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says it began four years ago.

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April 11 — Scott London, a Los Angeles partner in one of the nation's largest accounting firms, says it began four years ago.

By his account, a friend with money trouble was poking around for information on Herbalife Ltd. and Skechers USA Inc., two Los Angeles-area companies whose audits London personally oversaw. Soon, he says, he was passing inside tips on the companies that resulted in as much as \$100,000 in profit for his buddy.

In return, he says, he collected "about \$25,000" in cash, was treated to fancy dinners and received a Rolex watch as a gift.

Last Tuesday, London and his company, KPMG, were caught up in an insider-trading scandal that rocked Wall Street.

The furor began late Monday when KPMG announced it had fired a high-ranking staffer, later revealed to be London. The accounting giant said the executive had allegedly been involved in insider trading of prominent companies whose audits he handled.

On Tuesday, those firms — nutritional supplement maker Herbalife and footwear company Skechers — said KPMG had abruptly resigned as their outside auditor because of the alleged misconduct.

Trading in stocks of the two local companies was temporarily suspended. That was particularly significant for Herbalife, which already was engulfed in a separate controversy that had investors on edge.

The Los Angeles company has been caught up in a tug of war with a hedge fund

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The Justice Department is investigating the insider trading allegations, people familiar with the matter said.

KPMG was approached by the Justice Department late last week and told that London, who was a partner in KPMG's office in downtown Los Angeles, was under investigation, according to a person briefed on the matter. London was fired less than 24 hours later.

The firm in a statement described the executive as a "rogue" employee who "acted with deliberate disregard for KPMG's long-standing culture of professionalism and integrity."

Herbalife said it may need a year to find a new independent auditor and have its financial statements approved, analysts said. The company's ability to borrow could be compromised. It issued a statement Tuesday rejecting notions that it could be delisted by the NYSE.

It's the latest setback in an already tumultuous year for the company. In December, Bill Ackman of Pershing Square Capital Management publicly branded Herbalife's multi-level marketing set-up a "pyramid scheme" that pays millions of dollars to distributors who recruit new sellers while underfunding the rest.

Herbalife denied the allegations, claiming that Ackman was trying to manipulate the company's market performance. But the damage was done — its stock tumbled as low as \$24.24 a share from as much as \$73 a share last April.

Former KPMG auditor London said that "there is absolutely nothing wrong" with Herbalife's financial statements and that he regrets his actions.

Neighbors and associates who knew London never expected him to be embroiled in such a scandal.

The 29-year KPMG veteran lives in a two-story house in an Agoura Hills cul-de-sac.

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He managed more than 900 workers at KPMG and was “responsible for monitoring the mentoring and performance evaluation of the employees as well as the overall growth and quality initiatives within the audit practice,” according to his profile on the Directors’ Organization, a group for companies’ board members.

London, the partner in charge of audit services for KPMG’s Pacific Southwest region, spent years working with Herbalife and Skechers, the Manhattan Beach company.

The 50-year-old said he can’t explain why he shared the tips with his friend, alternately toggling between acknowledging his wrongdoing and describing the information he provided as bare-bones.

London said he didn’t realize initially that the friend was trading on his advice, but acknowledged that it slowly dawned on him.

“Every day since this occurred I’m saying to myself how stupid I am,” London said. “I have no idea what I was thinking. I don’t know why there was a lapse of judgment but there was.”

London said he barely benefited.

“I gained very little,” London said. “He gained a lot and yet I bore all the risk.”

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