

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 90166 / October 14, 2020

ACCOUNTING AND AUDITING ENFORCEMENT
Release No. 4186 / October 14, 2020

ADMINISTRATIVE PROCEEDING
File No. 3-20121

In the Matter of

JAMES DEPALMA, CPA

Respondent.

**ORDER INSTITUTING PUBLIC
ADMINISTRATIVE PROCEEDINGS
PURSUANT TO RULE 102(e) OF THE
COMMISSION’S RULES OF PRACTICE,
MAKING FINDINGS, AND IMPOSING
REMEDIAL SANCTIONS**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted against James DePalma (“Respondent” or “DePalma”) pursuant to Rule 102(e)(3)(i) of the Commission’s Rules of Practice.¹

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. 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 without admitting or denying the findings herein, except as to the Commission’s jurisdiction over him and the subject matter of these

¹ Rule 102(e)(3)(i) provides, in relevant part, that:

The Commission, with due regard to the public interest and without preliminary hearing, may, by order, . . . suspend from appearing or practicing before it any . . . accountant . . . who has been by name . . . permanently enjoined by any court of competent jurisdiction, by reason of his or her misconduct in an action brought by the Commission, from violating or aiding and abetting the violation of any provision of the Federal securities laws or of the rules and regulations thereunder.

proceedings, and the findings contained in Section III.3 below, which are admitted, Respondent consents to the entry of this Order Instituting Public Administrative Proceedings Pursuant to Rule 102(e) of the Commission's Rules of Practice, Making Findings, and Imposing Remedial Sanctions ("Order"), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds that:

1. DePalma, age 69, is a resident of New Canaan, Connecticut. DePalma is a founding member of a private equity firm which manages nearly 50% of the stock of Revolution Lighting Technologies, Inc. In September 2012, DePalma was appointed to Revolution's Board of Directors, and in July 2015, he became Revolution's Chief Financial Officer. DePalma retired from these positions in May 2019. He remains a partner of the private equity firm. DePalma was an audit partner at a major national audit firm where he worked from 1973 until 1994. DePalma was registered as a Certified public accountant in the state of New York until 1997.

2. Revolution is a Delaware corporation headquartered in Stamford, Connecticut. Revolution is a manufacturer and marketer of LED lighting solutions for customers in the industrial, multi-family housing, commercial and government markets in the United States. Until October 14, 2019, Revolution's common stock traded on the NASDAQ (RVLT). On June 29, 2020, the Commission temporarily suspended trading in Revolution's securities because it was delinquent on its periodic filings with the Commission.

3. On September 24, 2020, the Commission filed a complaint against DePalma in the civil action entitled SEC v. Revolution Lighting Technologies, Inc. et al, Civil Action No. 3:20-cv-01440-CSH, in the United States District Court for the District of Connecticut. On October 9, 2020, the court entered an order permanently enjoining DePalma, by consent, from future violations of Sections 17(a)(2) and 17(a)(3) of the Securities Act of 1933 and Sections 13(a), 13(b)(5), 13(b)(2)(A), 13(b)(2)(B) of the Securities Exchange Act of 1934 and Rules 12b-20, 13a-1, 13a-11, and 13a-13, 13a-14, and 13b2-1 thereunder. DePalma was also ordered to pay a \$100,000 civil money penalty.

4. The Commission's complaint alleged, among other things, that from at least the fourth quarter of 2014 through the second quarter of 2018, DePalma as board member and Chief Financial Officer of Revolution engaged in disclosure and accounting practices that operated as a fraud and resulted in Revolution improperly recognizing revenue and reporting materially false revenue amounts in its financial statements filed with the Commission. The Complaint alleged that DePalma along with other Revolution executives inflated the revenue Revolution reported each quarter and at the end of the year by counting revenue from sales much earlier than accounting rules and Revolution's own revenue recognition policies permitted. The Complaint alleged DePalma inflated the revenue by using improper "bill and hold" transactions, from which Revolution recognized revenue from the sale of lighting products before ever delivering those products to the customer.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanction agreed to in Respondent DePalma's Offer.

Accordingly, it is hereby ORDERED, effective immediately, that:

A. DePalma is suspended from appearing or practicing before the Commission as an accountant.

B. After three years from the date of this order, DePalma may request that the Commission consider his reinstatement by submitting an application (attention: Office of the Chief Accountant) to resume appearing or practicing before the Commission as:

1. a preparer or reviewer, or a person responsible for the preparation or review, of any public company's financial statements that are filed with the Commission (other than as a member of an audit committee, as that term is defined in Section 3(a)(58) of the Securities Exchange Act of 1934). Such an application must satisfy the Commission that DePalma's work in his practice before the Commission as an accountant will be reviewed either by the independent audit committee of the public company for which he works or in some other acceptable manner, as long as he practices before the Commission in this capacity; and/or

2. a preparer or reviewer, or a person responsible for the preparation or review, of any public company's financial statements that are filed with the Commission as a member of an audit committee, as that term is defined in Section 3(a)(58) of the Securities Act of 1934. Such an application will be considered on a facts and circumstances basis with respect to such membership, and the applicant's burden of demonstrating good cause for reinstatement will be particularly high given the role of the audit committee in financial and accounting matters; and/or

3. an independent accountant.

Such an application must satisfy the Commission that:

(a) DePalma, or the public accounting firm with which he is associated, is registered with the Public Company Accounting Oversight Board ("Board") in accordance with the Sarbanes-Oxley Act of 2002, and such registration continues to be effective;

(b) DePalma, or the registered public accounting firm with which he is associated, has been inspected by the Board and that inspection did not identify any criticisms of or potential defects in DePalma's or the firm's quality control system that would indicate that the respondent will not receive appropriate supervision;

(c) DePalma has resolved all disciplinary issues with the Board, and has complied with all terms and conditions of any sanctions imposed by the Board (other than reinstatement by the Commission); and

(d) DePalma acknowledges his responsibility, as long as he appears or practices before the Commission as an independent accountant, to comply with all requirements of the Commission and the Board, including, but not limited to, all requirements relating to registration, inspections, concurring partner reviews and quality control standards.

C. The Commission will consider an application by DePalma to resume appearing or practicing before the Commission provided that his state CPA license is current and he has resolved all other disciplinary issues with the applicable state boards of accountancy. However, if state licensure is dependent on reinstatement by the Commission, the Commission will consider an application on its other merits. The Commission's review may include consideration of, in addition to the matters referenced above, any other matters relating to DePalma's character, integrity, professional conduct, or qualifications to appear or practice before the Commission as an accountant. Whether an application demonstrates good cause will be considered on a facts and circumstances basis with due regard for protecting the integrity of the Commission's processes.

By the Commission.

Vanessa A. Countryman
Secretary