

S. & P. 500	1,593.37	▲	5.64
Dow industrials	14,865.14	▲	62.90
Nasdaq composite	3,300.16	▲	2.90
10-yr. Treasury yield	1.79%	▼	0.02
The euro	\$1.3101	▲	0.0035

Corner Office

Start-Up Sense

Sabrina Parsons of Palo Alto Software talks about her company's culture. **2**



Senators question the independence of banking consultants. **3**

Cyprus faces an increasingly bleak future, with a shrinking economy. **3**

Sports Friday

Pages 9-15

Augusta Teenager

Guan Tianlang, 14, shot a solid 73 at the Masters. **9**



Business Day

The New York Times

FRIDAY, APRIL 12, 2013

A Plot Twist At Herbalife Draws In The Auditors

Herbalife, which describes itself as a global nutrition company, and which critics deride as a purveyor of overpriced products that is really a pyramid scheme preying on naïve people with dreams of easy wealth, has already provided one of the best stock market dramas in years. Now, through no fault of its own, it could become a catalyst for change in the auditing profession.

Herbalife lost its auditor, KPMG, this week after it was revealed that Scott I. London, the partner in charge of the audit until he was fired, had been providing inside information about Herbalife and the shoe company Skechers to a frequent golf partner who was trading on the tips.

The audit firm decided that it would not only resign as auditor at Herbalife and Skechers, whose audits Mr. London also led, but would also withdraw its certification of the old audits, even though it said it had no reason to doubt the accuracy of the reviews. That left the two companies scrambling to find new auditors who

Dueling hedge funds will be watching the new accountants.

will have to reaudit results from recent years, an expensive and time-consuming process.

Skechers presumably will have no trouble getting one of the other Big Four firms — PricewaterhouseCoopers, Deloitte & Touche and Ernst & Young — to take over its audit. And it seems reasonable to think that KPMG will end up paying the extra costs, since it was the misconduct of its partner that led to the mess.

But it will be interesting to see which firm signs on as Herbalife's auditor. When an auditor is selected, that firm will be under close scrutiny by the participants in the Herbalife stock market war being fought by hedge funds. That war pits Bill Ackman of Pershing Square Capital Management, who has loudly shorted the stock, against Daniel S. Loeb of Third Point, who bought the shares after Mr. Ackman disclosed his position. Carl C. Icahn, who has an unrelated complaint with Mr. Ackman, has also leapt

Continued on Page 4

HERBALIFE DRAWS COMPLAINTS

The F.T.C. has received consumer complaints about the company's recruitment practices. Page 4.



FEDERAL BUREAU OF INVESTIGATION

Ex-KPMG Partner Is Charged in Insider Case

By PETER LATTMAN

The payments came in various forms. There were envelopes of \$100 bills wrapped in \$10,000 bundles. There were expensive tickets to a Bruce Springsteen concert. There was a 2011 Rolex Cosmograph Daytona valued at \$12,000.

Bryan Shaw, a jeweler in the Los Angeles area, be-

stowed these gifts upon Scott I. London, a senior executive at the accounting giant KPMG. It was the least that he could do for Mr. London, who routinely gave him secret information about KPMG's clients. Mr. Shaw traded on the tips, earning more than \$1 million in illegal profits.

Prosecutors filed criminal charges against Mr. London on Thursday, laying bare a brazen two-year insider trading scheme. Mr. Shaw

was not criminally charged, but named in a related civil action brought by the Securities and Exchange Commission. In recent days, both men have publicly confessed to their misconduct.

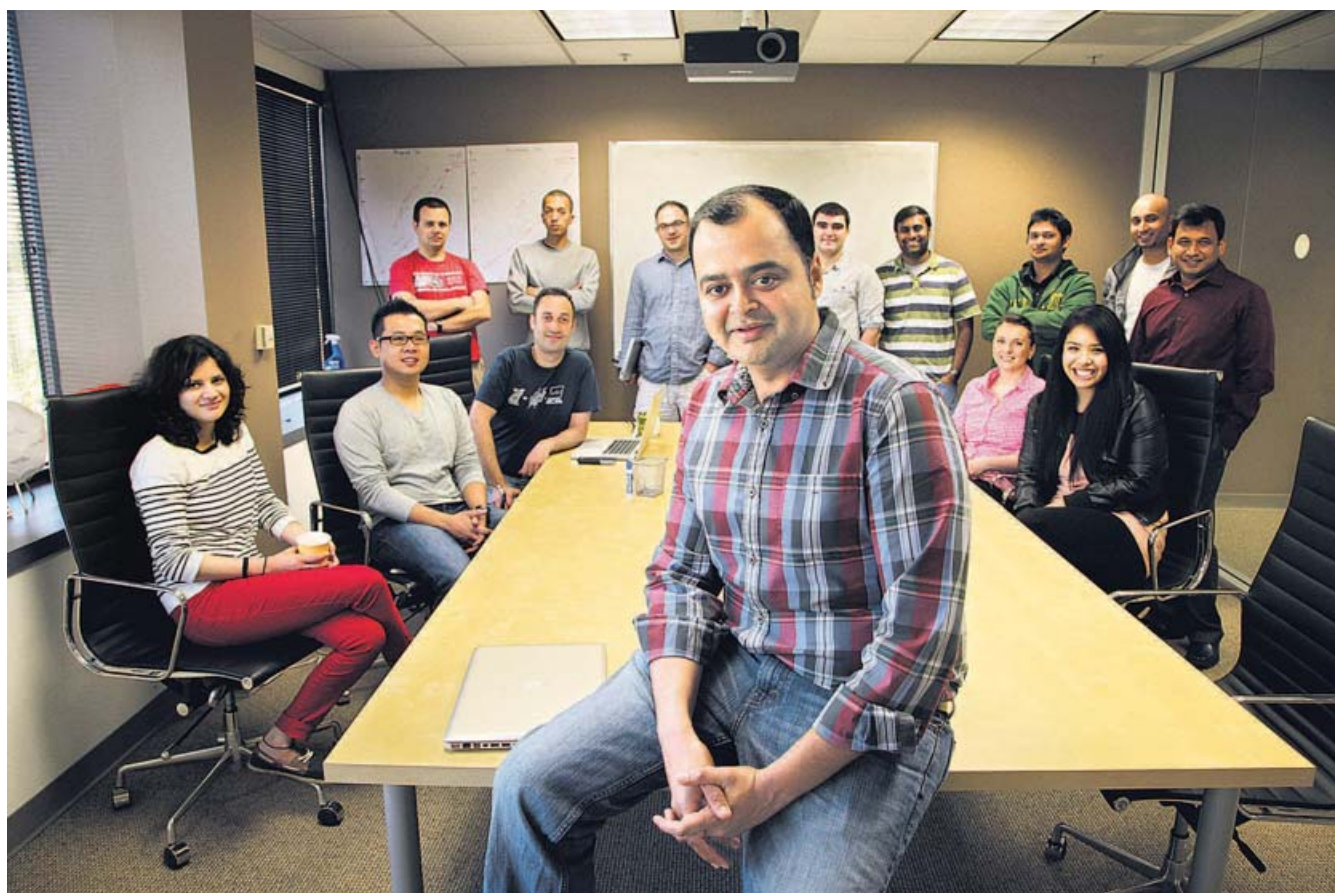
“As a leader at a major accounting firm, London's conduct was an egregious violation of his ethical and professional duties,” said Michele Wein Layne, director of the S.E.C.'s Los Angeles office.

Early this year, Mr. Shaw

turned against Mr. London after investigators confronted him with evidence of insider trading. He became a government informant, recording telephone conversations and in-person meetings to help the authorities build a case against Mr. London.

“He viewed it as an unfortunate but necessary part of the process to making things right,” said Nathan J. Hochman, a lawyer for Mr.

Continued on Page 4



JIM WILSON/THE NEW YORK TIMES

Vishal Sankhla, center, has a temporary work visa. He said: “It’s a constant distraction. You can’t really settle down because your visa status is uncertain.”

Waiting and Waiting for Green Cards

Silicon Valley Pushes to Hire More Guest Workers From Abroad

By SOMINI SENGUPTA

SAN FRANCISCO — Vishal Sankhla, an Indian engineer, is among those at the center of a storm over how to fix the nation's immigration system.

Mr. Sankhla got a master's degree in electrical engineering nine years ago from the University of Southern California, followed by a job at Cisco, then at a start-up that attracted \$4.5 million in financing from Silicon Valley investors. There was

only one wrinkle: he was in the country on a temporary work visa, with no idea whether or when he would get permanent residence.

He remains in limbo, which preoccupies him almost as much as running his business. “It’s a constant distraction,” said Mr. Sankhla, who is 32. “You can’t really settle down because your visa status is uncertain.”

Silicon Valley is battling in Washington to make the immigration process easier for thou-

sands of people like Mr. Sankhla, many of them Indian engineers, while also pushing to hire many more guest workers from abroad.

Rarely has the industry been so single-mindedly focused on a national policy issue, with executives like Mark Zuckerberg of Facebook and John T. Chambers of Cisco personally involved. Its efforts seem to be paying off, as a group of eight senators negotiate details of a comprehensive immi-

Continued on Page 6

At 11th Hour, China's Censors Bar 'Django Unchained'

By GERRY MULLANY and MICHAEL CIEPLY

HONG KONG — The American film “Django Unchained” was abruptly pulled from theaters in China on Thursday, its opening day, a surprising move that underscored the fragility of Hollywood's evolving relationship with the Chinese movie industry.

No reason was given for the decision to suspend “Django Unchained,” which was written and directed by Quentin Tarantino and won two Oscars in February. The move comes after some scenes were reported to have been edited to conform with the wishes of Chinese censors.

Workers at Beijing theaters said the film, which tells a bloody revenge story set in America's pre-Civil War South, had been pulled because of unspecified technical problems.

But Mr. Tarantino's representatives and financial backers in Los Angeles and New York on Thursday were still scrambling to learn what had gone wrong, and looking for a way to reopen their movie in what has become the world's second-largest film market, after the United States. American film studios are seeking increased access to the vast



JASON LEE/REUTERS

A poster in Beijing for “Django Unchained.” No reason was given for halting the showings.

new audience in China as a way to shore up their business, but have often been frustrated by Chinese laws, customs and tastes.

“We regret that ‘Django Unchained’ has been removed from theaters and are working with the Chinese authorities to determine whether the film can be rescheduled,” Steve Elzer, a

spokesman for Sony Pictures Entertainment, which released the film, said in a statement. Mr. Elzer declined to discuss possible reasons for the cancellation.

“Django Unchained” was to have made its debut after weeks of heavy promotion. News reports have said that some of the film's graphic violence was edit-

ed to make it acceptable to state censors, including altering the color of fake blood in violent scenes and limiting how far the blood splattered.

Such revisions are becoming increasingly common before American films are shown in China, with American filmmakers adhering to the demands of

Continued on Page 2

Russia Skips Hybrids in Push For Cars Using Natural Gas

By ANDREW E. KRAMER

MOSCOW — Igor A. Samarsky of the southern Russian city of Krasnodar gets fuel economy on his 1998 Lada sedan that would make a Prius owner green with envy.

For all of 120 rubles — about \$3.80, or a little more than a gallon of regular unleaded fuel in the United States — he can drive 140 miles. The Toyota hybrid would need three gallons of gas to drive that distance.

The only drawback in Mr. Samarsky's mind is his wife's lingering fear that the car, which runs on methane gas, will explode on the way to the grocery store.

“My wife was afraid, but I didn't mind,” Mr. Samarsky, a mechanic, said of the methane fuel kit he installed himself by placing a high-compression tank in the trunk and a hose snaking to the engine.

“She said, ‘I won't drive this car, it will blow up.’ But then she saw the savings, and she calmed down.”

Gazprom, the state-owned energy monopoly better known for

heating houses and powering factories in Europe, is making a bet that natural gas cars are an alluring market for future growth, at home in Russia and in other European countries that have bought its gas. All the ingredients are in place for adoption of natural gas vehicles in Russia, the world's second-largest gas producer after the United States, with economic and environmental payoffs.

Economically, it's no contest at the pump compared with gasoline because natural gas, whose main component is methane, is so abundant and cheap in Russia. It costs about \$2 a gallon less than gasoline. (For such comparisons, compressed gas is measured by its cost for a volume containing the same amount of energy as a gallon of gasoline.)

Lax regulations in Russia have already provided a foothold for natural gas for cars. Even before the auto industry officially joined in, do-it-yourself kits were readily available. Unlike the hybrids and plug-ins produced by brand-name automobile companies, many of the natural gas cars in

Continued on Page 6