

CHARTER OF THE COMPENSATION COMMITTEE
of
TODD SHIPYARDS CORPORATION

This Compensation Committee Charter was (“Charter”) was adopted by the Board of Directors (“Board”) of Todd Shipyards Corporation (“Company”) on May 21, 2004.

I. Purpose

The Compensation Committee of Todd Shipyards Corporation (“Committee”) is a standing committee of the Board of Directors of the Company established by action of the Board as permitted under the By-Laws of the Company and the Delaware General Corporation Law. The primary objective and role of the Committee is to assist the Board in fulfilling its responsibilities by establishing policies, administering the Incentive Stock Compensation Plan, and recommending the amount and makeup of compensation for the CEO and the other executive officers. The Committee shall also be responsible for establishing the compensation of the Chairman of the Board of Directors, its members, and the chairmen and members of the respective committees.

This Charter has been adopted by the members of the Committee and confirmed by the Board of Directors of the Company. No amendment to the Charter or action of the Board of Directors which would limit or restrict the duties, responsibilities, powers and rights of the Committee or which would alter the qualifications for membership on the Committee shall be effective without the consent of a majority of the members of the Committee.

II. Membership

The Committee shall consist of at least two members of the Board of Directors appointed annually by the full Board of Directors following its first meeting subsequent to its election at the Annual Meeting of Shareholders of the Company. Each person appointed to membership on the Committee shall be independent of management of the Company in accordance with criteria established by the principal market for the Company’s Common Stock. The full Board of Directors may remove any member from the Committee during the period of appointment. The Committee shall select from its members a Chairman.

III. Meetings and Procedures

The Chairman shall preside at each meeting of the Committee and set the agendas for Committee meetings. The Committee shall have the authority to establish its own rules and procedures for notice and conduct of its meetings so long as they are not inconsistent with any provisions of the Company’s certificate of incorporation or bylaws that are applicable to the Committee.

The Committee shall meet at least once per year and more frequently as the Committee deems necessary.

The Committee shall have the sole authority to retain and/or replace any independent counsel, compensation and benefits consultants and other outside experts or advisors as the Committee deems necessary. The Company shall provide for appropriate funding, as determined by the Committee, for payment of compensation to any such persons retained by the Committee and for ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

The Chairman of the Committee shall report to the Board following meetings of the Committee and as otherwise requested by the Chairman of the Board.

The Committee may conduct or authorize investigations into any matters within the scope of the powers and responsibilities delegated to the Committee.

IV. Duties and Responsibilities

1. The Committee shall, at least once each calendar year, review the compensation philosophy of the Company.

2. The Committee shall have the responsibility to recommend, for the full Board's approval, the proper level and makeup of compensation for the CEO. The Committee shall, at least once each calendar year, review and approve corporate goals and objectives relating to the compensation of the CEO and shall, with input from the CEO, annually establish the performance criteria (including both long-term and short-term goals) to be considered in light of those goals and objectives in connection with the CEO's next annual performance evaluation. At the end of each year, the CEO shall make a presentation or furnish a written report to the Committee indicating his or her progress against such established performance criteria. Thereafter, with the CEO absent, the Committee shall review the CEO's performance and submit, with recommendation to the full Board, the proposed compensation of the CEO based on such evaluation.

3. The Committee shall at least annually, with input from the CEO, review the performance of the other executive officers of the Company and make recommendations to the Board with respect to their compensation.

4. The Committee shall have the responsibility to review and recommend for full Board approval all officers' employment agreements and severance arrangements, where applicable.

5. The Committee shall review at least annually the status of the Company's non-employee directors' compensation in relation to other U.S. companies of comparable size and in relation to the Company's competitors. Such review will include consideration of both direct and indirect forms of compensation to the Company's directors. The Committee shall then recommend any changes in directors' compensation to the Chairman of the Board, which changes will be approved or disapproved by the Board.

6. The Committee shall manage and periodically review all annual bonus, long-term incentive compensation and stock option plans and, with respect to each plan, shall have responsibility for:

- (a) general administration as provided in each such plan;
- (b) approving all amendments to, and terminations of, all compensation plans and any awards under such plans.

7. The Committee shall also review and recommend to the Board any changes to employee pension plans (e.g., 401(k), defined benefit plans).

8. The Committee shall establish and periodically review policies concerning perquisites and similar benefits.

9. The Committee may make recommendations to the full Board regarding minimum Company stock holding requirements for Directors and Officers.

10. The Committee shall prepare and approve the Committee's report to be included as part of the Company's annual proxy statement.

11. The Committee shall annually evaluate its own performance.

12. The Committee shall annually review and reassess this Charter and submit any recommended changes to the Board for its consideration.

V. Ratification, Amendments and Disclosure

This Charter has been adopted by the Members of the Compensation Committee and confirmed by the Board of Directors of the Company. No amendment to the Charter or action of the Board of Directors which would limit or restrict the duties, responsibilities, powers and rights of the Compensation Committee or which would alter the qualifications for membership on the Compensation Committee shall be effective without the consent of a majority of the members of the Compensation Committee.

This Charter shall be made available on the Company's web site at www.toddpacific.com and to any shareholder who otherwise requests a copy. The Company's Annual Report to Shareholders shall state the foregoing.