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Southern District of New York*

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**FORMER CHIEF EXECUTIVE OFFICER OF MONSTER WORLDWIDE, INC.**  
**CHARGED WITH STOCK OPTIONS BACKDATING**

*McKelvey Admits Conduct; Prosecution is  
Deferred In Light of Medical Condition*

MICHAEL J. GARCIA, the United States Attorney for the Southern District of New York, and PHILLIP BARTLETT, Acting Inspector-In-Charge of the New York Division of the United States Postal Inspection Service, announced today that ANDREW J. McKELVEY, former Chief Executive Officer of recruitment services giant Monster Worldwide, Inc. ("Monster"), was charged in a Complaint with securities fraud and conspiracy in connection with the backdating of millions of dollars' worth of employee stock option grants. In light of McKELVEY's terminal medical condition, the Government agreed to, and the Court approved, a deferral of prosecution, meaning that the charges will be dismissed after 12 months if McKELVEY abides by the terms of the agreement. The agreement included a statement by McKELVEY accepting his responsibility for his participation in the backdating scheme. According to the Complaint filed yesterday and unsealed today in Manhattan federal court:

McKELVEY conspired with other former senior executives at MONSTER to systematically backdate stock option grants to Monster employees between 1996 and 2003, in an effort to fraudulently suppress Monster's compensation expenses, and falsely inflate its earnings. As a result, Monster's public filings with the Securities and Exchange Commission ("SEC") between 1997 and 2005 fraudulently understated the company's compensation expenses, and inflated its earnings, by over three

hundred million dollars.

Applicable accounting principles would have required Monster to increase its compensation expenses, and reduce its earnings accordingly, where employee stock options were issued "in the money" -- in other words, at a price lower than the fair market value of the company's stock on the date of the grant. In an effort to grant "in the money" options without recording an appropriate compensation expense, McKELVEY and other senior executives at Monster backdated option grants by papering them as if they had occurred at dates in the past -- dates on which Monster's stock price was at a periodic low point. The resulting backdated options were "in the money" as soon as they were issued, but fraudulently appeared to have been issued at the fair market price on the supposed date of the grant, and therefore appeared not to require a charge to Monster's earnings.

The co-conspirators backdated the vast majority of Monster's employee stock option grants from 1996 to April 2003, including Monster's broad-based annual options grants to its employees in 1998, 1999 and 2001, and a number of "one-off" grants -- grants to new employees, or to current employees for purposes of retention -- during the same period. None of the backdated grants resulted in the company taking a compensation expense, even though every one of them had an immediate compensatory component.

As a result, Monster's form 10-K annual public filings with the SEC from 1997 to 2005, which McKELVEY reviewed and signed, or directed someone to sign on his behalf, falsely understated the company's compensation expense, and also falsely claimed that the company followed applicable accounting principles regarding options grants. For example, Monster's Form 10-K for 2001 reported that Monster's net income was \$69,020,000, but this was in fact an overstatement of more than 1,900 percent. After Monster recorded the appropriate compensation expense for the backdated option grants, the company's net income dropped to \$3,439,000. In all, the backdating scheme resulted in an understatement of compensation expense in the amount of \$339 million, pre-tax, during the period 1997 through 2005.

McKELVEY and his co-conspirators also made false and misleading statements about their options grant practices to Monster's outside auditors. For example, the Complaint charges, McKELVEY signed management representation letters in which he falsely represented that Monster's financial statements were presented in conformity with Generally Accepted Accounting Principles, which they were not, and that there had been no fraud involving management or employees who had significant roles in

internal controls.

McKELVEY, 73, of New York, New York, is charged with one count of conspiracy to commit securities fraud, to make false statements in SEC filings, to make false statements to auditors, and to falsify corporate books and records; and one substantive count of securities fraud.

Earlier today, McKELVEY appeared before United States Magistrate Judge GABRIEL GORENSTEIN in Manhattan Federal Court. By prior agreement with the United States Attorney's Office, McKELVEY entered into a deferred prosecution agreement because of a terminal medical condition. Based on this condition, the Government explained to Judge GORENSTEIN, the Government had decided that deferral of prosecution of McKELVEY was appropriate.

In agreeing to accept the deferred prosecution, McKELVEY made a statement accepting his responsibility in the backdating scheme. Specifically, McKELVEY stated that between 1997 and 2003, he, "along with others at Monster Worldwide, Inc. routinely selected prices for stock options grants based on historical dates when Monster's stock price had closed at, or near, a low point, resulting in grants of in-the-money stock options. Thereafter, I signed and certified public filings with the SEC that reported false and misleading financial results and contained misleading descriptions of Monster's options granting process. These filings created the impression that Monster did not grant in-the-money options and failed to disclose the compensation expense resulting from the in-the-money options grants."

The SEC also announced today that it had filed a complaint against McKELVEY, alleging civil violations of the Federal securities laws based on the backdating scheme. The SEC reported that it had reached an agreement with McKELVEY, under which he committed to disgorge \$275,989.72, including pre-judgment interest. McKELVEY will also be enjoined from violating the anti-fraud, reporting and other provisions of the Federal securities laws.

Mr. GARCIA, a member of the President's Corporate Fraud Task Force, praised the investigative efforts of the United States Postal Inspection Service, and thanked the SEC for its assistance in this matter.

Assistant United States Attorneys DEIRDRE McEVOY and ANIRUDH BANSAL are in charge of the prosecution.

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