

Todd Shipyards Corporation
Corporate Governance Guidelines
(as amended March 24, 2006)

The following guidelines have been approved by the Board of Directors of Todd Shipyards Corporation (“Board”) and, along with the charters of the board committees, provide the framework for the governance of Todd Shipyards Corporation (“Todd”). The Nominating/Corporate Governance Committee (“Committee”) will review these principles and other aspects of Todd governance annually and make recommendations to the Board as deemed necessary by the Committee.

1. Role of Board and Management. Todd’s business is conducted by its employees, managers and officers, under the direction of the chief executive officer (“CEO”) and the oversight of the Board, to enhance the long-term value of the company for its shareholders. The Board is elected by the shareholders to oversee management and to assure that the long-term interests of the shareholders are being served. Both the Board and management recognize that the long-term interests of shareholders are advanced by responsibly addressing the concerns of other entities and interested parties including employees, customers, suppliers, the Puget Sound community, government officials and the public at large.

2. Functions of Board. The Board of Directors has four regularly scheduled meetings a year at which it reviews and discusses reports by management on the performance of the company, its plans and prospects, as well as immediate issues facing the company. Directors are expected to attend all scheduled board and committee meetings. In addition to its general oversight of management, the Board also performs a number of specific functions, including:

- a. reviewing for ratification, the recommendations of the Compensation Committee on the evaluation and compensation of the CEO and the other executive officers;
- b. reviewing for ratification, the recommendations of the Compensation Committee on the selection and evaluation of the CEO and the other executive officers of the company;
- c. reviewing, monitoring and, where appropriate, approving fundamental financial and business strategies and major corporate actions;
- d. assessing major risks facing the company - and reviewing options for their mitigation; and
- e. ensuring processes are in place for maintaining the integrity of the company - the integrity of the financial statements, the integrity of compliance with law and ethics, and the integrity of relationships with employees, customers, suppliers, the Puget Sound community, government officials and the public at large.

3. Qualifications. Directors should possess the highest personal and professional ethics, integrity and values, and be committed to representing the long-term interests of the shareholders. They must also have an inquisitive and objective perspective, practical wisdom and mature judgment. We endeavor to have a board representing diverse experience in many types of business and the current Board has backgrounds which include manufacturing, finance, media, investing, law and

national defense.

Directors must be willing to devote sufficient time to carrying out their duties and responsibilities effectively, and should be committed to serve on the board for an extended period of time.

Directors who also serve as CEOs or in equivalent positions should not serve on more than two boards of public companies in addition to the Todd board, and other directors should not serve on more than four other boards of public companies in addition to the Todd board. Current positions in excess of these limits may be maintained unless the board determines that doing so would impair the director's service on the Todd board. Directors will not be eligible to stand for election to the Board after their 72nd birthday provided, however, such age limit may be waived by action of the Nominating and Governance Committee if it determines that a waiver is appropriate in view of unique background or contributions to the Board's deliberations. Any such waiver shall be reviewed annually. No such waiver shall continue for more than [3] years and no more than one waiver shall be in effect at the same time.

4. Independence of Directors. A majority of the directors will be independent directors, as independence is determined by the board, based on the guidelines set forth below. The board has determined that the following 6 of Todd's 8 directors are independent: Baird, Clifford, Jeremiah, Lehrer, Lewis and Robinson.

For a director to be considered independent, the Board must determine that the director does not have any direct or indirect material relationship with Todd. The Board adheres to the New York Stock Exchange listing requirements (NYSE rules). In addition to applying these guidelines, the board will consider all relevant facts and circumstances in making an independence determination. The board will make and publicly disclose its independence determination for each director when the director is first elected to the board and annually thereafter for all nominees for election as directors.

a. A director will not be independent if:

- (i) the director is employed by Todd, or an immediate family member is an executive officer of Todd;
- (ii) the director receives any direct compensation from Todd, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service);
- (iii) an immediate family member who is a Todd executive receives more than \$100,000 per year in direct compensation from Todd;
- (iv) the director is affiliated with or employed by Todd's independent auditor, or an immediate family member is affiliated with or employed in a professional capacity by Todd's independent auditor; or
- (v) a Todd officer is on the compensation committee of the board of directors of a company which employs the Todd director or an immediate family member as an executive officer.

b. A director will not be independent if, at the time of the independence determination, the director is an executive officer or employee, or if an immediate family member is an executive

officer, of another company that does business with Todd and the sales by that company to Todd or purchases by that company from Todd, in any single fiscal year during the evaluation period, are more than the greater of two percent of the annual revenues of that company or \$1 million.

5. Size of Board and Selection Process. The directors are elected each year by the shareholders at the annual meeting of Shareholders. Shareholders may propose nominees for consideration by the nominating and corporate governance committee by submitting the names and supporting information to: Secretary, Todd Shipyards Corporation, 1801 16th Avenue SW, Seattle Washington 98134. The Board proposes a slate of nominees to the shareholders for election to the board. The Board also determines the number of directors on the board provided that there are at least 3. Between annual shareowner meetings, the Board may elect directors to serve until the next annual meeting. The Board believes that, given the size and breadth of Todd the board should be in the range of 6 - 10 directors.

6. Board Committees. The board has established the following committees to assist the board in discharging its responsibilities: (i) audit; (ii) compensation; (iii) nominating and corporate governance; and (iv) executive. The current charters of the audit, compensation, and nominating and corporate governance committees are published on the Todd website, and will be mailed to shareholders on written request. The executive committee has plenary authority to act between meetings of the Board to the full extent permitted by Delaware law. (It has not been necessary for the executive committee to meet in the last 10 years.) The committee chairs report the highlights of their meetings to the full board following each meeting of the respective committees.

7. Independence of Committee Members. In addition to the requirement that a majority of the board satisfy the independence standards discussed in section 4 above, members of the Audit Committee must also satisfy an additional Sarbanes-Oxley independence requirement. Specifically, they may not accept directly or indirectly any consulting, advisory or other compensatory fee from Todd or any of its subsidiaries other than their directors' compensation. An otherwise independent director who is nevertheless deemed to be an affiliate of the Company, as that term is used in the federal securities laws is not eligible to serve on the Audit Committee.

8. Meetings of Non-Management Directors. The board will have at least four regularly scheduled meetings a year for the non-management directors without management present. If the meetings of non-management directors includes directors that are not independent, the independent directors will schedule an executive session, at least annually, that includes only those independent directors. The director attendees at the independent director's executive session shall select a director to serve as chair for the purposes of the meeting.

9. Self-Evaluation. As developed more fully by the nominating and corporate governance committee, the board and each of the committees will perform an annual self-evaluation.

10. Setting Board Agenda. The Board shall be responsible for its agenda. At the March board meeting, the CEO will propose for the Board's approval key issues of strategy, risk and integrity to be scheduled and discussed during the course of the next calendar year. Before that meeting, the Board will be invited to offer its suggestions. As a result of this process, a schedule of major discussion items for the following year will be established. Prior to each board meeting, the CEO

will discuss the other specific agenda items for the meeting with the Chairman of the Board. The CEO and the Chairman, or committee chair as appropriate, shall determine the nature and extent of information that shall be provided regularly to the directors before each scheduled board or committee meeting. Directors are urged to make suggestions for agenda items, or additional pre-meeting materials, to the CEO, the Chairman, or appropriate committee chair at any time.

11. Ethics and Conflicts of Interest. The board expects Todd directors, as well as officers and employees, to act ethically at all times and to acknowledge their adherence to the policies comprising Todd's Code of Ethics and Conduct Guidelines set forth in the company's procedures and posted on the Company's web site. Todd will not make any personal loans or extensions of credit to directors or officers. The Board will not permit any waiver of any ethics policy for any director or officer. If an actual or potential conflict of interest arises for a director, the director shall promptly inform the CEO and the Chairman. The CEO and the Chairman shall refer the potential conflict to the nominating/corporate governance committee for resolution. If a significant conflict exists and cannot be resolved, the director should resign. All directors will recuse themselves from any discussion or decision affecting their personal, business or professional interests. The Board shall resolve any conflict of interest question involving the CEO or any other officer of the company.

12. Reporting of Concerns to Non-Management Directors or the Audit Committee. The Audit Committee and the non-management directors have established the following procedures to enable anyone who has a concern about Todd's conduct, or any employee who has a complaint about the company's accounting, internal accounting controls or auditing matters, to communicate that concern directly to the Audit Committee. Such communications may be confidential or anonymous, and may be reported by phone to a toll-free phone number that is published on the company's website. All such communications relating to accounting, internal controls, auditing or officer conduct shall be promptly reviewed by the chairman of the Audit Committee. All communications related to matters not stated above will be referred to the chairman of the nominating/corporate governance committee. The status of all outstanding concerns addressed by the committees will be reported to the Chairman and to the CEO on a quarterly basis. The Chairman, or the Audit Committee or nominating/corporate governance chairs, may direct that certain matters be presented to the full Board and may direct special treatment, including the retention of outside advisors or counsel, for any concern addressed to them. The company's policy prohibits any employee from retaliating or taking any adverse action against anyone for raising or helping to resolve an integrity concern.

13. Compensation of the Board. The Compensation Committee shall have the responsibility for recommending to the Board, compensation and benefits for non-employee directors. In discharging this duty, the committee shall be guided by two goals: compensation should fairly pay directors for work required in a company of Todd's size and scope and; the structure of the compensation should be simple, transparent and easy for shareholders to understand. At the end of each year, the Compensation Committee shall review non-employee director compensation and benefits.

14. Succession Plan. The board shall approve and maintain a succession plan for the CEO and senior executives, based upon recommendations from the Nominating/Corporate Governance Committee.

15. Annual Compensation Review of Senior Management. The Compensation Committee shall annually approve the goals and objectives for compensating the CEO. That committee shall evaluate the CEO's performance in light of these goals before recommending the level of the CEO's compensation to the full Board. The committee shall also annually review and recommend to the full Board, the compensation structure for the company's other executive officers.

16. Access to Independent Advisors. The board and its committees shall have the right at any time to retain independent outside auditors and financial, legal or other advisors, and the company shall provide appropriate funding, as determined by the board or any committee, to compensate such independent outside auditors or advisors, as well as to cover the ordinary administrative expenses incurred by the board and its committees in carrying out their duties.

17. Director Orientation. The CEO, CFO and the General Counsel shall be responsible for, at the direction of the Nominating/Corporate Governance Committee, providing an orientation for new directors, and for periodically providing materials or briefing sessions for all directors on subjects that would assist them in discharging their duties.