

## Fund Buys Shaw Group's Hammered Shares

By **CATHERINE SHU**

**Insider Tables:** Buyers | Sellers

**A HEDGE FUND HAS BEEN BUILDING UP** its position in [Shaw Group](#), an engineering and construction company, whose stock took a wrecking-ball hit earlier this month.

According to a July 10 filing with the Securities and Exchange Commission, Tontine Partners raised its stake in Shaw to 8.5 million shares, up from 7.3 million shares in mid-May.

That same day, Shaw shares fell 14% after the company posted a third-quarter net loss of \$16.7 million, or 21 cents a share, versus consensus expectations for a profit of 37 cents a share. The company blamed lower-than-expected revenue from emergency-response and disaster-relief work related to Hurricane Katrina for the shortfall.

Shaw also reported that two accounting errors had caused the company to overstate previously reported second-quarter income by \$3.5 million, or four cents a share.

Tontine, of Greenwich, Conn., which purchased an additional 87,600 Shaw shares the next day, July 11, now holds a 10.7% stake in the company, up from a 7.1% stake it reported in Shaw's last proxy filing in February.

In addition, two directors at Shaw have also bought stock in the past week. Daniel Hoffler bought 2,000 shares at about \$22.09 each on July 10, while James F. Barker purchased 700 shares for \$21.67 each on July 12.

Barker is the president of Clemson University and has been a Shaw director since January 2004. Hoffler joined the board this year and is the founder and chairman of Armada Hoffler, a commercial real-estate development and construction company in Virginia. Following the recent purchases, Barker now owns 5,227 Shaw shares, while Hoffler owns 11,069 shares. Both men own less than 1% of Shaw Group's total outstanding shares.

Jonathan Moreland, director of research at InsiderInsights.com, says that coupled with the buys by Barker and Hoffler, Tontine's recent purchases are a "nice reversal of opinion" from transactions made by Shaw's Chief Executive Officer James Bernhard in April when he sold about 20% of his stake in the company, or 569,000 shares, at prices in the range from \$30.27 to \$33.21 each, for a total of \$17.9 million.

Moreland notes Tontine has a strong record with its portfolio, which includes [Westmoreland Coal](#), [Patrick Industries](#), and [Brush Engineered Materials](#).

Joshua Hong, director of research at InsiderScoop.com, notes that this is Tontine's biggest purchase of Shaw since Tontine first disclosed a stake in the company in October 2004.

Hong says that Jeffrey Gendell, general partner at Tontine, "has held on to the stock for a few years and every year he's increased [his stake] a little. But this was his biggest increase, almost 2% of his total outstanding shares."

"The technicals of [Shaw] still look pretty gruesome," Moreland says, "But it should be interesting to see how Mr. Gendell agitates for change at this company, which is his modus operandi."

Michael Painchaud, managing director of research at Market Profile Theorems, also says that it is encouraging to see a cluster of purchases, though Barker's and Hoffler's purchases are both modest in comparison to Tontine's stake.

"There is more than one person involved in the buying and, secondly, there has been no selling since April, which is a positive," Painchaud says.

Tontine managers are "value-focused contrarians," says Ben Silverman, director of research at InsiderScore.com. He notes that in the first-quarter Tontine's portfolio was weighted towards home-building stocks, including [KB Homes](#), [Hovnanian Enterprises](#) and [Ryland Group](#).

"In the first quarter, Tontine had a fairly large position in resident home builders, which probably a lot of investors were scared away from at that point," says Silverman. "In terms of Shaw, Tontine may be doing something similar."

Shaw didn't return a call seeking comment. Tontine declined to comment for this article.

In a research note issued after Shaw reported its third-quarter earnings, J.P. Morgan analyst Scott Levine maintained a Neutral rating on Shaw. While Shaw's "longer-term secular earnings growth profile remains positive, the uncertainty regarding the near-term cash flow outlook and level of hurricane relief work warrant caution in our view," Levine wrote.

Stifel Nicolaus analyst Barry B. Bannister reiterated a Buy rating on Shaw after the disastrous third-quarter results, but lowered his price target to \$35 from \$39. Bannister wrote that "we are bullish on both petroleum and power work, which are core Shaw areas" and that "execution issues afflicted other engineering and construction firms in 2005, but all have begun to recover."

### Recent Insider Activity:

#### BUYERS:

COMPANY NAME	INSIDERS NAME	TITLE	\$ VALUE	NO. OF SHARES IN TRANS.	RANGE OF VALUES	TRANSACTIONS DATES
<a href="#">A. Schulman</a>	J. Mitarotonda	D	\$661,552	29,816	22.17-22.28	July 10-11, 2006
<a href="#">Fossil</a>	T. Kartsois	CB	305,973	17,000	18.00	July 11, 2006
<a href="#">Best Buy</a>	M. Paull	D	74,820	1,500	49.88	July 11, 2006
<a href="#">Jackson Hewitt Tax Service</a>	M. Heimbouch	CFO	67,660	2,150	31.40-31.50	July 7-11, 2006
<a href="#">FX Energy</a>	A. Pierce	CO	65,821	14,309	4.60	July 11, 2006
<a href="#">Wet Seal</a>	S. Horn	D	47,600	10,000	4.76	July 11, 2006
<a href="#">Modtech Holdings</a>	C. Mcgettigan	CB	46,297	6,466	7.16	July 10, 2006
<a href="#">Shaw Group</a>	D. Hoffler	D	44,180	2,000	22.09	July 10, 2006
<a href="#">Video Display</a>	E. Thibeault	D	22,500	3,000	7.50	July 7, 2006
<a href="#">Real Estate Income Fund</a>	W. Hutchinson	D	19,250	1,000	19.25	July 11, 2006

(Source: Thomson Financial/Baseline)

**SELLERS:**

COMPANY NAME	INSIDERS NAME	TITLE	\$ VALUE	NO. OF SHARES IN TRANS.	RANGE OF VALUES	TRANSACTIONS DATES
<a href="#">Las Vegas Sands</a>	B. Stone	O	\$11,183,000	150,000	72.94-76.21	July 7-11, 2006
<a href="#">Volt Information Sciences</a>	B. Goodman	D	1,422,419	30,200	46.60-47.75	July 7-10, 2006
<a href="#">Volt Information Sciences</a>	B. Goodman	D	1,267,445	26,900	46.95-47.40	July 10, 2006
<a href="#">NutriSystem</a>	M. Hagan	CEO	1,248,550	20,000	62.11-62.60	July 7, 2006
<a href="#">Family Dollar Stores</a>	G. Mahoney	D	1,126,000	50,000	22.52	July 11, 2006
<a href="#">Volt Information Sciences</a>	B. Goodman	D	970,234	20,500	47.19-47.47	July 7, 2006
<a href="#">Itron</a>	L. Nosbaum	CEO	759,449	13,743	55.00-55.90	July 10, 2006
<a href="#">Delta &amp; Pine Land</a>	A. Shackelford	O	698,749	22,222	31.44	July 11, 2006
<a href="#">Navteq</a>	J. Green	CEO	690,468	17,200	39.76-40.31	July 11, 2006
<a href="#">Volt Information Sciences</a>	S. Shaw	CEO	626,131	13,000	48.00-48.30	July 6, 2006

(Source: Thomson Financial/Baseline)