Pre-Closing Cash Dividend

On December 19, 2020, the Company's board of directors declared a one-time cash dividend of $5.00 per share of common stock. The Pre-Closing Dividend is payable on March 24, 2021 to each stockholder of record of common stock as of the close of business on March 10, 2021. Aerojet Rocketdyne's board of directors has the authority to modify, suspend, cancel or revoke the Pre-Closing Dividend prior to the Payment Date, but has no expectation of doing so. The Merger Agreement provides that if the Merger closing date occurs after the Pre-Closing Dividend Record Date but before the Dividend Payment Date, which we do not expect to be the case, the Surviving Corporation in the Merger shall pay, and Lockheed Martin will cause the Surviving Corporation to pay, the Pre-Closing Dividend to each stockholder of record of common stock as of the Pre-Closing Dividend Record Date. If the Pre-Closing Dividend is paid or payable before the closing of the Merger, as we expect will be the case, stockholders will receive $51.00 per share of common stock in connection with the consummation of the Merger, reflecting the $56.00 per share Merger consideration price less the amount of the $5.00 per share Pre-Closing Dividend. If the Pre-Closing Dividend is not paid or payable before the closing of the Merger, stockholders will receive the $56.00 per share Merger consideration price. Payment of the Pre-Closing Dividend is not contingent upon approval or closing of the Merger.

Background of the Merger

The Aerojet Rocketdyne board of directors, with the assistance of Aerojet Rocketdyne's management, regularly evaluates Aerojet Rocketdyne's prospects and strategy in light of its performance, the business and economic environment, as well as developments in the aerospace and defense industries, and opportunities and challenges facing Aerojet Rocketdyne and other participants in such industries, all with a view toward maximizing stockholder value. These reviews have included, among other things, consideration of potential strategic alternatives, including the possibility of strategic acquisitions, divestitures and business combination transactions, as well as other uses of company resources, including potential recapitalization transactions and other capital deployment transactions.

Aerojet Rocketdyne has for many years served as a supplier to United Launch Alliance ("ULA"), a joint venture between Lockheed Martin and The Boeing Company ("Boeing"). ULA currently provides launch services using the Atlas and Delta launch vehicles, which both use Aerojet Rocketdyne-made rocket engines. In light of the nature of the businesses of Aerojet Rocketdyne and each of Lockheed Martin, Boeing and ULA and the commercial relationship between Aerojet Rocketdyne and each of those companies, members of Aerojet Rocketdyne management are generally familiar with those other companies' businesses, and representatives of Aerojet Rocketdyne have periodically discussed Aerojet Rocketdyne's commercial relationships with ULA with representatives of Lockheed Martin and Boeing.

On January 28, 2020, Gregory A. Jones, Senior Vice President, Strategy and Business Development of Aerojet Rocketdyne, contacted representatives of Boeing regarding Aerojet Rocketdyne's potential interest in a strategic business combination involving Boeing's Space and Launch division and/or Aerojet Rocketdyne's acquisition of Boeing's interest in ULA. During February and March 2020, Mr. Jones had additional discussions with representatives of Boeing concerning Aerojet Rocketdyne's potential interest in any such potential transaction.

On March 18, 2020, Mr. Jones contacted Mr. Robert E. Mullins, Senior Vice President, Corporate Strategy and Business Development of Lockheed Martin, and Mr. Jones indicated that Aerojet Rocketdyne might have potential interest in acquiring ULA. During this call, the discussion expanded into a broader discussion about the strategic relationship between Aerojet Rocketdyne and Lockheed Martin and the possibility of a potential business combination involving the two companies. Later that day, Mr. Jones informed Warren G. Lichtenstein, Executive Chairman of Aerojet Rocketdyne, and Eileen P. Drake, Chief Executive Officer and President of Aerojet Rocketdyne, about this discussion with Lockheed Martin.

During April 2020, Mr. Jones had several discussions with Mr. Mullins and Mr. Gregory L. Psihas, Vice President, Corporate Development of Lockheed Martin, regarding the possibility of a potential business combination involving Aerojet Rocketdyne and Lockheed Martin.

In April 2020, members of Aerojet Rocketdyne management began to have discussions with representatives of Citi regarding Aerojet Rocketdyne's potential retention of Citi as a financial advisor to Aerojet Rocketdyne and the Aerojet Rocketdyne board of directors to assist in analyzing an array of potential business and financial matters, including a possible strategic transaction involving Aerojet Rocketdyne and other strategic alternatives. Thereafter members of Aerojet Rocketdyne management and representatives of Citi engaged in a number of discussions regarding various business and financial matters.

On April 14, 2020, Boeing informed Aerojet Rocketdyne that no decision had been made or was expected to be made in the foreseeable future to either divest their 50% equity ownership interest in ULA or pursue a possible strategic combination involving Aerojet Rocketdyne, given Boeing senior leadership's increasing attention being devoted towards the impact of COVID-19.

On May 4, 2020, Mr. Jones and Mr. Psihas had a telephone call during which Mr. Psihas confirmed Lockheed Martin's interest in continuing preliminary discussions with Aerojet Rocketdyne concerning a potential business combination transaction and the timing for potential next steps in the process, including the execution of an appropriate confidentiality agreement between Aerojet Rocketdyne and Lockheed Martin and a potential management presentation by Aerojet Rocketdyne with respect to its business and operations. Later that day, Mr. Jones provided Mr. Psihas with a draft confidentiality agreement prepared by Arjun L. Kampani, Senior Vice President, General Counsel and Secretary of Aerojet Rocketdyne.

On May 6, 2020, as part of a regularly-scheduled meeting of the Aerojet Rocketdyne board of directors, Mr. Jones provided a summary to the Aerojet Rocketdyne board of directors of his various discussions with Lockheed Martin and Boeing, and noted that Aerojet Rocketdyne and Lockheed Martin agreed that a confidentiality agreement would be appropriate in order to facilitate further discussions with Lockheed Martin.

On May 19, 2020, Aerojet Rocketdyne and Lockheed Martin entered into a confidentiality agreement (the "Confidentiality Agreement") that included, among other things, customary confidentiality provisions and a 15-month standstill provision prohibiting Lockheed Martin from engaging in certain types of actions, including making any acquisition proposal with respect to Aerojet Rocketdyne (subject to certain exceptions), except that the Confidentiality Agreement did not restrict Lockheed Martin from initiating and engaging in private discussions with, and submitting certain confidential proposals to, the Aerojet Rocketdyne board of directors. The Confidentiality Agreement also provided that the standstill provisions would terminate and be of no further effect upon the occurrence of certain fundamental change events.

On May 20, 2020, certain members of management of Aerojet Rocketdyne (including Ms. Drake, Mr. Jones, Paul R. Lundstrom, Aerojet Rocketdyne's then-current Chief Financial Officer, Mr. Kampani, and Mark Tucker, Aerojet Rocketdyne's then-current Senior Executive and former Chief Operating Officer) and representatives of Citi participated in a conference call with certain members of Lockheed Martin's management team (including Mr. Psihas), various representatives from Lockheed Martin's financial advisors, Goldman Sachs & Co. LLC ("Goldman Sachs") and Ardea Partners LP ("Ardea"), and representatives of Hogan Lovells US LLP ("Hogan Lovells"), legal advisor to Lockheed Martin. During this meeting, Aerojet Rocketdyne's management provided a presentation on Aerojet Rocketdyne, which included an introduction to Aerojet Rocketdyne's executive management team, a review of Aerojet Rocketdyne's business, strategy and operations and a review of Aerojet Rocketdyne's Management Presentation Forecast (as defined in the section of this proxy statement captioned "The Merger — Certain Unaudited Prospective Financial Information" beginning on page 73), which was Aerojet Rocketdyne's then-current 10-year financial forecast and which was subsequently updated and superseded by a new forecast in the latter half of September 2020. See the section of this proxy statement captioned "The Merger — Certain Unaudited Prospective Financial Information" for a summary of this Management Presentation Forecast as well as other later forecasts.

Over the course of the next few weeks, continuing into June 2020, Aerojet Rocketdyne management and Citi provided additional information, through written responses to questions and during conference calls, to Lockheed Martin and its representatives, including Goldman Sachs, Ardea and Hogan Lovells. In connection with that process, representatives of Citi had multiple discussions with representatives of Goldman Sachs and Ardea.

In June 2020, Mr. Lichtenstein had a discussion with representatives of Evercore regarding Aerojet Rocketdyne's potential retention of Evercore as an additional financial advisor to Aerojet Rocketdyne and the Aerojet Rocketdyne board of directors to assist in analyzing an array of potential business and financial matters, including potential recapitalization transactions and other strategic alternatives. Thereafter and continuing into July 2020, Mr. Lichtenstein and representatives of Evercore had various discussions regarding various business and financial matters. Other members of Aerojet Rocketdyne management also began to have preliminary discussions with representatives of Evercore in late July 2020 regarding business and financial matters.

During the week of July 6, 2020, Ms. Drake had a telephone call with Frank A. St. John, Chief Operating Officer of Lockheed Martin, to follow up on prior discussions and to inquire whether Lockheed Martin intended to submit a transaction proposal to Aerojet Rocketdyne regarding a business combination transaction.

On July 14, 2020, Mr. St. John and Mr. Psihas provided Ms. Drake, Mr. Jones and Mr. Lundstrom a presentation regarding Lockheed Martin's views regarding the strategic rationale, strategic fit and valuation of a potential business combination transaction between Aerojet Rocketdyne and Lockheed Martin, and a preview of Lockheed Martin's preliminary merger proposal. The presentation described Lockheed Martin's view that Aerojet Rocketdyne's revenues would grow at a substantially lower rate than was included in Aerojet Rocketdyne's 10-year revenue projections included in the Management Presentation Forecast. The presentation also indicated that while the loss of Aerojet Rocketdyne profits on certain sales to Lockheed Martin as a result of government procurement laws would have a negative impact on the value of the combined entity, Lockheed Martin had been able to identify significant cost and revenue synergy opportunities, which could potentially offset the profit loss. During this presentation, the Lockheed Martin management team indicated that Lockheed Martin would be submitting to Aerojet Rocketdyne an indication of interest letter for an all-cash merger transaction at $47.50 per share.

Following the presentation, Mr. Jones called Mr. Psihas and indicated that Aerojet Rocketdyne was extremely disappointed in Lockheed Martin's $47.50 price per share offer and was not prepared to present it to the Aerojet Rocketdyne board of directors, as Aerojet Rocketdyne management believed that the offer was opportunistic based on the recent stock market downturn and significantly undervalued Aerojet Rocketdyne in light of Aerojet Rocketdyne's business, prospects and position in the aerospace and defense industry. During this discussion, Mr. Psihas indicated to Mr. Jones that the indication of interest letter had already been sent.

The indication of interest letter from James D. Taiclet, President and Chief Executive Officer of Lockheed Martin, that was delivered to Ms. Drake set forth a preliminary, non-binding proposal for the acquisition of Aerojet Rocketdyne in an all-cash merger transaction at a price of $47.50 per share. The letter identified key elements of context for Lockheed Martin's diligence review and valuation framework with respect to a potential acquisition of Aerojet Rocketdyne. Among other things, Lockheed Martin reiterated the negative financial implications of the loss of Aerojet Rocketdyne profits on sales to Lockheed Martin as a result of government procurement laws and its expectation that there would be both cost and growth synergies available to Lockheed Martin to offset this economic reality. Lockheed Martin also noted that there was long-term uncertainty in the Space Launch System ("SLS") program of the National Aeronautics and Space Administration ("NASA") as well as uncertainty regarding the number of hypersonics programs that ultimately would be funded through production. Aerojet Rocketdyne did not formally respond in writing to the letter. Aerojet Rocketdyne management consulted with representatives of Citi in connection with these matters.

In mid-July 2020, Aerojet Rocketdyne and its management team began to analyze and focus on one or more potential capital deployment transactions as alternatives to a strategic business combination transaction with Lockheed Martin or any other company.

Between July 14 and August 4, 2020, Aerojet Rocketdyne management and Citi engaged in discussions with Lockheed Martin management and Lockheed Martin's financial advisors regarding Lockheed Martin's proposal and the significant gap between the respective valuations of Aerojet Rocketdyne by Aerojet Rocketdyne and Lockheed Martin. During these discussions, Aerojet Rocketdyne management and Citi provided additional information concerning Aerojet Rocketdyne's business and prospects.

On August 4, 2020, Mr. St. John and Mr. Psihas provided an updated presentation to Ms. Drake and Mr. Jones, and indicated that Lockheed Martin would be delivering a revised merger proposal for an all-cash merger transaction at $52.00 per share. While Mr. St. John and Mr. Psihas noted that the increased price reflected Lockheed Martin's better understanding of Aerojet Rocketdyne's business and financial forecast, they also noted that the price continued to reflect uncertainty regarding the SLS program and the number of hypersonics programs that would be funded over the next 10 years. During this discussion, the Aerojet Rocketdyne management team noted to Mr. St. John and Mr. Psihas that they were again disappointed in Lockheed Martin's $52.00 per share offer, and that they believed it was still opportunistic, inadequate and not sufficient to merit making a counterproposal or engaging in a negotiation, but they indicated a willingness to provide certain additional financial information on Aerojet Rocketdyne's strategic plan and the Management Presentation Forecast.

After the presentation, a letter from Mr. Taiclet was delivered to Ms. Drake setting forth a revised preliminary, non-binding proposal for the acquisition of Aerojet Rocketdyne in an all-cash merger transaction at a price of $52.00 per share. Except for the proposed price per share, this August 4, 2020 letter was otherwise substantially similar to Mr. Taiclet's July 14, 2020 letter. Aerojet Rocketdyne management consulted with representatives of Citi concerning the terms of this revised proposal.

On August 5, 2020, at a regularly-scheduled meeting of the Aerojet Rocketdyne board of directors, Mr. Jones presented to the Aerojet Rocketdyne board of directors information regarding the indication of interest letter that Aerojet Rocketdyne had received from Lockheed Martin on July 14, 2020 proposing an all-cash merger transaction at $47.50 per share, the subsequent discussions that Aerojet Rocketdyne management and Citi had with Lockheed Martin and its advisors during the past several weeks regarding the significant gap in Aerojet Rocketdyne's and Lockheed Martin's respective valuations of Aerojet Rocketdyne, the revised indication of interest letter Aerojet Rocketdyne received from Lockheed Martin on August 4, 2020 proposing an all-cash merger transaction at $52.00 per share and Aerojet Rocketdyne management's views that Lockheed Martin's latest offer was still inadequate. Mr. Jones also presented to the Aerojet Rocketdyne board of directors information about various Aerojet Rocketdyne strategic alternatives, including Aerojet Rocketdyne's organic growth plan, potential inorganic growth opportunities through acquisitions, and the likelihood that various potential merger and acquisition targets might be available to Aerojet Rocketdyne. Aerojet Rocketdyne management also reviewed with the Aerojet Rocketdyne board of directors management's assessment of Lockheed Martin in comparison to other companies potentially interested in a business combination with Aerojet Rocketdyne and management's view that Lockheed Martin represented the best fit for Aerojet Rocketdyne from a business, synergy and timing perspective. Management reviewed with the Aerojet Rocketdyne board of directors management's views that (1) Company A, while potentially a good fit, had timing restrictions, (2) Company B, while potentially a good fit, had timing issues due to various business challenges and had other priorities, (3) Company C, while a moderate fit, was focused on other business areas and had low synergy potential, (4) Company D had some product overlap and unclear interest in the defense business, and (5) Company E had timing issues due to various business challenges and had low synergy potential. After discussion, the Aerojet Rocketdyne board of directors confirmed that the $52.00 per share price offer from Lockheed Martin was inadequate and not sufficient to merit making a counterproposal or engaging in a negotiation with Lockheed Martin, and the Aerojet Rocketdyne board of directors instructed management to proceed with Aerojet Rocketdyne's organic growth plan while continuing to seek out and assess opportunities under its inorganic acquisition growth plan and consider the timing of potentially approaching any other parties that might have potential interest in a strategic transaction involving Aerojet Rocketdyne. Management noted that it would reassess any revised indication of interest that Lockheed Martin might submit in the future, at a higher price per share, and report on its analysis of any such revised indication of interest.

On August 7, 2020, Mr. Jones again communicated to Mr. Psihas that Lockheed Martin's $52.00 per share offer was inadequate and not sufficient to merit making a counterproposal or engaging in a negotiation. Aerojet Rocketdyne did not otherwise respond to this letter, but Mr. Jones indicated to Mr. Psihas in the conversation that Aerojet Rocketdyne believed that a price of at least $60.00 per share was justified. Aerojet Rocketdyne management then continued to focus on Aerojet Rocketdyne's organic growth plan, potential capital deployment transactions and other alternatives to a strategic business combination transaction.

Over the next couple of weeks, members of the Aerojet Rocketdyne senior management team, representatives of Citi and representatives of Lockheed Martin and its financial advisors engaged in discussions regarding Lockheed Martin's revised proposal from August 4, 2020 and the remaining significant gap between the respective valuations of Aerojet Rocketdyne by Aerojet Rocketdyne and Lockheed Martin. Mr. Jones also provided further information about Aerojet Rocketdyne's business and prospects to Mr. Psihas.

On August 14, 2020, Ms. Drake and Mr. Jones had a telephone call with Mr. St. John and Mr. Psihas, and Mr. St. John and Mr. Psihas presented Lockheed Martin's views on various matters relating to a potential business combination transaction involving Aerojet Rocketdyne and Lockheed Martin.

Between August 14, 2020 and August 17, 2020, members of Aerojet Rocketdyne management met with representatives of Citi and two other financial advisors to conduct an assessment of the market, and Aerojet Rocketdyne management received feedback from representatives of Citi and the other two financial advisors regarding the likelihood that certain potential strategic buyers of Aerojet Rocketdyne would be interested in a strategic transaction with Aerojet Rocketdyne. During this time, Mr. Lichtenstein also had conversations with senior executives at Company A, Company C and Company D regarding Aerojet Rocketdyne's business and prospects.

On August 18, 2020, the Aerojet Rocketdyne board of directors increased its size from seven to eight members and appointed Audrey A. McNiff as a director.

On August 27, 2020, Ms. Drake, Mr. Jones, Mr. Kampani, Tyler Evans, Senior Vice President, Defense Business Unit, James Maser, Senior Vice President, Space Business Unit, and other members of Aerojet Rocketdyne senior management had a discussion with and provided additional information to Mr. St. John, Mr. Psihas and other members of Lockheed Martin's management team concerning Aerojet Rocketdyne's business, including its hypersonics and space exploration-related businesses. Aerojet Rocketdyne management also described additional emerging business opportunities that could potentially add, over a 10-year period, $500 million more revenue, and associated profit and cash flow, to the Management Presentation Forecast that was previously provided in May 2020. These additional opportunities were subsequently incorporated into the Aerojet Rocketdyne management's Base Case Forecast (as defined in the section of this proxy statement captioned "The Merger — Certain Unaudited Prospective Financial Information" beginning on page 73) for Aerojet Rocketdyne's business for the years 2020 through 2029, which was provided to Lockheed Martin on September 18, 2020.

On August 31, 2020, Mr. Lichtenstein, Ms. Drake and other members of Aerojet Rocketdyne senior management had a telephone call with Kenneth R. Possenriede, Chief Financial Officer of Lockheed Martin, Mr. St. John and Mr. Psihas, during which Mr. Lichtenstein indicated that Lockheed Martin's latest $52.00 per share price proposal was not sufficient and expressed a view that Aerojet Rocketdyne could be reasonably valued at a price of at least $60.00 per share based on Aerojet Rocketdyne management's then-current view of the Management Presentation Forecast as discussed during the August 27 discussion. During this conversation, Mr. Lichtenstein and members of Aerojet Rocketdyne's senior management provided further insights into Aerojet Rocketdyne's business and prospects and their views about the inadequacy of the price offered pursuant to Lockheed Martin's two prior indication of interest letters. During the call, Mr. Psihas indicated that Lockheed Martin continued to have a differing view of Aerojet Rocketdyne's 10-year revenue projections in the Management Presentation Forecast.

During September and the first half of October 2020, Aerojet Rocketdyne management continued to evaluate, consider and, in one case, implement various alternatives to a strategic business combination transaction. Aerojet Rocketdyne management was focused on the effective utilization of the substantial amount of cash on its balance sheet, and therefore gave careful consideration to potential deployment of cash for alternative strategies, including the deployment of capital for a special dividend, redemptions and repurchases of Aerojet Rocketdyne's outstanding convertible notes, a tender offer for shares of Aerojet Rocketdyne common stock and repurchases of shares of Aerojet Rocketdyne common stock pursuant to a share repurchase program that had been approved by the Aerojet Rocketdyne board of directors in March 2020, as well as the possibility of potential acquisitions by Aerojet Rocketdyne of other businesses. From time to time during this period, Aerojet Rocketdyne sought advice from outside advisors regarding these strategic actions, including financial advice from two financial advisory firms and legal advice from its outside securities counsel, Gibson, Dunn & Crutcher LLP ("Gibson Dunn") and Morrison & Foerster LLP ("Morrison & Foerster"), and its outside mergers and acquisitions and governance counsel, Jenner & Block LLP ("Jenner & Block").

Between September 2 and September 14, 2020, Ms. Drake had several telephone calls with Mr. St. John, during which they discussed the parties' respective positions on valuation and other issues relating to the terms and conditions of any potential transaction. On one of these calls on September 14, 2020, Mr. St. John informed Ms. Drake that the upper range of Lockheed Martin's assessment would not reach $60.00 per share. Ms. Drake reiterated the difference of views the two companies had on valuation. She indicated that she had no authority to negotiate below $60.00 per share. She further indicated that, if there were a compelling offer, she would take it to the Aerojet Rocketdyne board of directors for consideration. Mr. St. John indicated that he would discuss the matter further with the Lockheed Martin board of directors later that month.

In addition, on September 4, 2020, Mr. Jones had a conversation with a senior executive from Company A regarding a potential business combination transaction, as a follow-up to the conversation that Mr. Lichtenstein had with Company A in mid-August 2020. Mr. Jones was informed by that senior executive that Company A was not in a position to pursue a potential business combination involving Aerojet Rocketdyne at this time.

On September 9, 2020, Citi and Lockheed Martin's financial advisors from Goldman Sachs and Ardea had a call to discuss their respective approaches to the calculation of transaction multiples for a potential business combination transaction involving Aerojet Rocketdyne and Lockheed Martin and other comparable transactions.

On September 18, 2020, Mr. Jones delivered an updated set of Aerojet Rocketdyne financial projections to Mr. Psihas. These updated financial projections consisted of Aerojet Rocketdyne management's Base Case Forecast (as defined in the section of this proxy statement captioned "The Merger — Certain Unaudited Prospective Financial Information" beginning on page 73) for Aerojet Rocketdyne's business for the years 2020 through 2029, which was based upon and reflected, among other things, an assumption that the NASA SLS manifest would ramp up from one launch per year to two launches per year beginning in 2028. See the section of this proxy statement captioned "The Merger — Certain Unaudited Prospective Financial Information" beginning on page 73 for more information about these projections. The Base Case Forecast was an update of Aerojet Rocketdyne's 10-year Management Presentation Forecast, with the addition of $500 million more revenue, and associated profit and cash flow, over the 10-year period from the emerging opportunities that were discussed between Aerojet Rocketdyne and Lockheed Martin on August 27, 2020. Shortly thereafter, Mr. Jones had a telephone discussion with Mr. Psihas during which Mr. Jones reviewed the Base Case Forecast in further detail. At the direction of Aerojet Rocketdyne management, Citi also delivered a copy of the Base Case Forecast to Goldman Sachs and Ardea.

On September 30, 2020, Ms. Drake and Mr. Jones had a telephone call with Mr. St. John and Mr. Psihas, during which Mr. St. John communicated a revised indication of interest from Lockheed Martin proposing an acquisition of Aerojet Rocketdyne in an all-cash merger transaction at a price of $56.00 per share, with the same non-price terms and conditions as had been communicated in Lockheed Martin's August 4 letter. Mr. St. John also noted that there would be no financing contingency and that the proposal had the full support of the Lockheed Martin board of directors.

From October 2020 through December 2020, various members of the Aerojet Rocketdyne board of directors had various meetings and calls from time to time with Aerojet Rocketdyne's senior management and, at times, representatives of Citi, representatives of Evercore, representatives of Jenner & Block and/or representatives of Gibson Dunn. A range of strategic and other matters were discussed from time to time with various members of the Aerojet Rocketdyne board of directors including valuation matters, assessments of strategic alternatives to a business combination transaction involving Lockheed Martin, Aerojet Rocketdyne's standalone business plan and strategy, the terms and conditions of a potential transaction involving Lockheed Martin, regulatory matters, and fiduciary considerations.

On October 2, 2020, Ms. Drake and Mr. St. John had another telephone call to discuss the parties' respective positions on valuation and other issues relating to the terms and conditions of any potential transaction involving the two companies.

On October 8, 2020, the Aerojet Rocketdyne board of directors met. All Aerojet Rocketdyne directors and certain members of Aerojet Rocketdyne's senior management attended the meeting. Ms. Drake and Mr. Jones updated the Aerojet Rocketdyne board of directors regarding the further indication of interest communicated by Lockheed Martin to Ms. Drake on September 30 for an all-cash merger transaction at a price of $56.00 per share. In describing the further indication of interest, Ms. Drake and Mr. Jones noted that while the $56.00 per share price offered had been authorized by the Lockheed Martin board of directors, they believed that it may not represent Lockheed Martin's best and final offer, thus potentially leaving room for further negotiation of price. Ms. Drake and Mr. Jones then provided a detailed review of Lockheed Martin's proposed terms and recapped for the Aerojet Rocketdyne board of directors the timeline of Aerojet Rocketdyne's discussions with Lockheed Martin to date. In connection with this meeting, the Aerojet Rocketdyne board of directors was provided with (1) the Base Case Forecast and (2) a more conservative set of financial projections consisting of Aerojet Rocketdyne management's Adjusted Base Case Forecast (as defined in the section of this proxy statement captioned "The Merger — Certain Unaudited Prospective Financial Information" beginning on page 73) for Aerojet Rocketdyne's business for the years 2020 through 2029 (which was based upon and reflected an assumption that the NASA

SLS manifest would remain at about one launch per year). See the section of this proxy statement captioned "The Merger — Certain Unaudited Prospective Financial Information" beginning on page 73 for more information about the Base Case Forecast and the Adjusted Base Case Forecast.

At this meeting, Ms. Drake and Mr. Jones then presented to the Aerojet Rocketdyne board of directors an overview of the anticipated strategic opportunities and benefits from a potential combination with Lockheed Martin, along with, among other things, an analysis of (1) Aerojet Rocketdyne's 10-year Base Case Forecast and Adjusted Base Case Forecast, (2) valuation matters and (3) potential Lockheed Martin and Aerojet Rocketdyne synergy opportunities. Aerojet Rocketdyne management also noted to the Aerojet Rocketdyne board of directors management's view about increasing uncertainty related to NASA's SLS launch manifest and human space exploration program. Aerojet Rocketdyne management also presented a preliminary downside risk-based sensitivity analysis relating to the Adjusted Base Case Forecast, which downside analysis assumed that NASA's schedule for landing a human presence on the moon could potentially be delayed and that space exploration-related new business might not be funded or won at the same rate assumed in the Adjusted Base Case Forecast.

Aerojet Rocketdyne management then presented to the Aerojet Rocketdyne board of directors information about various potential strategic combination alternatives, including Aerojet Rocketdyne management's assessment of Lockheed Martin in comparison to other companies that might potentially be interested in a business combination with Aerojet Rocketdyne and management's view that Lockheed Martin continued to represent the best fit for Aerojet Rocketdyne from a business, synergy and timing perspective. Management reviewed with the Aerojet Rocketdyne board of directors management's views that (1) Company A, while potentially a good fit, had timing restrictions and had communicated that it was not in a position to pursue a transaction, (2) Company B, while potentially a good fit, had timing issues due to various business challenges and had other priorities, (3) Company C, while a moderate fit, was focused on other business areas and had low synergy potential, (4) Company D had some product overlap and no interest in the defense business, and (5) Company E had timing issues due to various business challenges and had low synergy potential.

At this same meeting, Daniel L. Boehle, who had been appointed Chief Financial Officer of Aerojet Rocketdyne in August following Mr. Lundstrom's departure, then presented to the Aerojet Rocketdyne board of directors multiple potential recapitalization and capital deployment alternatives Aerojet Rocketdyne could consider in lieu of a strategic business combination transaction with Lockheed Martin or another company, including the redemption of Aerojet Rocketdyne's currently outstanding convertible notes and share repurchases. In connection with this discussion, Mr. Boehle presented information on the status of Aerojet Rocketdyne's share repurchase program, an overview of the terms of Aerojet Rocketdyne's outstanding convertible notes and a number of potential refinancing alternatives for the notes, including a full or partial redemption of the notes using Aerojet Rocketdyne's cash on hand, a redemption of the notes using the proceeds of a new convertible note offering, term loan, high yield bond or other debt issuance, or a privately-negotiated repurchase of a portion of the notes from various holders, and presented an overview of the pros and cons of these various potential alternatives. Management then presented various valuation models for various potential recapitalization scenarios, including a potential future sale of Aerojet Rocketdyne following a recapitalization. Mr. Kampani provided to the Aerojet Rocketdyne board of directors a summary of their fiduciary duties in connection with its consideration of these matters. Throughout these presentations the Aerojet Rocketdyne board of directors asked questions and discussed the issues. After further discussion, the Aerojet Rocketdyne board of directors directed that Aerojet Rocketdyne management provide further information about the assumptions and uncertainty underlying the Base Case Forecast and the Adjusted Base Case Forecast, a review of various strategic transactions Aerojet Rocketdyne could potentially consider and a review of potential recapitalization and other capital deployment alternatives that Aerojet Rocketdyne could consider in lieu of a strategic transaction.

On October 13, 2020, the Aerojet Rocketdyne board of directors met again to, among other things, receive an update from Aerojet Rocketdyne management about the matters requested at its October 8, 2020 meeting. All Aerojet Rocketdyne directors and certain members of Aerojet Rocketdyne's senior management attended the meeting. Mr. Jones discussed with the Aerojet Rocketdyne board of directors further information about the modeling assumptions underlying Aerojet Rocketdyne's 10-year Adjusted Base Case Forecast and an Aerojet Rocketdyne management valuation model based on the Adjusted Base Case Forecast, each as previously presented to the Aerojet Rocketdyne board of directors at its October 8, 2020 meeting. Aerojet Rocketdyne management then presented in further detail its views regarding various growing risk factors and other uncertainties present even in Aerojet Rocketdyne's 10-year Adjusted Base Case Forecast, particularly the current human space exploration budgetary environment, management's view of the increasing uncertainty related to NASA's SLS launch manifest, potential future competition and uncertainties associated with a potential new Presidential administration. Management then provided additional information about the outlook for Aerojet Rocketdyne's Defense Business Unit. Mr. Jones then discussed with the Aerojet Rocketdyne board of directors an assessment of a possible sale of Aerojet Rocketdyne's Space Business Unit and Defense Business Unit operations in separate transactions. Ms. Drake and Mr. Jones then discussed Aerojet Rocketdyne's proposed formal engagement of Citi and Evercore as financial advisors, the advisors' relevant experience and Aerojet Rocketdyne's proposed approach for the structuring of their respective fees and other terms and conditions of their engagements.

At this meeting, management then reviewed (1) the views of representatives of Citi and Evercore regarding the likelihood that certain other companies would have interest in a strategic transaction involving Aerojet Rocketdyne, (2) Mr. Lichtenstein's preliminary conversations earlier in the year with senior executives at Company A (who subsequently communicated that it was not in a position to pursue a transaction), Company C and Company D regarding Aerojet Rocketdyne's business and prospects and (3) the potential of performing a more explicit market test (and related risks of leaks and any potential impact on the ongoing discussions with Lockheed Martin). Management also reviewed a summary of the material potential transaction terms and conditions proposed by Lockheed Martin and Aerojet Rocketdyne's contemplated positions with respect to those terms and conditions, based on further assessment of the risks and uncertainties associated with Aerojet Rocketdyne's forecasts in view of changing circumstances. Mr. Kampani then reviewed a preliminary regulatory assessment of a potential transaction with Lockheed Martin, and management discussed with the Aerojet Rocketdyne board of directors potential negotiation strategies for engaging with Lockheed Martin, with a view towards achieving an offer of a higher price per share.

At this meeting, Aerojet Rocketdyne management then further reviewed various business, financial and legal considerations relating to potential recapitalization transactions and other capital deployment alternatives that Aerojet Rocketdyne could consider pursuing in lieu of a strategic business combination. Management's review addressed, among other things, various mechanisms and legal requirements relating to a redemption of Aerojet Rocketdyne's outstanding convertible notes, various legal requirements and other considerations relating to privately-negotiated repurchases of the notes, mechanisms and legal requirements relating to a tender offer for Aerojet Rocketdyne shares, and considerations relating to the Aerojet Rocketdyne share repurchase program and other share repurchases. Management also discussed valuation, timing and other risks, uncertainties and considerations relating to any decision to defer a potential business combination transaction (including a potential transaction with Lockheed Martin) until after the completion of a recapitalization transaction, and various other disclosure and other legal considerations relating to a potential recapitalization transaction. Mr. Kampani reminded the Aerojet Rocketdyne board of directors of its fiduciary obligations in connection with consideration of the matters discussed at this meeting and reviewed various fiduciary considerations.

It was at this meeting that the Aerojet Rocketdyne board of directors confirmed, based on its assessment of the relative risks and uncertainties associated with its business (particularly management's view of increasing uncertainty related to NASA's SLS launch manifest and potential shifting priorities in space exploration under a potential new Presidential administration) and available alternative capital deployment and other strategies, that Aerojet Rocketdyne should shift its focus to pursue in earnest a transaction involving Lockheed Martin, but at a higher price than currently offered at that time by Lockheed Martin. The Aerojet Rocketdyne board of directors also determined that it would be useful to have the benefit of multiple advisory perspectives, including in respect of valuation matters, the market generally and other companies potentially interested in a business combination transaction involving Aerojet Rocketdyne. Throughout these presentations the Aerojet Rocketdyne board of directors asked questions and discussed the issues. After discussion, the Aerojet Rocketdyne board of directors then directed that management (1) review further with the assistance of outside advisors any financial and legal considerations regarding a potential near-term recapitalization or other capital deployment transaction, (2) pursue in earnest the possibility of a transaction with Lockheed Martin and begin negotiations to seek a higher price than Lockheed Martin's September 30 indication of interest, based on Aerojet Rocketdyne's then-current belief that $56.00 per share may not represent the best and final offer from Lockheed Martin, and (3) finalize the terms of Aerojet Rocketdyne's formal engagement of each of Citi and Evercore as financial advisors and have those advisors review with the Aerojet Rocketdyne board of directors their respective preliminary financial analyses of Aerojet Rocketdyne and potential strategic alternatives to a potential business combination with Lockheed Martin.

On October 14, 2020, Mr. Kampani conferred with Aerojet Rocketdyne's outside securities counsel at Gibson Dunn and Morrison & Foerster regarding legal considerations pertaining to recapitalization and other transactions, as well as other matters. Management of Aerojet Rocketdyne also consulted with Aerojet Rocketdyne's financial advisors regarding financial considerations relating to recapitalization and other transactions that Aerojet Rocketdyne might consider.

On October 15, 2020, Mr. St. John contacted Ms. Drake to inform her that the Lockheed Martin board of directors would be meeting on October 23, 2020, and that the Lockheed Martin board of directors would want Lockheed Martin to either begin confirmatory due diligence on Aerojet Rocketdyne or move on to other strategic initiatives.

On October 17, 2020 and October 19, 2020, Aerojet Rocketdyne entered into engagement letter agreements with Citi and Evercore, respectively.

On October 18, 2020, Mr. St. John contacted Ms. Drake to reiterate that Lockheed Martin's latest offer of $56.00 per share was at the top end of its valuation.

On October 19, 2020, the Aerojet Rocketdyne board of directors met again. All Aerojet Rocketdyne directors and certain members of Aerojet Rocketdyne's senior management attended the meeting, and representatives of Citi and Evercore attended portions of the meeting. Mr. Lichtenstein commented on Aerojet Rocketdyne's transaction review process and provided an update regarding the engagement of Citi and Evercore as financial advisors. Representatives of Citi and Evercore then reviewed their respective preliminary financial analyses of Aerojet Rocketdyne, as well as their views on other potential buyers of Aerojet Rocketdyne. A discussion then ensued among the Aerojet Rocketdyne board of directors, Aerojet Rocketdyne's senior management and the financial advisors regarding the analyses presented, and strategic considerations in terms of next steps in the transaction process and further discussions with Lockheed Martin regarding a potential transaction. Management of Aerojet Rocketdyne also reviewed with the Aerojet Rocketdyne board of directors management's plan to commence negotiations with Lockheed Martin on price and submit a non-binding counterproposal for a $60.00 per share transaction that would involve (1) Lockheed Martin's issuance of $55.00 per share of Lockheed Martin stock at closing (subject to a 10% collar) in exchange for each share of Aerojet Rocketdyne common stock and (2) Aerojet Rocketdyne's payment of a $5.00 per share cash dividend shortly after public announcement of the transaction, subject to further discussion amongst both parties' advisors concerning the allocation of regulatory approval risk and other key transaction terms. The dividend was intended to accelerate the delivery of cash to Aerojet Rocketdyne stockholders prior to a transaction closing. The Aerojet Rocketdyne board of directors authorized management to submit the proposed non-binding counterproposal to Lockheed Martin. At the meeting, the Aerojet Rocketdyne board of directors also approved and ratified the engagement of Citi and Evercore. Prior to approving and ratifying those engagements, the Aerojet Rocketdyne board of directors considered the written disclosures from Citi and Evercore, respectively, regarding their respective material relationships with Lockheed Martin.

On October 20, 2020, Ms. Drake spoke with Mr. St. John via telephone and communicated Aerojet Rocketdyne's non-binding counterproposal that had been approved by the Aerojet Rocketdyne board of directors the previous day as detailed in the prior paragraph. Ms. Drake followed up with a letter that same day to Mr. St. John that further described the terms and conditions of Aerojet Rocketdyne's non-binding counterproposal. The letter also noted that at this price, Aerojet Rocketdyne would consider a break-up fee at the higher end of the customary range. The letter further indicated that Aerojet Rocketdyne sought Lockheed Martin stock as consideration because it believed in the prospects for success of the combined businesses and because equity, rather than cash, consideration would provide a tax advantage for Aerojet Rocketdyne's stockholders. Finally, the letter noted that an appropriate efforts provision and appropriate remedial commitments from Lockheed Martin related to regulatory review would need to be included in the merger agreement and that a customary "fiduciary out" provision would also need to be included in the merger agreement.

On October 21, 2020, Mr. St. John contacted Ms. Drake to inform her that Lockheed Martin had reviewed her letter and that the counterproposal was not acceptable, including the contemplation of stock as a form of consideration. Mr. St. John also reiterated that Lockheed Martin would not agree to a $60.00 per share price and that the only path to continue discussions would be if the Aerojet Rocketdyne board of directors could support a transaction at a price below $60.00 per share.

Later that day on October 21, 2020, Ms. Drake spoke by telephone with Mr. St. John, who again relayed Lockheed Martin's disappointment that Aerojet Rocketdyne had not reduced its required price below $60.00 per share. Ms. Drake asked Mr. St. John to take the Aerojet Rocketdyne counterproposal to the Lockheed Martin board of directors, and Mr. St. John indicated that if Aerojet Rocketdyne was not willing to make any price movement he would communicate to the Lockheed Martin board of directors that discussions may come to an end.

On October 22, 2020, the Aerojet Rocketdyne board of directors met and was provided an update on the current state of Aerojet Rocketdyne's discussions with Lockheed Martin. All Aerojet Rocketdyne directors and certain members of Aerojet Rocketdyne's senior management attended the meeting, and representatives of Citi and Evercore attended a portion of the meeting. Ms. Drake provided details on her latest discussions with Lockheed Martin, including Lockheed Martin's rejection of Aerojet Rocketdyne's October 20 counterproposal, and the Aerojet Rocketdyne board of directors discussed whether to continue to pursue negotiations with Lockheed Martin or consider other initiatives. Representatives of Citi and Evercore then discussed their views on potential next steps in the transaction process and further discussions with Lockheed Martin and other transaction-related considerations.

On October 24, 2020, the Aerojet Rocketdyne board of directors met again. All Aerojet Rocketdyne directors and certain members of Aerojet Rocketdyne's senior management attended the meeting, and representatives of Citi, Evercore and Jenner & Block attended portions of the meeting. Management discussed with the Aerojet Rocketdyne board of directors various transaction structuring and related considerations, including appropriate remedial commitments from Lockheed Martin pertaining to regulatory matters that could be included in a merger agreement. Mr. Kampani provided to the Aerojet Rocketdyne board of directors a summary of their fiduciary duties, and representatives of Jenner & Block further commented on the directors' fiduciary obligations in the context of their consideration of any potential transactions. Representatives of Jenner & Block also commented on transaction structuring matters and deal terms considerations. After further discussion, the Aerojet Rocketdyne board of directors unanimously authorized management to submit to Lockheed Martin a non-binding counterproposal for a $58.00 per share (50% cash and 50% stock) transaction containing the following terms: (1) allowance for Aerojet Rocketdyne to issue up to a $5.00 cash dividend (which would reduce the purchase price on a dollar-for-dollar basis by the amount of the dividend); (2) a ticking fee of $0.25 per share per month if regulatory approval would exceed six months from signing; and (3) the stock consideration portion of the purchase price would be subject to a +/- 10% collar (with a floating exchange ratio within the collar and fixed exchange ratio outside the collar).

On October 26, 2020, Ms. Drake delivered a letter to Mr. St. John communicating Aerojet Rocketdyne's revised non-binding counterproposal that had been approved by the Aerojet Rocketdyne board of directors on October 24, including the financial terms as outlined in the prior paragraph. The letter also communicated information relating to the capitalization of Aerojet Rocketdyne.

On October 26, 2020, Ms. Drake and Mr. St. John discussed Ms. Drake's October 26 letter to Mr. St. John. Mr. St. John stated that he was unable to commit to accepting a price of $58.00 per share, but he would take the proposal to the Lockheed Martin board of directors. Mr. St. John indicated that any dividend payment would need to reduce the purchase price on a dollar-for-dollar basis and that he was opposed to Lockheed Martin issuing stock as part of the merger consideration.

On October 30, 2020, Mr. Jones had a telephone call with Mr. Psihas, during which Mr. Psihas indicated that Lockheed Martin would be sending a letter to Aerojet Rocketdyne reflecting their best and final offer of $56.00 per share. Later that day on October 30, 2020, Mr. Taiclet delivered to Ms. Drake a letter setting forth an updated non-binding acquisition proposal from Lockheed Martin. The letter indicated that Lockheed Martin was not prepared to proceed based on Aerojet Rocketdyne's most recent counterproposal, and that Lockheed Martin wished to make a final attempt to communicate the basis on which Lockheed Martin was prepared to proceed with a transaction. The letter stated that it replaced in its entirety the earlier proposals included in Lockheed

Martin's letters dated July 14, 2020 and August 4, 2020, and superseded the views expressed by Mr. St. John in his discussions with Ms. Drake on September 30, 2020. The letter stated that Lockheed Martin's final proposal would be an all-cash merger at a price of $56.00 per share, and that Lockheed Martin was not prepared to offer stock consideration or to include a ticking fee. It did, however, state that Lockheed Martin was prepared to include provisions giving Aerojet Rocketdyne the option of declaring a special cash dividend of up to $5.00 per share at the time a transaction would be announced, and that if such a dividend was declared, the cash consideration at the closing of the merger would be reduced on a dollar-for-dollar basis by the amount of the dividend. Similar to Lockheed Martin's July 14 and August 4 letters, the letter also identified key elements underlying Lockheed Martin's valuation framework with respect to a potential acquisition of Aerojet Rocketdyne, including an explanation that Lockheed Martin projected a lower growth rate for Aerojet Rocketdyne than was included in Aerojet Rocketdyne's Base Case Forecast. The October 30, 2020 letter also outlined the remedies and restrictions to which Lockheed Martin would be willing to agree in the context of regulatory approval of such a transaction.

On November 2, 2020, Ms. Drake and Mr. Jones had a telephone call with Mr. St. John and Mr. Psihas regarding the terms of Lockheed Martin's revised proposal and related matters.

On November 2, 2020, the Aerojet Rocketdyne board of directors met again. All Aerojet Rocketdyne directors and certain members of Aerojet Rocketdyne's senior management attended the meeting, and representatives of Citi, Evercore and Jenner & Block attended portions of the meeting. Ms. Drake provided the Aerojet Rocketdyne board of directors an update on Mr. Lichtenstein's and Ms. Drake's recent discussions about desirable parameters of a potential counterproposal of $57.00 per share that Aerojet Rocketdyne could make to Lockheed Martin in response to its indication of interest for an all-cash merger transaction at $56.00 per share. Ms. Drake also provided an update on her and Mr. Jones' recent call with Mr. St. John and Mr. Psihas. Mr. Lichtenstein then provided a further overview of discussions over the weekend among Aerojet Rocketdyne's management, representatives of Citi and Evercore and other members of the Aerojet Rocketdyne board of directors. Management then presented an overview and analysis of Lockheed Martin's current indication of interest at a $56.00 per share price, including a comparison of key metrics of a potential Aerojet Rocketdyne / Lockheed Martin transaction at $56.00 per share to those metrics as reflected in the 2018 Northrop Grumman / Orbital ATK transaction. Management also reviewed with the Aerojet Rocketdyne board of directors management's views on increasing risks to and uncertainties associated with the Adjusted Base Case Forecast, with a particular focus on growing uncertainties to Aerojet Rocketdyne regarding NASA's Space Exploration (Artemis) Program, including potential shifting priorities in space exploration under a potential new Presidential administration. Aerojet Rocketdyne management reviewed with the Aerojet Rocketdyne board of directors, among other things, (1) the fact that NASA's Artemis-related business accounted for approximately 25% of Aerojet Rocketdyne's annual revenues, and (2) Aerojet Rocketdyne management's view about increasing uncertainty related to NASA's SLS launch manifest and space exploration program and that the schedule for landing a human presence on the moon could potentially be delayed, which schedule delay could result in greater competitive pressure on Aerojet Rocketdyne from new competitive entrants into Aerojet Rocketdyne's industry.

In connection with this meeting, the Aerojet Rocketdyne board of directors was provided with (1) another copy of Aerojet Rocketdyne's 10-year Adjusted Base Case Forecast and (2) Aerojet Rocketdyne management's Risk Adjusted Case Analysis (as defined in the section of this proxy statement captioned "The Merger — Certain Unaudited Prospective Financial Information" beginning on page 73), which represented a downside risk-based sensitivity analysis prepared by Aerojet Rocketdyne management in respect of the Adjusted Base Case Forecast taking into account Aerojet Rocketdyne management's evolving and expanding view that there was growing uncertainty in Aerojet Rocketdyne's space exploration business prospects. See the section of this proxy statement captioned "The Merger — Certain Unaudited Prospective Financial Information" beginning on page 73. Aerojet Rocketdyne management also reviewed with the Aerojet Rocketdyne board of directors Aerojet Rocketdyne's 10-year Adjusted Base Case Forecast and Risk Adjusted Case Analysis and Aerojet Rocketdyne management's view that a $56.00 per share price was at the top end of management's valuation range based on the Risk Adjusted Case Analysis and within management's valuation range based on the Adjusted Base Case Forecast.

Representatives of Citi and Evercore then reviewed their respective preliminary financial analyses of Aerojet Rocketdyne, and a discussion ensued regarding the analyses presented, and strategy in terms of next steps with Lockheed Martin. Mr. Kampani provided the Aerojet Rocketdyne board of directors a summary of their fiduciary duties, and representatives of Jenner & Block further commented on the directors' fiduciary obligations in the context of a potential transaction, including by referencing prior discussions of these matters with the Aerojet Rocketdyne board of directors. A discussion of the proposed deal terms and conditions and required regulatory approvals ensued, with representatives of Jenner & Block, Citi and Evercore commenting on such matters, contemplated transaction execution timelines and other related items.

After further discussion, the Aerojet Rocketdyne board of directors unanimously approved management's recommendation to authorize Ms. Drake to submit to Lockheed Martin a non-binding counterproposal for an all-cash transaction at a $57.00 price per share or, if such a higher price could not be achieved, a $56.00 price per share, with any discussions and negotiations for a $56.00 per share transaction to include an Aerojet Rocketdyne request for a lower break-up fee. In connection therewith, the Aerojet Rocketdyne board of directors noted its belief that, in light of its assessment of the value of Aerojet Rocketdyne, the substantial premium of each such price to Aerojet Rocketdyne's then-current trading price and its consideration of certain risks and uncertainties associated with Aerojet Rocketdyne's projected performance (particularly in the space exploration sector), either price would represent a significant value enhancement for Aerojet Rocketdyne stockholders and be in their best interests.

On November 3, 2020, Ms. Drake delivered a letter (dated November 2, 2020) to Mr. Taiclet communicating Aerojet Rocketdyne's latest non-binding counterproposal for a $57.00 per share all-cash merger transaction. The letter noted that the merger agreement would need to include provisions giving Aerojet Rocketdyne the option of declaring a special cash dividend of up to $5.00 per share at the time a transaction is announced, provided that if such a dividend is declared and paid the cash consideration delivered to Aerojet Rocketdyne stockholders at closing would be reduced on a dollar-for-dollar basis by the amount of such dividend. The letter also noted that Aerojet Rocketdyne would want to include in the merger agreement appropriate efforts provisions and appropriate regulatory remedial commitments from Lockheed Martin. The letter further indicated that Lockheed Martin would have no financing contingency and that a customary "fiduciary out" provision would be included in the merger agreement.

On November 10, 2020, Ms. Drake contacted Mr. St. John by telephone to discuss the status of Lockheed Martin's consideration of Aerojet Rocketdyne's latest proposal. Mr. St. John indicated that the Lockheed Martin management team had engaged in numerous conversations, including with the Lockheed Martin board of directors, and that Lockheed Martin management team believed that their previous $56.00 per share offer price remained at the high end of the valuation range and that they were unable to change their valuation position. Ms. Drake reiterated the counter-offer of $57.00 per share, but Mr. St. John stated that he was directed to send Aerojet Rocketdyne a letter affirming their $56.00 per share offer.

On November 12, 2020, Ms. Drake received a letter (dated November 10, 2020) from Mr. Taiclet responding to Aerojet Rocketdyne's November 2, 2020 counterproposal. The letter noted that Lockheed Martin was prepared to proceed with confirmatory due diligence and to negotiate a definitive merger agreement at an all-cash price of $56.00 on the terms set forth in that letter. The letter also stated that Lockheed Martin's price was firm and that it believed its proposal reflected appropriately the risk to and uncertainty associated with Aerojet Rocketdyne's Base Case Forecast. On that same date, Ms. Drake communicated to Mr. St. John that the Aerojet Rocketdyne board of directors would be meeting the next day.

On November 13, 2020, the Aerojet Rocketdyne board of directors held a meeting. All Aerojet Rocketdyne directors and certain members of Aerojet Rocketdyne's senior management attended the meeting. Ms. Drake reviewed her recent discussions with Mr. St. John and the recent letter she had received from Lockheed Martin, which indicated that Lockheed Martin would only pursue a transaction at a price of $56.00 per share and that Lockheed Martin's price was firm. Management then reviewed with the Aerojet Rocketdyne board of directors certain deal protection provisions, including termination fee amounts, contained in various merger agreements for recent transactions involving companies in the aerospace and defense industry. At this meeting, the Aerojet Rocketdyne board of directors confirmed that, consistent with its prior deliberations, the Aerojet Rocketdyne board of directors was prepared to move forward with an all-cash merger transaction with Lockheed Martin (with appropriate terms and conditions) at a price of $56.00 per share. In connection therewith, the Aerojet Rocketdyne board of directors noted its belief that, in light of its assessment of the value of Aerojet Rocketdyne, the substantial premium of such price to Aerojet Rocketdyne's then-current trading price and its consideration of certain risks and uncertainties associated with Aerojet Rocketdyne's projected performance (particularly uncertainties in the space exploration sector), this price would represent a significant value enhancement for Aerojet Rocketdyne stockholders and be in their best interests.

Aerojet Rocketdyne and Lockheed Martin then continued discussions based on an all-cash merger transaction at a price of $56.00 per share with the Aerojet Rocketdyne board of directors having the ability to declare a special cash dividend of up to $5.00 per share (which dividend would reduce the per share purchase price on a dollar-for-dollar basis), subject to the parties reaching agreement on other terms and conditions of a potential transaction.

On November 14, 2020, Mr. Jones had a telephone call with Mr. Psihas to discuss various key terms and provisions to be contained in the merger agreement, including Lockheed Martin's required remedial measures related to regulatory clearance, the "no-shop" and "fiduciary out" provisions, and related break-up fee provisions.

On November 16, 2020, members of Aerojet Rocketdyne management and members of Lockheed Martin management had a further discussion concerning various key terms and conditions to be included in the merger agreement. Among other things, Aerojet Rocketdyne indicated to Lockheed Martin that Aerojet Rocketdyne expected that the merger agreement would contain a customary "fiduciary out" to any "no-shop" provision included in the merger agreement. Aerojet Rocketdyne also proposed that the break-up fee that would be payable by Aerojet Rocketdyne upon any termination of the merger agreement for certain customary events would be on the low end of the customary range of break-up fees, measured as a percentage of equity value represented in the transaction. Lockheed Martin responded that such a low break-up fee was not acceptable to it in light of the substantial premium it believed was represented by its $56.00 per share offer price in relation to the recent trading prices of Aerojet Rocketdyne stock.

On November 17, 2020, representatives of Aerojet Rocketdyne, Lockheed Martin, Jenner & Block, Hogan Lovells and McDermott, Will & Emery LLP ("McDermott Will"), antitrust counsel to Lockheed Martin, had a further discussion about various key deal points, including the level of the break-up fee that was appropriate under the circumstances. In the context of these discussions, a representative of Lockheed Martin indicated that if Aerojet Rocketdyne were to contact other potential buyers at this time, Lockheed Martin would immediately terminate its merger discussions with Aerojet Rocketdyne. The parties also discussed Lockheed Martin's required efforts and remedial measures related to regulatory clearance.

Later that same day on November 17, 2020, certain members of Aerojet Rocketdyne management and the independent members of the Aerojet Rocketdyne board of directors had a discussion with representatives of Citi, Evercore and Jenner & Block to review the open material transaction terms and conditions and the status of the merger discussions with Lockheed Martin, including Lockheed Martin's refusal to accept Aerojet Rocketdyne's request for a lower break-up fee. The independent directors were further advised by Aerojet Rocketdyne management of Lockheed Martin's assertion that it would retract its offer and cease discussions if Aerojet Rocketdyne were to conduct any further market check at this time. Aerojet Rocketdyne's financial advisors also discussed their views regarding whether certain companies in Aerojet Rocketdyne's industry (including Company B) would likely be interested in pursuing a potential business combination transaction with Aerojet Rocketdyne. Based on this discussion and other information previously reviewed with the Aerojet Rocketdyne board of directors, the independent directors believed that it was unlikely that there were other viable counterparties for a potential business combination involving Aerojet Rocketdyne. The independent directors and representatives of Citi and Evercore also discussed the risk that new competitive entrants could disrupt Aerojet Rocketdyne's industry, which could result in a negative impact on Aerojet Rocketdyne's business and standalone value. As part of this discussion, the independent directors also considered the level of break-up fees in a number of recent merger transactions, including merger transactions in the aerospace and defense industry. At this time, the independent directors of the Aerojet Rocketdyne board of directors considered the level of a break-up fee in the context of any transaction involving Lockheed Martin and determined, based on its consideration and evaluation of input from Aerojet Rocketdyne's financial and legal advisors, that a break-up fee at the level proposed by Lockheed Martin fell within the generally acceptable range of customary break-up fees and would not likely preclude a potentially superior proposal for the acquisition of Aerojet Rocketdyne.

On November 19, 2020, Mr. Psihas sent an email to Mr. Jones purporting to reiterate Lockheed Martin's understanding of various conversations over the past week on a number of items, including a price of $56 per share (subject to dollar-for-dollar reduction for any dividend). Mr. Psihas' email also noted that in order to facilitate regulatory clearance for the proposed transaction, Lockheed Martin was prepared to take certain remedial measures if necessary to obtain clearance, but that Lockheed Martin would not agree to a reverse break-up fee in the context of a failure to obtain regulatory approval, which Aerojet Rocketdyne had proposed.

The email also noted that Lockheed Martin expected a break-up fee at a level based on at least 3% of the equity value of the transaction (including any special cash dividend that Aerojet Rocketdyne may declare), and that it anticipated that the members of the Aerojet Rocketdyne board of directors would execute voting and support agreements and that a similar voting and support agreement would be sought from one of Aerojet Rocketdyne's stockholders, Steel Partners Holdings L.P. ("Steel Partners").

On November 20, 2020, Mr. Jones responded to Mr. Psihas that Aerojet Rocketdyne agreed that his email addressed the parties' prior discussions around the price and dividend and the general contours of antitrust-related covenants, but rejected the requirement of voting and support agreements from Steel Partners and the Aerojet Rocketdyne directors. Mr. Jones then outlined the process and timing of allowing Lockheed Martin to proceed with its confirmatory due diligence and also noted that Aerojet Rocketdyne believed that the transaction process would best be advanced by Lockheed Martin sending Aerojet Rocketdyne its proposed draft merger agreement, which Lockheed Martin had previously indicated was in process, and that all remaining issues would need to be resolved in the totality of the deal terms and conditions as embodied in the merger agreement.

Shortly thereafter, on November 20, 2020, representatives of Aerojet Rocketdyne provided various Lockheed Martin representatives access to a virtual data room so that Lockheed Martin could begin its confirmatory due diligence. During the course of Lockheed Martin's confirmatory due diligence, representatives of Aerojet Rocketdyne had various discussions with representatives of Lockheed Martin regarding Aerojet Rocketdyne's business, operations, financial performance and financial outlook, including Aerojet Rocketdyne's then-current forecasts and related uncertainties associated with NASA's human space exploration program.

On November 30, 2020, Hogan Lovells delivered to Jenner & Block a draft Merger Agreement along with a draft of a form of voting and support agreement, which Lockheed Martin indicated they expected would be executed by each of the Aerojet Rocketdyne directors and Steel Partners.

On December 3, 2020, representatives of Aerojet Rocketdyne, Lockheed Martin, Jenner & Block and Hogan Lovells held a teleconference to discuss various key issues that Aerojet Rocketdyne and its representatives had identified based on their review of the draft Merger Agreement and the draft form of voting and support agreement. The key issues discussed included Lockheed Martin's request that the Aerojet Rocketdyne directors and Steel Partners sign voting and support agreements, the proposed terms of the "no-shop" covenant and related "fiduciary out" and other provisions that would give the Aerojet Rocketdyne board of directors flexibility to comply with its fiduciary duties in the event a third party were to submit a proposal for a potentially superior transaction, the proposed requirement that Aerojet Rocketdyne redeem its outstanding convertible notes promptly after redemption becomes permissible under the related indenture, the scope of Lockheed Martin's remedial commitments related to regulatory review, the scope of various Lockheed Martin termination rights, Lockheed Martin's proposed $150 million termination fee and the circumstances under which Aerojet Rocketdyne would become obligated to pay the termination fee, and the scope of Aerojet Rocketdyne's representations and warranties and interim operating covenants.

On December 5, 2020, Jenner & Block delivered to Hogan Lovells a revised draft of the Merger Agreement, reflecting Aerojet Rocketdyne's position on the key open issues.

On December 8, 2020, Hogan Lovells delivered to Jenner & Block a revised draft of the Merger Agreement, reflecting Lockheed Martin's response to Aerojet Rocketdyne's positions on the issues.

On December 9, 2020, representatives of Aerojet Rocketdyne, Lockheed Martin, Jenner & Block and Hogan Lovells held a teleconference to discuss various key issues that Aerojet Rocketdyne and its representatives had identified based on their review of the latest draft of the Merger Agreement. The key issues that were discussed included Lockheed Martin's continuing request that each of the Aerojet Rocketdyne directors (but no other stockholder) sign voting and support agreements, the scope of Aerojet Rocketdyne's representations and warranties, the proposed scope and substance of the interim operating covenants, the proposed terms of the "no-shop" covenant and related "fiduciary out" and other provisions that would give the Aerojet Rocketdyne board of directors appropriate flexibility to comply with its fiduciary duties in the event a third party were to submit a proposal for a potentially superior transaction, the proposed scope of remedial commitments related to regulatory review, the conditions to Lockheed Martin's obligation to close the Merger, the scope of various Lockheed Martin termination rights and Lockheed Martin's proposed $150 million termination fee and the circumstances under which Aerojet Rocketdyne would become obligated to pay such a fee.

On December 10, 2020, the Aerojet Rocketdyne board of directors met to consider the status of the potential transaction. All Aerojet Rocketdyne directors attended the meeting, and certain members of Aerojet Rocketdyne's senior management and representatives of Citi, Evercore and Jenner & Block attended portions of the meeting. Mr. Jones provided an update on the transaction process and the status of Lockheed Martin's confirmatory due diligence review. Mr. Boehle and Mr. Kampani then provided an overview of the process and timing for the declaration and payment of the $5.00 per share special cash dividend being contemplated in connection with the signing of the Merger Agreement. Mr. Kampani then reviewed the status of the negotiations with Lockheed Martin on the proposed Merger Agreement and the key terms and provisions reflected in the latest draft of the Merger Agreement, including the "no-shop" and "fiduciary out" provisions, the interim operations covenants, Lockheed Martin's closing conditions and various termination and break-up fee payment provisions. Mr. Kampani also noted that Lockheed Martin had not yet dropped its request that all members of the Aerojet Rocketdyne board of directors execute voting and support agreements with Lockheed Martin in connection with the signing of the Merger Agreement and that further Aerojet Rocketdyne board of directors discussion of the terms of such agreements may be needed if Lockheed Martin continued to insist on those agreements as part of the Merger transaction. Mr. Kampani then reviewed various regulatory considerations and the related provisions being negotiated in the Merger Agreement. Andreas Wagner, Chief Human Resources Officer of Aerojet Rocketdyne, provided an overview of the employee retention arrangements anticipated to be adopted in connection with the Merger Agreement and intended to help ensure appropriate management continuity pending the closing of the Merger transaction. Throughout these presentations the Aerojet Rocketdyne board of directors asked questions and discussed the issues. In an executive session of this Board meeting, representatives of Jenner & Block also reviewed certain legal considerations in connection with the Aerojet Rocketdyne board of directors' consideration of the Merger. This session included a review and discussion of the Aerojet Rocketdyne board of directors' fiduciary obligations in connection with its consideration of these matters, including deal protection terms that might be included in the Merger Agreement. Following the executive session, the Aerojet Rocketdyne board of directors directed Aerojet Rocketdyne management to continue negotiating the Merger Agreement as discussed during the meeting.

On December 12, 2020, Jenner & Block delivered to Hogan Lovells a revised draft of the Merger Agreement, reflecting Aerojet Rocketdyne's position on the open issues.

On December 13, 2020, Aerojet Rocketdyne and Lockheed Martin executed a Supplemental Confidentiality Agreement Governing the Establishment of a "Clean Team," effective as of December 6, 2020, by and between Aerojet Rocketdyne and Lockheed Martin to set forth certain procedures and restrictions in respect of the sharing of certain competitively sensitive information.

Also on December 13, 2020, representatives of Aerojet Rocketdyne, Lockheed Martin, Jenner & Block and Hogan Lovells had a lengthy negotiation session on the Merger Agreement. Key issues remaining unresolved after that session included Aerojet Rocketdyne's flexibility to issue equity and other compensatory awards to various employees and officers in 2021, the scope and terms of a transaction bonus pool that Aerojet Rocketdyne would issue in order to incentivize and reward employees through the closing of the Merger, the proposed terms of the "no-shop" covenant and related "fiduciary out" and other provisions that would give the Aerojet Rocketdyne board of directors flexibility to comply with its fiduciary duties in the event a third party were to submit a proposal for a potentially superior transaction, the scope of Lockheed Martin's remedial commitments related to regulatory review, certain conditions to Lockheed Martin's obligation to close the Merger, the scope of various Lockheed Martin termination rights and the circumstances under which Aerojet Rocketdyne would become obligated to pay a termination fee.

Between December 13 and December 18, 2020, representatives of Jenner & Block, Freshfields Bruckhaus Deringer LLP ("Freshfields") (additional antitrust counsel to Aerojet Rocketdyne) and McDermott Will had further discussions regarding regulatory-related provisions in the Merger Agreement.

On December 14, 2020, the Organization & Compensation Committee of the Aerojet Rocketdyne board of directors (the "Compensation Committee") held a meeting with certain members of Aerojet Rocketdyne's senior management and invited advisors, including a representative of Jenner & Block and a representative of the Compensation Committee's outside compensation consultant, to review and consider information about change in control tax issues related to executive compensation as well as proposed actions to mitigate adverse effects on executives and Aerojet Rocketdyne.

On December 16, 2020, representatives of Aerojet Rocketdyne, Lockheed Martin, Jenner & Block, Hogan Lovells and McDermott Will had a number of telephone conferences to negotiate open issues relating to the Merger Agreement. Several issues were resolved during these discussions, including the terms of the "no-shop" and "fiduciary out" and other provisions designed to provide the Aerojet Rocketdyne board of directors appropriate flexibility to comply with its fiduciary duties if a potentially superior proposal were to arise after the signing of the Merger Agreement and prior to the receipt of the requisite stockholder vote, and Lockheed Martin withdrew its request that Aerojet Rocketdyne directors execute voting and support agreements.

On December 17, 2020, the Aerojet Rocketdyne board of directors met again to consider the status of the potential Merger transaction. All Aerojet Rocketdyne directors, certain members of Aerojet Rocketdyne's senior management and representatives of Citi, Evercore and Jenner & Block attended the meeting. Mr. Jones provided an update on the transaction process to date and the status of Lockheed Martin's confirmatory due diligence review. Mr. Boehle and Mr. Kampani then reviewed the proposed terms and conditions of the $5.00 per share special cash dividend being contemplated in connection with the signing of the Merger Agreement. Mr. Kampani further commented on the statutory and other legal requirements relevant to the declaration and payment of a dividend, and the Aerojet Rocketdyne board of directors was presented with a review of the preliminary results of management's solvency and related analyses. Mr. Kampani also provided an update for the Aerojet Rocketdyne board of directors regarding the key terms and conditions of the latest draft of the Merger Agreement. Representatives of Jenner & Block commented on the key terms and conditions of the Merger Agreement as well as certain fiduciary considerations relating to the Aerojet Rocketdyne board of directors' consideration of these matters. Throughout these presentations the Aerojet Rocketdyne board of directors asked questions and discussed the issues.

On December 17, 2020, Hogan Lovells delivered to Jenner & Block a revised draft of the Merger Agreement.

On December 18, 2020, the Compensation Committee held a meeting with certain members of Aerojet Rocketdyne's senior management and invited advisors, including a representative of Jenner & Block and a representative of the Compensation Committee's outside compensation consultant, to review and consider information about change in control tax issues related to executive compensation as well as proposed actions to mitigate potential adverse effects on executives and Aerojet Rocketdyne. The Compensation Committee also reviewed the proposed adjustments to the Aerojet Rocketdyne stock options and stock appreciation rights required in respect of the proposed special cash dividend.

On December 18, 2020, the parties and their representatives had a number of discussions to resolve various open issues on the Merger Agreement, including (1) Aerojet Rocketdyne's flexibility to issue equity and other compensatory awards to employees and officers in 2021 and (2) certain triggers that would require Aerojet Rocketdyne to pay a break-up fee.

On December 19, 2020, Jenner & Block delivered a revised draft of the Merger Agreement to Hogan Lovells.

Also on December 19, 2020, the Compensation Committee held a meeting to approve certain compensatory arrangements, all of which had been reviewed at previous Compensation Committee meetings. All members of the Compensation Committee, the other Aerojet Rocketdyne directors and certain members of Aerojet Rocketdyne's senior management and a representative of Jenner & Block attended the meeting. At this meeting, the Compensation Committee approved the arrangements set forth in the section of this proxy statement captioned "The Merger — Interests of Aerojet Rocketdyne's Directors and Executive Officers in the Merger — Golden Parachute Payment Mitigation." The Compensation Committee also approved, effective as of the payment of any special cash dividend in connection with the Merger, adjustments of outstanding stock options and stock appreciation right awards to account for the special cash dividend.

Immediately after the Compensation Committee meeting on December 19, 2020, the Aerojet Rocketdyne board of directors held a meeting to consider approving the Merger Agreement and related matters. All Aerojet Rocketdyne directors, certain members of Aerojet Rocketdyne's senior management and representatives of Citi, Evercore and Jenner & Block attended the meeting. Mr. Jones provided an update of the transaction process to date and the anticipated transaction schedule. Mr. Kampani and Mr. Boehle presented the terms of the proposed Pre-Closing Dividend, and Mr. Boehle confirmed that the proposed Pre-Closing Dividend passed the required solvency and capital surplus tests, referencing the analysis previously shared with the Aerojet Rocketdyne board of directors and updated as of the date of this meeting.

Mr. Kampani then reviewed the proposed terms and conditions of the Merger Agreement, focusing on the progress made during the most recent rounds of negotiations, and the status of Aerojet Rocketdyne's discussions with Lockheed Martin, including the status of Lockheed Martin's confirmatory due diligence process. A discussion ensued, with questions asked and answered.

Representatives of Evercore then reviewed with the Aerojet Rocketdyne board of directors Evercore's financial analysis of the merger consideration, and Evercore then rendered to the Aerojet Rocketdyne board of directors Evercore's oral opinion, which was subsequently confirmed in writing, to the effect that, as of December 19, 2020 and based upon and subject to the assumptions, limitations, qualifications and conditions described in Evercore's opinion, the merger consideration of $56.00 per share minus, to the extent paid, the amount per share of the Pre-Closing Dividend, to be received by holders of shares of Aerojet Rocketdyne common stock in the Merger was fair, from a financial point of view, to such holders. See the section of this proxy statement captioned "The Merger — Opinion of Evercore Group L.L.C." beginning on page 64. A discussion ensued, with questions asked and answered. Representatives of Citi then reviewed with the Aerojet Rocketdyne board of directors Citi's financial analysis relating to the fairness to the holders of shares of Aerojet Rocketdyne common stock of the merger consideration to be received in the proposed Merger by such holders, and Citi then rendered to the Aerojet Rocketdyne board of directors Citi's oral opinion, subsequently confirmed by delivery of a written opinion, dated December 19, 2020, to the effect that, as of that date and based on and subject to the various assumptions made, procedures followed, matters considered and limitations and qualifications on the review undertaken by Citi as described in Citi's written opinion, the merger consideration of $56.00 per share minus, to the extent paid, the amount per share of the Pre-Closing Dividend, was fair, from a financial point of view, to the holders of Aerojet Rocketdyne common stock. See the section of this proxy statement captioned "The Merger — Opinion of Citigroup Global Markets Inc." beginning on page 57. A further discussion ensued, with questions asked and answered.

Representatives of Jenner & Block reviewed the Aerojet Rocketdyne board of directors' fiduciary duties in connection with their review and consideration of the Merger, and further commented on the process undertaken by the Aerojet Rocketdyne board of directors in connection with its consideration of the proposed Merger transaction over the course of this and prior meetings, as well as the proposed terms and conditions of the Merger Agreement, including the deal protection provisions.

A further discussion of the proposed Merger transaction ensued, with questions asked and answered. During the course of the meeting, the Aerojet Rocketdyne board of directors considered carefully, in addition to the matters described above, the terms and conditions of the Merger Agreement and the proposed Merger, including the merger consideration and the fact that the merger consideration constituted a substantial premium to the then-current trading price and recent trading prices of Aerojet Rocketdyne common stock, among other items. During the course of its deliberations at this and prior meetings considered the other matters described in the section of this proxy statement captioned "The Merger — Recommendation of the Board of Directors and Reasons for the Merger — Reasons for the Merger" beginning on page 52.

Following this discussion, the Aerojet Rocketdyne board of directors unanimously, among other things, (1) determined that the Merger Agreement, the Merger and the other transactions contemplated by the Merger Agreement are advisable and fair to, and in the best interests of, Aerojet Rocketdyne and its stockholders, and that it is in the best interests of Aerojet Rocketdyne and its stockholders that Aerojet Rocketdyne enter into the Merger Agreement and consummate the Merger and the other transactions contemplated by the Merger Agreement, (2) approved and adopted the Merger Agreement, the Merger, the other transactions contemplated by the Merger Agreement and the performance by Aerojet Rocketdyne of its obligations under the Merger Agreement, (3) directed that the adoption of the Merger Agreement be submitted to a vote at a meeting of Aerojet Rocketdyne's stockholders, (4) recommended that the stockholders of Aerojet Rocketdyne vote in favor of adopting and approving the Merger Agreement and the Merger, (5) approved the declaration and payment of the Pre-Closing Dividend, subject to the Aerojet Rocketdyne board of directors' ability to modify or revoke the special cash dividend in its discretion, and (6) approved the payment of such special cash dividend to the holders of record of Aerojet Rocketdyne's outstanding convertible notes as of the dividend record date as if they held a number of shares of Aerojet Rocketdyne common stock equal to the conversion rate set forth in the indenture governing the convertible notes multiplied by the principal amount of convertible notes held by such holder, at the same time and upon the same terms as holders of Aerojet Rocketdyne common stock without having to convert their convertible notes. The Aerojet Rocketdyne board of directors further authorized certain officers of Aerojet Rocketdyne to take such further actions as may be necessary to finalize and execute the Merger Agreement and the transactions contemplated thereby.

Also on December 19, 2020, the Lockheed Martin board of directors held a meeting to consider and approve the Merger Agreement and the transactions contemplated thereby.

Following the Aerojet Rocketdyne board of directors meeting and the Lockheed Martin board of directors meeting, the parties and their representatives worked to finalize the Merger Agreement and the related disclosure schedules and to close out Lockheed Martin's remaining confirmatory due diligence items. On the afternoon of December 20, 2020, Aerojet Rocketdyne and Lockheed Martin executed the Merger Agreement, and thereafter each of Aerojet Rocketdyne and Lockheed Martin issued their respective separate press releases publicly announcing the execution of the Merger Agreement.

Recommendation of the Board of Directors and Reasons for the Merger

Recommendation of the Board of Directors

At its meeting on December 19, 2020, the Aerojet Rocketdyne board of directors met to consider the Merger Agreement and after due consideration, at this and prior meetings of the Aerojet Rocketdyne board of directors as described above in the section of this proxy statement captioned "The Merger — Background of the Merger," unanimously (1) determined that the Merger Agreement, the Merger and the other transactions contemplated by the Merger Agreement are advisable and fair to, and in the best interests of, Aerojet Rocketdyne and its stockholders, and that it is in the best interests of Aerojet Rocketdyne and its stockholders that Aerojet Rocketdyne enter into the Merger Agreement and consummate the Merger and the other transactions contemplated by the Merger Agreement, (2) approved and adopted the Merger Agreement, the Merger, the other transactions contemplated by the Merger Agreement and the performance by Aerojet Rocketdyne of its obligations under the Merger Agreement, (3) directed that the adoption of the Merger Agreement be submitted to a vote at a meeting of Aerojet Rocketdyne's stockholders and (4) resolved to recommend that the stockholders of Aerojet Rocketdyne vote in favor of adopting and approving the Merger Agreement and the Merger.

The Aerojet Rocketdyne board of directors unanimously recommends that stockholders vote "FOR" (1) the Merger Proposal, (2) the Adjournment Proposal and (3) the Merger-Related Named Executive Officer Compensation Proposal.

Reasons for the Merger

As described above in the section of this proxy statement captioned "The Merger — Background of the Merger," in evaluating the Merger and the Merger Agreement, the Aerojet Rocketdyne board of directors consulted and discussed with Aerojet Rocketdyne senior management on topics and issues related to the Merger, the Merger Agreement and the other transactions contemplated thereby, and consulted with and received the advice of Aerojet Rocketdyne's legal counsel and financial advisors.

After careful consideration, the Aerojet Rocketdyne board of directors, at a special meeting held on December 19, 2020, unanimously:

- determined that the Merger Agreement, the Merger and the other transactions contemplated by the Merger Agreement are advisable and fair to, and in the best interests of, Aerojet Rocketdyne and its stockholders, and that it is in the best interests of Aerojet Rocketdyne and its stockholders that Aerojet Rocketdyne enter into the Merger Agreement and consummate the Merger and the other transactions contemplated by the Merger Agreement;
- approved and adopted the Merger Agreement, the Merger, the other transactions contemplated by the Merger Agreement and the performance by Aerojet Rocketdyne of its obligations under the Merger Agreement;
- directed that the adoption of the Merger Agreement be submitted to a vote at a meeting of Aerojet Rocketdyne's stockholders; and
- recommended that the stockholders of Aerojet Rocketdyne vote in favor of adopting and approving the Merger Agreement and the Merger.

In unanimously determining to approve and adopt the Merger Agreement and the Merger and recommend that Aerojet Rocketdyne's stockholders vote their shares of common stock in favor of the proposal to adopt the Merger Agreement, the Aerojet Rocketdyne board of directors also considered, during the course of its deliberations at its December 19, 2020 and prior meetings, the material factors that are discussed below. The discussion in this section is not intended to be an exhaustive list of the information and factors considered by the Aerojet Rocketdyne board of directors, but rather includes the material factors considered by the Aerojet Rocketdyne board of directors. In view of the wide variety of factors considered by the Aerojet Rocketdyne board of directors in connection with its evaluation of the Merger and the complexity of these matters, the Aerojet Rocketdyne board of directors did not consider it practicable, and did not attempt, to quantify, rank or otherwise assign relative weights to the specific factors it considered in reaching its decision. In addition, individual members of the Aerojet Rocketdyne board of directors may have given different weight to different factors. The Aerojet Rocketdyne board of directors made its recommendation based on the totality of the information available to the Aerojet Rocketdyne board of directors, including discussions with, and questioning of, Aerojet Rocketdyne's management and legal counsel and financial advisors.

The Aerojet Rocketdyne board of directors considered, among other things, the following factors as supporting its decision to recommend that Aerojet Rocketdyne's stockholders vote in favor of the adoption of the Merger Agreement:

- the per share merger consideration of $56.00, which is expected to be reduced to $51.00 per share after the payment of the $5.00 per share Pre-Closing Dividend, constitutes a premium of:
  - 33.2% over the closing price of shares of Aerojet Rocketdyne common stock on December 18, 2020 (the last trading day prior to the date the Merger Agreement was approved by the Aerojet Rocketdyne board of directors);
  - 35.7% over Aerojet Rocketdyne's volume weighted average common stock price in the 30 trading days prior to the date the Merger Agreement was approved by the Aerojet Rocketdyne board of directors;
  - 45.0% over Aerojet Rocketdyne's volume weighted average common stock price in the 60 trading days prior to the date the Merger Agreement was approved by the Aerojet Rocketdyne board of directors;
  - 42.5% over Aerojet Rocketdyne's volume weighted average common stock price in the 90 trading days prior to the date the Merger Agreement was approved by the Aerojet Rocketdyne board of directors; and
  - 74.2% over Aerojet Rocketdyne's 52-week intraday low trading price in the 52 weeks prior to the date the Merger Agreement was approved by the Aerojet Rocketdyne board of directors.
- the Aerojet Rocketdyne board of directors' belief, based on discussions and negotiations among members of Aerojet Rocketdyne senior management and representatives of Lockheed Martin, that the per share merger consideration was the highest price that Lockheed Martin would be willing to pay for an acquisition of Aerojet Rocketdyne;
- Citi's financial analysis relating to the fairness to the holders of shares of Aerojet Rocketdyne common stock of the merger consideration to be received in the proposed Merger by such holders, and Citi's oral opinion, subsequently confirmed by delivery of a written opinion, dated December 19, 2020, to the effect that, as of that date and based on and subject to the various assumptions made, procedures followed, matters considered and limitations and qualifications on the review undertaken by Citi as described in Citi's written opinion, the merger consideration of $56.00 per share minus, to the extent paid, the amount per share of the Pre-Closing Dividend, was fair, from a financial point of view, to the holders of Aerojet Rocketdyne common stock, as more fully described in the section of this proxy statement captioned "The Merger — Opinion of Citigroup Global Markets Inc." beginning on page 57;
- Evercore's financial analysis of the merger consideration and the oral opinion of Evercore, which was subsequently confirmed in writing, rendered to the Aerojet Rocketdyne board of directors to the effect that, as of December 19, 2020 and based upon and subject to the assumptions, limitations, qualifications and conditions described in Evercore's opinion, the merger consideration of $56.00 per

share minus, to the extent paid, the amount per share of the Pre-Closing Dividend, to be received by holders of shares of Aerojet Rocketdyne common stock in the Merger was fair, from a financial point of view, as more fully described in the section of this proxy statement captioned "The Merger — Opinion of Evercore Group L.L.C." beginning on page 64;

- the Aerojet Rocketdyne board of directors' and Aerojet Rocketdyne management's assessment of Aerojet Rocketdyne's present and future value on a standalone basis relative to the per share merger consideration to be paid to Aerojet Rocketdyne stockholders in the Merger, and information relating to such valuation prepared by Aerojet Rocketdyne management and reviewed by the Aerojet Rocketdyne board of directors;
- the Aerojet Rocketdyne board of directors' belief, based on a review of the possible alternatives to a sale of Aerojet Rocketdyne (including the prospects of continuing to operate in accordance with the existing business plan or undertaking potential recapitalization or other alternatives, including the deployment of capital for potential redemptions and repurchases of Aerojet Rocketdyne's outstanding convertible notes, a tender offer for Aerojet Rocketdyne shares or other share repurchases, or undertaking other potential strategic initiatives) and the timing and likelihood of actually achieving additional value for stockholders from these alternatives, that none of these alternatives, on a risk- and time-adjusted basis, was reasonably likely to create value for stockholders greater than the merger consideration for the proposed Merger;
- the risks and uncertainties associated with continuing to operate independently as a public company (including uncertainties associated with Aerojet Rocketdyne's operations and business plan, such as the current space exploration environment, potential budgetary reductions relating to NASA's SLS program, potential future competition from other companies in the space exploration industry and uncertainties associated with a new Presidential administration);
- the financial condition, results or operations and businesses of the Company, on both a historical and prospective basis;
- current industry, economic and market conditions and historical market demand and prices for Aerojet Rocketdyne's products and services;
- the historical market prices, price to earnings multiples and recent trading patterns of the Aerojet Rocketdyne common stock;
- the existing competitive and market position of Aerojet Rocketdyne, including the nature of the industries in which Aerojet Rocketdyne operates;
- certain challenges facing Aerojet Rocketdyne, including competition and potential future competition in each part of its business from other industry participants;
- discussions with senior management of Aerojet Rocketdyne and representatives of Aerojet Rocketdyne's financial advisors and legal counsel regarding the Merger and the other transactions contemplated by the Merger Agreement;
- whether there were other potential parties that would likely have an interest in engaging in a strategic transaction with Aerojet Rocketdyne;
- the fact that the merger consideration consists solely of cash (which provides certainty of value and liquidity to stockholders and does not expose them to any future risks and uncertainties related to the business or the financial markets generally, as compared to a transaction in which stockholders receive equity or other securities, or as compared to Aerojet Rocketdyne remaining independent);
- the fact that the price Lockheed Martin will pay to Aerojet Rocketdyne stockholders was the result of extensive negotiations, as described above in the section of this proxy statement captioned "The Merger — Background of the Merger";
- the fact that the Merger is not subject to approval by Lockheed Martin's stockholders;
- the fact that the Pre-Closing Dividend may be paid to Aerojet Rocketdyne's stockholders regardless of whether the Merger is completed;

- the provisions of the Merger Agreement, including:
  - the flexibility afforded to Aerojet Rocketdyne to declare and pay the $5.00 per share Pre-Closing Dividend which, while expected to reduce the per share merger consideration payable at closing from $56.00 per share to $51.00 per share, provides short-term liquidity to Aerojet Rocketdyne stockholders;
  - subject to the terms and conditions of the Merger Agreement, the Aerojet Rocketdyne board of directors' ability to furnish information to, and engage in negotiations with, third parties that make an unsolicited bona fide written Acquisition Proposal if the Aerojet Rocketdyne board of directors determines, after consultation with an independent financial advisor and Aerojet Rocketdyne's legal counsel, that such Acquisition Proposal constitutes or would reasonably be expected to lead to a Superior Offer, as more fully described in the section of this proxy statement captioned "The Merger Agreement — No Solicitation; Acquisition Proposals" beginning on page 107;
  - the $150 million termination fee payable under certain circumstances, which the Aerojet Rocketdyne board of directors believed, after consultation with Aerojet Rocketdyne's legal counsel and financial advisors, was acceptable, appropriate under the circumstances and not likely to preclude a Superior Offer;
  - Aerojet Rocketdyne's ability, subject to compliance with the terms and conditions of the Merger Agreement, to terminate the Merger Agreement and execute a definitive agreement with respect to a Superior Offer, as long as Aerojet Rocketdyne pays Lockheed Martin the $150 million termination fee;
  - the right of the Aerojet Rocketdyne board of directors under certain circumstances, subject to compliance with the terms and conditions of the Merger Agreement, to withdraw or modify, or resolve, agree or publicly propose to withdraw or modify, the Aerojet Rocketdyne board of directors' recommendation or declaration of advisability with respect to the Merger Agreement or the Merger;
  - provisions of the Merger Agreement giving Aerojet Rocketdyne sufficient operating flexibility to conduct its business in the ordinary course consistent with past practice between the execution of the Merger Agreement and the effective time of the Merger;
  - the fact that the consummation of the Merger is not conditioned on Lockheed Martin's ability to secure financing; and
  - the fact that the conditions to the closing of the Merger are limited in scope;
- the Aerojet Rocketdyne board of directors' belief that the terms and conditions of the Merger Agreement, taken as a whole, provide a reasonable expectation that required regulatory approvals will be obtained, based on, among other things:
  - the covenants contained in the Merger Agreement obligating each of the parties to use reasonable best efforts to cause the Merger to be consummated and to resolve objections under applicable antitrust laws, subject to limitations on Lockheed Martin's obligations, among other things, to (1) litigate with any governmental authorities to oppose enforcement actions or remove court or regulatory orders impeding the ability to consummate the Merger and (2) divest certain businesses or assets of Aerojet Rocketdyne in order to obtain required regulatory approvals; and
  - the provision of the Merger Agreement that allows the outside date for completing the Merger to be extended to March 21, 2022 if the Merger has not been completed by the initial December 21, 2021 outside date because the required regulatory approvals have not been obtained;
- the Aerojet Rocketdyne board of directors' belief that the terms and conditions of the Merger Agreement, taken as a whole, including, among other things, the parties' representations, warranties and covenants, and the conditions to the parties' respective obligations, are reasonable and appropriate under the circumstances;
- the fact that a vote of Aerojet Rocketdyne stockholders is required under the DGCL to adopt the Merger Agreement;

- the ability of Aerojet Rocketdyne stockholders who object to the Merger to seek to obtain a different value for their shares if they exercise and perfect their appraisal rights under Delaware law; and
- the Aerojet Rocketdyne board of directors' belief that the Merger represents the best strategic alternative reasonably available to Aerojet Rocketdyne and its stockholders and that the merger consideration payable to holders of Aerojet Rocketdyne common stock is the best value reasonably available to such stockholders.

In the course of its deliberations, the Aerojet Rocketdyne board of directors also considered a variety of risks, uncertainties and other countervailing factors related to the Merger Agreement and the Merger, including, among other things, the following factors:

- the per share merger consideration of $56.00, which is expected to be reduced to $51.00 per share after the payment of the $5.00 per share Pre-Closing Dividend, constitutes a discount of 2.2% under Aerojet Rocketdyne's 52-week intraday high trading price in the 52 weeks prior to the date the Merger Agreement was approved by the Aerojet Rocketdyne board of directors;
- the possibility that the Merger might not be consummated in a timely manner or at all due to a failure of the conditions specified in the Merger Agreement, including, among other things, with respect to the required approvals of the Merger by antitrust regulatory authorities;
- the limitations on Lockheed Martin's obligations to (i) litigate with any governmental authorities to oppose enforcement actions or remove court or regulatory orders impeding the ability to consummate the Merger and (ii) divest certain businesses or assets of Aerojet Rocketdyne in order to obtain required regulatory approvals;
- the fact that the Merger may not be completed unless and until the conditions specified in the Merger Agreement are satisfied or waived (see the section of this proxy statement captioned "The Merger Agreement — Conditions to the Merger" beginning on page 116);
- the potential risks and costs to Aerojet Rocketdyne if the Merger is not consummated, or is not consummated in a timely manner, including, among other things, the potential distraction of management and employee attention during the pendency of the Merger, employee attrition, the possible impact on customer relationships, the potential effect on existing relationships with other parties, and the impact that the failure of the Merger to close could have on the trading price of shares of Aerojet Rocketdyne common stock, Aerojet Rocketdyne's operating results (including the costs incurred in connection with the Merger) and Aerojet Rocketdyne's ability to maintain sales;
- the restrictions on the conduct of Aerojet Rocketdyne's business prior to the consummation of the Merger, which may delay or prevent Aerojet Rocketdyne from undertaking certain business opportunities, such as material acquisitions or divestitures;
- the risk that the parties may incur significant costs and delays in connection with obtaining the regulatory approvals necessary for the completion of the Merger;
- the provisions of the Merger Agreement that restrict Aerojet Rocketdyne's ability to solicit from a third party an acquisition proposal to acquire Aerojet Rocketdyne or to engage in discussions or negotiations with third parties regarding an acquisition proposal to acquire Aerojet Rocketdyne, in the latter case unless (1) in response to an unsolicited bona fide written acquisition proposal that did not result from a material breach of the no solicitation provision of the Merger Agreement, (2) the Aerojet Rocketdyne board of directors determines in good faith, after consultation with Aerojet Rocketdyne's outside legal counsel and an independent financial advisor of nationally recognized reputation, that such unsolicited acquisition proposal constitutes or would reasonably be expected to lead to a Superior Offer, (3) the Aerojet Rocketdyne board of directors determines in good faith, after considering the advice of Aerojet Rocketdyne's outside legal counsel, that the failure to take such action would be inconsistent with its fiduciary duties to the stockholders of Aerojet Rocketdyne under Delaware law, and (4) Aerojet Rocketdyne complies with various other terms of the Merger Agreement;
- the provisions of the Merger Agreement that restrict the Aerojet Rocketdyne board of directors' ability to withdraw or modify its recommendation of the Merger Agreement and the Merger in response to a Superior Offer or Change in Circumstances (as defined below) unless (1) the Aerojet Rocketdyne board

of directors determines in good faith, after consultation with an independent financial advisor of nationally recognized reputation and Aerojet Rocketdyne's outside legal counsel, that the failure to do so would be inconsistent with its fiduciary obligations to Aerojet Rocketdyne's stockholders under applicable Delaware law and (2) various other terms and conditions of the Merger Agreement are complied with and satisfied;

- the significant costs involved in connection with negotiating the Merger Agreement and completing the Merger, including in connection with any litigation that may result from the announcement or pendency of the Merger, and the fact that if the Merger is not consummated Aerojet Rocketdyne may be required to bear such costs;
- the fact that receipt of the Merger Consideration in exchange for shares of Aerojet Rocketdyne common stock pursuant to the Merger would generally be a taxable transaction for U.S. federal income tax purposes (see the section of this proxy statement captioned "The Merger — Material U.S. Federal Income Tax Consequences of the Merger and Pre-Closing Dividend" beginning on page 90); and
- the fact that the all-cash consideration, while providing relative certainty of value, would prevent Aerojet Rocketdyne stockholders from having an ongoing equity interest in Lockheed Martin, meaning that stockholders will not participate in Lockheed Martin's potential revenue or earnings growth, including any growth or share gains with current customers, and any increase in demand from customers in the industries in which Aerojet Rocketdyne operates.

In addition to considering the factors described above, the Aerojet Rocketdyne board of directors also considered (1) the prior relationships between Citi and Lockheed Martin that Citi disclosed to the Aerojet Rocketdyne board of directors, as described below in the section of this proxy statement captioned "The Merger — Opinion of Citigroup Global Markets Inc.," (2) the fact that Aerojet Rocketdyne's directors and executive officers have financial interests in the Merger that may be different from, or in addition to, those of Aerojet Rocketdyne stockholders generally, including those interests that are a result of employment and compensation arrangements with Aerojet Rocketdyne, as described below in the section of this proxy statement captioned "The Merger — Interests of Aerojet Rocketdyne's Directors and Executive Officers in the Merger" and (3) the process undertaken by the Aerojet Rocketdyne board of directors in considering and evaluating the Merger Agreement and the Merger and potential alternatives thereto, including the number of, and quality of deliberation occurring at, meetings held by the Aerojet Rocketdyne board of directors and the fact that many of those meetings included executive sessions with only the directors in attendance and/or special executive sessions with only the independent directors in attendance.

This explanation of the Aerojet Rocketdyne board of directors' reasons for recommending the adoption of the Merger Agreement and other information presented in this section is forward-looking in nature and, therefore, should be read in light of the factors described in the section of this proxy statement captioned "Forward-Looking Statements" beginning on page 16.

The Aerojet Rocketdyne board of directors unanimously recommends that stockholders vote "FOR" (1) the Merger Proposal, (2) the Adjournment Proposal and (3) the Merger-Related Named Executive Officer Compensation Proposal.

Opinion of Citigroup Global Markets Inc.

Aerojet Rocketdyne retained Citi to provide financial advisory services in connection with a possible transaction involving Aerojet Rocketdyne. In connection with Citi's engagement, Aerojet Rocketdyne's board of directors requested that Citi evaluate the fairness, from a financial point of view, to the holders of shares of Aerojet Rocketdyne common stock of the merger consideration to be received in the proposed Merger by such holders pursuant to the terms and subject to the conditions set forth in the Merger Agreement. On December 19, 2020, at a meeting of the Aerojet Rocketdyne board of directors held to evaluate the proposed Merger, Citi rendered to the Aerojet Rocketdyne board of directors an oral opinion, subsequently confirmed by delivery of a written opinion, dated December 19, 2020, to the effect that, as of the date of Citi's written opinion and based on and subject to various assumptions made, procedures followed, matters considered and limitations and qualifications on the review undertaken by Citi as set forth in its written opinion, the merger consideration of $56.00 per share minus, to the extent paid, the amount per share of the Pre-Closing Dividend, was fair, from a financial point of view, to the holders of shares of Aerojet Rocketdyne common stock.