

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**FORM 10-Q**

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the quarterly period ended September 30, 2007.

OR

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from \_\_\_\_ to \_\_\_\_

Commission File Number 1-5109

**TODD SHIPYARDS CORPORATION**

*(Exact name of registrant as specified in its charter)*

**Delaware**

(State or other jurisdiction of incorporation or organization)

**91-1506719**

(I.R.S. Employer Identification Number)

**1801-16th Avenue SW**

**Seattle, WA**

(Address of principal executive offices)

**98134**

(Zip Code)

Registrant's telephone number, including area code:

**(206) 623-1635**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer" and "large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

LARGE ACCELERATED FILER  ACCELERATED FILER  NON-ACCELERATED FILER

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  Yes  No

There were 5,646,276 shares of the corporation's \$0.01 par value common stock outstanding at November 8, 2007.

**"SAFE HARBOR" STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995**

*Statements contained in this Report which are not historical facts or information are "forward-looking statements." Words such as "believe," "expect," "intend," "will," "should," and other expressions that indicate future events and trends identify such forward-looking statements. These forward-looking statements involve risks and uncertainties which could cause the outcome to be materially different than stated. Such risks and uncertainties include both general economic risks and uncertainties and matters discussed in the Company's annual report on Form 10-K which relate directly to the Company's operations and properties. The Company cautions that any forward-looking statement reflects only the belief of the Company or its management at the time the statement was made. Although the Company believes such forward-looking statements are based upon reasonable assumptions, such assumptions may ultimately prove to be inaccurate or incomplete. The Company undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement was made.*

**PART I - FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

**TODD SHIPYARDS CORPORATION**

**UNAUDITED CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS**

Periods Ended September 30, 2007 and October 1, 2006

(In thousands of dollars, except per share data)

	Three Months Ended		Six Months Ended	
	09/30/07	10/01/06	09/30/07	10/01/06
Revenues	\$ 27,226	\$ 16,471	\$ 63,753	\$ 36,621
Operating expenses:				
Cost of revenue	20,204	11,661	48,161	24,709
Administrative and manufacturing overhead	8,486	5,278	17,619	14,233
Other insurance settlements	(17)	(12)	(32)	(52)
Total operating expenses	28,673	16,927	65,748	38,890
Operating loss	(1,447)	(456)	(1,995)	(2,269)
Investment and other income				
Lease income	949	587	2,851	601
Lease expense	(134)	(211)	(1,007)	(222)
Other income/(expense), net	194	237	428	682
Gain on available-for-sale securities	-	99	-	371
Total Investment and other income	1,009	711	2,272	1,431
Income (loss) before income tax expense	(438) -	255	277 -	(838)
Income tax benefit (expense)	146	(87)	(93)	285
Net income (loss)	\$ (292)	\$ 168	\$ 184	\$ (553)
Net income (loss) per common share				
Basic	\$ (0.05)	\$ 0.03	\$ 0.03	\$ (0.10)
Diluted	\$ (0.05)	\$ 0.03	\$ 0.03	\$ (0.10)
Dividends declared per common share	\$ 0.15	\$ 0.15	\$ 0.30	\$ 0.30
Extraordinary dividends declared per common	\$ -	\$ -	\$ -	\$ 4.00
Weighted average shares outstanding				
Basic	5,641	5,599	5,639	5,562
Diluted	5,641	5,712	5,762	5,562
Retained earnings at beginning of period	\$ 69,839	\$ 68,806	\$ 70,212	\$ 92,454
Net income (loss) for the period	(292)	168	184	(553)
Dividends declared on common stock	(842)	(865)	(1,691)	(23,792)
Retained earnings at end of period	\$ 68,705	\$ 68,109	\$ 68,705	\$ 68,109

The accompanying notes are an integral part of these statements.

**TODD SHIPYARDS CORPORATION**  
**UNAUDITED CONSOLIDATED BALANCE SHEETS**

Balances as of September 30, 2007 and April 1, 2007

(In thousands of dollars, except per share data)

	09/30/07	04/01/07
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,157	\$ 2,908
Securities available-for-sale	15,510	15,416
Accounts receivable		
U.S. Government	5,592	5,742
Other	3,572	4,731
Costs and estimated profits in excess of billings on incomplete contracts	12,970	18,304
Inventory	1,611	1,518
Insurance receivable	217	217
Other current assets	1,397	3,485
Deferred taxes	1,582	1,330
<i>Total current assets</i>	44,608	53,651
Property, plant and equipment, net	31,719	32,021
Restricted cash	3,535	3,332
Deferred pension assets	20,560	20,681
Insurance receivable	9,009	9,278
Other long-term assets	1,168	1,494
<i>Total assets</i>	\$ 110,599	\$ 120,457
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Accounts payable and accruals	\$ 10,454	\$ 17,845
Reserves for contract loss	1,788	1,973
Accrued payroll and related liabilities	1,732	2,142
Billings in excess of costs and estimated profits on incomplete contracts	4,149	2,443
Environmental and other reserves	217	217
Taxes payable other than income taxes	1,031	1,500
Income taxes payable	-	754
<i>Total current liabilities</i>	19,371	26,874
Environmental and other reserves	11,422	11,769
Accrued post retirement health benefits	9,719	10,171
Deferred taxes	5,195	5,261
Other non-current liabilities	2,291	2,379
<i>Total liabilities</i>	47,998	56,454
<b>Stockholders' equity</b>		
Common stock \$.01 par value, authorized 19,500,000 shares, issued 11,956,026 shares at September 30, 2007 and April 1, 2007, and outstanding 5,646,276 shares at September 30, 2007 and 5,638,676 shares at April 1, 2007	120	120
Paid-in capital	40,276	40,273
Retained earnings	68,705	70,212
Accumulated other comprehensive loss	(780)	(827)
Treasury stock (6,309,750 shares at September 30, 2007 and 6,317,350 shares at April 1, 2007)	(45,720)	(45,775)
<i>Total stockholders' equity</i>	62,601	64,003
<i>Total liabilities and stockholders' equity</i>	\$ 110,599	\$ 120,457

The accompanying notes are an integral part of these statements.

**TODD SHIPYARDS CORPORATION**  
**UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
Periods Ended September 30, 2007 and October 1, 2006  
(in thousands of dollars)

	<b>Six Months Ended</b>	
	<b>09/30/07</b>	<b>10/01/06</b>
<b>OPERATING ACTIVITIES</b>		
Net income (loss)	\$ 184	\$ (553)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities		
Depreciation	2,308	1,831
Loss on disposal of fixed assets	-	(24)
Loss on available-for-sale securities	-	(339)
Deferred pension cost	121	394
Post retirement health benefits	(452)	(176)
Deferred income taxes	(343)	124
Stock based compensation	58	225
Decrease (increase) in operating assets and liabilities		
Accounts receivable	1,309	3,683
Costs and estimated profits in excess of billings on incomplete contracts	5,334	869
Inventory	(93)	(104)
Insurance receivable	269	1,413
Other assets	2,392	(3,608)
Accounts payable and accruals	(7,390)	(5,730)
Accrued payroll and related liabilities	(410)	(1,780)
Contract loss reserve	(185)	-
Billings in excess of costs and estimated profits on incomplete contracts	1,706	2,342
Environmental and other reserves	(347)	(1,548)
Income taxes payable	(754)	(283)
Other liabilities	(558)	(920)
Net cash provided by (used in) operating activities	<u>3,149</u>	<u>(4,184)</u>
<b>INVESTING ACTIVITIES</b>		
Sales of marketable securities	-	23,917
Maturities of marketable securities	-	1,000
Proceeds from disposal of fixed assets	-	26
Capital expenditures	(2,006)	(1,935)
Net cash provided by (used in) investing activities	<u>(2,006)</u>	<u>23,008</u>
<b>FINANCING ACTIVITIES</b>		
Restricted cash	(203)	11
Proceeds from exercise of stock options	-	1,408
Dividends paid on common stock	(1,691)	(23,792)
Net cash used in financing activities	<u>(1,894)</u>	<u>(22,373)</u>
Net decrease in cash and cash equivalents	(751)	(3,549)
Cash and cash equivalents at beginning of period	2,908	6,581
Cash and cash equivalents at end of the period	<u>\$ 2,157</u>	<u>\$ 3,032</u>

The accompanying notes are an integral part of these statements.

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Todd Shipyards Corporation (“we”, “us”, “our”) filed the Consolidated Financial Statements for the fiscal year ended April 1, 2007 with the Securities and Exchange Commission on Form 10-K. The Consolidated Financial Statements, Notes to Consolidated Financial Statements and Management's Discussion and Analysis contained in that report should be read in connection with this Form 10-Q.

### **1. BASIS OF PRESENTATION**

In the opinion of management, all adjustments (consisting of normal recurring accruals) necessary for a fair presentation are included in the interim financial statements. Certain financial information that is required in the annual financial statements and prepared in accordance with accounting principles generally accepted in the United States of America may not be required for interim financial reporting purposes and may have been condensed or omitted. Our results of operations for the period ended September 30, 2007 are not necessarily indicative of the operating results for the full year. Our interim financial statements should be read in conjunction with the audited consolidated financial statements, including the notes thereto included in our 2007 Annual Report on Form 10-K.

The Consolidated Financial Statements include the accounts of Todd Shipyards Corporation and our wholly owned subsidiaries Todd Pacific Shipyards Corporation (“Todd Pacific”) and TSI Management, Inc. (“TSI”). All inter-company transactions have been eliminated.

Preparing our interim financial statements in conformity with Generally Accepted Accounting Principals (GAAP) requires us to make estimates and assumptions that may affect the amounts reported in our Consolidated Financial Statements and Notes to Consolidated Financial Statements. Actual results could differ from those estimates. Prior year numbers on the income statement were reclassified for consistent presentation.

### **2. RECENT ACCOUNTING PRONOUNCEMENTS**

SFAS 157, “Fair Value Measurements” – In September 2006, the Financial Accounting Standards Board (FASB) issued SFAS 157, which establishes a framework for measuring fair value and requires expanded disclosure about the information used to measure fair value. The statement applies whenever other statements require, or permit, assets or liabilities to be measured at fair value. The statement does not expand the use of fair value in any new circumstances and is effective for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. We anticipate no impact on our financial condition or results of operation upon adoption.

SFAS 159 “The Fair Value Option for Financial Assets and Financial Liabilities” – In February 2007, the FASB issued SFAS 159, which permits entities to voluntarily choose to measure eligible items at fair value at specified election dates. The election is made on an instrument-by-instrument basis and is irrevocable. If the fair value option is elected for an instrument, the statement specifies that entities report unrealized gains and losses at each subsequent reporting date. The statement is effective as of the beginning of the entities’ first fiscal year that begins after November 15, 2007. We anticipate no impact on our financial condition or results of operations upon adoption.

FIN 48, “Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement No. 109” - In June 2006, the FASB issued FASB Interpretation No. 48 (FIN 48) to create a single model to address accounting for uncertainty in tax positions. FIN 48 clarifies income tax accounting by prescribing a minimum recognition threshold that a tax position is required to meet before being recognized in financial statements. FIN 48 also provides guidance on derecognition, measurement, classification, interest and penalties, accounting for interim periods, disclosure and transition, and clearly excludes uncertainty in income taxes from guidance prescribed by FASB No. 5, “Accounting for Contingencies”. We adopted the provisions of FIN 48 on April 2, 2007. The adoption had no impact on our financial condition or results of operations.

### **3. REVENUES**

We recognize revenue, costs, and profit on construction and repair contracts in accordance with Statement of Position No. 81-1 (SOP No. 81-1), "Accounting for Performance of Construction-Type and Certain Production-Type Contracts." We recognize revenue using the percentage-of-completion method which requires us to make certain estimates of the total costs to complete a project, estimates of project schedule and completion dates, estimates of the percentage at which the project is complete, estimates of award fees earned, estimates of annual overhead rates and estimates of amounts of any probable unapproved claims and/or change orders. These estimates are continuously evaluated and updated by experienced project management and accounting personnel assigned to these activities; management also reviews them on a periodic basis. When adjustments in contract value or estimated costs are determined,

any changes from prior estimates are generally reflected in the current period. We generally enter into three types of contracts: cost-type contracts, time and materials contracts, and fixed price contracts.

The ship repair business consists of individual and short duration repair events, some of which are exercised by the Government under its various multi-ship, multi-option contracts. Consequently, operating results for any period presented are not necessarily indicative of results that may be expected in any other period.

When estimates of total costs to be incurred on a contract exceed estimates of total revenue to be earned, a provision for the entire loss on the contract is recorded as cost of revenues in the period the estimated loss is determined. We recognize revenue arising from claims when they are realized. A potential loss on a claim is recognized when the amount of the claim can be reasonably estimated and we consider that the claim loss is probable. In evaluating these criteria, we consider the contractual/legal basis for the claim, the cause of the additional cost incurred, the reasonableness of the costs and the objective evidence to support the claim.

#### **4. RESERVES AND OTHER CONTINGENCIES**

As discussed in our Form 10-K for the fiscal year ended April 1, 2007, we face significant potential liabilities in connection with the alleged presence of hazardous waste materials at our Seattle shipyard and at two additional sites used by us for disposal of alleged hazardous waste. We are named as a defendant in civil actions by parties alleging damages from past exposure to toxic substances at our facilities.

We continue to analyze environmental matters and associated liabilities for which we may be responsible. No assurance can be given as to the existence or extent of any environmental liabilities until such analysis has been completed. The eventual outcome of all environmental matters cannot be determined at this time; however, the analyses of the known matters have progressed sufficiently to warrant the establishment of reserve provisions in the accompanying consolidated financial statements.

##### **Harbor Island Site**

In fiscal year 2001, we entered into a 30-year agreement with an insurance company that provides broad-based insurance coverage for the remediation of our operable units at the Harbor Island Superfund Site ("Site").

The agreement provides coverage for the known liabilities in an amount not to exceed the policy limits. As of September 30, 2007 these limits exceed our current booked reserves of approximately \$5.2 million. Included in the reserves are sediment remediation costs for Harbor Island of \$0.2 million that are expected to occur in the next 12 months. These costs are reflected in our balance sheet under current liabilities. Likewise, the insurance receivable of \$0.2 million relating to these reserves is reflected in our balance sheet under current assets.

Additionally, in 2001 we entered into a 15-year agreement for coverage of any new environmental conditions discovered at the Seattle shipyard property that would require environmental remediation.

During the fourth quarter of fiscal year 2003, we entered into a Consent Decree with the EPA for the cleanup of the Shipyards Sediments Operable Unit (the "SSOU"), which was subsequently approved by the Department of Justice.

Remediation of the SSOU began in the second quarter of fiscal year 2005. We finished the pier demolition and required dredging in its entirety in fiscal year 2006. The EPA formally accepted our work at the site during the second quarter of fiscal year 2008.

Under the Federal Superfund law, potentially responsible parties may have liability for damages to natural resources in addition to liability for remediation. During fiscal year 2003, we began discussions with the natural resource trustees ("Trustees") for the Site. Management anticipates that the Trustees will file a claim against us at some future date alleging damages to the natural resources at the Site caused by the release of hazardous substances. Our best estimate of natural resource damage liability is included in the environmental remediation reserve. The payment of any eventual claim is covered by the aforementioned insurance policy, provided that aggregate policy limits have not been exceeded.

##### **Other Environmental Sites**

We were notified in November 2006 regarding the discovery of sub surface oil on the property formerly owned by us in Galveston, Texas. The subject property was sold by us to the Port of Galveston in 1992 and there have been several intervening owners and operators at the site since 1992. We are investigating the factual allegations and any potential liability. Due to the uncertainties at this time we have not established a reserve.

During the third quarter of fiscal year 2005, we were notified that we, along with 55 other companies and organizations, are a potentially responsible party ("PRP") at the BKK Landfill Facility in West Covina, California. The site is the subject of an investigation and remedial order from the California Department of Toxic Substances Control. It is alleged that our San Pedro shipyard (closed in 1990) caused shipyard waste to be sent to the BKK facility during the 1970s and 1980s. We are investigating these allegations and are unable to estimate our exposure at this time.

During the second quarter of fiscal year 2005, the EPA notified us that we are a PRP at the Malone Service Company Superfund Site ("Malone") in Galveston County, Texas. The EPA alleges that our Galveston shipyard, which ceased operations in 1990, was the generator of waste materials that were delivered, through independent transport companies, to the Malone site. The EPA has further indicated that we will, based on volumes of material at the site believed to have been generated by us, be eligible to participate in a "de minimus" settlement for small contributors. Management has included their best estimate of the settlement amount in our environmental reserve.

We previously disclosed our involvement with the CERCLA remediation efforts in the Hylebos Waterway of Commencement Bay in Tacoma, Washington and subsequent natural resources assessment by the statutorily named trustees ("Trustees"). A subsidiary of ours operated a shipbuilding operation on the Hylebos Waterway under contract to the United States Navy during World War II. The contract between our subsidiary and the Navy for the operation of the shipyard site included an indemnification clause flowing from the United States to our subsidiary. We have tendered any potential liability to the United States pursuant to its contract. The United States has not responded to the tender. We have not had a presence at the site since 1946. We have further taken the position with the EPA and the Trustees that any potential liability that we may have had for the site was discharged in its 1987 filing under Chapter 11 of the United States bankruptcy code. We were not named as a potentially responsible party by the EPA nor has a claim for natural resource damages been filed against us by the Trustees. Several potentially responsible parties notified us in 2000 of their intent to file a contribution action against us but no claims have been filed to date. The Trustees filed a claim against the United States for natural resources damages caused by the Government. The Trustees and the United States have entered into a consent decree resolving the claim, releasing the United States from further liability in connection with the site. We appeared at the consent decree hearing in United States District Court in Tacoma, Washington in October 2007 to protect our indemnification agreement with the United States. The judge approved entry of the consent decree but also ruled that the consent decree would not operate to relieve the United States from any contractual indemnification obligations it may owe us. We are unable to estimate our potential exposure for this item.

#### **Asbestos-Related Claims**

As reported in our Form 10-K for fiscal year 2007, we are named as a defendant in civil actions by parties alleging damages from past exposure to toxic substances, generally asbestos, at closed former facilities.

The cases generally include as defendants, in addition to us, other ship builders and repairers, ship owners, asbestos manufacturers, distributors and installers, and equipment manufacturers and arise from injuries or illnesses allegedly caused by exposure to asbestos or other toxic substances. We assess claims as they are filed and as the cases develop, analyzing them in two different categories based on severity of illness. Based on current fact patterns, certain diseases including mesothelioma, lung cancer and fully developed asbestosis are categorized by us as "malignant" claims. All others of a less medically serious nature are categorized as "non-malignant". We are currently defending approximately 16 "malignant" claims and approximately 491 "non-malignant" claims. We and our insurers are vigorously defending these actions.

As of September 30, 2007, we have recorded a bodily injury liability reserve of \$5.5 million and a bodily injury insurance receivable of \$4.0 million. This compares to a previously recorded bodily injury reserve and insurance receivable of \$5.8 million and \$4.3 million, respectively, at April 1, 2007. These bodily injury liabilities and receivables are classified within our Consolidated Balance Sheets as environmental and other reserves, and insurance receivables, respectively.

#### **Other Reserves**

During the first quarter of fiscal year 2004, management recorded a reserve of \$2.5 million related to the unanticipated bankruptcy of one of our previous insurance carriers. The reserve, which reflects management's best estimate of the known liabilities associated with unpaid workers compensation claims arising from the two-year coverage period commencing October 1, 1998, is subject to change as additional facts are uncovered. These claims have reverted to us due to the liquidation of the insurance carrier. Although we expect to recover at least a portion of these costs from the liquidation and other sources, the amount and the timing of any such recovery cannot be estimated currently and therefore no estimate of amounts recoverable is included in the current financial results.

We have paid approximately \$0.8 million and \$0.7 million in claims through September 30, 2007 and April 1, 2007, respectively, which have been charged against the reserve.

## Other Contingencies

The Navy's Puget Sound contracting office has notified us of several instances of potential noncompliance with the Cost Accounting Standards ("CAS") relating to our Planned Incremental Availability ("PIA") contract to perform repair work on the aircraft carriers located in the Puget Sound. The instances under review primarily focus on our long standing allocation methods applicable to other Navy contracts and the degree to which indirect costs are allocated to work performed under our PIA contract. We believe that we have valid positions and defenses to the findings of potential noncompliance and we are responding to the notification in an effort to resolve the matter prior to action by the Navy to determine that noncompliance exists. An unfavorable outcome in this matter could have a significant impact on our cost structure with the Navy and, depending upon the scope of any retroactive relief sought by the Navy, could be material in the period recorded. At this time, we are unable to estimate our potential exposure for this item.

We have received notice from the Defense Contract Audit Agency ("DCAA") questioning the reasonableness of a payment to one of our subcontractors on the 2005 DPIA of the aircraft carrier USS John Stennis. We subcontracted the painting of the hull of the carrier which proved more difficult than anticipated due in part to the Government limiting access to the hull in the sequence proposed by the subcontractor. The required change in plan resulted in material overruns in the cost to complete the paint item. We reached a negotiated agreement of approximately \$2 million with the subcontractor resulting in a contract modification issued by the Navy's contracting officer in the above stated amount to us under its cost type contract. The DCAA, in a 2007 audit, has challenged the allowability of the payment by us to the subcontractor. We have submitted a detailed response in support of the propriety of the payment. There can be no assurance that the DCAA will agree with our position and we are unable to estimate our potential exposure for this item. The DCAA will issue an opinion regarding the payment to the regional Navy contracting office who will issue its decision on the allowability of the payment. An unfavorable decision by the Navy's contracting officer would be subject to appeal by us to the Armed Services Board of Contract Appeals or directly to federal court. Due to the uncertainty of the outcome we have not established a reserve for this item.

## 5. COMPREHENSIVE INCOME

We reported comprehensive loss of \$0.24 million for the quarter ended September 30, 2007, which consisted of a net loss of \$0.29 million and an unrealized gain on available-for-sale securities of \$0.05 million. For the six months ended September 30, 2007 we reported comprehensive income of \$0.2 million, which consisted of net income of \$0.18 million and an unrealized gain on available-for-sale securities of \$0.05 million.

For the second quarter of fiscal 2007 ended October 1, 2006, we reported comprehensive income of \$0.3 million, which consisted of net income of \$0.2 million and an unrealized gain on available-for-sale securities of \$0.1 million. For the first half of fiscal 2007, we reported a comprehensive loss of \$0.7 million, consisting of a net loss of \$0.6 million and a net unrealized loss on available-for-sale securities of \$0.1 million.

## 6. NET INCOME PER SHARE

The following table represents the calculation of net income (loss) per common equivalent share – diluted.

(in thousands of dollars except share data)	Three Months Ended		Six Months Ended	
	09/30/07	10/01/06	09/30/07	10/01/06
Net income (loss)	\$ (292)	\$ 168	\$ 184	\$ (553)
Weighted average common shares outstanding	5,641	5,599	5,639	5,562
Dilutive effect of stock options on weighted average common shares	-	113	123	-
Weighted average common shares outstanding	5,641	5,712	5,762	5,562
Net income (loss) per common share diluted	\$ (0.05)	\$ 0.03	\$ 0.03	\$ (0.10)

Common stock options totaling 133,000 were excluded from the calculation for the three month period ended September 30, 2007 because their affect on net loss would be anti-dilutive. Common stock options totaling 121,000 were excluded from the calculation for the six month period ended October 1, 2006 because their effect on net loss would be anti-dilutive.

## 7. STOCK COMPENSATION EXPENSE

We account for stock compensation associated with the restricted stock awards, restricted stock grant agreement and performance share award agreement that were approved at the June 2007 Board of Directors meeting under the recognition and measurement principles of FASB Statement 123R, Shared-Based Payment, which requires estimating the compensation cost for all stock based awards at fair value on the date of the grant and recognition of compensation over the service period for awards expected to vest. We estimated the fair value of stock-based awards using the Black-Scholes option pricing model. We are amortizing the fair value on a straight-line basis over the requisite service periods of the awards, which is generally the vesting period. As required by FAS 123R, we estimated future forfeitures and are recognizing compensation costs only for those equity awards expected to vest. Estimating the percentage of stock awards that will ultimately vest requires judgment. To the extent that actual results or updated estimates differ from our current estimates, we will record such amounts retrospectively as an increase or decrease in stock-based compensation in the period we revise the estimates. We consider many factors when estimating expected forfeitures, including historical voluntary terminations. Actual results, and future changes in estimates, may differ substantially from our current estimates.

As of September 30, 2007 and October 1, 2006, the total compensation costs related to unvested restricted stock units and stock-settled appreciation rights totaled \$0.5 million and \$0 million inclusive of estimated forfeitures. This cost is being amortized on a straight-line basis over the requisite service period.

During the six-month period ended September 30, 2007, pursuant to our 2003 Incentive Stock Plan, we granted a total of 6,000 units of restricted stock ("RSUs") to members of our Board of Directors with restrictions that lapse by month through August 22, 2010 based on continued service. The fair value of these was \$21.98 based on the fair market value at the grant date. We further granted a total of 16,000 RSUs to the Officers of the Company. The restrictions on the grants lapse on an annual basis over the required service period through July 1, 2012. The fair value of these was \$21.02 based on the fair market value at the grant date. The forfeiture rate assumed on these units is zero.

During the six-month period ended September 30, 2007, we granted 16,000 units of performance award shares under our 2003 Incentive Stock Plan in the form of stock-settled Stock Appreciation Rights ("SSARs"). The SSARs rights vest ratably on continued service through July 6, 2010 and expire on July 6, 2012. The forfeiture rate assumed on these SSARs is zero.

**Determining Fair Value** - We calculate the fair value of our stock-settle appreciation rights to employees using the Black-Scholes pricing model. The fair value is then amortized on a straight-line basis over the requisite vesting period of the awards. The following assumptions were used to compute fair value of the stock options granted for the quarter ended September 30, 2007. We did not complete fair value estimates in the first quarter of fiscal 2008 or in fiscal 2007 because there were no active stock-based compensation programs during those periods.

	<b>Three Months Ended September 30, 2007</b>
Expected volatility	37.81%
Expected term (in years)	4
Risk-free interest rate	5.10%
Expected dividend	2.5%
Fair value per share	\$4.65

## **8. PENSIONS AND OTHER POSTRETIREMENT BENEFIT PLANS**

**Nonunion Pension Plan** - We sponsor the Todd Shipyards Corporation Retirement System (the "Retirement System"), a non-contributory defined benefit plan under which non-union employees are covered. The benefits are based on years of service and the employee's compensation before retirement. Our funding policy is to fund such retirement costs as required to meet allowable deductibility limits under current Internal Revenue Service regulations. The Retirement System plan assets consist principally of common stocks and Government and corporate obligations. As of April 10, 2007, new employees are not eligible to enter the plan. Under a provision of the Omnibus Budget Reform Act of 1990 ("OBRA '90") we will transfer approximately \$1.1 million in excess pension assets from the Retirement System into a fund to pay fiscal year 2008 retiree medical benefit expenses. OBRA '90 was modified by the Work Incentives Improvement Act of 1999 and subsequently updated April 10, 2004 by the Pension Funding Equity Act (HR-3108) to extend annual excess asset transfers through the fiscal year ending March 30, 2014.

(in thousands of dollars)	Three Months Ended		Six Months Ended	
	09/30/07	10/01/06	09/30/07	10/01/06
<b>Components of net periodic benefit cost</b>				
Service cost	\$ 198	\$ 200	\$ 396	\$ 399
Interest cost on projected benefit obligation	409	403	818	806
Expected return on plan assets	(850)	(824)	(1,700)	(1,648)
Amortization of prior service cost	17	3	34	6
Recognized actuarial loss	3	110	6	221
Net periodic (benefit) cost before asset transfer	(223)	(108)	(446)	(216)
Asset transfer	283	305	566	609
Net periodic cost	\$ 60	\$ 197	\$ 120	\$ 393

**Post Retirement Health Insurance Program** - We sponsor a retiree health care plan that provides post retirement medical benefits to former full-time exempt employees, and their spouses, who meet specified criteria. We terminated post retirement health benefits for any employees retiring subsequent to May 15, 1988.

The retirement health care plan contains cost-sharing features such as deductibles and coinsurance. These benefits are funded monthly through the payment of group health insurance premiums.

Because such benefit obligations do not accrue to current employees, there is no current year service cost component of the accumulated post retirement health benefit obligation.

(in thousands of dollars)	Three Months Ended		Six Months Ended	
	09/30/07	10/01/06	09/30/07	10/01/06
<b>Other Post Retirement Benefits</b>				
<b>Components of net periodic benefit cost</b>				
Interest cost on projected benefit obligation	\$ 154	\$ 217	\$ 308	\$ 434
Recognized actuarial (gain)	(97)	-	(194)	-
Net periodic cost before 401h transfer	57	217	114	434
Transfer of assets for payment of retiree medical benefits (401(h) Plan)	(283)	(305)	(566)	(609)
Net periodic benefit	\$ (226)	\$ (88)	\$ (452)	\$ (176)

**Union Pension Plans - Operating Shipyard** - We participate in several multi-employer defined benefit and/or defined contribution pension plans, which provide benefits to our collective bargaining employees. The expense under these plans totaled \$0.7 million and \$0.4 million for the quarters ended September 30, 2007 and October 1, 2006, respectively.

## 9. CASH MANAGEMENT

Our cash management system provides for the reimbursement of all major bank disbursement accounts on a daily basis. Accounts payable and accruals at September 30, 2007 included \$1.5 million of checks issued but not yet presented for payment. During the same period ending October 1, 2006 we had \$0.0 million.

## 10. INCOME TAXES

We record income taxes using the liability method in accordance with SFAS 109, "Accounting for Income Taxes." Deferred income taxes are recognized for temporary differences - the differences between the GAAP financial statement carrying amounts of assets and liabilities and those elected for use in the tax return. The tax effect of these temporary differences are reported as deferred income tax assets and liabilities on the balance sheet, measured using enacted laws and income tax rates that are currently in effect. A valuation allowance is recorded to reduce deferred tax assets when realization of the tax benefit is unlikely.

In June 2006, the FASB issued FASB interpretation No. 48 "Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement No. 109" (FIN 48) to create a single model to address accounting for uncertainty in tax positions. FIN 48 clarifies income tax accounting by prescribing a minimum recognition threshold that a tax position is required to meet before being recognized in financial statements. FIN 48 also provides guidance on derecognition, measurement, classification, interest and penalties, accounting

for interim periods, disclosure and transition, and clearly excludes uncertainty in income taxes from guidance prescribed by FASB No. 5, "Accounting for Contingencies". We adopted the provisions of FIN 48, on April 2, 2007. The adoption had no impact on our financial condition or results of operations.

There were no unrecognized tax benefits under FIN 48 as of September 30, 2007 or April 1, 2007.

No interest or penalties were recognized during the three months ended September 30, 2007. We have adopted a policy whereby penalties incurred in connection with tax matters will be classified as general and administrative expenses, and interest assessments incurred in connection with tax matters will be classified as interest expense.

Tax years that remain open for examination by federal taxing authorities include 2004, 2005, 2006, and 2007.

## **ITEM 2. MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The Notes to Consolidated Financial Statements are an integral part of Management's Discussion and Analysis of Financial Condition and Results of Operations and should be read in conjunction herewith.

### **OVERVIEW**

We derive a significant portion of our revenues from work performed under our contracts with the U.S. Navy ("Navy") and the U.S. Coast Guard ("Coast Guard"). Work under such contracts is scheduled by and at the convenience of the Navy and the Coast Guard.

We are currently negotiating with several customers regarding responsibility for certain cost increases on fixed price projects. These discussions are focused on identified customer-driven sources of change, delay and disruption with the goal of recovering these costs. As a policy, we do not recognize revenue on such disputes until the period in which an agreement is realized. While there is no assurance that these discussions will result in a favorable agreement, we expect to negotiate some degree of compensation for these costs. Although we are unable to estimate the value associated with these potential settlements at this time, they could be material to our financial statements or results of operations in the period in which any agreement is reached and the associated settlement amount is recognized.

We currently hold a Multi-Ship/Multi-Option cost-type contract ("CVN contract") for the non-nuclear repair work on the aircraft carriers home ported or stationed in Puget Sound. We were first awarded the CVN contract in 1999 and will complete our second five year contract in 2008. The Navy recently issued a Request for Proposal ("RFP") for the next five year contract and we anticipate that the Navy will award a new contract in early 2008. We anticipate that several other shipyards will compete for the award of the contract and can give no assurances that we will be the successful bidder.

In July we, as prime contractor, commenced negotiations with the Washington State Department of Transportation, Ferry Division ("WSF") for the terms and conditions of a contract to build up to four 144 auto ferries. Subject to reaching agreement on the terms and conditions of subcontracts with our two primary subcontractors, Martinac Shipbuilding of Tacoma, Washington and Nichols Brothers Boat Builders of Freeland, Washington (see below), the company expects that a contract with WSF will be issued in two parts. Part A will provide for the design of the ferries and Part B will dictate the terms of the actual construction of the ferries. It is anticipated that Part A of the contract will be for approximately \$2 million that will be shared between Todd, its two primary subcontractors, and Guido Perla & Associates of Seattle, Washington, who will provide ferry design services. Once the design and cost estimate have been completed, Todd and WSF will negotiate a price and delivery schedule for Part B of the contract, covering the construction of the ferries. The current time table discussed between us and WSF would project contract execution of Part A during the fall and winter of 2007 and Part B during the summer of 2008. There are no assurances that Todd and WSF will reach agreement on a price for construction of the ferries or that the necessary funding will be available from the State of Washington to build all four ferries.

Subsequent to the quarter end we were notified on November 2, 2007 that due to financial difficulties, Nichols Brothers Boat Builders was ceasing operations and laying off their workforce. We currently do not know whether this situation is temporary or permanent. Notwithstanding this event, both Todd and WSF have agreed to proceed with the completion of negotiations in accordance with the contracting schedule described above. Lack of participation in this contract by Nichols Brothers Boat Builders would require us either to find an alternate supplier or to perform that portion of the work ourselves. Our management believes that either option is viable.

## OPERATING RESULTS

All comparisons within the following discussion are to the corresponding period in the previous year, unless otherwise stated.

**Revenue** - Our second quarter revenue of \$27.2 million reflects a \$10.8 million (65%) increase from the same period last fiscal year. The quarter to quarter increase largely results from higher ship repair and new construction volumes.

Revenue for the first six months of fiscal year 2008 was \$63.8 million, which reflects a \$27.1 million, or 74%, increase from the same period in fiscal year 2007. The year to date increase largely results from higher ship repair and new construction volumes on a range of projects, including NOAA Okeanos Explorer, Excavator Barge, USNS Flint and USNS Salvor.

The ship repair business consists of individual and short duration repair events, some of which are exercised by the Government under its various multi-ship, multi-option contracts. Consequently, operating results for any period presented are not necessarily indicative of results that may be expected in any other period.

**Cost of Revenue** - Cost of revenue during the second quarter of fiscal year 2008 was \$20.2 million, or 74% of revenue. Cost of revenue during the second quarter of fiscal year 2007 was \$11.7 million, or 71% of revenue. The increase in the cost of revenue in the second quarter of fiscal year 2008 is primarily attributable to an increase in volumes versus the same period in the prior year. The increase in the cost of revenue as a percentage of revenue in fiscal 2008 versus the prior year primarily results from a year-on-year increase in the share of total work volumes executed under fixed price contracts, which are characterized by higher costs as a percentage of revenue, and cost increases on certain fixed price projects.

Cost of revenue during the first six months of fiscal year 2008 was \$48.2 million, or 76% of revenue. During the comparable period in fiscal year 2007, cost of revenue was \$24.7 million, or 67% of revenue. Increases in the cost of revenue and the cost of revenue as a percentage of revenue in the first six months of fiscal 2008 versus the prior year are primarily attributable to the increases in volumes, share of work executed under fixed price contracts and cost increases on fixed price projects discussed above.

**Administrative and manufacturing overhead expense** - Overhead costs for administrative and manufacturing activities were \$8.5 million, or 31% of revenue, for the second quarter of fiscal year 2008. During the same period of fiscal year 2007, administrative and manufacturing overhead costs were \$5.3 million, or 32% of revenue. The \$3.2 million increase in administrative and manufacturing overhead is primarily attributable to the volume increases in the second quarter of fiscal year 2008 versus the same period in the prior fiscal year.

Administrative and manufacturing overhead costs for the first six months of fiscal year 2008 were \$17.6 million, or 28% of revenue. During the same period of fiscal year 2007, administrative and manufacturing overhead costs were \$14.2 million, or 39% of revenue. The \$3.4 million increase is the result of higher volumes during the first six months of fiscal year 2008 versus the same period in the prior year. The increase in administrative and manufacturing overhead costs as a percentage of revenue is attributable to the fixed nature of many of these costs.

**Investment & Other Income** - Investment and other income (including gain/(loss) on available-for-sale securities) was \$1.0 million for the second quarter of fiscal year 2008 and \$2.3 million for the year-to-date period as of September 30, 2007. During the same periods in fiscal year 2007 investment and other income was \$0.7 million and \$1.4 million, respectively. Investment and other income in fiscal 2007 and fiscal 2008 was impacted favorably by contracts to lease certain facilities and provide related services to Kiewit-General in connection with their construction of the Hood Canal Floating Bridge. The increase in investment and other income in the first two quarters of 2008 versus the prior year is due primarily to the increased level of activity by Kiewit-General under these contracts in the current year.

**Income Taxes** - Our effective income tax rate was 34% in the second quarters of both fiscal year 2008 and 2007. In the second quarter of fiscal 2008 we recorded \$0.1 million in federal income tax benefit. During the same period in fiscal 2007 we recorded \$0.1 million in federal income tax expense.

Our effective income tax rate was 34% in the first half of both fiscal years 2008 and 2007. We recorded \$0.1 million in federal tax expense in the first half of fiscal year 2008, and \$0.3 million in federal income tax benefit in the first half of fiscal year 2007.

## **LIQUIDITY AND CAPITAL RESOURCES**

Management anticipates that our cash, cash equivalents and marketable securities position, anticipated fiscal year 2008 cash flow, access to credit facilities and, if necessary, capital markets, taken together, will provide sufficient liquidity to fund operations for fiscal year 2008. Accordingly, shipyard capital expenditures are expected to be financed from working capital. Changes in the composition and/or timing of projected work could cause planned capital expenditures and repair and maintenance expenditures to change.

### **Working Capital**

Working capital at September 30, 2007 was \$25.2 million, a decrease of \$1.5 million, or 6%, from the working capital reported at the end of fiscal year 2007. The decrease is primarily attributable to a decrease in prepaid assets of \$2.9 million, consisting primarily of materials and supplies that were used in firm fixed price contracts and prepaid federal income tax increased \$0.8 million. Accounts receivables decreased \$1.3 million, sales in excess of billings decreased \$5.3 million, reserve contract loss decreased \$0.2 million, accounts payable decreased \$7.4 million and billings in excess of sales increased \$1.7 million.

### **Capital Expenditures**

Capital expenditures of \$0.6 million for the second quarter and \$2.0 million for the first six months of fiscal year 2008 were attributable to planned improvements to the Seattle shipyard facility.

### **Credit Facility**

We maintain a \$10.0 million credit facility, which is renewable on a bi-annual basis, provides us with greater flexibility in funding our operational cash flow needs. Borrowings on the line of credit have an interest rate, at management's discretion, of either the prime rate or LIBOR rate plus 1.5%. Furthermore, we have certain financial debt covenants that we must meet in order to maintain this line of credit. We are in compliance with all debt covenants and had no outstanding borrowings as of September 30, 2007 and April 1, 2007, respectively.

### **Dividends**

On June 25, 2007 and on September 24, 2007 we paid dividends of fifteen cents (\$0.15) per share to all shareholders of record as of June 8, 2007 and September 7, 2007, respectively. The cumulative amount of dividends paid on a year-to-date basis as of September 30, 2007 was \$1.7 million.

In fiscal year 2007 we also paid quarterly dividends of \$0.15 per share.

On March 24, 2006, the Board of Directors approved the payment of an extraordinary cash dividend of \$4.00 per share, or an aggregate of approximately \$22.1 million. Shareholders of record as of June 5, 2006 were entitled to receive the extraordinary dividend which was paid on June 20, 2006.

## **RESERVES AND OTHER CONTINGENCIES**

As reflected in the balance sheet and discussed in Note 4 to the financial statements, we have provided total aggregate reserves of \$11.7 million at September 30, 2007 for our contingent environmental and bodily injury liabilities. As of April 1, 2007, we had recorded aggregate reserves of \$12.0 million. All of the decrease from the prior period bodily injury liabilities relates to the settlement of bodily injury claims. Due to the complexities and extensive history of our environmental and bodily injury matters, the amounts and timing of future expenditures are uncertain. As a result, there can be no assurance that the ultimate resolution of these environmental and bodily injury matters will not have a material adverse effect on our financial position, cash flows or results of operations.

We maintain various insurance policies and agreements that provide coverage on the costs to remediate environmental sites and for the defense and settlement of bodily injury cases. These policies and agreements are primarily with two insurance companies. Based upon the current credit ratings of both of these companies, we anticipate that both parties will be able to perform under the terms of their respective policy or agreement.

As of September 30, 2007, we have recorded aggregate assets of \$9.2 million related to our reserves for environmental and bodily injury liabilities. As of April 1, 2007, we recorded aggregate assets of \$9.5 million. The \$0.3 million decrease in these assets is a result of recoveries related to bodily injuries. These assets reflect receivables under contractual arrangements with the insurance companies to share costs for certain environmental and other matters, as well as amounts deposited to securitize certain remediation activities. Amounts recoverable from insurance companies are recorded within our Consolidated Balance Sheets as insurance

receivables and, in the case of reimbursements currently due, as a current asset. Amounts held in security deposits are recorded within our Consolidated Balance Sheets as restricted cash.

The Navy's Puget Sound contracting office has notified us of several instances of potential noncompliance with the Cost Accounting Standards ("CAS") relating to our Planned Incremental Availability ("PIA") contract to perform repair work on the aircraft carriers located in the Puget Sound. The instances under review primarily focus on our long standing allocation methods applicable to other Navy contracts and the degree to which indirect costs are allocated to work performed under our PIA contract. We believe that we have valid positions and defenses to the findings of potential noncompliance and we are responding to the notification in an effort to resolve the matter prior to action by the Navy to determine that noncompliance exists. An unfavorable outcome in this matter could have a significant impact on our cost structure with the Navy and, depending upon the scope of any retroactive relief sought by the Navy, could be material in the period recorded. At this time, we are unable to estimate our potential exposure for this item.

We have received notice from the Defense Contract Audit Agency ("DCAA") questioning the reasonableness of a payment to one of our subcontractors on the 2005 DPIA of the aircraft carrier USS John C. Stennis. We subcontracted the painting of the hull of the carrier which proved more difficult than anticipated due in part to the Government limiting access to the hull in the sequence proposed by the subcontractor. The required change in plan resulted in material overruns in the cost to complete the paint item. We reached a negotiated agreement of approximately \$2 million with the subcontractor resulting in a contract modification issued by the Navy's contracting officer in the above stated amount to us under its cost type contract. The DCAA, in a 2007 audit, has challenged the allowability of the payment by us to the subcontractor. We have submitted a detailed response in support of the propriety of the payment. There can be no assurance that the DCAA will agree with our position and we are unable to estimate our potential exposure for this item. The DCAA will issue an opinion regarding the payment to the regional Navy contracting office who will issue its decision on the allowability of the payment. An unfavorable decision by the Navy's contracting officer would be subject to appeal by us to the Armed Services Board of Contract Appeals or directly to federal court. Due to the uncertainty of the outcome we have not established a reserve for this item.

## **BACKLOG**

At September 30, 2007 our firm shipyard backlog consisted of approximately \$43 million of repair and overhaul work. Our backlog at April 1, 2007 was approximately \$36 million. The increase in the backlog of work at the end of the first six months of fiscal year 2008 is primarily due to contracts with the US Navy for repair and alteration work on the aircraft carrier USS John C. Stennis at Puget Sound Naval Shipyard.

## **LABOR RELATIONS**

We operate under a collective bargaining agreement with the Puget Sound Metal Trades Council (the bargaining umbrella for all unions at Todd Pacific Shipyards) which was ratified by the rank and file in November 2005. The three-year agreement, which is retroactive to August 1, 2005, will expire on July 31, 2008. The current agreement provides for increases in the wages and fringe benefits of approximately 4.3% per year.

## **ITEM 4. CONTROLS AND PROCEDURES**

**(a) Evaluation of Disclosure Controls and Procedures.** As required by Rule 13a-15(b) of the Securities Exchange Act of 1934 (the Exchange Act), under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act). Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report in providing a reasonable level of assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and a reasonable level of assurance that information required to be disclosed by us in such reports is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

**(b) Changes in Internal Controls Over Financial Reporting.** As required by Rule 13a-15(d) of the Exchange Act, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we have evaluated our internal controls over financial reporting and determined that there were no changes that occurred during the quarter covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II. OTHER INFORMATION

### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

At our annual meeting of Shareholders held on August 22, 2007, there were present in person or by proxy, the holders of 5,179,346 shares out of a total of 5,638,676 (91.85%) shares of common stock of ours thereby constituting a quorum. The follow matter was approved:

(A) Election of eight directors for a one year term expiring in 2008:

Name

Brent D. Baird  
Steven A. Clifford  
Patrick W.E. Hodgson  
Joseph D. Lehrer  
William L. Lewis  
Admiral J. Paul Reason  
Philip N. Robinson  
Stephen G. Welch

The Inspector of Election reported that each Director received at least 4,375,294 votes, or 84.48%.

### ITEM 5. OTHER INFORMATION

Pursuant to the requirements of paragraph 12(a) of Section 303A of the New York Stock Exchange ("NYSE") Listed Company Manual, we submitted CEO Compliance Certifications to the NYSE in both 2007 and 2006. Further, we filed certifications of our CEO and our CFO with the Securities and Exchange Commission pursuant to, and in the form required by, Rule 13a-14(d) under the Securities Exchange Act of 1934 as exhibits to our most recently filed Form 10-K.

### ITEM 6. EXHIBITS

(a) Exhibits

- |          |   |
|----------|---|
| No. 31.1 | Certification of Chief Executive Officer in accordance with Rule 13a-14a or 15d-14 of the Securities Exchange Act of 1934 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)               |
| No. 31.2 | Certification of Chief Financial Officer in accordance with Rule 13a-14a or 15d-14 of the Securities Exchange Act of 1934 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)               |
| No. 32.1 | Certification of Chief Executive Officer pursuant to Rule 14(b) and section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code. (furnished herewith)* |
| No. 32.2 | Certification of Chief Financial Officer pursuant to Rule 14(b) and section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code. (furnished herewith)* |
| No. 99.1 | Press Release dated November 8, 2007 announcing financial results for our quarterly period ended September 30, 2007 (furnished herewith)*   |

\*Notwithstanding any incorporation of this Quarterly Report on Form 10-Q in any other filing by the Registrant, Exhibits furnished herewith and designated with an asterisk (\*) shall not be deemed incorporated by reference to any other filing under the Securities Act of 1933 or the Securities Exchange Act of 1934 unless specifically otherwise set forth therein.

## **SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934 the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TODD SHIPYARDS CORPORATION  
Registrant

/s/Berger A. Dodge  
Berger A. Dodge  
Chief Financial Officer and Treasurer  
November 8, 2007

## Exhibit 31.1

### CERTIFICATION

I, Stephen G. Welch, President and Chief Executive Officer of Todd Shipyards Corporation, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Todd Shipyards Corporation;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principals;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: November 8, 2007

/s/ Stephen G. Welch  
Stephen G. Welch,

President and Chief Executive Officer

**Exhibit 31.2**

**CERTIFICATION**

I, Berger A. Dodge, Chief Financial Officer and Treasurer of Todd Shipyards Corporation, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Todd Shipyards Corporation;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principals;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: November 8, 2007

/s/ Berger A. Dodge  
Berger A. Dodge,

Chief Financial Officer and Treasurer

**Exhibit 32.1**

**CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 (18 U.S.C. SECTION 1350)**

In connection with the Quarterly Report of Todd Shipyards Corporation (“we”, “us”, “our”) on Form 10-Q for the quarter ended September 30, 2007 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned certifies, pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. section 1350), that to the best of my knowledge and belief:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of our operations.

Date: November 8, 2007

/s/ Stephen G. Welch  
Stephen G. Welch,  
President and Chief Executive Officer

**Exhibit 32.2**

**CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 (18 U.S.C. SECTION 1350)**

In connection with the Quarterly Report of Todd Shipyards Corporation (“we”, “us”, “our”) on Form 10-Q for the quarter ended September 30, 2007 (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of our operations.

Date: November 8, 2007

/s/ Berger A. Dodge  
Berger A. Dodge,  
Chief Financial Officer and Treasurer