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April 10—It was the Starbucks sting.

The defining moment in the KPMG insider-trading scandal happened over coffee at a Starbucks in the San Fernando Valley, when the auditor at the center of the case was set up by his longtime friend.

Accountant Scott London thought he was meeting for a casual coffee, until the friend handed him an envelope containing \$5,000 cash — a payoff for giving his buddy inside information about public companies that KPMG audited.

Unbeknownst to London, the FBI was secretly photographing the exchange, a source familiar with the matter said.

A few days later, FBI agents showed up at London's Agoura Hills home with the photographs. They told him to hire a lawyer.

London would later admit to KPMG that he had been providing the friend with information about two of the accounting powerhouse's clients: Herbalife Ltd., a Los Angeles nutritional products company, and footwear company Skechers USA Inc.

KPMG fired London and resigned as auditor for Herbalife and Skechers. The companies are now scrambling to retain new accountants. And London is awaiting the next step — a likely criminal prosecution and regulatory enforcement.

In an interview with The Times, London declined to identify his friend.

London, 50, has been a certified public accountant since 1986. He had a high-paying job, managing hundreds of KPMG accountants.

He said he gave the friend information about the companies because he wanted to help out a friend who was struggling financially. The friend rewarded him with

about \$25,000 in cash payments, a new Rolex watch and fancy dinners, London said.

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