to subscribers. Presstek, Inc. ("Presstek") is one of the securities it has recommended. The Cabot Market Letter has described Presstek as "the best stock we have ever uncovered in our lifetime of searching for super-growth stocks," and "the Son of Xerox, a stock that increased 100-fold in an eight-year period." The Cabot Market Letter calls Presstek its "Stock of the Decade," and on at least four occasions has described Presstek as its "Stock of the Month."

7. The investment philosophy Cabot Money Management and Lutts apply to client accounts generally follows that recommended by The Cabot Market Letter and other related publications. As of December 31, 1995, accounts over which Cabot Money Management and Lutts exercised investment discretion held 693,109 shares of Presstek, approximately 4.7 percent of the total outstanding. As of March 29, 1996, that figure had increased to 729,441 shares, or approximately 4.8 percent of the total outstanding. Those holdings accounted for more than 45 percent of the "Section 13(f) securities" in accounts over which Cabot Money Management and Lutts exercised investment discretion as of December 31, 1995, and nearly 40 percent of the "Section 13(f) securities" as of March 29, 1996. 8. During the period when

Cabot Money Management's and Lutts' required Forms 13F were due but had not been filed, Presstek's stock price traded between a high of \$200 and a low of \$60. Investors in Presstek during that period did not have the information set forth in the last three sentences of paragraph 7 above, which was subsequently disclosed on the Forms 13F.

#### **IV. LEGAL DISCUSSION**

The Congressional purpose in enacting Section 13(f) of the Exchange Act was "to create a central depository of historical and current data about the investment activities of institutional investment managers." S. Rep. No. 94-75, 94th Cong., 2d Sess. 77-78 (1975). The importance of timely disclosure of such information is especially pronounced here, where the institutional investment managers' holdings include a significant percentage of the outstanding securities of an issuer with a volatile stock price, and where the manager's father is strongly recommending the stock in question through his investment advisory letter. These circumstances illustrate that the information required on Form 13F can be of value to the marketplace and investors in evaluating the demand for a stock, and assessing the motivations of those holding or recommending a stock.

#### **V. FINDING**

On the basis of this Order and the Offers of Settlement submitted by the Respondents, the Commission finds that Cabot Money Management and Lutts willfully violated Section 13(f)(1) of the Exchange Act and Rule 13f-1 thereunder.

#### **VI.**

In view of the foregoing, the Commission has determined that it is in the public interest to accept the Respondents' Offers of Settlement. Accordingly, IT IS HEREBY ORDERED THAT:

- A. Cabot Money Management and Lutts be, and they hereby are, censured;
- B. Cabot Money Management and Lutts, pursuant to Section 21C of the Exchange Act, shall cease-and-desist from committing or causing any violation and any future violation of Section 13(f)(1) of the Exchange Act and Rule 13f-1 thereunder;
- C. Cabot Money Management and Lutts shall, within ten days of the date of this Order, each pay a civil penalty in the amount of twelve thousand five hundred dollars (\$12,500) to the United States Treasury. Such payment shall be: (A) made by United States postal money order, certified check, bank cashier's check or bank money order; (B) made payable to the Securities and Exchange Commission; (C) hand-delivered to the Comptroller, Securities and Exchange Commission, 450 Fifth Street, N.W. Washington, D.C. 20549; and (D) submitted under cover letter identifying Cabot Money Management and Lutts as Respondents in these proceedings, the file number of these proceedings, and the Commission's case number, a copy of which cover letter and money order shall be sent to Erich T. Schwartz, Assistant Director, Division of Enforcement, Securities and Exchange Commission, 450 Fifth Street, N.W., Stop 5-4, Washington, D.C. 20549.

By the Commission.

Jonathan G. Katz Secretary

#### **FOOTNOTES**

-[1]- "Willfully" as used in this Order means intentionally committing the act which constitutes the violation. There is no requirement that the actor also be aware that he is violating one of the Rules or Acts. See Tager v. SEC, 344 F.2d 5 (2d Cir. 1965).

-[2]- The findings herein are made pursuant to the Respondents' Offers of Settlement and are not binding on any other person or entity in this or any other proceeding.

