



IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

IN RE AEROJET ROCKETDYNE
HOLDINGS, INC.

) C.A. No. 2022-0127-LWW
)

**DEFENDANTS' ANSWER, AFFIRMATIVE DEFENSES, AND VERIFIED
COUNTERCLAIMS TO PLAINTIFFS' VERIFIED COMPLAINT AND
VERIFIED SUPPLEMENT TO THE COMPLAINT**

Defendants Kevin P. Chilton, Thomas A. Corcoran, Eileen P. Drake, and Lance W. Lord (“Defendants”), by and through their undersigned counsel, upon knowledge as to their own actions and upon information and belief as to all other matters, respond to the Verified Complaint (the “Complaint”) and Verified Supplement to the Complaint (the “Supplement”) as follows:

GENERAL DENIAL

Except as otherwise expressly admitted in this Answer, Defendants deny each and every allegation in the Complaint and in the Supplement. Defendants state that the headings and sub-headings throughout the Complaint and Supplement do not constitute well-pleaded allegations of fact and therefore require no response. To the extent a response is deemed required, the allegations in the headings and sub-headings in the Complaint and Supplement are denied. To the extent Defendants use terms in this Answer defined in the Complaint or Supplement, that use is not an acknowledgement or admission of any characterization Plaintiffs may ascribe to the defined terms. Defendants deny that Plaintiffs are entitled to any of the relief sought

VERIFIED COUNTERCLAIM AND THIRD-PARTY COMPLAINT

Counterclaim and Third-Party Complaint Plaintiffs General Kevin P. Chilton, USAF (Ret.), Thomas A. Corcoran, Eileen P. Drake and General Lance W. Lord, USAF (Ret.), by and through their undersigned counsel, hereby file this Verified Counterclaim and Third-Party Complaint and allege, on knowledge with respect to themselves and their own acts, and upon information and belief as to all other matters, as follows:

INTRODUCTION

1. Nominal party Aerojet Rocketdyne Holdings, Inc. (“AJRD”), a publicly-traded Delaware corporation in the defense and aerospace industries, is the subject of a proxy contest between two rival slates. Each slate is supported by half of AJRD’s eight-member Board of Directors (the “Board”). A seven-candidate slate, nominated by AJRD’s Executive Chairman, the “activist investor” Warren G. Lichtenstein, consists of Mr. Lichtenstein, four people he controls through financial and personal relationships and two others. The other slate consists of AJRD’s President and Chief Executive Officer, Eileen P. Drake and seven independent candidates with extensive industry experience – including three highly-decorated retired general officers.

2. Delaware corporate norms require that a properly functioning board of directors facing a proxy contest use its authority to protect the enterprise and its

stockholders from threats by, among other things, ensuring a fair election process. Such a board would, among other things, set an annual meeting date, determine the record date for voting at the meeting, evaluate whether any of the proffered slates poses a threat to the enterprise and its stockholders and, if necessary, take reasonable and proportionate steps to address that threat.

3. Unfortunately, AJRD's Board does not function properly. Because Mr. Lichtenstein controls half of the incumbent directors, he has a veto over any Board action affecting his bid to seize control. As a fiduciary, Mr. Lichtenstein has an obligation to abstain from votes affecting his self-interest. Were he to do so, there would be no deadlock. In violation of his fiduciary duty, Mr. Lichtenstein is using his veto to prevent the Board from scheduling a meeting, from setting a record date, from appointing a Special Committee of independent directors to address his insurgency or from taking any other action inconsistent with his self-interest. Particularly given his formidable financial resources, Mr. Lichtenstein's ability to neuter the Board gives him a huge advantage in his campaign to control the company.

4. The threat to a fair election process and to AJRD is heightened by the fact that recently, Mr. Lichtenstein provided AJRD with notice under federal anti-trust laws of an intent to purchase enough AJRD voting stock to raise his stake from about 5% to about 34%. He is using his Board-level blocking position to deny AJRD

the ability to consider and implement responses to his vote-buying scheme. In short, by failing to recuse himself as required by Delaware law, Mr. Lichtenstein is denying his fellow directors the ability to fulfill their fiduciary obligation to protect the enterprise and its stockholders. Unless federal regulators or the Court steps in, Mr. Lichtenstein will be able to start buying AJRD voting securities on May 5.

5. In addition, Mr. Lichtenstein is violating AJRD's By-Laws and the federal securities laws by disseminating materially misleading and incomplete disclosures in support of his proxy solicitation. These include a failure to disclose: (a) he is the subject of an investigation authorized by six of the directors (including his three Board allies) into allegations of official misconduct; (b) his full relationship with his Board nominees and the fact that election of his slate would deny stockholders the protection of a disinterested majority; and (c) details regarding his plans for AJRD if he succeeds.

6. Through this action, the Counterclaim and Third-Party Complaint Plaintiffs, including AJRD's only independent directors, seek injunctive and declaratory relief preventing Mr. Lichtenstein from inequitably using his blocking position to prevent the Board from fulfilling its statutory role of managing the Company and its fiduciary responsibility to protect it and the stockholders. Without such relief, AJRD's stockholders (including Counterclaim and Third-Party

Complaint Plaintiffs) will be irreparably injured by a fiduciary's unfair manipulation of the Board and the election process.

7. Counterclaim and Third-Party Complaint Plaintiffs also seek temporary injunctive relief barring Mr. Lichtenstein from acquiring AJRD voting securities until the Court has an opportunity to address the merits of the claims asserted here. Without such relief, Mr. Lichtenstein will deprive this Court of the ability to fashion effective relief by locking in a significant structural proxy contest advantage.

8. Counterclaim and Third-Party Complaint Plaintiffs have no adequate remedy at law.

THE PARTIES

9. Nominal Counterclaim and Third-Party Complaint Defendant AJRD is a Delaware corporation, headquartered in California. AJRD is a technology-based engineering and manufacturing company that develops and produces specialized power and propulsion systems, as well as armament systems. It develops and manufactures liquid and solid rocket propulsion, air-breathing hypersonic engines, and electric power and propulsion for space, defense, civil, and commercial applications. AJRD's Board has eight members, only one of whom is a management representative. Three are highly-respected independent directors with extensive industry experience, including two retired four star generals (the "Independent Directors"). Two directors are principals of Counterclaim and Third-Party

Complaint Defendant Steel Partners Holdings, including its owner Warren Lichtenstein, and two maintain close familial connections with Steel Partners executives.

10. Counterclaim and Third-Party Complaint Plaintiffs are AJRD's President, CEO and Director – Ms. Drake – and AJRD's three Independent Directors – Gen. Chilton, Gen. Lord and Mr. Corcoran (the “Independent Directors”).

a. Ms. Drake is a former U.S. Army aviator and airfield commander who has been a member of AJRD's Board since being named CEO and President in 2015. Upon her receipt of the 2017 CEO of the Year award from the Federal Law Enforcement Foundation, Defendant Lichtenstein stated: “Eileen's transformative leadership of AJRD Rocketdyne has been instrumental in positioning the company for continued growth and success in an increasingly competitive and demanding marketplace. This honor is well-deserved and a fitting accolade for Eileen's distinguished career.” In December 2019 Mr. Lichtenstein credited Ms. Drake with having “led the transformation of Aerojet Rocketdyne as CEO and as a member of the Board, building a culture of continuous improvement and operational excellence.” Ms. Drake is, and at all relevant times has been, a beneficial owner of AJRD common stock.

b. General Chilton, a retired U.S. Air Force four-star general, joined the Board in 2018. During his 34 years in the Air Force, Gen. Chilton served as Commander, U.S. Strategic Command, where he was responsible for the plans and operations for all U.S. forces conducting strategic nuclear deterrence, space and cyberspace operations. Further, he is the former commander of Air Force Space Command, a former astronaut, and Deputy Program Manager for the International Space Station. Gen. Chilton is, and at all relevant times has been, a beneficial owner of AJRD common stock.

c. Mr. Corcoran has been a member of AJRD's Board since 2008. He is a long-time leader of companies supporting the United States' national defense, having held senior executive positions in the defense, aerospace, and other industries since 1967. He was with General Electric for 26 years where he served in numerous elected corporate officer positions, including when GE Aerospace was sold to Lockheed Martin. He was senior advisor to the Carlyle Group and served in executive positions for Gemini Air Cargo, Inc., Allegheny Teledyne Incorporation and Lockheed Martin Corporation's Electronic Systems and Space & Strategic Missiles sectors. Mr. Corcoran is, and at all relevant times has been, a beneficial owner of AJRD common stock.

d. General Lord is a retired U.S. Air Force four-star general and has been a member of AJRD's Board since 2015. Gen. Lord held a number of

significant posts in the military, including Commander, Air Force Space Command, from 2002 to 2006, during which time he was responsible for the development, acquisition and operation of Air Force space and missile weapon systems. Gen. Lord has experience as a satellite launch decision authority, responsibility for Air Force astronaut activities and Air Force/NASA coordinated operations. Gen. Lord is, and at all relevant times has been, a beneficial owner of AJRD common stock.

11. Counterclaim and Third-Party Complaint Defendant Warren G. Lichtenstein joined the AJRD Board in 2008, and has been the Executive Chairman since 2016. Mr. Lichtenstein previously served as Chairman from 2013 to 2016. He is the founder, Executive Chairman and CEO of Counterclaim and Third-Party Complaint Defendant Steel Partners Holdings GP Inc., the general partner of Counterclaim and Third-Party Complaint Defendant Steel Partners Holdings L.P. (“SPH”), which beneficially owns approximately 4.9% of AJRD’s common stock.² Mr. Lichtenstein is an activist investor who “has made a reputation and a career out of buying large chunks of undervalued companies and then forcing them to sell.” *See* AAI’S PARENT ACTING LIKE A FEISTY KID AGAIN, The Baltimore

² Unless greater specificity is needed, the Steel Partners entities controlled by Mr. Lichtenstein are referred to as “Steel Partners.”

Sun (May 25, 2003), available at <https://www.baltimoresun.com/news/bs-xpm-2003-05-25-0305240321-story.html>.

12. Counterclaim and Third-Party Complaint Defendant James R. Henderson has been a member of AJRD's Board since 2008. Mr. Henderson is a long-time business associate of Mr. Lichtenstein. He was an Operating Partner of Steel Partners from 1999 to 2011. He has served executive and director roles at various Steel Partners controlled businesses, including: Chairman of the Board and CEO of Point Blank Solutions; President and COO of WebFinancial Corporation, and directorships of GenCorp., Inc., Del Global Technologies, Inc., Angelica Corp., ECC International Corp., BNS Holdings, Inc. and Aviat Networks. As discussed below, Mr. Lichtenstein named Mr. Henderson to his Board seat.

13. Counterclaim and Third-Party Complaint Defendant Martin Turchin has been a member of AJRD's Board since 2008. Mr. Turchin is a close personal friend of Mr. Lichtenstein's. His son reportedly is Mr. Lichtenstein's good friend and his grandson is Mr. Lichtenstein's Chief of Staff at Steel Partners. As discussed below, Mr. Lichtenstein named Mr. Turchin to his Board seat.

14. Counterclaim and Third-Party Complaint Defendant Audrey A. McNiff has been a member of AJRD's Board since 2020. Ms. McNiff's brother, John P. McNiff, is a member of the board of directors of Mr. Lichtenstein's Steel Partners Holdings L.P. Ms. McNiff was nominated to join the Board by AJRD's Corporate

Governance and Nominating Committee, the majority of which consisted of Lichtenstein-designated directors.

15. Mr. Lichtenstein, Mr. Henderson, Mr. Turchin and Ms. McNiff are among the nominees comprising the slate proposed by Mr. Lichtenstein for election at the next stockholders' meeting. The other nominees are as follows:

a. Counterclaim and Third-Party Complaint Defendant Aimee J. Nelson is a former advisor to Steel Partners and close personal friend of Mr. Lichtenstein. Information provided by Steel Partners regarding Ms. Nelson's background reveals no defense or aerospace industry experience.

b. Counterclaim and Third-Party Complaint Defendants Joanne M. Maguire and Heidi R. Wood are former executives of Lockheed Martin and L3Harris Technologies, respectively. Mr. Lichtenstein had previously recommended Ms. Wood for the Aerojet Board.

16. Counterclaim and Third-Party Complaint Defendant SPH Group Holdings LLC ("SPH") is a Delaware limited liability company with its principal place of business in New York, New York. Mr. Lichtenstein controls SPH.

17. Counterclaim and Third-Party Complaint Defendant Steel Partners Holdings GP, Inc. ("SPH GP") is a Delaware corporation with its principal place of business in New York, New York. SPH GP is the general partner of Counterclaim

and Third-Party Defendant Steel Partners Holdings, L.P., Mr. Lichtenstein controls SPH GP.

18. Counterclaim and Third-Party Complaint Defendant Steel Partners Holdings, L.P. (“SPH L.P.”) is a Delaware Limited Partnership with its principal place of business in Wilmington, Delaware. Mr. Lichtenstein controls SPH L.P.

FACTUAL BACKGROUND

AJRD’s Growth and Success

19. Since joining AJRD in 2014, Ms. Drake has presided over enviable growth. In 2014, the Company reported \$1,597.4 million in annual sales and \$174.2 million in adjusted EBITDAP (earnings before interest, depreciation, amortization and pension expense). AJRD had a market capitalization of \$1.04 billion. On January 1, 2014, the market price of ARJD’s stock was \$18 per share.

20. By 2022, AJRD reported \$2,188 million in sales and \$298.5 million in adjusted EBITDAP. Its market capitalization rose to \$3.39 billion and its stock price on April 12, 2022, was \$42.36 per share. AJRD’s consistently strong stockholder returns significantly outperformed the Aerospace and Defense Index and the S&P 500.

Mr. Lichtenstein Gains A Blocking Position On The Board

21. In 2008,³ Mr. Lichtenstein, through Steel Partners, accumulated almost 15% of AJRD's voting stock and threatened a proxy fight to seize control of the Board. To avoid a bruising battle, the Company agreed to a settlement in which it would, among other things, reduce the eleven-member Board to eight, allow Mr. Lichtenstein to designate three directors and engage in a search to hire a new Chief Executive Officer. Steel Partners designated Mr. Lichtenstein, Mr. Henderson and Mr. Turchin. Mr. Henderson was named Chairman in 2008, and Mr. Lichtenstein succeeded him in 2013. Over time, the Board has continued to permit him to name three directors, even though the 2008 agreement had expired and Steel Partners sold down its interest from about 15% to about 5%. Indeed, Lichtenstein-designated directors held a majority of the slots on the Board's Nominating Committee and, in 2020, the Board accepted their recommendation to designate a fourth Board nominee with ties to Steel Partners – Counterclaim and Third Party Complaint Defendant McNiff.

22. Until recently, Mr. Lichtenstein had a fairly productive relationship with management and the independent directors. That atmosphere was enhanced by the Board's acquiescence to Mr. Lichtenstein wielding significant influence over the

³ At the time, Aerojet was known as GenCorp. For ease of reference, GenCorp and Aerojet are both referred to herein as "Aerojet."

Company's direction. In 2016, he was named Executive Chairman. Mr. Lichtenstein insisted his lucrative compensation as Executive Chairman be based primarily on Aerojet's – and, consequently, Ms. Drake's – performance. Due to Ms. Drake's successful stewardship of the Company, Mr. Lichtenstein has been well-compensated as Executive Chairman. In 2020, he received more than \$7 million in compensation and other benefits.

Questions Arise About Mr. Lichtenstein's Fitness

23. In December 2020, the Board unanimously approved a Merger Agreement with Lockheed Martin, pursuant to which AJRD stockholders would be cashed out in exchange for a special dividend of \$5 a share resulting in merger consideration of \$56 per share. The merger consideration totaled approximately \$4.4 billion. AJRD stockholders, including Steel Partners, voted to approve the Merger on March 9, 2021.

24. In Fall 2021, information received by the Board indicated Mr. Lichtenstein was working to undermine the transaction, denigrating AJRD's management and intending to seize control if the Merger failed. These allegations, if validated, could put in question Mr. Lichtenstein's fitness to continue serving as an Aerojet Director. The reports were particularly troubling given that Mr. Lichtenstein voted as a director to recommend the transaction to stockholders, a decision that required him to conclude the transaction was in the best interest of the

company and its stockholders. Mr. Lichtenstein and Steel Partners also issued public statements purporting to support the deal and Ms. Drake's leadership.

25. The threat to AJRD was so palpable that, in September 2021, the six non-executive directors on the Company's Board, *including the three Lichtenstein allies*, sent him a written directive to cease and desist from communicating with third parties about the Merger and AJRD's executive management. The same six directors designated Mr. Corcoran as the primary point of contact between the Company and Weil, Gotshal & Manges LLP, independent counsel retained to conduct the investigation.

Mr. Lichtenstein Attempts to Moot the Board's Investigation

26. On January 25, 2022, the Federal Trade Commission filed suit to block the Merger. Soon after, the transaction was abandoned. In the aftermath, Mr. Lichtenstein accelerated his efforts to seize control in advance of the outcome of the internal investigation and the deadline to nominate Directors under the Company's advance-notice bylaw.

27. Mr. Lichtenstein's plan to seize control drips with self-interest. If the investigation were to substantiate the reports of misconduct, Mr. Lichtenstein could lose his status as Executive Chairman, as well as the ability to appoint his friends and allies to the Board. He would also lose his ability to influence AJRD to accept a strategic transaction to his personal liking. And, he would lose his lucrative salary

that, due to the Company's success under Ms. Drake, earned Mr. Lichtenstein millions of dollars in annual compensation.

28. Under ordinary circumstances, AJRD would hold its next annual stockholder meeting in Spring 2022. Under the Company's Corporate Governance Guidelines, the board's official director slate is to be "based on the recommendations of the Corporate Governance & Nominating Committee," consisting of Mr. Corcoran (Chair), Mr. Henderson, Ms. McNiff and Mr. Turchin. Based on past practices, the Committee's recommendations would be presented to the Board at its February meeting.

29. Mr. Lichtenstein, however, faced a time problem because of the risk that the investigation could result in disclosures or recommendations negatively affecting his ability to remain in office. On January 21, 2022, he called a special Board meeting to be held three days later. Mr. Lichtenstein omitted AJRD's General Counsel (who also served as Board Secretary) from the meeting. One hour before the meeting was to begin, Mr. Lichtenstein circulated an agenda including a resolution that the Board nominate for reelection at the next stockholder's meeting all the incumbent directors other than Mr. Corcoran, the director supervising the internal investigation into Mr. Lichtenstein on behalf of the non-executive Board members. The slate would result in Mr. Lichtenstein's and his confederates holding four of seven Board seats. In addition, putting aside the merits of the proposed slate,

the resolution would require the Board to bypass the Governance and Nominating Committee process and ignore the Company's Governance Guidelines. Mr. Lichtenstein proposed that the annual meeting be held "no later than Wednesday, May 4, 2022 if Aerojet's merger with Lockheed Martin has not closed by such date."

30. Ms. Drake objected in writing to Mr. Lichtenstein's demand that the Board act without a Corporate Governance & Nominating Committee recommendation. Mr. Lichtenstein never responded. The independent directors echoed that concern during the meeting. Recognizing he did not have the support of a majority, Mr. Lichtenstein postponed the vote until Thursday, January 27, 2022.

31. Mr. Lichtenstein's agenda for the January 27 meeting, circulated the day before the meeting, again listed a vote to approve his preferred slate. It included a Steel Partners Letter Agreement and draft board resolutions that, if approved, would bind the Board to support his slate if the Merger did not close. Still unable to obtain a fifth vote, Mr. Lichtenstein canceled the meeting an hour before it was scheduled to begin.

Mr. Lichtenstein Launches an Insurgency

32. On January 28, 2022, the day after Mr. Lichtenstein's second attempt to force through the Board his chosen slate of directors fell through, AJRD received from Steel Partners a formal notification that Mr. Lichtenstein was nominating his own slate of seven directors. The nominees included the four incumbent directors

in Mr. Lichtenstein's bloc, but none of the directors who refused to accept his slate (including the three Independent Directors).

33. Under Section 2.3 of AJRD's bylaws, parties other than the Board who wish to nominate a director candidate must provide a Notice disclosing "all information relating to such person that is required to be disclosed in solicitations of proxies for election of Directors in an election contest, or is otherwise required, in each case pursuant to and in accordance with Section 14(a) of the Exchange Act and the rules and regulations promulgated thereunder" (the "Advance Notice Bylaw"). The requirement includes an obligation to disclose all conflicts of interest and plans or proposals relevant to the Company and stockholders.

34. Steel Partners' Notice failed to comply with the Advance Notice Bylaw in several respects including a failure to disclose:

- a. Personal relationships between Mr. Lichtenstein and the Steel Partner nominees that create conflicts between the interests of Mr. Lichtenstein and AJRD stockholders;
- b. Actual or potential conflicts arising from other business relationships;
- c. Mr. Lichtenstein's reasons for dropping Ms. Drake and the three independent directors from his slate;

- d. Mr. Lichtenstein's demand that the Board approve a director slate giving Mr. Lichtenstein control over a majority;
- e. Mr. Lichtenstein's intent to exercise personal control over AJRD without regard to the views of Independent Directors;
- f. Mr. Lichtenstein's future plans for the Company, including an intent to replace Ms. Drake as CEO;
- g. The pendency of a Board investigation into Mr. Lichtenstein's conduct and his fitness to serve as Executive Chairman and as a director; and
- h. Mr. Lichtenstein's attempt to secure a contract guaranteeing his nomination regardless of the outcome of the independent investigation.

35. On February 1, Steel Partners amended its SEC filing on Schedule 13D to disclose its board slate. The amendment suffers from the same materially misleading omissions as the Notice including, but not limited to, the absence of any disclosure of the material events leading up to the Director nominations and filing of the 13D.

36. The Independent Directors (including Gen. Chilton, Mr. Corcoran and Gen. Lord) twice met with the other three Lichtenstein Directors exploring whether it would be possible to reach an accommodation. The talks foundered on Mr. Lichtenstein's refusal to consider any slate that did not include him regardless of the outcome of the independent investigation.

Mr. Lichtenstein Paralyzes the Board

37. On January 31, the three Independent Directors called a special board meeting to discuss Steel Partners' Notice and the Company's response. Mr. Lichtenstein, Mr. Henderson, Ms. McNiff and Mr. Turchin refused to attend the meeting, preventing a quorum.

38. Following Steel Partners' February 1 Schedule 13D amendment, AJRD's Independent Directors authorized a Press Release disclosing that the Board was conducting an internal investigation into Mr. Lichtenstein under the oversight of a committee of non-executive directors of the Company, three of whom were dropped from the Steel Slate. That same day, the Independent Directors called another special meeting to consider the response to Steel Partners' proxy contest. Once again, Mr. Lichtenstein, Mr. Henderson, Mr. Turchin and Ms. McNiff refused to attend.

39. The Independent Directors tried one more time, noticing a special Board meeting for February 4. The agenda included a resolution to appoint the Independent Directors as a Special Committee (the "Independent Director Committee") vested with "all authority of the Board in responding to" the proxy contest, "including selection and approval of the Company's slate of director nominees to be included in the Company's proxy statement for the Annual Meeting."

40. Despite owning and controlling Steel Partners, whose proxy contest was the subject of the proposed February 4 special meeting and proposed resolutions, Mr. Lichtenstein did not recuse himself from that meeting. Instead, on February 3, 2022, Mr. Lichtenstein circulated his own proposed resolutions directly addressing Steel Partners' proxy contest and, therefore his own interests as an AJRD shareholder, including one requiring the Company to "remain neutral" in response to Steel Partners' insurgency. The neutrality demand abrogates the duty of the directors to defend AJRD against threats to the Company and its holders – a particularly egregious breach given that it effectively elevates the interests of the patently interested Steel Partners faction over the will of the Independent Directors.

41. At the February 4 meeting, neither Mr. Lichtenstein nor any other director affiliated with Steel Partners recused themselves during the votes on the measures relating to the Steel Partners proxy contest and related insurgency, and all of the proposals failed with 4-4 votes. On February 7, 2022, Mr. Lichtenstein and his Board allies sued Ms. Drake and the Independent Directors, asking the Court to implement the "neutrality" resolutions he had proposed earlier. On February 23, the Court entered a temporary restraining order barring both factions from speaking or acting on behalf of the Company in connection with the proxy contest, and setting the matter for a merits hearing.

42. On February 28, 2022, Ms. Drake and the Independent Directors submitted to the Board a Notice nominating an eight-director slate. The nominees are Ms. Drake, the Independent Directors and four additional independent directors. The four additional independent directors include:

a. Gail Baker, who has extensive management in the aerospace and defense industry, including as president for aftermarket services and president for intelligence, surveillance and space at Collins Aerospace and president for aerospace customers and business development for UTC Aerospace Systems.

b. Marion C. Blakey, former president and CEO of Rolls-Royce North America, Inc. and president and CEO of Aerospace Industries Association. Additionally, Ms. Blakey served as Administrator of the Federal Aviation Administration.

c. Maj. Gen. Charlie F. Bolden (Ret.) who served in the United States Marine Corp. for 34 years, including 14 years as a member of NASA's Astronaut Office. Gen. Bolden also served as Administrator of the NASA from 2009 until 2017.

d. Deborah Lee James served as the 23rd Secretary of the United States Air Force before which she served in numerous executive positions at Science Applications International Corporation, including as

sector president for technical and engineering of the Government Solutions Group.

43. On April 5, Mr. Lichtenstein gave AJRD notice (the “Notice”) pursuant to Section 803.5(a)(1) of the Rules and Regulations promulgated under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 of his intent “to acquire voting [AJRD] securities” that if consummated would result in him “hold[ing] between \$202 million and \$1.0098 billion in voting securities of the Company.” At current market prices, such a purchase would increase his holdings to about 30% of the total outstanding. Absent action by federal regulators, Mr. Lichtenstein will be able to start purchasing shares on May 5.

44. The magnitude of the potential purchase and the need to secure financing strongly suggests the plan had been in the works long before April 5.

45. Because the Board is deadlocked and because Mr. Lichtenstein refuses to recuse himself on matters relating to Steel Partners, the Board is paralyzed in responding to Mr. Lichtenstein’s vote-buying scheme. Among other things, the Board cannot authorize a submission to the FTC in response to the Notice. It cannot set a record date for the director election that would prevent Mr. Lichtenstein from voting acquired shares. Nor can it consider or undertake other responses that may be appropriate to protect AJRD and its stockholders. To be sure, it cannot nominate an official Board-approved slate. Moreover, while Mr. Lichtenstein has vast

financial resources to fund a campaign seeking full control of the Company, Ms. Drake and the Independent Directors are reliant on their more modest personal resources.

46. Compounding the structural unfairness, Mr. Lichtenstein and his advisors refused to provide clear answers and, in some cases, any answers at all, to questions asked on behalf of Ms. Drake and the Independent Directors. These include:

- a. Details regarding the financing of the purchases, including when Mr. Lichtenstein and his team began working on those arrangements;
- b. Whether he has had any discussions regarding potential block purchases and whether he has any agreements or understandings on the subject;
- c. Details on how many shares he intends to purchase;⁴
- d. Whether he will agree not to vote in the 2022 Board election shares purchased pursuant to the HSR notice.⁵

⁴ Mr. Lichtenstein's counsel asserted Mr. Lichtenstein plans to purchase enough shares to raise his stake to 15%, but has not explained why Mr. Lichtenstein seeks approval to increase his holdings to double that amount.

⁵ Mr. Lichtenstein's counsel offered to agree to a record date preceding the purchase, but has not responded to questions about whether Mr. Lichtenstein intends to make bloc purchases in which sellers would provide proxies along with the shares.

47. In correspondence exchanged since the HSR notice, Mr. Lichtenstein's counsel claimed their clients were prepared to vote on scheduling the annual meeting and setting a record date. On April 9, Plaintiffs circulated a form of unanimous written consent of Directors proposing a record date of April 21, 2022 and a meeting date of May 27, 2022.

48. On April 6, 2022, Mr. Lichtenstein called a Board meeting to be held on April 12, 2022. Ms. Drake and the Independent Directors were unable to attend, but their counsel advised Mr. Lichtenstein they would participate in a meeting on a mutually-acceptable date, after neutral Company counsel had been retained. Presently, the parties are discussing dates for a meeting that would include all directors and independent counsel retained to represent the Company and advise the Board. Ms. Drake and the Independent Directors intend to introduce at the meeting a resolution delegating to a special committee of directors independent of Steel Partners authority to act for the full Board on matters relating to Steel Partners' proxy fight and planned purchase of voting stock. Unless Mr. Lichtenstein recuses himself, the resolution likely will fail with a tie vote.

49. Unfortunately, Mr. Lichtenstein has indicated that is exactly the result he intends. On April 14, 2022, Mr. Lichtenstein finally responded to the Independent Directors' April 9 proposed written consent refusing to execute it. Instead, Mr. Lichtenstein now claims it will be "impracticable" to hold the Annual

Meeting until his claims have been tried here, and he seeks to push the Annual Meeting until “thirty days after the conclusion of trial” – or fourteen months since Aerojet’s last Annual Meeting. Contradicting himself, Mr. Lichtenstein then claims an Annual Meeting could have been held already if not for delays in retaining neutral Company counsel, which he speciously blames on the Independent Directors. In any event, Mr. Lichtenstein is unwilling to schedule an annual meeting or address setting a record date.

50. And, regarding his expected share acquisition, Mr. Lichtenstein refuses to recuse himself from the Board’s consideration of the Company’s response to it. Indeed, Mr. Lichtenstein flatly refused to provide answers to basic questions that are necessary for the Board to properly evaluate any potential transaction, including: (a) how he is financing his transaction; (b) whether he intends to conduct a tender offer or purchase shares on the public markets; (c) whether he has communicated with stockholders about acquiring their shares; and (d) whether he would agree not to obtain voting agreements or proxies as part of any acquisition that would enable him to vote shares that he purchases after the annual meeting and record date. Instead, notwithstanding his and the Board’s fiduciary duties, “Mr. Lichtenstein sees no reason to engage on these questions right now,” opting instead to perpetuate a deadlocked Board until after he significantly increases his stake in the Company’s voting securities.

DEMAND ON THE BOARD IS EXCUSED

51. Because the claims set forth in this pleading are individual, no demand on the Board is required. To the extent the claims are derivative, demand is excused. Half of AJRD's Board consists of the directors who are affiliated with Steel Partners and who are active participants in the misconduct alleged. They cannot, and will not, exercise good faith and independent business judgment with regard to pursuing these claims. As a result, the disinterested directors are unable to exercise control over these claims. Because of the deadlock, demand is excused as futile.

52. Each of the Counterclaim and Third-Party Complaint Plaintiffs is a current AJRD stockholder and was an AJRD stockholder at all times during which the events described herein occurred.

COUNT I

Breach of Fiduciary Duty (Against the Lichtenstein Directors and Steel Partners)

53. Counterclaim and Third-Party Complaint Plaintiffs repeat and reiterate the allegations set forth above as if set forth fully here.

54. Each of the Lichtenstein Directors owes the Company and its stockholders (including Counterclaim and Third-Party Complaint Plaintiffs) fiduciary duties, including the duties of loyalty, care, good faith and candor. In addition, by virtue of its control of half the AJRD Board, and its ability to veto any

action of the Company's Independent Directors, the Steel Partners entities bear those same fiduciary duties.

55. As detailed above, the Lichtenstein Directors and Steel Partners have violated and continue to violate their fiduciary duties by, among other things: (a) deadlocking the Board in order to obtain an inequitable advantage in a proxy fight for control of the Company; (b) refusing to abstain from votes on matters affecting their personal interests; (c) obstructing the Board's ability to set an annual meeting date and record date; (d) preventing the Board and the Independent Directors from responding to Mr. Lichtenstein's insurgency and intent to massively increase his voting stock ownership; and (e) issuing materially misleading and incomplete statements in connection with their proxy solicitation.

56. The Company and its stockholders, including Counterclaim and Third-Party Complaint Plaintiffs, have suffered and continue to suffer irreparable harm as the result of such wrongful and inequitable conduct, and have no adequate remedy at law.

COUNT II

Aiding and Abetting Fiduciary Breaches (Against the Lichtenstein Nominees and Steel Partners)

57. Counterclaim and Third-Party Complaint Plaintiffs repeat and reiterate the allegations set forth above as if set forth fully here.

58. By knowingly participating (and hoping to benefit from) the misconduct of the Lichtenstein Directors, the Lichtenstein Nominees have aided and abetted the breaches of fiduciary duties by Mr. Lichtenstein, the Lichtenstein Directors and Steel Partners, and continue to do so. Even if Steel Partners is not considered a fiduciary, it is an aid/abettor by virtue of its knowing and active participation in the promulgation of an insurgent slate that benefits from the breaches of the fiduciaries, in the planned purchase of additional AJRD stock, and its dissemination of materially misleading and incomplete disclosures.

59. The Company and its stockholders, including Counterclaim and Third-Party Complaint Plaintiffs, have suffered and continue to suffer irreparable harm as the result of such wrongful and inequitable conduct, and have no adequate remedy at law.

COUNT III

Fraud (Against the Lichtenstein Directors and Steel Partners)

60. Counterclaim and Third-Party Complaint Plaintiffs repeat and reiterate the allegations set forth above as if set forth fully here.

61. As detailed above, the Lichtenstein Directors and Steel Partners owed fiduciary duties to the Company and its stockholders, including the duty to disclose complete and accurate information concerning their proposed Board slate and intentions for the Company.

62. Rather than fulfilling that duty, the Lichtenstein Directors and Steel Partners actively concealed (and continue to conceal) facts regarding the proposed Lichtenstein Nominees and Mr. Lichtenstein's intentions for the Company.

63. The Lichtenstein Directors and Steel Partners' statements and/or omission were misleading and deceptive and done with the intent that AJRD stockholders would rely on those acts, statements, and/or omissions to their and the Company's detriment.

64. The Company and its stockholders, including Counterclaim and Third-Party Complaint Plaintiffs, have suffered and continue to suffer irreparable harm as the result of such wrongful and inequitable conduct, and have no adequate remedy at law.

PRAYER FOR RELIEF

WHEREFORE, Counterclaim and Third-Party Complaint Plaintiffs respectfully request that this Court enter judgment in their favor and further enter an order:

- a) Scheduling an annual meeting of AJRD stockholders for the election of directors and a record date for such vote;
- b) Invalidating and disqualifying the slate proposed by Counterclaim and Third-Party Complaint Defendants for election as directors of AJRD;
- c) Prohibiting Counterclaim and Third-Party Complaint Defendants and their representatives and agents from taking any actions in furtherance of a purchase or offer to acquire AJRD securities until Directors who are not affiliated with Mr. Lichtenstein or Steel Partners have an adequate opportunity to consider and respond to the announced plan to acquire shares;
- d) Prohibiting Counterclaim and Third-Party Complaint Defendants and their representatives and agents from taking any actions in furtherance of a solicitation of proxies to vote AJRD securities they fully and accurately disclose all material information relating to their Board slate and their plans for the business;
- e) Declaring that the Lichtenstein Directors and Steel Partners have breached their fiduciary duties and that the Lichtenstein Nominees (and, in the alternative, Steel Partners) have aided and abetted those breaches;

- f) Enjoining the Lichtenstein Directors from Board votes in which they have a personal interest;
- g) Awarding damages and the reasonable attorneys' fees and costs of this action; and
- h) Granting such other and further relief as this Court shall deem just and proper.

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