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U.S. DISTRICT COURT
EASTERN DISTRICT OF LA

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LORETTA G. WHYTE
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UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF LOUISIANA

LIANA DIDIO, On Behalf of Herself and All
Others Similarly Situated,

Plaintiff,

vs.

THE SHAW GROUP, INC., J.M.
BERNHARD, JR., TIM A. BARFIELD, JR.,
ROBERT L. BELK and RICHARD F. GILL,

Defendants.

C/w · *04-1685*
Civil Action No. 04-1787

) Section C

) MAGISTRATE 1

) DEMAND FOR JURY TRIAL

AMENDED COMPLAINT FOR VIOLATION OF THE
SECURITIES EXCHANGE ACT OF 1934

INTRODUCTION AND OVERVIEW

Summary

1. This is an action on behalf of purchasers of The Shaw Group, Inc. ("Shaw Group" or the "Company") publicly traded securities between 10/19/00 and 6/10/04 (the "Class Period").

Defendants are Shaw Group and certain of its officers and directors.

Fee _____
 Process _____
 Dktd _____
CtRmDep _____
Doc. No. 3

2. Defendants made false and misleading statements about Shaw Group's finances, prospects and acquisitions. As a result of defendants' false statements, Shaw Group's stock traded at artificially inflated prices, trading as high as \$62.37 in 4/01.¹ Defendants took advantage of this inflation by selling \$54.3 million worth of their personal Shaw Group holdings and accomplishing two secondary offerings of Shaw Group stock, raising more than \$215 million in net proceeds.

3. On 6/14/04, it was revealed that the SEC was investigating Shaw Group's accounting for purchases, causing its stock to fall to \$10.05 on volume of 4.2 million shares.

4. Shaw Group is a global provider of services to the power, process and environmental and infrastructure industries. The Company is a vertically integrated provider of engineering, procurement, pipe fabrication, construction and maintenance services to the power and process industries. It also provides services to the environmental, infrastructure and homeland security markets, including consulting, engineering, construction, remediation and facilities management services to governmental and commercial customers. Effective 2/28/03, the Company reorganized its operations into three operating segments: Engineering, Construction and Maintenance (ECM); Environmental and Infrastructure (E&I), and Fabrication, Manufacturing and Distribution.

5. The positive statements about Shaw Group's business during the Class Period were false or misleading when issued. The true but concealed facts were:

¹ All share and per share amounts are adjusted to reflect Shaw Group's 2-for-1 stock split in 12/00.

(a) Shaw Group was prematurely recognizing income in violation of Generally Accepted Accounting Principles (“GAAP”) by releasing acquisition-related contract reserves into earnings, boosting its profit by \$200 million over three and a half years.

(b) Shaw Group’s business was not performing as well as represented and a significant number of its contracts were not profitable, which it was concealing through accounting manipulations, including improperly accelerating revenue recognition under the percentage-of-completion method of accounting.

JURISDICTION AND VENUE

~~6. The claims asserted arise under §§10(b) and 20(a) of the Securities Exchange Act of 1934 (“1934 Act”) and Rule 10b-5. Jurisdiction is conferred by §27 of the 1934 Act. Venue is proper pursuant to §27 of the 1934 Act.~~

THE PARTIES

7. Plaintiff Liana Didio purchased shares of Shaw Group securities as detailed in the attached Certification, and was damaged thereby.

8. Defendant Shaw Group is headquartered in Baton Rouge, Louisiana. Shaw Group’s common stock traded in an efficient market on the New York Stock Exchange.

9. Defendant J.M. Bernhard, Jr. (“Bernhard”) was the Chairman and Chief Executive Officer of Shaw Group. During the Class Period, while in possession of undisclosed adverse information about Shaw Group, Bernhard sold 1,255,000 shares of his Shaw Group stock for proceeds of \$50.5 million.

10. Defendant Tim A. Barfield, Jr. (“Barfield”) was the President and Chief Operating Officer and a director of Shaw Group.

11. Defendant Robert L. Belk (“Belk”) was the Chief Financial Officer and Executive Vice President of Shaw Group. During the Class Period, while in possession of undisclosed adverse information about Shaw Group, Belk sold 35,000 shares of his Shaw Group stock for proceeds of \$1.46 million.

12. Defendant Richard F. Gill (“Gill”) was Executive Vice President and Chairman of the Executive Committee of the Shaw Group. During the Class Period, while in possession of undisclosed adverse information about Shaw Group, Gill sold 60,000 shares of his Shaw Group stock for proceeds of \$2.28 million.

13. The above individuals are the “Individual Defendants.” Individual Defendants Barfield, Bernhard, Belk and Gill, by reason of their stock ownership and positions with Shaw Group, were controlling persons of Shaw Group. Shaw Group controlled each of the Individual Defendants. These controlling persons are liable under §20(a) of the 1934 Act.

SCIENTER AND SCHEME ALLEGATIONS

Scheme

14. Each defendant is liable for making false statements or for failing to disclose adverse facts while selling Shaw Group stock and for participating in a scheme which operated as a fraud or deceit on purchasers of Shaw Group stock.

Knowledge

15. Barfield, Bernhard, Belk and Gill were the top executives of Shaw Group. They personally ran Shaw Group, dealing with important issues facing Shaw Group’s business, *i.e.*, its acquisition of businesses, the profitability of its contracts and the success of its existing contracts.

Motive/Opportunity

16. In addition to having actual knowledge of the falsity of their false statements, each of the defendants had the motive and the opportunity to perpetrate the fraudulent scheme and course of business described herein.

17. During the Class Period, while the defendants were continuing to issue false and misleading statements about Shaw Group, and in order to continue funding for the cash component of its acquisition spree, Shaw Group sold 22 million shares of its stock for proceeds of \$215 million, thereby profiting from the artificial inflation in Shaw Group's stock price.

18. Defendants' fraudulent scheme was a success – for them. In the secondary offerings, Shaw Group sold 22 million shares at artificially inflated prices which provided additional fuel for Shaw Group's acquisition spree and decreased its reliance on bank financing which, in turn, allowed the Individual Defendants to reap hundreds of thousands of dollars in bonuses. The Individual Defendants also sold 1.35 million shares of their individual stock for proceeds of \$54.3 million.

BACKGROUND TO CLASS PERIOD

19. Shaw Group is a global provider of services to the power, process and environmental and infrastructure industries. The Company is a vertically integrated provider of engineering, procurement, pipe fabrication, construction and maintenance services to the power and process industries. It also provides services to the environmental, infrastructure and homeland security markets, including consulting, engineering, construction, remediation and facilities management services to governmental and commercial customers.

20. Bernhard formed National Fabricators in 1986. After visiting the Benjamin F. Shaw Company's plant in South Carolina to bid on its inventory, he established Shaw Group in 1987 and

bought the 100-year-old maker of power-station piping systems. From 1988 to 1990 Shaw Group expanded its business by leasing three plants in Louisiana and Texas. The Company bought a plant in 1992.

21. Shaw Group formed a joint venture with Venezuela-based Formiconi in 1993 to open a plant there. The Company began making pipes for chemicals and oil refining with its purchase of Sunland Fabricators. Shaw Group also went public that year. Shaw Group expanded plant capacity and added more induction bending machines to its inventory in 1996 and 1997. It purchased NAPTech (industrial piping systems) in 1997. In 1999 Shaw Group won a five-year contract to supply 90% of the piping for General Electric's gas turbines for power plants. In 2000 Shaw Group signed a letter of intent with a U.S. power developer to build a \$380 million power plant in central Texas. It also created EntergyShaw, a joint venture with Entergy Corporation, to build cookie-cutter power plants in North America and Europe in hopes of driving down costs and speeding construction time. That year the Company purchased Stone & Webster, Inc., for about \$38 million and approximately 2.5 million shares of stock.

22. The defendants wished to make additional acquisitions and to sell additional shares to the public. It was essential to this plan to report favorable financial results so that its stock would trade at higher levels to make the offerings and acquisitions possible. Unfortunately, Shaw Group's contracts were not sufficiently profitable for defendants to show the growth the market expected. Thus, defendants used artificial means to report favorable results, including using excessive reserves in connection with purchase acquisitions to inflate subsequent reported earnings and improperly accelerating revenue recognition under the percentage-of-completion method.

FALSE AND MISLEADING STATEMENTS

23. On 10/19/00, Shaw Group announced its 4th Q 00 and F00 financial results.² The release was headlined “The Shaw Group Announces Increases In Sales And Earnings For Fourth Quarter and Fiscal Year 2000,” and reported that Shaw Group had 4th Q F00 net income of \$10.2 million, or \$0.30 per share, up 77% from earnings of \$5.8 million, or \$0.23 per share, in the 4th Q F00. For the full fiscal year, the Company reported net income of \$30.4 million, or \$0.98 per share, compared to earnings of \$18.1 million, or \$0.73 per share in F99. The release stated in part:

J. M. Bernhard, Jr., Shaw’s Chairman, President and Chief Executive Officer, stated, “This has been an exceptional year to add to our solid track record of growth. Our management team was at its best, and our employees at every level should be commended for their commitment to our success. The integration of Stone & Webster is progressing as we had hoped, and we expect to begin adding projects from EntergyShaw into our backlog by the end of the calendar year. As we move into fiscal 2001, we will continue to act strategically and opportunistically, with an inherent focus on bringing additional value to our shareholders.”

24. On 1/11/01, Shaw Group issued a news release announcing its financial results for its 1st Q F01 ended 11/30/00. With respect to the results, the release stated, in pertinent part, as follows:

The Shaw Group Inc. today announced a 109% increase in earnings to \$12.2 million, or \$0.31 per diluted share, for the first quarter ended November 30, 2000. This compares to \$5.8 million in earnings before a change in accounting principle, or \$0.22 per diluted share, for the three months ended November 30, 1999. These results reflect a two for-one common stock split that was effective on December 15, 2000. The Company also announced an increase in sales for the first quarter of fiscal 2001 to \$418.8 million, representing a 178% increase over the prior year’s first quarter sales of \$150.8 million.

* * *

J. M. Bernhard, Jr., Shaw’s Chairman, President and Chief Executive Officer, stated, “With solid results posted for the first quarter, we have embarked on another

² Shaw Group’s fiscal year ends on 8/31.

exciting year for our employees, customers and shareholders. Recent events in California's power market reinforces the urgent need to bring power online quickly and efficiently. We expect to see heightened activity over the next several months as developers finalize project sites, negotiate contracts and move quickly into the construction phase of the project cycle."

25. On 04/11/01, Shaw Group announced its financial results for its 2nd Q F01 ended 2/28/01. The release was headlined "The Shaw Group Inc. Announces Solid Results For The Second Quarter Of Fiscal 2001; Backlog Exceeds \$3 Billion." With respect to the results, the release stated, in pertinent part:

The Shaw Group Inc. today announced a 68% increase in earnings before an extraordinary item to \$11.8 million, or \$0.28 per diluted share, for the three months ended February 28, 2001. This compares to earnings of \$7.0 million, or \$0.22 per diluted share, for the three months ended February 29, 2000. Sales increased 97% for the second quarter of fiscal 2001 reaching \$340.3 million, compared to \$173.0 million for the second quarter of fiscal 2000.

* * *

"With a backlog exceeding \$3 billion and consistent financial results, we are extremely pleased with our current position," stated J. M. Bernhard, Jr., Shaw's Chairman, President and Chief Executive Officer. "In the tremendously robust market that we are experiencing today, we have the utmost confidence in the success of our business model, and the value that it brings to all of our stakeholders."

26. After this representation, Shaw Group common stock increased to over \$60 per share.

27. On 4/26/01, Shaw Group announced that it had entered into an agreement to issue and sell \$377 million worth of 20-year zero coupon Liquid Yield Option (TM) Notes (the "LYONs"):

J.M. Bernhard, Jr., Shaw's Chairman, President and Chief Executive Officer, commented on the issuance of the LYONs. "In selecting LYONs, we decided to capitalize on the strong demand in the convertibles market as an opportunistic borrowing and leverage our strong financial position with relatively inexpensive capital at attractive terms while maintaining conservative financial ratios and a negative cost of carry. We believe it is advantageous to raise capital when market conditions are favorable in anticipation of future opportunities, even though we have no pressing need for the funds."

28. Shaw Group received net proceeds of \$490 million from the sale of the LYONs.

29. Between 5/1/01 and 6/20/01, the Company's stock price dropped from \$58 to \$37 per share. On 6/20/01, the Company issued a release in which it stated that it expected continued earnings growth. In this regard, the release stated:

The Shaw Group Inc. announced today that it knows of no specific reason internal to the Company for the recent decline in stock price over the past several days. ***Additionally, the Company noted continued strength in margins and growing backlog.*** Shaw expects to report third quarter results for 2001 on July 10. For the third quarter as well as the year ended August 31, 2001, the Company remains comfortable with current analysts' estimates for earnings, backlog and margins.

30. On 7/10/01, the Company announced its financial results for the 3rd Q F01 ended 5/31/01. The release was headlined "The Shaw Group Announces Record Results for the Third Quarter of Fiscal 2001; Backlog exceeds \$3.6 Billion," and stated in part:

The Shaw Group Inc. today announced a 142% increase in earnings to \$17.9 million, or \$0.42 per diluted share, for the three months ended May 31, 2001. This compares to earnings of \$7.4 million, or \$0.23 per diluted share, for the three months ended May 31, 2000. Third quarter fiscal 2001 sales increased 125% reaching \$394 million, compared to \$175 million for the third quarter of fiscal 2000.

* * *

For the nine months ended May 31, 2001, the Company reported an increase in earnings before an extraordinary item to \$41.9 million, or \$1.00 per diluted share. This compares to earnings before a change in accounting principle of \$20.2 million, or \$0.67 per diluted share, for the nine months ended May 31, 2000. Sales for the nine months ended May 31, 2001 increased 131% to \$1.2 billion, compared to \$499 million in sales for the nine months ended May 31, 2000.

31. On 9/5/01, Shaw Group announced that it expected diluted earnings per share for its fiscal year ending 8/31/02 to be in the range of \$2.15 to \$2.25, exceeding the then-current First Call consensus estimate of \$1.83 per diluted share, and reaffirmed its "comfort" with analysts' First Call earnings consensus estimate of \$0.44 per diluted share for the 4th Q F01.

32. On 10/9/01, Shaw Group announced its 4th Q F01 and F01 financial results ended 8/31/01. The release was headlined "The Shaw Group Inc. Announces Record Results for Fiscal Year 2001; Backlog Reaches \$4.5 Billion," and stated in part:

The Shaw Group Inc. today announced an 89% increase in earnings to \$19.3 million, or \$0.45 per diluted share, for the three months ended August 31, 2001. This compares to earnings of \$10.2 million, or \$0.30 per diluted share, before an extraordinary item, for the three months ended August 31, 2000. Fourth quarter fiscal 2001 sales increased 46%, reaching \$385.7 million, compared to \$263.8 million for the fourth quarter of fiscal 2000.

For the year ended August 31, 2001, the Company reported a 101% increase in earnings to \$61.2 million, or \$1.46 per diluted share, before an extraordinary item. This compares to earnings of \$30.4 million, or \$0.99 per diluted share, before an extraordinary item and cumulative accounting change, for the year ended August 31, 2000. Sales for the year ended August 31, 2001 increased 102% to \$1.5 billion, compared to \$763 million in sales for the year ended August 31, 2000.

"This has been an extraordinary year of achievement and growth for our Company," stated J. M. Bernhard, Jr., Shaw's Chairman, President and Chief Executive Officer. "Our employees are to be commended for their success in placing us in a position to win. Beyond our record financial results, we are very pleased with the relationships we have formed with our customers and we are confident that they will provide a means for increasing shareholder value as they continue to develop and unfold over the next year."

33. On 11/29/01, the Company filed its F01 Form 10-K with the SEC in which it represented that its contracts acquired in connection with the Stone & Webster acquisition had been adjusted to "fair value":

The Company acquired a large number of contracts with either inherent losses or lower than market rate margins primarily because Stone & Webster's previous financial difficulties had negatively affected the negotiation and execution of the contracts. These contracts were adjusted to their estimated fair value at acquisition date (July 14, 2000) and a liability (gross margin reserve) of \$121,815,000 was established, including adjustments of \$38,118,000 recorded during the one-year allocation period. The adjustment during the allocation period resulted from a more accurate determination of the actual contract status at acquisition date. The amount of the accrued future cash losses on assumed contracts with inherent losses (contract loss reserve) was estimated to be approximately \$41,700,000

(including adjustments totaling approximately \$5,400,000 recorded during the allocation period), and a liability of such amount was established. Both reserves are reduced as work is performed on the contracts and such reduction in the reserves results in a reduction in cost of sales and a corresponding increase in gross profit. Goodwill and deferred tax assets for the Stone & Webster acquisition were adjusted by \$43,518,000 due to the revisions to the original reserve estimates identified during the allocation period.

34. In late 2001, Shaw Group's stock declined from the mid-\$30 range to the mid-\$20 range in part due to events surrounding the collapse of Enron.

35. On 11/29/01, Merrill Lynch issued a report on Shaw Group to rebut the connection to Enron:

- Shaw's stock has, once again, come under pressure coincident with bad news from Enron. This also happened in late October.
- We're not entirely certain why the stock market trades Shaw this way. Shaw does not conduct business with Enron. If Enron's strategy has been to not own fixed assets, keep in mind that engineering & construction companies are involved solely with their customers' fixed assets.
- Presumably, the market has sold Shaw off on this news along with other power-sector stocks, though Shaw's decline yesterday seemed precipitous relative to others.
- It's also possible that investors fear that Shaw's customers (e.g., Mirant, Entergy, Exelon) might face financial consequences severe enough to shut down their capital spending as a result of being counterparties to energy trades with Enron.
- Such a wide-spread systemic failure of the US energy system seems a little far-fetched to us. The shares of Shaw's customers – i.e., the route of contagion in this scenario – do not currently seem to indicate that the market thinks such an outcome is likely.

36. On 1/14/02, the Company announced its 1st Q F02 financial results. The release was headlined "The Shaw Group Inc. Announces Increases In Sales and Earnings for the First Quarter of Fiscal 2002," and stated in part:

The Shaw Group Inc. today announced a 56% increase in earnings to \$19.0 million, or \$0.45 per diluted share, for the first quarter ended November 30, 2001. This compares to \$12.2 million in earnings, or \$0.31 per diluted share, for the three months ended November 30, 2000. The Company also announced an increase in sales for the first quarter of fiscal 2002 to \$453.6 million, representing an 8% increase over the prior year's first quarter sales of \$418.8 million.

* * *

“The results of the first quarter are impressive given the events which occurred in September and the negativity that has saturated the power generation industry over the past several months,” stated J. M. Bernhard, Jr., Shaw’s Chairman, President and Chief Executive Officer. “*We are confident that the need for additional power plants remains and that our customers will continue with their building plans.* Furthermore, with the Company’s diversity in other markets, such as process and environmental and infrastructure, Shaw is positioned to quickly capitalize on new opportunities.”

37. On 1/16/02, Shaw Group announced that it had signed a letter of intent to acquire all of the assets and businesses of The IT Group, a provider of diversified, value-added consulting, engineering and construction and remediation and facilities management services, for cash and stock.

38. A Merrill Lynch report on 1/16/02 stated in part:

- Under this preliminary agreement, Shaw would pay about \$105 million in cash and stock, plus assume some operating liabilities (but no debt). Shaw also plans to give IT up to a \$75 million DIP loan during reorganization. That appears to be around 2x trailing EBITDA.
- At this price, the transaction would appear to be significantly accretive.

* * *

- We view this environmental market as slow-growth but also relatively steady, cash-cow sort of market with only modes operating risks. Most of the growth companies here do exhibit, as far as we’ve seen, larger players taking market share from smaller ones – which is one reason the industry has consolidated as much as it has.

39. On 4/15/02, Shaw Group announced its financial results for the 2nd Q F02 ended 2/28/02. The release was headlined "The Shaw Group Inc. Announces Increases In Sales And Earnings For The Second Quarter of Fiscal 2002," and stated in part:

The Shaw Group Inc. today announced an 81% increase in earnings to \$21.3 million, or \$0.51 per diluted share, for the second quarter ended February 28, 2002. This compares to earnings before an extraordinary item of \$11.8 million, or \$0.28 per diluted share, for the three months ended February 28, 2001. The Company also announced an increase in sales for the second quarter of fiscal 2002 to \$566.2 million, representing a 66% increase over the prior year's second quarter sales of \$340.3 million.

* * *

"Our results for the first six months of fiscal 2002 position us for another record year," stated J. M. Bernhard, Jr., Shaw's Chairman, President and Chief Executive Officer. "Our backlog remains firm, and upon the successful completion of the acquisition of The IT Group, we look forward to a major expansion into the environmental, infrastructure and homeland security sector that will diversify our business and bring even greater certainty to our growth going forward."

For the six months ended February 28, 2002, the Company reported a 68% increase in earnings to \$40.3 million, or \$0.95 per diluted share. This compares to earnings before an extraordinary item of \$24.0 million, or \$0.58 per diluted share, for the six months ended February 28, 2001. Sales for the six months ended February 28, 2002 increased 34% to \$1.0 billion, compared to \$759.0 million in sales for the six months ended February 28, 2001.

40. On 4/23/02, the Company announced it had received bankruptcy court approval to acquire The IT Group and that in conjunction with the acquisition of The IT Group, the Company expected to issue approximately 1.8 to 2.5 million shares of its common stock. To further bolster the price of its stock, in anticipation of The IT Group acquisition, the Company revised its guidance for earnings per share for its fiscal year ending 8/31/02 to increase in the range of \$0.05 to \$0.08, from its previous guidance of \$2.15 to \$2.25 per diluted share. The Company revised its earnings per

share guidance for F03 to increase in the range of \$0.25 to \$0.33 from its previous guidance of \$2.65 to \$2.85 per diluted share.

41. On 5/3/02, the Company announced it had completed the acquisition of substantially all of the assets of The IT Group in exchange for approximately \$52.5 million in cash, approximately 1.67 million shares of Shaw Group common stock and the assumption of certain liabilities.

42. On 7/11/02, the Company announced its financial results for the 3rd Q F02 ended 5/31/02. The release was headlined “The Shaw Group Announces Solid Results for the Third Quarter of Fiscal 2002,” and stated in part:

The Shaw Group Inc. today announced a 49% increase in earnings to \$26.7 million, or \$0.61 per diluted share, for the three months ended May 31, 2002. This compares to earnings of \$17.9 million, or \$0.42 per diluted share, for the three months ended May 31, 2001. Third quarter fiscal 2002 sales increased 129% reaching \$902.6 million, compared to \$394.2 million for the third quarter of fiscal 2001.

* * *

“We are very pleased to report solid financial results on a consistent basis,” stated J. M. Bernhard, Jr., Shaw’s Chairman, President and Chief Executive Officer. “Our strong balance sheet, project execution skills and ongoing strategy to diversify our portfolio of work have all played a key role in allowing Shaw Group to maintain its track record of growth. Additionally, the integration of our newly acquired assets in the environmental & infrastructure sector is progressing better than expected. We look for this division to be a major contributor to our success going forward.”

43. On 7/11/02 Merrill Lynch issued a report on Shaw Group which stated in part:

- Operating profits were on-forecast, and the earnings outperformance versus our forecast came below the operating line. Revenues of \$900 million were \$100 million ahead of our forecast, but the operating margin of 4.8% was a bit below our forecast.
- Just as importantly, in our view, backlog was on-target at \$6.1 billion, versus \$3.621 billion last year and \$4.478 at 2Q02. This includes backlog acquired with the IT Group acquisition; IT and the rest of Shaw’s Government business unit was the driver this growth.

44. On 8/5/02, the Company announced it had been in discussions with NRG Energy, Inc. (“NRG”) with respect to NRG’s ability to make a \$32 million milestone payment on the required date of 8/4/02 on the \$340 million LSP-Pike Energy, LLC electric power plant project, and that NRG would not make the next scheduled payment. The release further stated that NRG and the Company had reached an agreement for Shaw Group to acquire substantially all the assets of NRG in exchange for forgiveness of current sums owed the Company, and the payment of \$43 million by Shaw Group to NRG. However, the agreement was subject to the approval of NRG’s parent Company, Xcel Energy, and certain of NRG’s lenders.

45. On 10/14/02, the Company announced its 4th Q F02 and F02 results, including earnings of \$98.4 million, or \$2.26 per share for F02, compared to earnings of \$61.0 million, or \$1.46 per diluted share in F01. Shaw Group also reduced its F03 earnings estimate range from \$2.72 to \$3.00 per share to \$1.92 to \$2.08 per share. The release stated in part:

“Our strong balance sheet and project execution skills have allowed us to produce record results for another fiscal year,” stated J. M. Bernhard, Jr., Shaw's Chairman, President and Chief Executive Officer. “Shaw's diversified portfolio, including our process and environmental & infrastructure operations, as well as our nuclear and other power services, provides a recurring revenue base and level of stability to our operations going forward.” Shaw has completed the repurchase of approximately \$100 million of its common stock, authorized by its Board of Directors on September 14, 2001, totaling approximately 5.3 million shares. This includes approximately 3.2 million shares purchased in the first of quarter of fiscal 2003, 1.0 million shares in the fourth quarter of fiscal 2002 and 1.1 million shares purchased in previous quarters.

46. On 1/13/03 Shaw Group announced its results for the 1st Q F03 in a release which stated in part:

The Shaw Group Inc. today announced earnings of \$16.5 million, or \$0.42 per diluted share, for the first quarter ended November 30, 2002. This compares to earnings of \$19.0 million, or \$0.45 per diluted share, for the three months ended November 30, 2001. Revenue for the first quarter of fiscal 2003 increased 120%

reaching \$996.9 million, compared to \$453.6 million for the first quarter of fiscal 2002.

Shaw's backlog totaled \$5.0 billion at November 30, 2002. This represents an 11% increase over the \$4.5 billion backlog reported at November 30, 2001. Contributing to this backlog was approximately \$457 million in new awards booked during the quarter, including approximately \$220 million from the Company's environmental and infrastructure division. Approximately 47% of the total backlog, or \$2.4 billion, is expected to be worked off during the next 12 months. Eighty-eight percent of Shaw's backlog is for projects in the United States.

"Strong bidding activity and steady bookings of new work highlight our first quarter operations and bring our fiscal year off to a good start," stated J. M. Bernhard, Jr., Shaw's Chairman, President and Chief Executive Officer. "Our financial results for the quarter are solid, and we hope to continue this trend as we work off what we believe to be a stable and profitable backlog of projects. Furthermore, our environmental and infrastructure business is progressing at an impressive pace with significant new awards that help to confirm a successful integration effort."

47. On 3/18/03, Shaw Group announced that it had closed its private offering of \$253 million face amount, 10.75% senior notes due 2010. Simultaneous with the closing of the transaction, the Company also completed the renewal of its \$250 million revolving credit facility.

48. On 4/14/03, Shaw Group announced its results for the 2nd Q F03 in a release which stated in part:

The Shaw Group Inc today announced a loss of \$7.9 million, or \$0.21 per diluted share, for the second quarter ended February 28, 2003 after recording a \$19 million after-tax charge relating to the settlement of claims with PG&E National Energy Group ("NEG") for the completion of the Harquahala and Covert power plant projects, the details of which were provided in a separate announcement released today. Earnings for the three months ended February 28, 2002 were \$21.3 million, or \$0.51 per diluted share.

Revenues for the second quarter of fiscal 2003 increased 27% to \$720.5 million compared to the prior year's second quarter revenues of \$566.2 million.

Shaw booked over \$960 million in new awards during the second quarter, 50% of which were from the Company's environmental and infrastructure business. Backlog for the second quarter totaled \$5.0 billion, compared to \$4.5 billion reported at February 28, 2002, with approximately 90% of the total backlog relating to

projects for the domestic market. Approximately \$2.0 billion, or 40%, of total backlog is expected to be worked off during the next 12 months.

J. M. Bernhard, Jr., Shaw's Chairman, President and Chief Executive Officer, commented, "In addition to our healthy bookings in the quarter, we continue to be encouraged by the level of bidding activity across all business segments, which allows us to remain optimistic about our operations going forward. Furthermore, through the continued integration of our businesses we are realizing greater operational efficiencies and also leveraging our capabilities to broaden our customer base and bring greater value to our stakeholders."

49. On 7/11/03, Shaw Group announced its financial results for the 3rd Q F03 in a release which stated in part:

The Shaw Group Inc. today announced earnings of \$3.1 million or \$0.08 per diluted share for the third quarter ended May 31, 2003 after recording an after-tax charge of \$8.3 million. Excluding the charge, earnings for the period were \$11.4 million or \$0.30 per diluted share compared to \$26.7 million, or \$0.61 per diluted share for the three months ended May 31, 2002.

The charge relates to the after-tax write-off of investments in marketable securities and accounts and claims receivable from Orion Refining Corporation (Orion) of \$7.8 million and other receivables of approximately \$500,000. Shaw provided construction services at Orion's Norco, Louisiana refinery in 1998. Orion declared bankruptcy on May 13, 2003. Given the bankruptcy filings, Shaw believes there is a minimal chance of recovery.

Revenues for the third quarter of fiscal 2003 were \$824.0 million versus \$902.6 million in the prior year's third quarter. The decline in revenues for the quarter is primarily due to a downturn in the market for the construction of gas-fired power plants, partially offset by an increase in revenues generated by the Company's Environmental and Infrastructure division.

Shaw booked approximately \$500 million in new awards during the third quarter. Backlog for the third quarter totaled approximately \$5.0 billion, comparable with the second quarter ended February 28, 2003, with approximately 91% of total backlog relating to projects for the domestic market. Approximately 40% of the company's backlog is expected to be completed within 12 months beginning May 31, 2003.

J. M. Bernhard, Jr., Shaw's Chairman, President and Chief Executive Officer, commented, "Weak demand for new power plant capacity in the U.S. has created a highly competitive marketplace, which has resulted in a more selective approach to securing work in this sector. We have identified numerous opportunities in air

emissions and in nuclear maintenance and modifications. Additionally, we are pursuing the new EPC power projects including grassroots facilities in certain markets where capacity is needed. Our strong competitive position and performance track record in these segments bode well for our ability to capitalize on these projects.”

“We are also pleased with the robust bidding and booking activity for our Environmental and Infrastructure segment across all business lines, especially the growing federal services platforms of Facilities Management and Military Housing Privatization,” Bernhard concluded.

50. In the release Shaw Group also reduced estimates for 4th Q F03 and F04.

51. On 10/16/03, Shaw Group announced its F03 results. In the release, the Company reported that, for F03, earnings were \$20.9 million, or \$0.54 per diluted share, compared to earnings of \$98.4 million, or \$2.26 per diluted share for F02. The Company blamed the relatively poor showing on weakness in the power generation market, stating, in this regard, as follows:

“There is no question that the protracted weakness in the power generation market and the subsequent financial instability of some of our energy clients presented challenges never before faced by our company,” stated J.M. Bernhard, Jr., Chairman and Chief Executive Officer of The Shaw Group Inc. “However, I am extremely satisfied with the manner in which our organization has responded to these difficulties. We are pleased to report that with the near completion of the NEG projects and our recent settlement with NRG, we have made great strides in putting these negative issues behind us.” Mr. Bernhard continued, “Furthermore, we have kicked off our new fiscal year with several major awards and we are experiencing strong booking and bidding activity, especially for fossil and nuclear power EPC and maintenance work.”

52. On 10/20/03, the Company filed its annual report for the fiscal year ended August 31, 2003, in which it reiterated the results announced in its 10/16/03 press release.

53. On 10/29/03, Shaw Group announced that it had completed the sale of 23 million shares of common stock at a public offering price of \$10 per share. The underwriters exercised their option to purchase an additional 3 million shares.

54. On 1/14/04, Shaw Group announced its results for the 1st Q F04 in a release which stated in part:

The Shaw Group Inc. today announced financial results for its first quarter ended November 30, 2003. The Company reported a net loss of \$49.6 million or (\$1.07) per diluted share versus earnings of \$16.5 million or \$0.42 per diluted share for its first quarter ended November 30, 2002. Results reflect \$74.2 million in pre-tax charges taken during the quarter, including \$44.8 million related primarily to increased costs on three power projects and a \$29.4 million depreciation charge related to legacy software systems, which were successfully replaced by a new integrated systems platform.

* * *

Shaw's backlog totaled \$5.1 billion at November 30, 2003, at 7% increase over the \$4.8 billion recorded at August 31, 2003. Contributing to backlog during the quarter was over \$1 billion in new awards and increases in scope to existing contracts. Maintenance contracts were \$1.4 billion or 27% of total backlog and process work under contract expanded over 34% to \$710 million at quarter end. Approximately 36% of total backlog, or \$1.8 billion, is expected to be worked off during the next 12 months.

"We are disappointed with our operational performance, primarily from our ECM division, and with the fact that we had to take additional project-related write-downs during the quarter. However, we believe we have laid the groundwork for improved operational performance in the second half of 2004 and well into fiscal 2005," stated J. M. Bernhard, Jr. Shaw's Chairman and Chief Executive Officer. "Our confidence is supported by the healthy booking and bidding activity we experienced across all business segments during the quarter, including over \$600 million in bookings by our Environmental and Infrastructure division and our Maintenance group, both of which provide a stable stream of revenues and earnings for the Company."

55. On 2/20/04, Shaw Group announced it had filed a shelf registration statement with the SEC to offer and sell up to \$500 million of common stock, preferred stock or debt securities. The net proceeds generated from any future sale of securities would "be used for general corporate purposes." The release stated in part:

"With our existing shelf nearly exhausted, we made this filing to continue to have the necessary mechanisms in place for facilitating the sustained growth of our

company,” stated Robert L. Belk, Executive Vice President and Chief Financial Officer. “It is our practice to maintain a shelf registration to give us the flexibility to effectively manage and expand our global operations and to pursue various opportunities essential for executing our strategic plan and increasing shareholder value.”

56. On 4/14/04, the Company announced its results for the 2nd Q F04, including income of \$2.2 million, or \$0.04 per diluted share, compared to a net loss of \$7.9 million, or \$(0.21) per diluted share, for the 2nd Q F03, and also stated in part:

Primarily due to delays in the startup of two major EPC projects, the Company also announced that third quarter fiscal 2004 earnings are expected to be at the lower end of the range of its previously issued guidance, approximately \$0.18 per diluted share, while fourth quarter earnings are expected to be below prior guidance, at approximately \$0.28 per diluted share.

57. Then, on 6/10/04, after the market closed, Shaw Group issued a news release on *Business Wire* in which it announced that, on 6/1/04, it had been notified by the SEC that the SEC was conducting an informal inquiry and, with respect to the scope of the investigation, stated as follows:

The SEC has not advised the Company as to either the reason for the inquiry or its scope. However, the request for information appears to primarily relate to the purchase method of accounting for acquisitions, as presented in Shaw's Form 10-K for the fiscal year ended August 31, 2003.

58. On this news, shares the Company's shares, which had closed at \$12.28 on 6/10/04, dropped to \$10.05 on 6/14/04, on volume of 4.2 million shares.

SHAW GROUP'S FALSE FINANCIAL REPORTING DURING THE CLASS PERIOD

59. In order to report inflated earnings, the Individual Defendants caused Shaw Group to record excessive reserves in connection with mergers and then draw down on those reserves into income and also caused the Company to record more revenue under the percentage-of-completion

(“POC”) method of accounting than it had earned, causing the Company’s financial statements to be presented in violation of GAAP and SEC rules.

60. GAAP are those principles recognized by the accounting profession as the conventions, rules and procedures necessary to define accepted accounting practice at a particular time. Regulation S-X (17 C.F.R. §210.4-01(a)(1)) states that financial statements filed with the SEC which are not prepared in compliance with GAAP are presumed to be misleading and inaccurate. Regulation S-X requires that interim financial statements must also comply with GAAP, with the exception that interim financial statements need not include disclosure which would be duplicative of disclosures accompanying annual financial statements. 17 C.F.R. §210.10-01(a).

Purchase Accounting

61. During the Class Period, Shaw Group’s earnings were artificially inflated by the release of acquisition-related contract reserves into earnings, thereby inflating its results through manipulating “cookie-jar” reserves.

62. In 2000, Shaw Group acquired Stone & Webster out of bankruptcy, and in 5/02 it acquired The IT Group out of bankruptcy. These two companies had existing unprofitable contracts. As part of the acquisitions, Shaw Group recorded reserves for future estimated losses on the contracts and recorded the off-setting entry for the reserve as an increase in goodwill. Shaw Group has used these reserves to reduce cost of sales, distorting the true cost of contracts and artificially inflating its earnings.

63. Shaw Group has now acknowledged that the SEC is investigating the Company’s accounting for purchases.

Percentage-of-Completion Accounting

64. In accounting for income from long-term construction type contracts, one method permitted under GAAP is the POC method. POC accounting is intended to recognize income as work progresses based on either the percentage of costs incurred divided by total estimated costs or the percentage of labor incurred divided by total estimated labor hours. *See Accounting Research Bulletin (“ARB”) No. 45, ¶4.* An essential component of POC accounting is the ability to maintain a defensible and reasonable degree of accuracy in identifying both total labor costs and labor costs incurred. Recognition of revenue under POC accounting is not simply a matter of business judgment, but must be based on a comprehensive review of each individual contract, the actual costs or labor incurred and a “realistic estimate of costs [for labor] to complete all phases of the contract.” *See AICPA Manual at §8.10.* Moreover, the mere purchase of generic raw materials, such as computer equipment, does not qualify as a labor cost incurred. *See AICPA Statement of Position (“SOP”) No. 81-1.50.* According to GAAP, as set forth in AICPA SOP No. 81-1, POC income recognition is a specific methodology intended to present the accurate economic substance of a company’s transactions. *See SOP No. 81-1.22.*

65. The SEC has noted that “Percentage of Completion accounting requires that there be an *accurate* method to measure what portion of a job has been completed.” SEC Accounting and Auditing Enforcement Release (“AAER”) No. 356 (Mar. 2, 1992). The SEC has also brought enforcement actions for failure to properly recognize revenue under the POC method where a company’s senior management recognized revenue in excess of the percentage of work performed as reported by the company’s project manager. *See AAER No. 274 (Sept. 26, 1990).*

66. The Individual Defendants represented to shareholders and the market that Shaw Group complied with GAAP and the Company's own POC accounting policy. Shaw Group's F03 Form 10-K represented that:

For project management, engineering, procurement, remediation, and construction services under fixed-price or target price contracts, we recognize revenues under the percentage-of-completion method measured primarily by the percentage of contract costs incurred to date to total estimated contract costs for each contract.

67. In truth, during the Class Period, defendants did not comply with GAAP or Shaw Group's stated manner of recognizing revenue under POC accounting and artificially inflated its earnings by overstating the percentage of the contract completed.

68. Due to these accounting improprieties, the Company presented its financial results and statements in a manner which violated GAAP, including the following fundamental accounting principles:

(a) The principle that financial reporting should provide information that is useful to present and potential investors and creditors and other users in making rational investment, credit and similar decisions was violated (FASB Statement of Concepts No. 1, ¶34);

(b) The principle that financial reporting should provide information about the economic resources of an enterprise, the claims to those resources, and effects of transactions, events and circumstances that change resources and claims to those resources was violated (FASB Statement of Concepts No. 1, ¶40);

(c) The principle that interim financial reporting should be based upon the same accounting principles and practices used to prepare annual financial statements (APB No. 28, ¶12);

(d) The principle that financial reporting should provide information about how management of an enterprise has discharged its stewardship responsibility to owners (stockholders) for the use of enterprise resources entrusted to it was violated. To the extent that management offers securities of the enterprise to the public, it voluntarily accepts wider responsibilities for accountability to prospective investors and to the public in general (FASB Statement of Concepts No. 1, ¶50);

(e) The principle that financial reporting should provide information about an enterprise's financial performance during a period was violated. Investors and creditors often use information about the past to help in assessing the prospects of an enterprise. Thus, although investment and credit decisions reflect investors' expectations about future enterprise performance, those expectations are commonly based at least partly on evaluations of past enterprise performance (FASB Statement of Concepts No. 1, ¶42);

(f) The principle that financial reporting should be reliable in that it represents what it purports to represent was violated. That information should be reliable as well as relevant is a notion that is central to accounting (FASB Statement of Concepts No. 2, ¶¶58-59);

(g) The principle of completeness, which means that nothing is left out of the information that may be necessary to insure that it validly represents underlying events and conditions was violated (FASB Statement of Concepts No. 2, ¶79); and

(h) The principle that conservatism be used as a prudent reaction to uncertainty to try to ensure that uncertainties and risks inherent in business situations are adequately considered was violated. The best way to avoid injury to investors is to try to ensure that what is reported represents what it purports to represent (FASB Statement of Concepts No. 2, ¶¶95, 97).

69. Further, the undisclosed adverse information concealed by defendants during the Class Period is the type of information which, because of SEC regulations, regulations of the national stock exchanges and customary business practice, is expected by investors and securities analysts to be disclosed and is known by corporate officials and their legal and financial advisors to be the type of information which is expected to be and must be disclosed.

CLASS ACTION ALLEGATIONS

70. This is a class action on behalf of purchasers of Shaw Group publicly traded securities during the Class Period, excluding defendants (the “Class”). Excluded from the Class are officers and directors of the Company, as well as their families and the families of the defendants. Class members are so numerous that joinder of them is impracticable. Shaw Group had 61 million shares outstanding as of 4/13/04.

71. Common questions of law and fact predominate and include whether defendants: (i) violated the 1934 Act; (ii) omitted and/or misrepresented material facts; (iii) knew or recklessly disregarded that their statements were false; and (iv) artificially inflated the prices of Shaw Group’s publicly traded securities and the extent of and appropriate measure of damages.

72. Plaintiff’s claims are typical of those of the Class. Prosecution of individual actions would create a risk of inconsistent adjudications. Plaintiff will adequately protect the interests of the Class. A class action is superior to other available methods for the fair and efficient adjudication of this controversy.

CLAIM FOR RELIEF

73. Defendants violated §10(b) and Rule 10b-5 by:
- (a) Employing devices, schemes and artifices to defraud;

(b) Making untrue statements of material facts and omitting to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and

(c) Engaging in acts, practices and a course of business that operated as a fraud or deceit upon the Class in connection with their purchases of Shaw Group publicly traded securities.

74. Class members were damaged as they paid artificially inflated prices for Shaw Group's publicly traded securities in reliance on the integrity of the market.

PRAYER FOR RELIEF

WHEREFORE, plaintiff, on behalf of herself and the Class, prays for judgment as follows:

A. Declaring this action to be a class action properly maintained pursuant to Rule 23 of the Federal Rules of Civil Procedure;

B. Awarding plaintiff and other members of the Class damages together with interest thereon;


C. Awarding plaintiff and other members of the Class costs and expenses of this litigation, including reasonable attorneys' fees, accountants' fees and experts' fees and other costs and disbursements; and

D. Awarding plaintiff and other members of the Class such equitable/injunctive or other and further relief as may be just and proper under the circumstances.

JURY DEMAND

Plaintiff demands a trial by jury.

DATED: June 28, 2004



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EXHIBIT

**CERTIFICATION OF NAMED PLAINTIFF UNDER
THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995**

I, Liana Didio, declare as follows with respect to claims under the federal securities laws alleged in the Complaint:

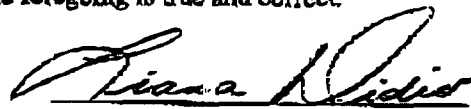
1. I seek to join as one of the plaintiffs named in the foregoing complaint ("the Complaint").
2. I have reviewed the Complaint and have authorized my joinder.
3. I did not purchase stock in The Shaw Group ("SGR") at the direction of my counsel or in order to participate in any private securities action.
4. I am willing to serve as a representative party on behalf of the class, including providing testimony at depositions and trial, if necessary.
5. The following sets forth all of my transactions during the class period in SGR stock:

<u>PURCHASE OR SALE</u>	<u>NO. OF SHARES</u>	<u>PRICE PER SHARE</u>	<u>DATE</u>
Purchased SGR	1000	13.50	Nov 6 th 2003
Sold SGR	1000	10.00	Jun 22, 2004

6. The following sets forth all federal securities actions filed during the past three years in which I have served or sought to serve as a representative party on behalf of a class:
7. I will not accept any payment for serving as a representative party on behalf of the class beyond my pro rata share of any recovery to the class, plus reasonable costs and expenses (including lost wages) directly relating to the representation of the class, except as approved by the Court.

I declare under penalty of perjury that the foregoing is true and correct.

June 23, 2004
Date


Liana Didio

Name: Liana Didio
 Address: 4020 Galt Ocean Drive Apt 405
 City/State: Ft. Lauderdale, FL 33308
 County: Broward