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

FORM 10-Q

(Mark One)

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

For the quarterly period ended: August 31, 2011

or

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

For the transition period from_________ to _________

Commission File Number 1-01520

GenCorp Inc.
(Exact name of registrant as specified in its charter)

Ohio (State of Incorporation)	**34-0244000** (I.R.S. Employer Identification No.)
Highway 50 and Aerojet Road **Rancho Cordova, California** (Address of Principal Executive Offices)	**95742** (Zip Code)
P.O. Box 537012 **Sacramento, California** (Mailing Address)	**95853-7012** (Zip Code)

Registrant's telephone number, including area code (916) 355-4000

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☑ No ☐

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

Large accelerated filer ☐	Accelerated filer ☑	Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐

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

As of September 23, 2011, there were 58.7 million outstanding shares of our Common Stock, including redeemable common stock, $0.10 par value.

GenCorp Inc.

Quarterly Report on Form 10-Q
For the Quarterly Period Ended August 31, 2011

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Part I — FINANCIAL INFORMATION

Item 1. Financial Statements

GenCorp Inc.
Condensed Consolidated Statements of Operations
(Unaudited)

	Three months ended August 31, 2011	Three months ended August 31, 2010	Nine months ended August 31, 2011	Nine months ended August 31, 2010
	(In millions, except per share amounts)			
Net Sales	$ 226.2	$ 210.7	$ 665.9	$ 631.6
Operating costs and expenses:				
Cost of sales (exclusive of items shown separately below)	197.5	180.8	581.1	556.0
Selling, general and administrative	8.7	6.4	30.0	18.5
Depreciation and amortization	6.7	6.9	18.2	19.2
Other expense, net	3.8	2.2	6.5	3.5
Unusual items:				
Executive severance agreements	—	—	—	1.4
(Gain) loss on debt repurchased	—	(0.1)	(0.2)	1.1
Loss on bank amendment	—	—	—	0.7
Legal related matters	0.2	2.1	0.6	2.5
Total operating costs and expenses	216.9	198.3	636.2	602.9
Operating income	9.3	12.4	29.7	28.7
Non-operating (income) expense				
Interest income	(0.2)	(0.5)	(0.8)	(1.2)
Interest expense	7.9	8.9	23.4	28.6
Total non-operating expense, net	7.7	8.4	22.6	27.4
Income from continuing operations before income taxes	1.6	4.0	7.1	1.3
Income tax provision (benefit)	0.3	0.5	3.4	(5.2)
Income from continuing operations	1.3	3.5	3.7	6.5
(Loss) income from discontinued operations, net of income taxes	(0.1)	(0.7)	(1.3)	0.9
Net income	$ 1.2	$ 2.8	$ 2.4	$ 7.4
Income Per Share of Common Stock				
Basic				
Income per share from continuing operations	$ 0.02	$ 0.06	$ 0.06	$ 0.11
(Loss) income per share from discontinued operations, net of income taxes	—	(0.01)	(0.02)	0.02
Net income per share	$ 0.02	$ 0.05	$ 0.04	$ 0.13
Diluted				
Income per share from continuing operations	$ 0.02	$ 0.06	$ 0.06	$ 0.11
(Loss) income per share from discontinued operations, net of income taxes	—	(0.01)	(0.02)	0.02
Net income per share	$ 0.02	$ 0.05	$ 0.04	$ 0.13
Weighted average shares of common stock outstanding	58.7	58.6	58.7	58.5
Weighted average shares of common stock outstanding, assuming dilution	58.7	58.6	58.7	58.6

See Notes to Unaudited Condensed Consolidated Financial Statements.

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GenCorp Inc.
Condensed Consolidated Balance Sheets
(Unaudited)

	August 31, 2011	November 30, 2010
	(In millions, except per share amounts)	
ASSETS		
Current Assets		
Cash and cash equivalents	$ 237.7	$ 181.5
Marketable securities	—	26.7
Accounts receivable	109.8	106.7
Inventories	45.3	51.1
Recoverable from the U.S. government and other third parties for environmental remediation costs and other	37.2	32.0
Grantor trust	1.3	1.8
Other receivables, prepaid expenses and other	19.6	25.3
Income taxes	6.6	7.5
Total Current Assets	457.5	432.6
Noncurrent Assets		
Property, plant and equipment, net	124.7	126.4
Real estate held for entitlement and leasing	61.6	59.9
Recoverable from the U.S. government and other third parties for environmental remediation costs and other	137.1	151.5
Grantor trust	13.6	14.5
Goodwill	94.9	94.9
Intangible assets	15.7	16.9
Other noncurrent assets, net	89.1	94.8
Total Noncurrent Assets	536.7	558.9
Total Assets	$ 994.2	$ 991.5
LIABILITIES, REDEEMABLE COMMON STOCK, AND SHAREHOLDERS' DEFICIT		
Current Liabilities		
Short-term borrowings and current portion of long-term debt	$ 62.0	$ 66.0
Accounts payable	24.4	27.1
Reserves for environmental remediation costs	54.7	40.7
Postretirement medical and life benefits	7.1	7.1
Advance payments on contracts	107.1	110.0
Other current liabilities	100.0	110.3
Total Current Liabilities	355.3	361.2
Noncurrent Liabilities		
Senior debt	50.1	50.6
Senior subordinated notes	75.0	75.0
Convertible subordinated notes	200.0	200.0
Other debt	1.0	1.1
Deferred income taxes	7.9	7.6
Reserves for environmental remediation costs	155.8	177.0
Pension benefits	159.4	175.5
Postretirement medical and life benefits	70.2	71.8
Other noncurrent liabilities	62.9	66.8
Total Noncurrent Liabilities	782.3	825.4
Total Liabilities	1,137.6	1,186.6
Commitments and Contingencies (Note 7)		
Redeemable common stock, par value of $0.10; 0.5 million shares issued and outstanding as of August 31, 2011 and November 30, 2010 (Note 8)	4.5	5.1
Shareholders' Deficit		
Preference stock, par value of $1.00; 15.0 million shares authorized; none issued or outstanding	—	—
Common stock, par value of $0.10; 150.0 million shares authorized; 58.3 million shares issued and outstanding as of August 31, 2011; 58.1 million shares issued and outstanding as of November 30, 2010	5.9	5.9
Other capital	260.1	257.3
Accumulated deficit	(179.8)	(182.2)
Accumulated other comprehensive loss, net of income taxes	(234.1)	(281.2)
Total Shareholders' Deficit	(147.9)	(200.2)
Total Liabilities, Redeemable Common Stock and Shareholders' Deficit	$ 994.2	$ 991.5

See Notes to Unaudited Condensed Consolidated Financial Statements.

GenCorp Inc.
Condensed Consolidated Statement of Shareholders' Deficit and Comprehensive Income
(Unaudited)

	Comprehensive Income	Common Stock Shares	Common Stock Amount	Other Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Shareholders' Deficit
	(In millions, except share amounts)						
November 30, 2010		58,094,443	$ 5.9	$ 257.3	$ (182.2)	$ (281.2)	$ (200.2)
Net income	$ 2.4	—	—	—	2.4	—	2.4
Amortization of actuarial losses, net	47.1	—	—	—	—	47.1	47.1
Reclassification from redeemable common stock	—	5,265	—	0.6	—	—	0.6
Stock-based compensation and shares issued under equity and performance incentive plan	—	158,300	—	2.7	—	—	2.7
Repurchase of convertible debt	—	—	—	(0.5)	—	—	(0.5)
August 31, 2011	$ 49.5	58,258,008	$ 5.9	$ 260.1	$ (179.8)	$ (234.1)	$ (147.9)

See Notes to Unaudited Condensed Consolidated Financial Statements.

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GenCorp Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Nine months ended August 31, 2011	Nine months ended August 31, 2010
	(In millions)	
Operating Activities		
Net income	$ 2.4	$ 7.4
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss (income) from discontinued operations, net of income taxes	1.3	(0.9)
Depreciation and amortization	18.2	19.2
Amortization of debt discount and financing costs	5.1	8.5
Stock compensation	2.3	(0.4)
(Gain) loss on debt repurchased and bank amendment	(0.2)	1.8
Changes in assets and liabilities:		
Accounts receivable	(3.1)	20.5
Inventories	5.8	29.6
Grantor trust	1.4	3.6
Other receivables, prepaid expenses and other	(2.6)	(1.1)
Income tax receivable	0.9	(4.6)
Real estate held for entitlement and leasing	(2.6)	(3.8)
Other noncurrent assets	15.8	3.9
Accounts payable	(2.7)	(3.3)
Pension benefits	33.8	30.2
Postretirement medical and life benefits	(4.2)	(4.2)
Advance payments on contracts	(2.9)	31.7
Other current liabilities	6.9	(3.4)
Deferred income taxes	0.3	(2.6)
Other noncurrent liabilities	(25.1)	(3.4)
Net cash provided by continuing operations	50.8	128.7
Net cash used in discontinued operations	(0.4)	(0.8)
Net Cash Provided by Operating Activities	50.4	127.9
Investing Activities		
Purchases of investments with restricted cash	—	(195.0)
Sales of investments with restricted cash	—	195.0
Purchases of marketable securities	(15.0)	(134.2)
Sales of marketable securities	41.7	75.9
Capital expenditures	(12.2)	(10.0)
Net Cash Provided by (Used in) Investing Activities	14.5	(68.3)
Financing Activities		
Proceeds from the issuance of debt	—	200.0
Debt issuance costs	—	(7.7)
Debt repayments	(7.6)	(213.2)
Vendor financing payments	(1.1)	(1.3)
Net Cash Used in Financing Activities	(8.7)	(22.2)
Net Increase in Cash and Cash Equivalents	56.2	37.4
Cash and Cash Equivalents at Beginning of Period	181.5	126.3
Cash and Cash Equivalents at End of Period	$ 237.7	$ 163.7
Supplemental Disclosures of Cash Flow Information		
Capital leases	$ —	$ 1.3
Capital expenditure purchased with a note payable	—	4.4

See Notes to Unaudited Condensed Consolidated Financial Statements.

GenCorp Inc.
Notes to Unaudited Condensed Consolidated Financial Statements

1. Basis of Presentation and Nature of Operations

GenCorp Inc. ("GenCorp" or the "Company") has prepared the accompanying Unaudited Condensed Consolidated Financial Statements, including its accounts and the accounts of its wholly owned and majority-owned subsidiaries, in accordance with the instructions to Form 10-Q. The year-end condensed consolidated balance sheet was derived from audited financial statements but does not include all of the disclosures required by accounting principles generally accepted in the United States of America ("GAAP"). These interim financial statements should be read in conjunction with the financial statements and accompanying notes included in the Company's Annual Report on Form 10-K for the fiscal year ended November 30, 2010, as filed with the Securities and Exchange Commission ("SEC"). Certain reclassifications have been made to financial information from the prior year to conform with the current year's presentation.

The Company believes the accompanying Unaudited Condensed Consolidated Financial Statements reflect all adjustments, including normal recurring accruals, necessary for a fair statement of its financial position, results of operations, and cash flows for the periods presented. All significant intercompany balances and transactions have been eliminated in consolidation. The preparation of the consolidated financial statements in conformity with GAAP requires the Company to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. In addition, the operating results for interim periods may not be indicative of the results of operations for a full year.

The Company's fiscal year ends on November 30 of each year. The fiscal year of the Company's wholly owned subsidiary, Aerojet-General Corporation ("Aerojet"), ends on the last Saturday of November.

The Company is a manufacturer of aerospace and defense products and systems with a real estate segment that includes activities related to the re-zoning, entitlement, sale, and leasing of the Company's excess real estate assets. The Company's continuing operations are organized into two segments:

Aerospace and Defense — includes the operations of Aerojet which develops and manufactures propulsion systems for defense and space applications, armament systems for precision tactical weapon systems and munitions applications. Aerojet is one of the largest providers of such propulsion systems in the United States ("U.S."). Major market segments include space launch and in-space propulsion systems, missile defense, tactical missile systems, and force projection and protection systems. Primary customers served include major prime contractors to the U.S. government, the Department of Defense ("DoD"), and the National Aeronautics and Space Administration ("NASA").

Real Estate — includes the activities of the Company's wholly owned subsidiary Easton Development Company, LLC related to the entitlement, sale, and leasing of the Company's excess real estate assets. The Company owns approximately 12,200 acres of land adjacent to U.S. Highway 50 between Rancho Cordova and Folsom, California east of Sacramento ("Sacramento Land"). The Company is currently in the process of seeking zoning changes and other governmental approvals on a portion of the Sacramento Land to optimize its value.

On August 31, 2004, the Company completed the sale of its GDX Automotive ("GDX") business. The remaining subsidiaries of GDX, including Snappon SA, are classified as discontinued operations in these Unaudited Condensed Consolidated Financial Statements (see Note 11).

A detailed description of the Company's significant accounting policies can be found in the Company's most recent Annual Report on Form 10-K for the fiscal year ended November 30, 2010.

Recently Adopted Accounting Pronouncements

As of December 1, 2010, the Company adopted the new accounting standards related to the use of the milestone method of revenue recognition that applies to research or development transactions in which one or more payments are contingent upon achieving uncertain future events or circumstances. The adoption of the new standards did not have a material impact on the Company's financial position, results of operations, or cash flows.

New Accounting Pronouncements

In January 2010, the Financial Accounting Standards Board ("FASB") issued updated guidance to improve disclosures regarding fair value measurements. This update requires entities to (i) disclose separately the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements and describe the reasons for the transfers and (ii) present separately (i.e., on a gross basis rather than as one net number), information about purchases, sales, issuances, and settlements in the roll forward of changes in Level 3 fair value measurements. The update requires fair value disclosures by class of assets and liabilities rather than by major category or line item in the statement of financial position. Disclosures regarding the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements for assets and liabilities in both Level 2 and Level 3 are also required. For all portions of the update except the gross presentation of activity in the Level 3 roll forward, this standard was effective for the Company on March 1, 2010. For the gross presentation of activity in the Level 3 roll forward, the new disclosures will be presented in the Company's quarterly financial statements for the period ending February 28, 2012.

In December 2010, the FASB issued authoritative guidance on application of goodwill impairment model when a reporting unit has a zero or negative carrying amount. When a reporting unit has a zero or negative carrying value, Step 2 of the goodwill impairment test should be performed if qualitative factors indicate that it is more likely than not that a goodwill impairment exists. The guidance is effective for the Company beginning in the first quarter of fiscal 2012. The Company is currently evaluating the potential impact, if any, of the adoption of this guidance on its consolidated financial statements.

In December 2010, the FASB issued authoritative guidance on disclosure of supplementary pro forma information for business combinations. The new guidance requires that pro forma financial information should be prepared as if the business combination occurred as of the beginning of the prior annual period. The guidance is effective for the Company for business combinations with acquisition dates occurring in and from the first quarter of fiscal 2012.

In May 2011, the FASB issued amended guidance on fair value measurement and related disclosures. The new guidance clarified the concepts applicable for fair value measurement and requires new disclosures, with a particular focus on Level 3 measurements. This guidance is effective for the Company beginning in the second quarter of fiscal 2012, and will be applied retrospectively. The Company does not anticipate a material impact on its consolidated financial statements as a result of the adoption of this amended guidance.

In June 2011, the FASB issued amended guidance on the presentation of comprehensive income. The amended guidance eliminates one of the presentation options provided by current U.S. GAAP, that is to present the components of other comprehensive income as part of the statement of changes in stockholders' equity. In addition, it gives an entity the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. This guidance is effective for the Company beginning in the second quarter of fiscal 2012, and will be applied retrospectively. The Company is currently evaluating the potential impact, if any, of the adoption of this guidance on its consolidated financial statements.

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2. Income Per Share of Common Stock

A reconciliation of the numerator and denominator used to calculate basic and diluted income per share of common stock ("EPS") is presented in the following table:

	Three months ended August 31, 2011(1)	Three months ended August 31, 2010(1)(2)	Nine months ended August 31, 2011(1)	Nine months ended August 31, 2010(1)(2)
	(In millions, except per share amounts; shares in thousands)			
Numerator:				
Income from continuing operations	$ 1.3	$ 3.5	$ 3.7	$ 6.5
(Loss) income from discontinued operations, net of income taxes	(0.1)	(0.7)	(1.3)	0.9
Net income for basic and diluted earnings per share	$ 1.2	$ 2.8	$ 2.4	$ 7.4
Denominator:				
Basic weighted average shares	58,722	58,573	58,666	58,536
Effect of:				
Employee stock options	—	10	—	21
Diluted weighted average shares	58,722	58,583	58,666	58,557
Basic EPS:				
Income per share from continuing operations	$ 0.02	$ 0.06	$ 0.06	$ 0.11
(Loss) income per share from discontinued operations, net of income taxes	—	(0.01)	(0.02)	0.02
Net income per share	$ 0.02	$ 0.05	$ 0.04	$ 0.13
Diluted EPS:				
Income per share from continuing operations	$ 0.02	$ 0.06	$ 0.06	$ 0.11
(Loss) income per share from discontinued operations, net of income taxes	—	(0.01)	(0.02)	0.02
Net income per share	$ 0.02	$ 0.05	$ 0.04	$ 0.13

(1) The undistributed income allocated to participating securities was less than $0.1 million.

(2) The Company's outstanding unvested restricted shares contain non-forfeitable rights to dividends. Accordingly, the fiscal 2010 weighted average share balances have been revised to treat the unvested restricted shares as participating securities and are now included in the computation of EPS pursuant to the two-class method. The change did not impact reported EPS and was immaterial.

The following table sets forth the potentially dilutive securities excluded from the computation because their effect would have been anti-dilutive (in thousands):

	Three months ended August 31, 2011	Three months ended August 31, 2010	Nine months ended August 31, 2011	Nine months ended August 31, 2010
4% Contingent Convertible Subordinated Notes ("4% Notes") (1)	—	—	—	1,530
4.0625% Convertible Subordinated Debentures ("4 1/16% Debentures") (2)	22,219	22,219	22,219	20,490
Employee stock options	1,255	934	1,255	934
Unvested restricted shares	916	415	775	315
Total potentially dilutive securities	24,390	23,568	24,249	23,269

(1) In January 2010, the Company redeemed $124.7 million principal amount of the 4% Notes which were presented to the Company for payment. The Company redeemed the remaining $0.3 million of the 4% Notes in March 2010.

(2) In December 2009, the Company issued $200.0 million principal amount of the 4 1/16% Debentures.

The Company's 2 1/4% Convertible Subordinated Debentures ("2 1/4% Debentures") were not included in the computation of diluted earnings per share because the market price of the common stock did not exceed the conversion price and only the conversion premium for these debentures is settled in common shares.

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3. Stock Based Compensation

Total stock-based compensation (benefit) expense by type of award for the third quarter and first nine months of fiscal 2011 and 2010 was as follows:

	Three months ended August 31, 2011	Three months ended August 31, 2010	Nine months ended August 31, 2011	Nine months ended August 31, 2010
	(In millions)			
Stock appreciation rights	$ (1.4)	$ (0.4)	$ (0.4)	$ (1.4)
Stock options	0.2	0.1	0.7	0.2
Restricted stock, service based	0.4	0.3	1.3	0.7
Restricted stock, performance based	0.2	—	0.7	0.1
Total stock-based compensation (benefit) expense	$ (0.6)	$ —	$ 2.3	$ (0.4)

4. Income Taxes

The income tax provision of $3.4 million in the first nine months of fiscal 2011 is primarily related to current state taxes of $2.3 million, and net deferred taxes of $1.2 million, which represents the excess of deferred tax expense from goodwill amortization over deferred tax benefit from research credits.

The income tax benefit of $5.2 million in the first nine months of fiscal 2010 was primarily related to the Company receiving approval on its Private Letter Ruling ("PLR") with the Internal Revenue Service ("IRS") allowing the Company to write-off in the fiscal 2007 tax year the unamortized portion of expenses capitalized for tax purposes in fiscal 2003. As a result of the PLR approval, the Company recorded an income tax benefit of $6.3 million during the first nine months of fiscal 2010. The income tax benefit also included current state tax expense of $2.0 million, deferred tax expense of $0.8 million, and a deferred tax benefit of $1.9 million, which related to prior years.

5. Balance Sheet Accounts

a. Fair Value of Financial Instruments

The accounting standards use a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions. The following are measured at fair value:

	Total	Fair value measurement at August 31, 2011 — Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
			(In millions)	
Money market funds	$ 227.1	$ 227.1	$ —	$ —
Commercial paper	20.0	—	20.0	—
Total	$ 247.1	$ 227.1	$ 20.0	$ —

	Total	Fair value measurement at November 30, 2010 — Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
			(In millions)	
Money market funds	$ 154.2	$ 154.2	$ —	$ —
Commercial paper	63.4	—	63.4	—
Total	$ 217.6	$ 154.2	$ 63.4	$ —

As of August 31, 2011, a summary of cash and cash equivalents, marketable securities, and grantor trust by investment type is as follows:

	Total	Cash and Cash Equivalents	Money Market Funds	Commercial Paper
	(In millions)			
Cash and cash equivalents	$ 237.7	$ 5.7	$ 212.0	$ 20.0
Grantor trust(1)	15.1	—	15.1	—
	$ 252.8	$ 5.7	$ 227.1	$ 20.0

(1) Includes $0.2 million in accrued amounts reimbursable to the Company which are reflected in other current assets.

The carrying amounts of certain of the Company's financial instruments, including cash and cash equivalents, accounts receivable, accounts payable, accrued compensation, and other accrued liabilities, approximate fair value because of their short maturities.

The estimated fair value and principal amount for the Company's long-term debt is presented below:

	Fair Value		Principal Amount	
	August 31, 2011	November 30, 2010	August 31, 2011	November 30, 2010
	(In millions)			
Term loan	$ 50.2	$ 49.8	$ 50.7	$ 51.1
9 1/2% Senior Subordinated Notes ("9 1/2% Notes")	75.1	75.9	75.0	75.0
2 1/4% Debentures(1)	61.8	67.6	62.1	68.6
4 1/16% Debentures	176.0	183.8	200.0	200.0
Other debt	1.2	2.0	1.2	2.0
	$ 364.3	$ 379.1	$ 389.0	$ 396.7

(1) Excludes the unamortized debt discount of $0.9 million and $4.0 million as of August 31, 2011 and November 30, 2010, respectively.

The fair values of the 9 1/2% Notes, 2 1/4% Debentures, and 4 1/16% Debentures were determined using broker quotes that are based on open markets of the Company's debt securities as of August 31, 2011 and November 30, 2010, respectively. The fair value of the term loan was determined using quotes from the administrative agent of the Company's Senior Credit Facility that are based on bid/ask prices of the Company's term loans as of August 31, 2011 and November 30, 2010, respectively. The fair value of the other debt was determined to approximate carrying value.

b. Marketable Securities

As of November 30, 2010, the Company's short-term available-for-sale investments were as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(In millions)			
Commercial paper	$ 63.4	$ —	$ —	$ 63.4

As of November 30, 2010, of the total estimated fair value, $36.7 million was classified as cash and cash equivalents as the remaining maturity at date of purchase was less than three months and $26.7 million was classified as marketable securities. At November 30, 2010, the contractual maturities of the Company's available-for-sale marketable securities were less than one year.

c. Accounts Receivable

	August 31, 2011	November 30, 2010
	(In millions)	
Billed	$ 55.0	$ 58.0
Unbilled	53.1	46.9
Total receivables under long-term contracts	108.1	104.9
Other receivables	1.7	1.8
Accounts receivable	$ 109.8	$ 106.7

d. Inventories

	August 31, 2011	November 30, 2010
	(In millions)	
Long-term contracts at average cost	$ 246.6	$ 230.3
Progress payments	(201.5)	(180.2)
Total long-term contract inventories	45.1	50.1
Raw materials	—	0.5
Work in progress	0.2	0.5
Finished goods	—	—
Total other inventories	0.2	1.0
Inventories	$ 45.3	$ 51.1

e. Property, Plant and Equipment, net

	August 31, 2011	November 30, 2010
	(In millions)	
Land	$ 32.9	$ 33.2
Buildings and improvements	156.4	154.7
Machinery and equipment	352.6	359.3
Construction-in-progress	13.8	11.8
	555.7	559.0
Less: accumulated depreciation	(431.0)	(432.6)
Property, plant and equipment, net	$ 124.7	$ 126.4

f. Other Noncurrent Assets, net

	August 31, 2011	November 30, 2010
	(In millions)	
Receivable from Northrop Grumman Corporation ("Northrop") (see Note 7(c))	$ 59.9	$ 58.6
Deferred financing costs	6.3	8.5
Other	22.9	27.7
Other noncurrent assets, net	$ 89.1	$ 94.8

g. Other Current Liabilities

	August 31, 2011	November 30, 2010
	(In millions)	
Accrued compensation and employee benefits	$ 41.5	$ 49.4
Legal settlements	11.0	10.6
Interest payable	4.5	7.4
Contract loss provisions	2.7	3.3
Deferred revenue	1.5	1.5
Other	38.8	38.1
Other current liabilities	$ 100.0	$ 110.3

h. Other Noncurrent Liabilities

	August 31, 2011	November 30, 2010
	(In millions)	
Pension benefits, non-qualified	$ 15.4	$ 15.6
Conditional asset retirement obligations	18.5	15.3
Legal settlements	8.1	13.8
Deferred revenue	9.4	9.8
Deferred compensation	7.2	7.0
Other	4.3	5.3
Other noncurrent liabilities	$ 62.9	$ 66.8

i. Accumulated Other Comprehensive Loss, Net of Income Taxes

	August 31, 2011	November 30, 2010
	(In millions)	
Actuarial losses, net	$ (238.8)	$ (285.9)
Prior service credits	4.7	4.7
Accumulated other comprehensive loss, net of income taxes	$ (234.1)	$ (281.2)

During the third quarter and first nine months of fiscal 2011, the Company had comprehensive income of $16.9 million and $49.5 million, respectively. During the third quarter and first nine months of fiscal 2010, the Company had comprehensive income of $16.6 million and $48.6 million, respectively. The components of accumulated other comprehensive loss related to the Company's retirement benefit plans.

Market conditions and interest rates significantly affect assets and liabilities of the Company's pension plans. Pension accounting permits market gains and losses to be deferred and recognized over a period of years. This "smoothing" results in the creation of other accumulated income or loss which will be amortized to pension costs in future years. The accounting method the Company utilizes recognizes one-fifth of the unamortized gains and losses in the market-related value of pension assets and all other gains and losses including changes in the discount rate used to calculate benefit costs each year. Investment gains or losses for this purpose are the difference between the expected return and the actual return on the market-related value of assets which smoothes asset values over three years. Although the smoothing period mitigates some volatility in the calculation of annual retirement benefit expense, future expenses are impacted by changes in the market value of pension plan assets and changes in interest rates.

6. Long-term Debt

	August 31, 2011	November 30, 2010
	(In millions)	
Term loan, bearing interest at variable rates (rate of 3.48% as of August 31, 2011), payable in quarterly installments of $0.1 million plus interest, maturing in April 2013	$ 50.7	$ 51.1
Total senior debt	50.7	51.1
Senior subordinated notes, bearing interest at 9.50% per annum, interest payments due in February and August, maturing in August 2013	75.0	75.0
Total senior subordinated notes	75.0	75.0
Convertible subordinated debentures, bearing interest at 2.25% per annum, interest payments due in May and November, maturing in November 2024, net of debt discount	61.2	64.6
Convertible subordinated debentures, bearing interest at 4.0625% per annum, interest payments due in June and December, maturing in December 2034	200.0	200.0
Total convertible subordinated notes	261.2	264.6
Capital lease, payable in monthly installments, maturing in March 2017	1.2	1.3
Promissory note, bearing interest at 5% per annum	—	0.7
Total other debt	1.2	2.0
Total debt	388.1	392.7
Less: Amounts due within one year	(62.0)	(66.0)
Total long-term debt	$ 326.1	$ 326.7

Senior Credit Facility

The Company's Senior Credit Facility provides for a $65.0 million revolving credit facility ("Revolver") and a $175.0 million credit-linked facility, consisting of a $100.0 million letter of credit subfacility and a $75.0 million term loan subfacility. On March 17, 2010, the Company executed an amendment (the "Second Amendment") to the Company's existing Amended and Restated Credit Agreement, originally entered into as of June 21, 2007, by and among the Company, as borrower, the subsidiaries of the Company from time to time party thereto, as guarantors, the lenders from time to time party thereto and Wachovia Bank, National Association, as administrative agent for the lenders, as amended to date (the "Credit Agreement"). The Second Amendment, among other things, (i) permits the Company to repurchase its outstanding convertible subordinated notes and senior subordinated notes, subject to certain conditions; (ii) permits the Company to incur additional senior unsecured or subordinated indebtedness, subject to specified limits and other conditions; (iii) permits the Company to conduct a rescission offer, using stock and/or cash up to $15.0 million, with respect to certain units issued under the GenCorp Savings Plan; (iv) permits the Company to repurchase its stock, subject to certain conditions; (v) limits the circumstances under which the Company would have to mandatorily prepay loans under the Senior Credit Facility with the proceeds from equity issuances; and (vi) amends the definitions of the leverage ratio and net cash proceeds from permitted real estate sales. The Second Amendment reduced the Revolver capacity from $80.0 million to $65.0 million and the letter of credit subfacility capacity from $125.0 million to $100.0 million. Under the Second Amendment, the interest rate on LIBOR rate borrowings is LIBOR plus 325 basis points, an increase of 100 basis points, and the letter of credit subfacility commitment fee has been similarly amended. The Second Amendment also provides for a commitment fee on the unused portion of the Revolver in the amount of 62.5 basis points, an increase of 12.5 basis points.

As of August 31, 2011, the borrowing limit under the Revolver was $65.0 million, of which $50.0 million can be utilized for letters of credit, with all of it available. Also, as of August 31, 2011, the Company had $67.4 million outstanding letters of credit under the $100.0 million letter of credit subfacility and had permanently reduced the amount of its term loan subfacility to the $50.7 million outstanding.

The Senior Credit Facility is collateralized by a substantial portion of the Company's real property holdings and substantially all of the Company's other assets, including the stock and assets of its material domestic subsidiaries that are guarantors of the facility. The Company is subject to certain limitations including the ability to: incur additional senior debt, release collateral, retain proceeds from asset sales and issuances of debt or equity, make certain investments and acquisitions, grant additional liens, and make restricted payments, including stock repurchases and dividends. In addition, the Credit Agreement contains certain restrictions surrounding the ability of the Company to refinance its subordinated debt, including provisions that, except on terms no less favorable to the Credit Agreement, the Company's subordinated debt cannot be refinanced prior to maturity. Furthermore, provided that the Company has cash and cash equivalents of at least $25.0 million after giving effect thereto, the Company may redeem (with funds other than Senior Credit Facility proceeds) the subordinated notes to the extent required by the mandatory redemption provisions of the subordinated note indenture. The Company is also subject to the following financial covenants:

Financial Covenant	Actual Ratios as of August 31, 2011	Required Ratios December 1, 2010 and thereafter
Interest coverage ratio, as defined under the Credit Agreement	5.18 to 1.00	Not less than: 2.25 to 1.00
Leverage ratio, as defined under the Credit Agreement(1)	1.25 to 1.00	Not greater than: 5.50 to 1.00

(1) As a result of the March 17, 2010 amendment, the leverage ratio calculation was amended to allow for all cash and cash equivalents to reduce funded debt in the calculation as long as there are no loans outstanding under the Revolver.

The Company was in compliance with its financial and non-financial covenants as of August 31, 2011.

9 $^1/_2$% Senior Subordinated Notes

As of August 31, 2011, the Company had $75.0 million outstanding of principal amount of its 9$^1/_2$% Notes which mature in August 2013. Interest on the 9$^1/_2$% Notes accrues at a rate of 9.50% per annum and is payable in February and August. All or any portion of the 9$^1/_2$% Notes may be redeemed by the Company at any time on or after August 15, 2008 at redemption prices beginning at 104.75% of the principal amount and reducing to 100% of the principal amount by August 15, 2011.

If the Company undergoes a change of control (as defined in the 9$^1/_2$% Notes indenture) or sells assets, it may be required to offer to purchase the 9$^1/_2$% Notes from the holders of such notes.

The 9$^1/_2$% Notes are non-collateralized and subordinated to all of the existing and future senior indebtedness, including borrowings under its Senior Credit Facility. The 9$^1/_2$% Notes rank senior to the 2$^1/_4$% Debentures and the 4 1/16% Debentures. The 9$^1/_2$% Notes are guaranteed by the Company's material domestic subsidiaries. Each subsidiary guarantee is non-collateralized and subordinated to the respective subsidiary's existing and future senior indebtedness, including guarantees of borrowings under the Senior Credit Facility. The 9$^1/_2$% Notes and related guarantees are effectively subordinated to the Company's and the subsidiary guarantors' collateralized debt and to any and all debt and liabilities, including trade debt of the Company's non-guarantor subsidiaries.

The indenture governing the 9$^1/_2$% Notes limits the Company's ability and the ability of the Company's restricted subsidiaries, as defined in the indenture, to incur or guarantee additional indebtedness, make restricted payments, pay dividends or distributions on, or redeem or repurchase, its capital stock, make investments, issue or sell capital stock of restricted subsidiaries, create liens on assets to secure indebtedness, enter into transactions with affiliates and consolidate, merge or transfer all or substantially all of the assets of the Company. The indenture also contains customary events of default, including failure to pay principal or interest when due, cross-acceleration to other specified indebtedness, failure of any of the guarantees to be in full force and effect, failure to comply with covenants and certain events of bankruptcy, insolvency, and reorganization, subject in some cases to notice and applicable grace periods.

During the second quarter of fiscal 2010, the Company repurchased $22.5 million principal amount of its 9 1/2% Notes at 102% of par, plus accrued and unpaid interest using a portion of the net proceeds of its 4 1/16% Debentures issued in December 2009.

2 1/4% Convertible Subordinated Debentures

As of August 31, 2011, the Company had $62.1 million outstanding of principal amount of its 2 1/4% Debentures. Interest on the 2 1/4% Debentures accrues at a rate of 2.25% per annum and is payable in May and November. The 2 1/4% Debentures are general unsecured obligations and rank equal in right of payment to all of the Company's other existing and future subordinated indebtedness, including the 4 1/16% Debentures. The 2 1/4% Debentures rank junior in right of payment to all of the Company's existing and future senior indebtedness, including all of its obligations under its Senior Credit Facility and all of its existing and future senior subordinated indebtedness, including the Company's outstanding 9 1/2% Notes. In addition, the 2 1/4% Debentures are effectively subordinated to any of the Company's collateralized debt and to any and all debt and liabilities, including trade debt of its subsidiaries.

Each $1,000 principal of the 2 1/4% Debentures is convertible at each holder's option, into cash and, if applicable, the Company's common stock at an initial conversion price of $20 per share (subject to adjustment as provided in the indenture governing the 2 1/4% Debentures) only if: (i) during any fiscal quarter the closing price of the common stock for at least twenty (20) trading days in the thirty (30) consecutive trading day period ending on the last trading day of the preceding fiscal quarter exceeds 130% of the conversion price; (ii) the Company has called the 2 1/4% Debentures for redemption and redemption has not yet occurred; (iii) subject to certain exceptions, during the five (5) business days after any five (5) consecutive trading day period in which the trading price per $1,000 principal amount of the 2 1/4% Debentures for each day of such period is less than 95% of the product of the common stock price on that day multiplied by the conversion rate then in effect; (iv) specified corporate transactions have occurred; or (v) occurrence of a transaction or event constituting a designated event. The Company may be required to pay a make-whole premium in shares of common stock and accrued but unpaid interest if the 2 1/4% Debentures are converted in connection with certain specified designated events occurring on or prior to November 20, 2011. The initial conversion rate of 50 shares for each $1,000 principal amount of the 2 1/4% Debentures is equivalent to a conversion price of $20 per share, subject to certain adjustments. None of these events has occurred subsequent to the issuance of the debentures.

In the event of conversion of the 2 1/4% Debentures, the Company will deliver, in respect of each $1,000 principal amount of 2 1/4% Debentures tendered for conversion, (1) an amount in cash ("principal return") equal to the lesser of (a) the principal amount of the converted 2 1/4% Debentures and (b) the conversion value (such value equal to the conversion rate multiplied by the average closing price of common shares over a ten (10) consecutive-day trading period beginning on the second trading day following the day the Debentures are tendered) and (2) if the conversion value is greater than the principal return, an amount in common shares, with a value equal to the difference between the conversion value and the principal return. Fractional shares will be paid in cash.

The Company may, at its option, redeem some or all of its 2 1/4% Debentures for cash on or after November 15, 2014, at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued and unpaid interest, including liquidated damages, if any, to but not including the redemption date. In addition, the Company may, at its option, redeem some or all of its 2 1/4% Debentures on or after November 20, 2011 and prior to November 15, 2014, if the closing price of its common stock for at least twenty (20) trading days in any thirty (30) consecutive trading-day period is more than 140% of the conversion price, at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued and unpaid interest, including liquidated damages, if any, payable in cash. If the Company so redeems the 2 1/4% Debentures, it will make an additional payment in cash, Company common stock or a combination thereof, at its option, equal to the present value of all remaining scheduled payments of interest on the redeemed debentures through November 15, 2014.

Each holder may require the Company to repurchase all or part of their 2 1/4% Debentures on November 20, 2011, November 15, 2014, and November 15, 2019, or upon the occurrence of certain events, at a price equal to 100% of the principal amount of the 2 1/4% Debentures plus accrued and unpaid interest, including liquidated damages, if any, payable in cash, to but not including the repurchase date, plus, in certain circumstances, a make-whole premium, payable in Company common stock.

The indenture governing the 2 1/4% Debentures limits the Company's ability to, among other things, consolidate with or merge into any other person, or convey, transfer or lease its properties and assets substantially as an entirety to any other person unless certain conditions are satisfied. The indenture also contains customary events of default, including failure to pay principal or interest when due, cross-acceleration to other specified indebtedness, failure to deliver cash or shares of common stock as required, failure to comply with covenants and certain events of bankruptcy, insolvency and reorganization, subject in some cases to notice and applicable grace periods.

During the first quarter of fiscal 2011, the Company repurchased $6.5 million principal amount of its 2 1/4% Debentures at 99.0% to 99.1% of par, plus accrued and unpaid interest (See Note 13). Subsequent to August 31, 2011, the Company repurchased $15.5 million principal amount of its 2 1/4% Debentures at 99.6% of par, plus accrued and unpaid interest.

As of December 1, 2009 the Company adopted the new accounting standards related to convertible debt securities that, upon conversion, may be settled by the issuer fully or partially in cash. The Company's adoption of this guidance affects its 2 1/4% Debentures and requires the issuer of convertible debt instruments to separately account for the liability (debt) and equity (conversion option) components of such instruments and retrospectively adjust the financial statements for all periods presented. The fair value of the liability component shall be determined based on the market rate for similar debt instruments without the conversion feature and the residual between the proceeds and the fair value of the liability component is recorded as equity at the time of issuance. Additionally, the pronouncement requires transaction costs to be allocated on the same percentage as the liability and equity components.

The Company calculated the carrying value of the liability component at issuance as the present value of its cash flows using a discount rate of 8.86%. The carrying value of the liability component was determined to be $97.5 million. The equity component, or debt discount, of the 2 1/4% Debentures was determined to be $48.9 million. The debt discount is being amortized as a non-cash charge to interest expense over the period from the issuance date through November 20, 2011 which is the first date holders can require the Company to repurchase all or part of the 2 1/4% Debentures.

The $4.9 million of costs incurred in connection with the issuance of the 2 1/4% Debentures were capitalized and bifurcated into deferred financing costs of $3.3 million and equity issuance costs of $1.6 million. The deferred financing costs are being amortized to interest expense from the issuance date through November 20, 2011. As of August 31, 2011, the unamortized portion of the deferred financing costs related to the 2 1/4% Debentures was $0.1 million and was included in other current assets on the consolidated balance sheets.

The following table presents the carrying amounts of the liability and equity components:

	August 31, 2011	November 30, 2010
	(In millions)	
Carrying amount of equity component, net of equity issuance costs	$ 43.9	$ 44.4
Principal amount of 2 1/4% Debentures	$ 62.1	$ 68.6
Unamortized debt discount	(0.9)	(4.0)
Carrying amount of liability component	$ 61.2	$ 64.6

The following table presents the interest expense components for the 2 1/4% Debentures:

	Three months ended August 31, 2011	Three months ended August 31, 2010	Nine months ended August 31, 2011	Nine months ended August 31, 2010
		(In millions)		
Interest expense-contractual interest	$ 0.4	$ 0.5	$ 1.1	$ 2.1
Interest expense-amortization of debt discount	0.9	1.6	2.7	5.5
Interest expense-amortization of deferred financing costs	0.1	0.1	0.3	0.5
Effective interest rate	8.86%	8.86%	8.86%	8.86%

4.0625% Convertible Subordinated Debentures

In December 2009, the Company issued $200.0 million in aggregate principal amount of 4 1/16% Debentures in a private placement to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933. The 4 1/16% Debentures mature on December 31, 2039, subject to earlier redemption, repurchase, or conversion. Interest on the 4 1/16% Debentures accrues at 4.0625% per annum and is payable semiannually in arrears on June 30 and December 31 of each year, beginning June 30, 2010 (or if any such day is not a business day, payable on the following business day), and the Company may elect to pay interest in cash or, generally on any interest payment that is at least one year after the original issuance date of the 4 1/16% Debentures, in shares of the Company's common stock or a combination of cash and shares of the Company's common stock, at the Company's option, subject to certain conditions.

The 4 1/16% Debentures are general unsecured obligations of the Company and rank equal in right of payment to all of the Company's other existing and future unsecured subordinated indebtedness, including the 2 1/4% Debentures. The 4 1/16% Debentures rank junior in right of payment to all of the Company's existing and future senior indebtedness, including all of its obligations under its Senior Credit Facility and all of its existing and future senior subordinated indebtedness, including the Company's outstanding 9 1/2% Notes. In addition, the 4 1/16% Debentures are effectively subordinated to any of the Company's collateralized debt, to the extent of such collateral, and to any and all debt and liabilities including trade debt of its subsidiaries.

Each holder of the 4 1/16% Debentures may convert its 4 1/16% Debentures into shares of the Company's common stock at a conversion rate of 111.0926 shares per $1,000 principal amount, representing a conversion price of approximately $9.00 per share, subject to adjustment. In addition, if the holders elect to convert their 4 1/16% Debentures in connection with the occurrence of certain fundamental changes to the Company as described in the indenture, the holders will be entitled to receive additional shares of common stock upon conversion in some circumstances. Upon any conversion of the 4 1/16% Debentures, subject to certain exceptions, the holders will not receive any cash payment representing accrued and unpaid interest.

The Company may at any time redeem any 4 1/16% Debentures for cash (except as described below with respect to any make-whole premium that may be payable) if the last reported sale price of the Company's common stock has been at least 150% of the conversion price then in effect for at least twenty (20) trading days during any thirty (30) consecutive trading day period ending within five (5) trading days prior to the date on which the Company provides the notice of redemption.

The Company may redeem the 4 1/16% Debentures either in whole or in part at a redemption price equal to (i) 100% of the principal amount of the 4 1/16% Debentures to be redeemed, plus (ii) accrued and unpaid interest, if any, up to, but excluding, the redemption date, plus (iii) if the Company redeems the 4 1/16% Debentures prior to December 31, 2014, a "make-whole premium" equal to the present value of the remaining scheduled payments of interest that would have been made on the 4 1/16% Debentures to be redeemed had such 4 1/16% Debentures remained outstanding from the redemption date to December 31, 2014. Any make-whole premium is payable in cash, shares of the Company's common stock or a combination of cash and shares, at the Company's option, subject to certain conditions.

Each holder may require the Company to repurchase all or part of its 4 1/16% Debentures on December 31, 2014, 2019, 2024, 2029 and 2034 (each, an "optional repurchase date") at an optional repurchase price equal to (1) 100% of their principal amount plus (2) accrued and unpaid interest, if any, up to, but excluding, the date of repurchase. The Company may elect to pay the optional repurchase price in cash, shares of the Company's common stock, or a combination of cash and shares of the Company's common stock, at the Company's option, subject to certain conditions.

If a fundamental change to the Company, as described in the indenture governing the 4 1/16% Debentures, occurs prior to maturity, each holder will have the right to require the Company to purchase all or part of its 4 1/16% Debentures for cash at a repurchase price equal to 100% of their principal amount, plus accrued and unpaid interest, if any, up to, but excluding, the repurchase date.

If the Company elects to deliver shares of its common stock as all or part of any interest payment, any make-whole premium or any optional repurchase price, such shares will be valued at the product of (x) the price per share of the Company's common stock determined during: (i) in the case of any interest payment, the twenty (20) consecutive trading days ending on the second trading day immediately preceding the record date for such interest payment; (ii) in the case of any make-whole premium payable as part of the redemption price, the twenty (20) consecutive trading days ending on the second trading day immediately preceding the redemption date; and (iii) in the case of any optional repurchase price, the forty (40) consecutive trading days ending on the second trading day immediately preceding the optional repurchase date; (in each case, the "averaging period" with respect to such date) using the sum of the daily price fractions (where "daily price fraction" means, for each trading day during the relevant averaging period, 5% in the case of any interest payment or any make-whole premium or 2.5% in the case of any optional repurchase, multiplied by the daily volume weighted average price per share of the Company's common stock for such day), multiplied by (y) 97.5%. The Company will notify holders at least five (5) business days prior to the start of the relevant averaging period of the extent to which the Company will pay any portion of the related payment using shares of common stock.

Effective December 21, 2010, in accordance with the terms of the indenture, the restrictive legend on the 4 1/16% Debentures was removed and the 4 1/16% Debentures are freely tradable pursuant to Rule 144 under the Securities Act of 1933 without volume restrictions by any holder that is not an affiliate of the Company at the time of sale and has not been an affiliate during the preceding three months.

Issuance of the 4 1/16% Debentures generated net proceeds of $194.1 million, which were used to repurchase long-term debt and other debt related costs.

7. Commitments and Contingencies

a. Legal Matters

The Company and its subsidiaries are subject to legal proceedings, including litigation in U.S. federal and state courts, which arise out of, and are incidental to, the ordinary course of the Company's on-going and historical businesses. The Company is also subject from time to time to governmental investigations by federal and state agencies. The Company cannot predict the outcome of such proceedings with any degree of certainty. Loss contingency provisions are recorded for probable losses at management's best estimate of a loss, or when a best estimate cannot be made, a minimum loss contingency amount is recorded. These estimates are often initially developed substantially earlier than when the ultimate loss is known, and are refined each quarterly reporting period as additional information becomes known. For legal settlements where there is no stated amount for interest, the Company will estimate an interest factor and discount the liability accordingly.

Summarized below are the outstanding matters the Company believes have more than a remote possibility of having a material adverse effect on its operating results, financial condition, and/or cash flows.

Groundwater Cases

South El Monte Operable Unit ("SEMOU") Related Cases

In October 2002, Aerojet and approximately 65 other individual and corporate defendants were served with four civil suits filed in the U.S. District Court for the Central District of California that seek recovery of costs allegedly incurred or to be incurred in response to the contamination present at the South El Monte Operable Unit of the San Gabriel Valley Superfund site. The cases served on October 30, 2002 are denominated as follows:

San Gabriel Valley Water Company v. Aerojet-General Corporation, et al., Case No. CV-02-6346 ABC (RCx), U.S. District Court, Central District of CA.

San Gabriel Basin Water Quality Authority v. Aerojet-General Corporation, et al., Case No. CV-02-4565 ABC (RCx), U.S. District Court, Central District of CA.

Southern California Water Company v. Aerojet-General Corporation, et al., Case No. CV-02-6340 ABC (RCx), U.S. District Court, Central District of CA.

The City of Monterey Park v. Aerojet-General Corporation, et al., Case No. CV-02-5909 ABC (RCx), U.S. District Court, Central District of CA.

The cases have been coordinated for ease of administration by the court. The plaintiffs' claims against Aerojet are based upon allegations of discharges from a former site in the El Monte area. The total cost estimate to implement projects under a Unilateral Administrative Order ("UAO") prepared by the Environmental Protection Agency ("EPA") and the water entities is approximately $90 million. Aerojet investigations do not identify a credible connection between the contaminants identified by the plaintiff water entities in the SEMOU and those detected at Aerojet's former facility located in El Monte, California, near the SEMOU ("East Flair Drive site"). Aerojet filed third-party complaints against several water entities on the basis that they introduced perchlorate-containing Colorado River water to the basin. Those water entities have filed motions to dismiss Aerojet's complaints. The motions and discovery have been stayed, pending efforts to resolve the litigation through mediation. During the period in which the litigation has been stayed, EPA, the California Department of Toxic Substances Control ("DTSC") and the plaintiff water entities have reached settlements through the mediation process with various of the parties sued, which have been brought to the Federal District Court for approval. Certain of the settlements have been challenged by Aerojet and other defendants and are not finally resolved.

During fiscal 2010, Aerojet received correspondence from EPA on behalf of itself, the DTSC and the water entities regarding settlement. Aerojet participated in mediation with EPA, DTSC and the water entities to resolve the claims, and reached a tentative settlement with EPA and DTSC in mid-December 2010 which was accepted by the water entities in January 2011. On August 19, 2011, the Court approved and entered a consent decree between Aerojet, EPA, and DTSC. On August 25, 2011, the Court granted Aerojet's motion for good faith settlement conditioned upon the payment by Aerojet of its second settlement payment on or before December 5, 2011. The Court's approval removes any contribution claims against Aerojet by other defendants. The Court's Order will take effect on December 8, 2011, unless the water entities identified in the settlement agreement notify the Court before that date that Aerojet failed to make its second payment under the settlement agreement.

Sacramento County Water Agency (collectively, "SCWA")

In August 2003, the County of Sacramento, SCWA and Aerojet entered into a water agreement ("Agreement"). Under the Agreement, Aerojet agreed to transfer remediated groundwater to SCWA. This was anticipated to satisfy Aerojet's water replacement obligations in eastern Sacramento County. Subject to various provisions of the Agreement, including approval under the California Environmental Quality Act, SCWA assumed Aerojet's responsibility for providing replacement water to American States Water Company and other impacted water purveyors up to the amount of remediated water Aerojet transfers to the County of Sacramento ("County"). Aerojet also agreed to pay SCWA approximately $13 million over several years toward the cost of constructing a replacement water supply project. If the amount of Aerojet's transferred water was in excess of the replacement water provided to the impacted water purveyors, SCWA committed to make such water available for the entitlement of Aerojet's land in an amount equal to the excess.

In April 2008, SCWA unilaterally terminated the Agreement. Subsequent to this unilateral termination of the Agreement, the Company and The Boeing Company ("Boeing," successor to the McDonnell Douglas Corporation ("MDC")), the former owner of the Inactive Rancho Cordova Test Site ("IRCTS") entered into negotiations with SCWA in an attempt to resolve matters and reach a new agreement. Additionally, SCWA and Aerojet entered into a tolling agreement through June 30, 2009 tolling any suits or claims arising from environmental contamination or conditions on the former IRCTS property.

On June 30, 2009, SCWA notified Aerojet and Boeing that it was not prepared to extend the tolling period and intended to file suit. On July 1, 2009, the County and SCWA filed a complaint against Aerojet and Boeing in the U.S. District Court for the Eastern District of California, in Sacramento, *County of Sacramento; Sacramento County Water Agency v. Aerojet-General Corporation and The Boeing Corporation [sic],* Civ. No. 2:09-at-1041. In the complaint, the County and SCWA alleged that because groundwater contamination from various sources including Aerojet, Boeing/MDC, and the former Mather Air Force Base, was continuing, the County and SCWA should be awarded unspecified monetary damages as well as declaratory and equitable relief. The complaint was served, but the parties entered into joint stipulations staying the proceedings to allow for settlement negotiations. On September 7, 2011, Aerojet, Boeing, the County and SCWA reached a tentative settlement. The litigation stay has been extended to October 31, 2011, to allow time to finalize the terms of the settlement. As of August 31, 2011, the estimated anticipated costs and accrued amount for the SCWA matter was $17.5 million, an increase of $6.5 million from May 31, 2011, which is included as a component of the Company's Sacramento, California site environmental reserves. Expenditures associated with this matter are partially recoverable subject to the Global Settlement and Northrop Grumman Agreement allocations.

Asbestos Litigation

The Company has been, and continues to be, named as a defendant in lawsuits alleging personal injury or death due to exposure to asbestos in building materials, products, or in manufacturing operations. The majority of cases are pending in Texas and Pennsylvania. There were 143 asbestos cases pending as of August 31, 2011.

Given the lack of any significant consistency to claims (i.e., as to product, operational site, or other relevant assertions) filed against the Company, the Company is unable to make a reasonable estimate of the future costs of pending claims or unasserted claims. Accordingly, no estimate of future liability has been accrued for such contingencies.

Subpoenas Duces Tecum

On January 6, 2010, the Company received a subpoena duces tecum from the Defense Criminal Investigative Service of the Office of the Inspector General of the DoD, working in conjunction with the Civil Division of the United States Attorneys' office in Sacramento, California, requesting that the Company produce a variety of documents pertaining to the allowability of certain costs under its contracts with the DoD from October 1, 2003 to the present. On September 23, 2010, the Company received a subpoena duces tecum from the U.S. Army Criminal Investigation Command, acting on behalf of the Office of the Inspector General of the DoD, requesting that the Company produce a variety of documents pertaining to the use of certain cost estimating factors under its contracts with the DoD. The investigations are still in the early stages and no financial demands have been made; accordingly, the Company is currently unable to reasonably estimate what the outcome of these civil investigations will be or the impact, if any, the investigations may have on the Company's operating results, financial condition, and/or cash flows. Accordingly, no estimate of future liability has been accrued for such contingencies. The Company has and continues to cooperate fully with these investigations and is responding to the subpoenas.

Snappon SA Wrongful Discharge Claims

In November 2003, the Company announced the closing of a manufacturing facility in Chartres, France owned by Snappon SA, a subsidiary of the Company, previously involved in the automotive business. In accordance with French law, Snappon SA negotiated with the local works' council regarding the implementation of a social plan for the employees. Following the implementation of the social plan, approximately 188 of the 249 former Snappon employees sued Snappon SA in the Chartres Labour Court alleging wrongful discharge. The claims were heard in two groups. On February 19, 2009, the Versailles Court of Appeal issued a decision in favor of Group 2 plaintiffs and based on this, the Court awarded €1.9 million plus interest. On April 7, 2009, the Versailles Court of Appeal issued a decision in favor of Group 1 plaintiffs and based on this, the Court awarded €1.0 million plus interest. During the second quarter of fiscal 2009, Snappon SA filed for declaration of suspensions of payments with the clerk's office of the Paris Commercial Court, and the claims will likely be discharged through those proceedings. The Company has accrued a loss contingency of €2.9 million plus interest for this matter.

b. Environmental Matters

The Company is involved in over forty environmental matters under the Comprehensive Environmental Response Compensation and Liability Act ("CERCLA"), the Resource Conservation Recovery Act ("RCRA"), and other federal, state, local, and foreign laws relating to soil and groundwater contamination, hazardous waste management activities, and other environmental matters at some of its current and former facilities. The Company is also involved in a number of remedial activities at third party sites, not owned by the Company, where it is designated a potentially responsible party ("PRP") by either the U.S. EPA and/or a state agency. In many of these matters, the Company is involved with other PRPs. In many instances, the Company's liability and proportionate share of costs have not been determined largely due to uncertainties as to the nature and extent of site conditions and the Company's involvement. While government agencies frequently claim PRPs are jointly and severally liable at such sites, in the Company's experience, interim and final allocations of liability and costs are generally made based on relative contributions of waste or contamination. Anticipated costs associated with environmental remediation that are probable and estimable are accrued. In cases where a date to complete remedial activities at a particular site cannot be determined by reference to agreements or otherwise, the Company projects costs over an appropriate time period not exceeding fifteen years; in such cases, generally the Company does not have the ability to reasonably estimate environmental remediation costs that are beyond this period. Factors that could result in changes to the Company's estimates include completion of current and future soil and groundwater investigations, new claims, future agency demands, discovery of more or less contamination than expected, discovery of new contaminants, modification of planned remedial actions, changes in estimated time required to remediate, new technologies, and changes in laws and regulations.

As of August 31, 2011, the aggregate range of these anticipated environmental costs was $210.5 million to $352.9 million and the accrued amount was $210.5 million. See Note 7(c) for a summary of the environmental reserve activity for the first half of fiscal 2011. Of these accrued liabilities, approximately 71% relates to the Sacramento, California site and approximately 19% to the Baldwin Park Operable Unit of the San Gabriel Valley, California site. Each of those two sites is discussed below. The balance of the accrued liabilities relates to other sites for which the Company's obligations are probable and estimable.

Sacramento, California Site

In 1989, a federal district court in California approved a Partial Consent Decree ("PCD") requiring Aerojet, among other things, to conduct a Remedial Investigation and Feasibility Study ("RI/FS") to determine the nature and extent of impacts due to the release of chemicals from the Sacramento, California site, monitor the American River and offsite public water supply wells, operate Groundwater Extraction and Treatment facilities ("GETs") that collect groundwater at the site perimeter, and pay certain government oversight costs. The primary chemicals of concern for both on-site and off-site groundwater are trichloroethylene ("TCE"), perchlorate, and n-nitrosodimethylamine ("NDMA"). The PCD has been revised several times, most recently in 2002. The 2002 PCD revision (a) separated the Sacramento site into multiple operable units to allow quicker implementation of remedy for critical areas; (b) required the Company to guarantee up to $75 million (in addition to a prior $20 million guarantee) to assure that Aerojet's Sacramento remediation activities are fully funded; and (c) removed approximately 2,600 acres of non-contaminated land from the U.S. EPA superfund designation.

Aerojet is involved in various stages of soil and groundwater investigation, remedy selection, design, and remedy construction associated with the operable units. In 2002, the U.S. EPA issued a UAO requiring Aerojet to implement the U.S. EPA-approved remedial action in the Western Groundwater Operable Unit. An identical order was issued by the California Regional Water Quality Control Board, Central Valley ("Central Valley RWQCB"). On July 7, 2011, EPA issued Aerojet its Approval of Remedial Action Construction Completion Report for Western Groundwater Operable Unit and its Determination of Remedy as Operational and Functional. Aerojet submitted a final RI/FS for the Perimeter Groundwater Operable Unit in 2008, for which the U.S. EPA issued a record of decision on February 15, 2011. On September 20th, 2011 U.S. EPA issued two UAOs to Aerojet to complete a remedial design and implement remedial action for the Perimeter Groundwater Operable Unit. One UAO addresses groundwater and the other addresses soils within the Perimeter Groundwater Operable Unit. Issuance of the UAOs is the next step in the Superfund process for the Perimeter Groundwater Operable Unit. Aerojet submitted a final Remedial Investigation Report for the Boundary Operable Unit in 2010. Subsequent agency comments required a revision that was submitted in September 2011. The Company anticipates submittal of the final Feasibility Study for the Boundary Operable Unit in 2011. The remaining operable units are under various stages of investigation.

Until March 2008, the entire southern portion of the site known as Rio Del Oro was under state orders issued in the 1990s from the DTSC to investigate and remediate environmental contamination in the soils and the Central Valley RWQCB to investigate and remediate groundwater environmental contamination. On March 14, 2008, the DTSC released all but approximately 400 acres of the Rio Del Oro property from DTSC's environmental orders regarding soil contamination. Aerojet expects the approximately 400 acres of Rio Del Oro property that remain subject to the DTSC orders to be released once the soil remediation has been completed. The Rio Del Oro property remains subject to the Central Valley RWQCB's orders to investigate and remediate groundwater environmental contamination emanating offsite from such property. Pursuant to a settlement agreement entered into in 2009, Aerojet and Boeing have defined responsibilities with respect to future costs and environmental projects relating to this property. As of August 31, 2011, the estimated range of anticipated costs discussed above for the Sacramento, California site was \$131.1 million to \$217.5 million and the accrued amount was \$131.1 million included as a component of the Company's environmental reserves. Expenditures associated with this matter are partially recoverable subject to the Global Settlement and Northrop Agreement allocations. Recoverable estimates for this matter are included as a component of the Company's estimated recoverable amounts from the U.S. Government and Northrop.

San Gabriel Valley Basin, California Site

Baldwin Park Operable Unit ("BPOU")

As a result of its former Azusa, California operations, in 1994 Aerojet was named a PRP by the U.S. EPA in the area of the San Gabriel Valley Basin superfund site known as the BPOU. Between 1995 and 1997, the U.S. EPA issued Special Notice Letters to Aerojet and eighteen other companies requesting that they implement a groundwater remedy. On June 30, 2000, the U.S. EPA issued a UAO ordering the PRPs to implement a remedy consistent with the 1994 record of decision. Aerojet, along with seven other PRPs ("the Cooperating Respondents") signed a Project Agreement in late March 2002 with the San Gabriel Basin Water Quality Authority, the Main San Gabriel Basin Watermaster, and five water companies. The Project Agreement, which has a term of fifteen years, became effective May 9, 2002 and will terminate in May 2017. It is uncertain as to what remedial actions will be required beyond 2017. However, the Project Agreement stipulates that the Parties agree to negotiate in good faith in an effort to reach agreement as to the terms and conditions of an extension of the term in the event that a Final Record of Decision anticipates, or any of the parties desire, the continued operation of all or a substantial portion of the project facilities. Pursuant to the Project Agreement, the Cooperating Respondents fund through an escrow account: the capital, operational, maintenance, and administrative costs of certain treatment and water distribution facilities to be owned and operated by the water companies. There are also provisions in the Project Agreement for maintaining financial assurance in the form of cash or letters of credit.

Aerojet and the other Cooperating Respondents entered into an interim allocation agreement that establishes the interim payment obligations of the Cooperating Respondents for the costs incurred pursuant to the Project Agreement. Under the interim allocation, Aerojet is responsible for approximately two-thirds of all project costs, including government oversight costs. All project costs are subject to reallocation among the Cooperating Respondents. The interim allocation agreement expired, but until recently all Cooperating Respondents were paying in accordance with their interim allocations. In July 2008, Fairchild Holding Corporation sued Aerojet and the other Cooperating Respondents in Federal District Court in Los Angeles in the action *Fairchild Holding Corp et al v. Aerojet-General Corp, et al SA 08CV 722-ABC* claiming that it did not have any liability and that it should recover amounts paid of approximately \$2.6 million and should, as between the Cooperating Respondents, have no further obligation to pay project costs.

Fairchild stopped making payments to the escrow account under the Project Agreement and claimed that it would not do so in the future unless ordered to do so by a court. Fairchild had been paying approximately 2.5% of the project costs as its allocation until it stopped paying. At the request of one of the Cooperating Respondents, the Court stayed all actions until mid-December 2008 to allow the parties an opportunity to participate in mediation. The mediation occurred in December 2008 and was not successful. Aerojet and the other Cooperating Respondents answered Fairchild's complaint and many (including Aerojet) filed counterclaims against Fairchild Holding and third-party complaints against entities affiliated with Fairchild. Fairchild subsequently filed a First Amended Complaint adding the third-party affiliated entities as Plaintiffs in the litigation and Aerojet answered and filed counterclaims. To date, no other Cooperating Respondent has filed a claim against any non-Fairchild Cooperating Respondents to seek a reallocation. On March 18th, 2009, Fairchild filed for voluntary chapter 11 bankruptcy reorganization in the District of Delaware and as a result, the Federal District Court in Los Angeles has stayed the Fairchild litigation. In light of Fairchild's insolvency, the other Cooperating Respondents, including Aerojet, must make up Fairchild's share of Project costs and its interim share of financial assurances required by the Project Agreement, although the amounts each Cooperating Respondent would be required to fund or pay has not been resolved.

On June 24, 2010, Aerojet filed a complaint against Chubb Custom Insurance Company in Los Angeles County Superior Court, *Aerojet-General Corporation v. Chubb Custom Insurance Company Case No. BC440284,* seeking declaratory relief and damages regarding Chubb's failure to pay certain project modification costs and failure to issue an endorsement to add other water sources that may require treatment as required under insurance policies issued to Aerojet and the other Cooperating Respondents. Aerojet agreed to dismiss the case without prejudice and settlement negotiations are ongoing.

As part of Aerojet's sale of its Electronics and Information Systems ("EIS") business to Northrop in October 2001, the U.S. EPA approved a Prospective Purchaser Agreement with Northrop to absolve it of pre-closing liability for contamination caused by the Azusa, California operations, which liability remains with Aerojet. As part of that agreement, the Company agreed to provide a $25 million guarantee of Aerojet's obligations under the Project Agreement.

As of August 31, 2011, the estimated range of anticipated costs through the term of the agreement for the BPOU site was $40.1 million to $77.6 million and the accrued amount was $40.1 million included as a component of the Company's environmental reserves. Expenditures associated with this matter are partially recoverable subject to the Global Settlement and Northrop Agreement allocations. Recoverable estimates for this matter are included as a component of the Company's estimated recoverable amounts from the U.S. Government and Northrop.

South El Monte Operable Unit

Aerojet previously owned and operated manufacturing facilities located on East Flair Drive in El Monte, California. On December 21, 2000, Aerojet received an order from the Los Angeles RWQCB requiring a work plan for investigation of this former site. On January 22, 2001, Aerojet filed an appeal of the order with the Los Angeles RWQCB asserting selective enforcement. The appeal had been held in abeyance pending negotiations with the Los Angeles RWQCB, but due to a two-year limitation on the abeyance period, the appeal was dismissed without prejudice. In September 2001, Aerojet submitted a limited work plan to the Los Angeles RWQCB.

On February 21, 2001, Aerojet received a General Notice Letter from the U.S. EPA naming Aerojet as a PRP with regard to the SEMOU of the San Gabriel Valley Basin, California Superfund site. On April 1, 2002, Aerojet received a Special Notice Letter from the U.S. EPA that requested Aerojet enter into negotiations with it regarding the performance of a remedial design and remedial action for the SEMOU. In light of this letter, Aerojet performed a limited site investigation of the East Flair Drive site. The data collected and summarized in the report showed that chemicals including TCE and PCE were present in the soil and groundwater at, and near, the El Monte location. Site investigations are ongoing.

On August 29, 2003, the U.S. EPA issued a UAO against Aerojet and approximately 40 other parties requiring them to conduct the remedial design and remedial action in the SEMOU. The impact of the UAO on the recipients is not clear as much of the remedy is already being implemented by the water entities. The cost estimate to implement projects under the UAO prepared by the U.S. EPA and the water entities is approximately $90 million. The Company is working diligently with the U.S. EPA and the other PRPs to resolve this matter and ensure compliance with the UAO. During fiscal 2010, Aerojet received correspondence from EPA on behalf of itself, the DTSC and the water entities regarding settlement. Aerojet participated in mediation with EPA, DTSC and the water entities to resolve the claims, and reached a tentative settlement with EPA and DTSC in mid-December 2010 which was accepted by the water entities in January 2011. On August 19, 2011, the Court approved and entered a consent decree between Aerojet, EPA, and DTSC. On August 25, 2011, the Court granted Aerojet's motion for good faith settlement conditioned upon the payment by Aerojet of its second settlement payment on or before December 5, 2011. The Court's approval removes any contribution claims against Aerojet by other defendants. The Court's Order will take effect on December 8, 2011, unless the Water Entities identified in the Settlement Agreement notify the Court before that date that Aerojet failed to make its second payment under the Settlement Agreement.

On November 17, 2005, Aerojet notified the Los Angeles RWQCB and the U.S. EPA that Aerojet was involved in research and development at the East Flair Drive site that included the use of 1,4-dioxane. Aerojet's investigation of that issue is continuing. Oversight of the East Flair Drive site was transferred from the RWQCB to the DTSC in 2007 and Aerojet has entered into a Voluntary Cleanup Agreement with DTSC. Site investigation activities are ongoing.

Toledo, Ohio Site

In August 2007, the Company, along with numerous other companies, received from the United States Department of Interior Fish and Wildlife Service a notice of a Natural Resource Damage ("NRD") Assessment Plan for the Ottawa River and Northern Maumee Bay. The Company previously manufactured products for the automotive industry at a Toledo, Ohio site, which was adjacent to the Ottawa River. This facility was divested in 1990 and the Company indemnified the buyer for claims and liabilities arising out of certain pre-divestiture environmental matters. A group of PRPs, including GenCorp, was formed to respond to the NRD assessment and to pursue funding from the Great Lakes Legacy Act for primary restoration. The restoration project to be performed by the group consists of river dredging and land-filling river sediments with a total project cost in the range of approximately $47 to $49 million, one half of which is being funded through the Great Lakes Legacy Act and the net project costs to the PRP group is estimated at $23.5 to $24.5 million. The actual dredging of the river, begun in December 2009, has been completed. In February 2011, the parties reached an agreement on allocation. As of August 31, 2011, the estimated range of the Company's share of anticipated costs for the NRD matter was $2.1 million to $3.9 million and the accrued amount was $2.1 million included as a component of the Company's environmental reserves. None of the expenditures related to this matter are recoverable. Still unresolved at this time is the actual NRD Assessment itself. It is not possible to predict the outcome or timing of these types of assessments, which are typically lengthy processes lasting several years, or the amounts for these damages.

In 2008, Textileather, Inc. ("Textileather"), the current owner of the former Toledo, Ohio site, filed a lawsuit against the Company claiming, among other things, that the Company failed to indemnify and defend Textileather for certain contractual environmental obligations. A second suit related to past and future RCRA closure costs was filed in late 2009. On May 5, 2010, the District Court granted the Company's Motion for Summary Judgment, thereby dismissing the claims in the initial action. Textileather has appealed to the Sixth Circuit Court of Appeal and the briefing schedule has been extended. There are no District Court ordered dates in the second Textileather suit, but the parties are conducting informal discovery. As of August 31, 2011, the estimated anticipated costs and accrued amount for the Textileather matter was $2.1 million which is included as a component of the Company's environmental reserves. None of the expenditures related to this matter are recoverable.

c. Environmental Reserves and Estimated Recoveries

Environmental Reserves

The Company reviews on a quarterly basis estimated future remediation costs that could be incurred over the contractual term or next fifteen years of the expected remediation. The Company has an established practice of estimating environmental remediation costs over a fifteen year period, except for those environmental remediation costs with a specific contractual term. As the period for which estimated environmental remediation costs increases, the reliability of such estimates decrease. These estimates consider the investigative work and analysis of engineers, outside environmental consultants, and the advice of legal staff regarding the status and anticipated results of various administrative and legal proceedings. In most cases, only a range of reasonably possible costs can be estimated. In establishing the Company's reserves, the most probable estimate is used when determinable; otherwise, the minimum amount is used when no single amount in the range is more probable. Accordingly, such estimates can change as the Company periodically evaluates and revises such estimates as new information becomes available. The Company cannot predict whether new information gained as projects progress will affect the estimated liability accrued. The timing of payment for estimated future environmental costs is influenced by a number of factors such as the regulatory approval process, the time required to design the process, the time to construct the process, and the time required to conduct the remedy itself.

A summary of the Company's environmental reserve activity is shown below:

	November 30, 2010	2011 Additions	2011 Expenditures	August 31, 2011
	(In millions)			
Aerojet				
Sacramento	$ 139.8	$ 16.9	$ (8.1)	$ 148.6
BPOU	46.1	2.7	(8.7)	40.1
Other Aerojet sites	20.1	5.5	(12.9)	12.7
	206.0	25.1	(29.7)	201.4
Other Sites	11.7	(0.2)	(2.4)	9.1
Environmental Reserve	$ 217.7	$ 24.9	$ (32.1)	$ 210.5

The effect of the final resolution of environmental matters and the Company's obligations for environmental remediation and compliance cannot be accurately predicted due to the uncertainty concerning both the amount and timing of future expenditures and due to regulatory or technological changes. The Company will continue its efforts to mitigate past and future costs through pursuit of claims for recoveries from insurance coverage and other PRPs and continued investigation of new and more cost effective remediation alternatives and associated technologies.

As part of the acquisition of the Atlantic Research Corporation ("ARC") propulsion business, Aerojet entered into an agreement with ARC pursuant to which Aerojet is responsible for up to $20.0 million of costs ("Pre-Close Environmental Costs") associated with environmental issues that arose prior to Aerojet's acquisition of the ARC propulsion business. Pursuant to a separate agreement with the U.S. government which was entered into prior to the completion of the ARC acquisition, these Pre-Close Environmental Costs are not subject to the 88% limitation under the Global Settlement, and are recovered through the establishment of prices for Aerojet's products and services sold to the U.S. government. A summary of the Pre-Close Environmental Costs is shown below (in millions):

Pre-Close Environmental Costs	$ 20.0
Amount spent through August 31, 2011	(11.6)
Amount included as a component of reserves for environmental remediation costs in the unaudited condensed consolidated balance sheet as of August 31, 2011	(3.2)
Remaining Pre-Close Environmental Costs	$ 5.2

Estimated Recoveries

On January 12, 1999, Aerojet and the U.S. government implemented the October 1997 Agreement in Principle ("Global Settlement") resolving certain prior environmental and facility disagreements, with retroactive effect to December 1, 1998. Under the Global Settlement, Aerojet and the U.S. government resolved disagreements about an appropriate cost-sharing ratio with respect to the cleanup costs of the environmental contamination at the Sacramento and Azusa sites. The Global Settlement cost-sharing ratio does not have a defined term over which costs will be recovered. Additionally, in conjunction with the sale of the EIS business in 2001, Aerojet entered into an agreement with Northrop (the "Northrop Agreement") whereby Aerojet is reimbursed by Northrop for a portion of environmental expenditures eligible for recovery under the Global Settlement, subject to annual and cumulative limitations. The current annual billing limitation to Northrop is $6.0 million.

Pursuant to the Global Settlement covering environmental costs associated with Aerojet's Sacramento site and its former Azusa site, prior to the third quarter of fiscal 2010, approximately 88% of such costs related to the Sacramento site and the former Azusa site were included in U.S. government contracts or reimbursed by Northrop. Subsequent to the third quarter of fiscal 2010, because the Company had reached the reimbursement ceiling under the Northrop Agreement, approximately 63% of such costs are included in U.S. government contracts. See additional information below.

Allowable environmental costs are charged to these contracts as the costs are incurred. Aerojet's mix of contracts can affect the actual reimbursement made by the U.S. government. Because these costs are recovered through forward-pricing arrangements, the ability of Aerojet to continue recovering these costs from the U.S. government depends on Aerojet's sustained business volume under U.S. government contracts and programs and the relative size of Aerojet's commercial business. Annually, the Company evaluates Aerojet's forecasted business volume under U.S. government contracts and programs and the relative size of Aerojet's commercial business as part of its long-term business review.

Pursuant to the Northrop Agreement, environmental expenditures to be reimbursed are subject to annual limitations and the total reimbursements are limited to a ceiling of $189.7 million. A summary of the Northrop Agreement activity is shown below (in millions):

Total reimbursable costs under the Northrop Agreement	$ 189.7
Amount reimbursed to the Company through August 31, 2011	(87.2)
Potential future cost reimbursements available	102.5
Receivable from Northrop in excess of the annual limitation included as a component of other noncurrent assets in the unaudited condensed consolidated balance sheet as of August 31, 2011	(59.9)
Amounts recoverable from Northrop in future periods included as a component of recoverable from the U.S. government and other third parties for environmental remediation costs in the unaudited condensed consolidated balance sheet as of August 31, 2011	(42.6)
Potential future recoverable amounts available under the Northrop Agreement	$ —

The Company's applicable cost estimates reached the cumulative limitation under the Northrop Agreement during the third quarter of fiscal 2010. Accordingly, subsequent to the third quarter of fiscal 2010, the Company will incur a higher percentage of expense related to additions to the Sacramento site and BPOU site environmental reserve until an arrangement is reached with the U.S. government. While the Company is currently seeking an arrangement with the U.S. government to recover environmental expenditures in excess of the reimbursement ceiling identified in the Northrop Agreement, there can be no assurances that such a recovery will be obtained, or if not obtained, that such unreimbursed environmental expenditures will not have a materially adverse effect on the Company's operating results, financial condition, and/or cash flows.

Environmental reserves and estimated recoveries impact to unaudited condensed consolidated statement of operations

The expenses and benefits associated with adjustments to the environmental reserves are recorded as a component of other expense, net in the unaudited condensed consolidated statements of operations. Summarized financial information for the impact of environmental reserves and recoveries to the unaudited condensed consolidated statements of operations is set forth below:

	Estimated Recoverable Amounts from Northrop	Estimated Recoverable Amounts from U.S. Government	Total Estimated Recoverable Amounts Under U.S. Government Contracts	Charge to Unaudited Condensed Consolidated Statement of Operations	Total Environmental Reserve Additions
			(In millions)		
Three months ended August 31, 2011	$ —	$ 11.2	$ 11.2	$ 4.7	$ 15.9
Three months ended August 31, 2010	1.3	6.4	7.7	2.7	10.4
Nine months ended August 31, 2011	—	18.2	18.2	6.7	24.9
Nine months ended August 31, 2010	2.8	13.2	16.0	4.5	20.5

8. Redeemable Common Stock

The Company inadvertently failed to register with the SEC the issuance of certain of its common shares in its defined contribution 401(k) employee benefit plan (the “Plan”). As a result, certain Plan participants who purchased such securities pursuant to the Plan may have the right to rescind certain of their purchases for consideration equal to the purchase price paid for the securities (or if such security has been sold, to receive consideration with respect to any loss incurred on such sale) plus interest from the date of purchase. As of August 31, 2011 and November 30, 2010, the Company has classified 0.5 million shares as redeemable common stock because the redemption features are not within the control of the Company. The Company may also be subject to civil and other penalties by regulatory authorities as a result of the failure to register these shares. These shares have always been treated as outstanding for financial reporting purposes. In June 2008, the Company filed a registration statement on Form S-8 to register future transactions in the GenCorp Stock Fund in the Plan. During the first nine months of fiscal 2011 and 2010, the Company recorded a charge of $0.6 million and $0.5 million, respectively, for realized losses and interest associated with this matter.

9. Arrangements with Off-Balance Sheet Risk

As of August 31, 2011, arrangements with off-balance sheet risk consisted of:

— $67.4 million in outstanding commercial letters of credit expiring within the next twelve months, the majority of which may be renewed, primarily to collateralize obligations for environmental remediation and insurance coverage.

— Up to $120.0 million aggregate in guarantees by GenCorp of Aerojet’s obligations to U.S. government agencies for environmental remediation activities (See Note 7(b) for additional information).

— Guarantees, jointly and severally, by the Company’s material domestic subsidiaries of its obligations under its Senior Credit Facility and its $9^1/_2$% Notes.

In addition to the items discussed above, the Company will from time to time enter into certain types of contracts that require us to indemnify parties against potential third-party and other claims. These contracts primarily relate to: (i) divestiture agreements, under which the Company may provide customary indemnification to purchasers of its businesses or assets including, for example, claims arising from the operation of the businesses prior to disposition, liability to investigate and remediate environmental contamination existing prior to disposition; (ii) certain real estate leases, under which the Company may be required to indemnify property owners for claims arising from the use of the applicable premises; and (iii) certain agreements with officers and directors, under which the Company may be required to indemnify such persons for liabilities arising out of their relationship with the Company. The terms of such obligations vary. Generally, a maximum obligation is not explicitly stated.

The Company also uses surety bonds to collateralize obligations for environmental remediation and insurance coverage. Additionally, the Company issues purchase orders and makes other commitments to suppliers for equipment, materials, and supplies in the normal course of business. These purchase commitments are generally for volumes consistent with anticipated requirements to fulfill purchase orders or contracts for product deliveries received, or expected to be received, from customers and would be subject to reimbursement if a cost-plus contract is terminated.

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10. Retirement Benefits

Pension Benefits — On November 25, 2008, the Company decided to amend the defined benefit pension and benefits restoration plans to freeze future accruals under such plans. Effective February 1, 2009 and July 31, 2009, future benefit accruals for all current salaried employees and collective bargaining unit employees were discontinued, respectively. No employees lost their previously earned pension benefits.

As of November 30, 2010, the Company's defined benefit pension plan assets and projected benefit obligations were approximately $1.4 billion and $1.6 billion, respectively. The Pension Protection Act (the "PPA") requires underfunded pension plans to improve their funding ratios within prescribed intervals based on the funded status of the plan as of specified measurement dates. The Company's funded ratio as of November 30, 2010 under the PPA for the Company's tax-qualified defined benefit pension plan was 96.2% which was above the 96.0% funding target ratio required under the PPA. The Company does not expect to make significant contributions to the tax-qualified defined benefit pension plan for several years.

In addition to meeting the November 30, 2010 funding target ratio required under the PPA, the Company has accumulated $62.7 million in prepayment credits as of November 30, 2010. Companies may prepay contributions and, under certain circumstances, use those prepayment credits to satisfy the required funding of the pension plan's annual required contribution thereby allowing the Company to defer cash payments into the pension plan.

Medical and Life Benefits — The Company provides medical and life insurance benefits to certain eligible retired employees, with varied coverage by employee group. Generally, employees hired after January 1, 1997 are not eligible for medical and life insurance benefits. The medical benefit plan provides for cost sharing between the Company and its retirees in the form of retiree contributions, deductibles, and coinsurance. Medical and life benefit obligations are unfunded.

Components of retirement benefit expense are:

	Pension Benefits		Postretirement Benefits	
	Three months ended			
	August 31, 2011	August 31, 2010	August 31, 2011	August 31, 2010
	(In millions)			
Service cost	$ 0.9	$ 1.1	$ —	$ 0.1
Interest cost on benefit obligation	19.7	21.5	0.9	1.0
Assumed return on plan assets	(25.6)	(26.9)	—	—
Recognized net actuarial losses (gains)	16.6	14.7	(0.9)	(1.0)
Net periodic benefit expense	$ 11.6	$ 10.4	$ —	$ 0.1

	Pension Benefits		Postretirement Benefits	
	Nine months ended			
	August 31, 2011	August 31, 2010	August 31, 2011	August 31, 2010
	(In millions)			
Service cost	$ 2.9	$ 3.3	$ 0.1	$ 0.2
Interest cost on benefit obligation	58.8	64.5	2.7	3.0
Assumed return on plan assets	(76.8)	(80.7)	—	—
Recognized net actuarial losses (gains)	49.8	44.1	(2.7)	(2.9)
Net periodic benefit expense	$ 34.7	$ 31.2	$ 0.1	$ 0.3

11. Discontinued Operations

In November 2003, the Company announced the closing of a GDX manufacturing facility in Chartres, France owned by Snappon SA, a subsidiary of the Company. The decision resulted primarily from declining sales volumes with French automobile manufacturers. During the first quarter of fiscal 2009, Snappon SA had legal judgments rendered against it under French law, aggregating €2.9 million plus interest related to wrongful discharge claims by certain former employees of Snappon SA. During the second quarter of fiscal 2009, Snappon SA filed for declaration of suspensions of payments with the clerk's office of the Paris Commercial Court (See Note 7(a)).

Summarized financial information for discontinued operations is set forth below:

	Three months ended August 31,		Nine months ended August 31,	
	2011	2010	2011	2010
	(In millions)			
Net sales	$ —	$ —	$ —	$ —
(Loss) income before income taxes (1)	(0.1)	(0.7)	(1.3)	0.9
Income tax provision	—	—	—	—
Net (loss) income from discontinued operations	(0.1)	(0.7)	(1.3)	0.9

(1) Includes foreign currency losses of $0.4 million in the third quarter of fiscal 2010. Additionally, (loss) income before income taxes includes foreign currency (losses) and gains of ($1.1) million and $2.1 million in the first nine months of fiscal 2011 and 2010, respectively.

12. Operating Segments and Related Disclosures

The Company's operations are organized into two operating segments based on different products and customer bases: Aerospace and Defense, and Real Estate.

The Company evaluates its operating segments based on several factors, of which the primary financial measure is segment performance. Segment performance represents net sales from continuing operations less applicable costs, expenses and provisions for unusual items relating to the segment operations. Segment performance excludes corporate income and expenses, legacy income or expenses, provisions for unusual items not related to the segment operations, interest expense, interest income, and income taxes.

Customers that represented more than 10% of net sales for the periods presented are as follows:

	Three months ended August 31,		Nine months ended August 31,	
	2011	2010	2011	2010
Raytheon	33%	36%	36%	38%
Lockheed Martin	30%	27%	29%	27%

Sales during the three and nine months ended August 31, 2011 directly and indirectly to the U.S. government and its agencies, including sales to the Company's significant customers discussed above, totaled 94% and 93% of net sales, respectively. Sales during the three and nine months ended August 31, 2010 directly and indirectly to the U.S. government and its agencies, including sales to the Company's significant customers discussed above, totaled 91% and 92% of net sales, respectively.

Selected financial information for each reportable segment is as follows:

	Three months ended August 31, 2011	Three months ended August 31, 2010	Nine months ended August 31, 2011	Nine months ended August 31, 2010
	(In millions)			
Net Sales:				
Aerospace and Defense	$ 224.3	$ 208.8	$ 660.7	$ 626.2
Real Estate	1.9	1.9	5.2	5.4
Total Net Sales	$ 226.2	$ 210.7	$ 665.9	$ 631.6
Segment Performance:				
Aerospace and Defense	$ 26.6	$ 28.9	$ 78.4	$ 74.4
Environmental remediation provision adjustments	(5.2)	2.1	(7.0)	1.7
Retirement benefit plan expense	(5.2)	(7.3)	(15.7)	(21.9)
Unusual items (see Note 13)	(0.2)	(2.1)	(0.6)	(2.5)
Aerospace and Defense Total	16.0	21.6	55.1	51.7
Real Estate	1.2	1.5	3.5	4.0
Total Segment Performance	$ 17.2	$ 23.1	$ 58.6	$ 55.7
Reconciliation of segment performance to income from continuing operations before income taxes:				
Segment performance	$ 17.2	$ 23.1	$ 58.6	$ 55.7
Interest expense	(7.9)	(8.9)	(23.4)	(28.6)
Interest income	0.2	0.5	0.8	1.2
Stock-based compensation benefit (expense)	0.6	—	(2.3)	0.4
Corporate retirement benefit plan expense	(6.4)	(3.2)	(19.1)	(9.6)
Corporate and other	(2.1)	(7.6)	(7.7)	(14.6)
Unusual items (see Note 13)	—	0.1	0.2	(3.2)
Income from continuing operations before income taxes	$ 1.6	$ 4.0	$ 7.1	$ 1.3

13. Unusual Items

In the first nine months of fiscal 2010, the Company recorded $1.4 million associated with executive severance and had $0.7 million of losses related to amendments to the Senior Credit Facility.

In the third quarter of fiscal 2010, the Company recorded a charge of $2.0 million related to the estimated unrecoverable costs of legal matters. During the first nine months of fiscal 2011 and 2010, the Company recorded a charge of $0.6 million and $0.5 million, respectively, for realized losses and interest associated with the failure to register with the SEC the issuance of certain of its common shares under the defined contribution 401(k) employee benefit plan.

A summary of the Company's gain on the debt repurchased during the first nine months of fiscal 2011 is as follows (in millions):

Principal amount repurchased	$ 6.5
Cash repurchase price	(6.4)
	0.1
Write-off of the associated debt discount	(0.4)
Portion of the 2$^{1}/_{4}$% Debentures repurchased attributed to the equity component	0.5
Gain on 2$^{1}/_{4}$% Debentures repurchased	$ 0.2

A summary of the Company's losses on the 2 $^{1}/_{4}$% Debentures repurchased during the first nine months of fiscal 2010 is as follows (in millions):

Principal amount repurchased	$ 50.5
Cash repurchase price	(47.4)
	3.1
Write-off of the associated debt discount	(4.5)
Portion of the 2 $^{1}/_{4}$% Debentures repurchased attributed to the equity component (See Note 6)	1.6
Write-off of the deferred financing costs	(0.4)
Loss on 2 $^{1}/_{4}$% Debentures repurchased	$ (0.2)

A summary of the Company's losses on the 9 1/2% Notes repurchased during the first nine months of fiscal 2010 is as follows (in millions):

Principal amount repurchased	$ 22.5
Cash repurchase price	(23.0)
Write-off of the deferred financing costs	(0.4)
Loss on 9 1/2% Notes repurchased	$ (0.9)

14. Condensed Consolidating Financial Information

The Company is providing condensed consolidating financial information for its material domestic subsidiaries that have guaranteed the 9 1/2% Notes, and for those subsidiaries that have not guaranteed the 9 1/2% Notes. These 100% owned subsidiary guarantors have, jointly and severally, fully and unconditionally guaranteed the 9 1/2% Notes. The subsidiary guarantees are senior subordinated obligations of each subsidiary guarantor and rank (i) junior in right of payment with all senior indebtedness, (ii) equal in right of payment with all senior subordinated indebtedness, and (iii) senior in right of payment to all subordinated indebtedness, in each case, of that subsidiary guarantor. The subsidiary guarantees will also be effectively subordinated to any collateralized indebtedness of the subsidiary guarantor with respect to the assets collateralizing that indebtedness. Absent both default and notice as specified in the Company's Senior Credit Facility and agreements governing the Company's outstanding convertible notes and the 9 1/2% Notes, there are no restrictions on the Company's ability to obtain funds from its 100% owned subsidiary guarantors by dividend or loan.

The Company has not presented separate financial and narrative information for each of the subsidiary guarantors, because it believes that such financial and narrative information would not provide investors with any additional information that would be material in evaluating the sufficiency of the guarantees. Therefore, the following condensed consolidating financial information summarizes the financial position, results of operations, and cash flows for the Company's guarantor and non-guarantor subsidiaries.

Condensed Consolidating Statements of Operations
(Unaudited)

Three Months Ended August 31, 2011 (In millions):	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated
Net sales	$ —	$ 226.2	$ —	$ —	$ 226.2
Cost of sales (exclusive of items shown separately below)	(0.1)	197.6	—	—	197.5
Selling, general and administrative	4.7	4.0	—	—	8.7
Depreciation and amortization	—	6.7	—	—	6.7
Interest expense	6.5	1.4	—	—	7.9
Other, net	2.3	1.5	—	—	3.8
(Loss) income from continuing operations before income taxes	(13.4)	15.0	—	—	1.6
Income tax (benefit) provision	(12.2)	12.5	—	—	0.3
(Loss) income from continuing operations	(1.2)	2.5	—	—	1.3
Loss from discontinued operations	(0.1)	—	—	—	(0.1)
(Loss) income before equity income of subsidiaries	(1.3)	2.5	—	—	1.2
Equity income of subsidiaries	2.5	—	—	(2.5)	—
Net income	$ 1.2	$ 2.5	$ —	$ (2.5)	$ 1.2

Three Months Ended August 31, 2010 (In millions):	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated
Net sales	$ —	$ 210.7	$ —	$ —	$ 210.7
Cost of sales (exclusive of items shown separately below)	—	180.8	—	—	180.8
Selling, general and administrative	2.5	3.9	—	—	6.4
Depreciation and amortization	—	6.9	—	—	6.9
Interest expense	7.5	1.4	—	—	8.9
Other, net	4.4	(0.7)	—	—	3.7
(Loss) income from continuing operations before income taxes	(14.4)	18.4	—	—	4.0
Income tax (benefit) provision	(7.4)	7.9	—	—	0.5
(Loss) income from continuing operations	(7.0)	10.5	—	—	3.5
Loss from discontinued operations	(0.7)	—	—	—	(0.7)
(Loss) income before equity income of subsidiaries	(7.7)	10.5	—	—	2.8
Equity income of subsidiaries	10.5	—	—	(10.5)	—
Net income	$ 2.8	$ 10.5	$ —	$ (10.5)	$ 2.8

Nine Months Ended August 31, 2011 (In millions):	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated
Net sales	$ —	$ 665.9	$ —	$ —	$ 665.9
Cost of sales (exclusive of items shown separately below)	(0.4)	581.5	—	—	581.1
Selling, general and administrative	19.3	10.7	—	—	30.0
Depreciation and amortization	—	18.2	—	—	18.2
Interest expense	19.5	3.9	—	—	23.4
Other, net	7.4	(1.3)	—	—	6.1
(Loss) income from continuing operations before income taxes	(45.8)	52.9	—	—	7.1
Income tax (benefit) provision	(21.2)	24.6	—	—	3.4
(Loss) income from continuing operations	(24.6)	28.3	—	—	3.7
Loss from discontinued operations	(1.3)	—	—	—	(1.3)
(Loss) income before equity income of subsidiaries	(25.9)	28.3	—	—	2.4
Equity income of subsidiaries	28.3	—	—	(28.3)	—
Net income	$ 2.4	$ 28.3	$ —	$ (28.3)	$ 2.4

Nine Months Ended August 31, 2010 (In millions):	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated
Net sales	$ —	$ 631.6	$ —	$ —	$ 631.6
Cost of sales (exclusive of items shown separately below)	—	556.0	—	—	556.0
Selling, general and administrative	8.2	10.3	—	—	18.5
Depreciation and amortization	—	19.2	—	—	19.2
Interest expense	24.7	3.9	—	—	28.6
Other, net	8.9	(0.9)	—	—	8.0
(Loss) income from continuing operations before income taxes	(41.8)	43.1	—	—	1.3
Income tax (benefit) provision	(18.4)	13.2	—	—	(5.2)
(Loss) income from continuing operations	(23.4)	29.9	—	—	6.5
Income from discontinued operations	0.9	—	—	—	0.9
(Loss) income before equity income of subsidiaries	(22.5)	29.9	—	—	7.4
Equity income of subsidiaries	29.9	—	—	(29.9)	—
Net income	$ 7.4	$ 29.9	$ —	$ (29.9)	$ 7.4

Condensed Consolidating Balance Sheets
(Unaudited)

August 31, 2011 (In millions):	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated
Cash and cash equivalents	$ 246.0	$ (8.3)	$ —	$ —	$ 237.7
Marketable securities	—	—	—	—	—
Accounts receivable	—	109.8	—	—	109.8
Inventories	—	45.3	—	—	45.3
Recoverable from the U.S. government and other third parties for environmental remediation costs and other	0.2	37.0	—	—	37.2
Grantor trust	1.0	0.3	—	—	1.3
Other receivables, prepaid expenses and other	7.0	12.6	—	—	19.6
Income taxes	29.2	(22.6)	—	—	6.6
Total current assets	283.4	174.1	—	—	457.5
Property, plant and equipment, net	4.7	120.0	—	—	124.7
Recoverable from the U.S. government and other third parties for environmental remediation costs and other	0.2	136.9	—	—	137.1
Grantor trust	9.4	4.2	—	—	13.6
Goodwill	—	94.9	—	—	94.9
Intercompany (payable) receivable, net	(248.4)	263.2	(14.8)	—	—
Other noncurrent assets and intangibles, net	308.0	158.4	—	(300.0)	166.4
Total assets	$ 357.3	$ 951.7	$ (14.8)	$ (300.0)	$ 994.2
Short-term borrowings and current portion of long-term debt	$ 61.8	$ 0.2	$ —	$ —	$ 62.0
Accounts payable	0.6	23.8	—	—	24.4
Reserves for environmental remediation costs	5.5	49.2	—	—	54.7
Other current liabilities, advance payments on contracts, and postretirement medical and life insurance benefits	30.6	183.6	—	—	214.2
Total current liabilities	98.5	256.8	—	—	355.3
Long-term debt	325.2	0.9	—	—	326.1
Reserves for environmental remediation costs	3.7	152.1	—	—	155.8
Pension benefits	13.0	146.4	—	—	159.4
Other noncurrent liabilities	60.3	80.7	—	—	141.0
Total liabilities	500.7	636.9	—	—	$ 1,137.6
Commitments and contingencies (Note 7)					
Redeemable common stock (Note 8)	4.5	—	—	—	4.5
Total shareholders' (deficit) equity	(147.9)	314.8	(14.8)	(300.0)	(147.9)
Total liabilities, redeemable common stock, and shareholders' equity (deficit)	$ 357.3	$ 951.7	$ (14.8)	$ (300.0)	$ 994.2

November 30, 2010 (In millions):	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated
Cash and cash equivalents	$ 197.3	$ (15.8)	$ —	$ —	$ 181.5
Marketable securities	26.7	—	—	—	26.7
Accounts receivable	—	106.7	—	—	106.7
Inventories	—	51.1	—	—	51.1
Recoverable from the U.S. government and other third parties for environmental remediation costs and other	0.1	31.9	—	—	32.0
Grantor trust	1.4	0.4	—	—	1.8
Other receivables, prepaid expenses and other	11.5	13.8	—	—	25.3
Income taxes	9.9	(2.4)	—	—	7.5
Total current assets	246.9	185.7	—	—	432.6
Property, plant and equipment, net	4.8	121.6	—	—	126.4
Recoverable from the U.S. government and other third parties for environmental remediation costs and other	0.2	151.3	—	—	151.5
Grantor trust	10.1	4.4	—	—	14.5
Goodwill	—	94.9	—	—	94.9
Intercompany (payable) receivable, net	(178.5)	198.2	(19.7)	—	—
Other noncurrent assets and intangibles, net	242.0	162.9	9.9	(243.2)	171.6
Total assets	$ 325.5	$ 919.0	$ (9.8)	$ (243.2)	$ 991.5
Short-term borrowings and current portion of long-term debt	$ 65.8	$ 0.2	$ —	$ —	$ 66.0
Accounts payable	0.6	26.5	—	—	27.1
Reserves for environmental remediation costs	3.3	37.4	—	—	40.7
Other current liabilities, advance payments on contracts, and postretirement medical and life insurance benefits	36.8	190.6	—	—	227.4
Total current liabilities	106.5	254.7	—	—	361.2
Long-term debt	325.6	1.1	—	—	326.7
Reserves for environmental remediation costs	8.3	168.7	—	—	177.0
Pension benefits	17.0	158.5	—	—	175.5
Other noncurrent liabilities	63.2	83.0	—	—	146.2
Total liabilities	520.6	666.0	—	—	1,186.6
Commitments and contingencies (Note 7)					
Redeemable common stock (Note 8)	5.1	—	—	—	5.1
Total shareholders' (deficit) equity	(200.2)	253.0	(9.8)	(243.2)	(200.2)
Total liabilities, redeemable common stock, and shareholders' equity (deficit)	$ 325.5	$ 919.0	$ (9.8)	$ (243.2)	$ 991.5

Condensed Consolidating Statements of Cash Flows
(Unaudited)

Nine months ended August 31, 2011 (In millions):	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated
Net cash (used in) provided by operating activities	$ (27.5)	$ 73.0	$ 4.9	$ —	$ 50.4
Net transfers from (to) parent	57.1	(52.2)	(4.9)	—	—
Net cash provided by operating activities	29.6	20.8	$ —	—	50.4
Cash flows from investing activities:					
Capital expenditures	—	(12.2)	—	—	(12.2)
Other investing activities	26.7	—	—	—	26.7
Net cash provided by (used in) investing activities	26.7	(12.2)	—	—	14.5
Cash flows from financing activities:					
Debt repayments	(7.6)	—	—	—	(7.6)
Other financing activities	—	(1.1)	—	—	(1.1)
Net cash used in financing activities	(7.6)	(1.1)	—	—	(8.7)
Net increase in cash and cash equivalents	48.7	7.5	—	—	56.2
Cash and cash equivalents at beginning of year	197.3	(15.8)	—	—	181.5
Cash and cash equivalents at end of period	$ 246.0	$ (8.3)	$ —	$ —	$ 237.7

Nine months ended August 31, 2010 (In millions):	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated
Net cash provided by operating activities	$ 13.3	$ 114.6	$ —	$ —	$ 127.9
Net transfers from (to) parent	76.0	(76.0)	—	—	—
Net cash provided by operating activities	89.3	38.6	—	—	127.9
Cash flows from investing activities:					
Capital expenditures	—	(10.0)	—	—	(10.0)
Other investing activities	(58.3)	—	—	—	(58.3)
Net cash used in investing activities	(58.3)	(10.0)	—	—	(68.3)
Cash flows from financing activities:					
Debt repayments	(213.2)	(1.3)	—	—	(214.5)
Proceeds from issuance of debt, net of issuance costs	192.3	—	—	—	192.3
Net cash used in financing activities	(20.9)	(1.3)	—	—	(22.2)
Net increase in cash and cash equivalents	10.1	27.3	—	—	37.4
Cash and cash equivalents at beginning of year	166.0	(39.8)	0.1	—	126.3
Cash and cash equivalents at end of period	$ 176.1	$ (12.5)	$ 0.1	$ —	$ 163.7

15. Subsequent Events

Subsequent to August 31, 2011, the Company repurchased $15.5 million principal amount of its 2 1/4% Debentures at 99.6% of par, plus accrued and unpaid interest.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Unless otherwise indicated or required by the context, as used in this Quarterly Report on Form 10-Q, the terms "we," "our" and "us" refer to GenCorp Inc. and all of its subsidiaries that are consolidated in conformity with accounting principles generally accepted in the United States of America ("GAAP").

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. In addition, our operating results for interim periods may not be indicative of the results of operations for a full year. This section contains a number of forward-looking statements, all of which are based on current expectations and are subject to risks and uncertainties including those described in this Quarterly Report under the heading "Forward-Looking Statements." Actual results may differ materially. This section should be read in conjunction with our Annual Report on Form 10-K for the fiscal year ended November 30, 2010, and periodic reports subsequently filed with the Securities and Exchange Commission ("SEC").

Overview

We are a manufacturer of aerospace and defense products and systems with a real estate segment that includes activities related to the re-zoning, entitlement, sale, and leasing of our excess real estate assets. We develop and manufacture propulsion systems for defense and space applications, armament systems for precision tactical weapon systems and munitions applications. Major market segments include space launch and in-space propulsion systems, missile defense, tactical missile systems, and force projection and protection systems.

A summary of the significant financial highlights for the third quarter of fiscal 2011 which management uses to evaluate our operating performance and financial condition is presented below.

- Net sales for the third quarter of fiscal 2011 totaled $226.2 million compared to $210.7 million for the third quarter of fiscal 2010.
- Net income for the third quarter of fiscal 2011 was $1.2 million, or $0.02 diluted income per share, compared to a net income of $2.8 million, or $0.05 diluted income per share, for the third quarter of fiscal 2010.
- Adjusted EBITDAP for the third quarter of fiscal 2011 was $27.8 million or 12.3% of net sales, compared to $31.8 million or 15.1% of net sales, for the third quarter of fiscal 2010.
- Segment performance before environmental remediation provision adjustments, retirement benefit plan expense, and unusual items was $27.8 million for the third quarter of fiscal 2011, compared to $30.4 million for the third quarter of fiscal 2010.
- Cash provided by operating activities in the third quarter of fiscal 2011 totaled $18.2 million, compared to $18.4 million in the third quarter of fiscal 2010.
- Free cash flow (defined as cash provided by operating activities less capital expenditures) in the third quarter of fiscal 2011 totaled $12.7 million, compared to $15.8 million in the third quarter of fiscal 2010.
- As of August 31, 2011, we had $151.3 million in net debt (defined as debt principal less cash and marketable securities) compared to $202.0 million in net debt as of August 31, 2010.

We provide Non-GAAP measures as a supplement to financial results based on GAAP. A reconciliation of the Non-GAAP measures to the most directly comparable GAAP measures is presented later in the Management's Discussion and Analysis under the heading "Operating Segment Information" and "Use of Non-GAAP Financial Measures."

We are operating in an environment that is characterized by both increasing complexity in the global security environment, as well as continuing worldwide economic pressures. A significant component of our strategy in this environment is to focus on delivering excellent performance to our customers, driving improvements and efficiencies across our operations, and creating value through the enhancement and expansion of our business.

Some of the significant challenges we face are as follows: dependence upon government programs and contracts, future reductions or changes in United States ("U.S.") government spending in our industry, environmental matters, highly leveraged capital structure, and an underfunded pension plan. These matters are discussed in more detail below.

Major Customers

The principal end user customers of our products and technology are agencies of the U.S. government. Since a majority of our sales are, directly or indirectly, to the U.S. government, funding for the purchase of our products and services generally follows trends in U.S. aerospace and defense spending.

Customers that represented more than 10% of net sales for the periods presented are as follows:

	Three months ended August 31,		Nine months ended August 31,	
	2011	2010	2011	2010
Raytheon	33%	36%	36%	38%
Lockheed Martin	30%	27%	29%	27%

Sales during the three and nine months ended August 31, 2011 directly and indirectly to the U.S. government and its agencies, including sales to our significant customers discussed above, totaled 94% and 93% of net sales, respectively. Sales during the three and nine months ended August 31, 2010 directly and indirectly to the U.S. government and its agencies, including sales to our significant customers discussed above, totaled 91% and 92% of net sales, respectively.

Industry Update

Broad support continues for Department of Defense (“DoD”) and NASA funding in the Government Fiscal Year (“GFY”) ending September 30, 2011 and beyond. However, these federal department/agency budgets are under severe pressure due to the financial impacts from ongoing military operations and the cumulative effects of annual federal budget deficits and rising U.S. federal debt. As a result, the DoD budget is expected to remain nearly flat for GFY 2012 and the NASA budget is anticipated to decline for GFY 2012.

As a part of the Budget Control Act of 2011 (Public Law 112-25) (the debt-ceiling and deficit-reduction compromise agreement signed into law on August 2, 2011), $350 billion in national security spending cuts over the next 10 years will be initiated. Details of these cuts are yet to be determined, but are anticipated to include a mix of cuts from among the DoD, Department of State, and Department of Homeland Security and intelligence agencies. Another aspect of the compromise agreement is the creation of a bipartisan Congressional Joint Select Committee on Deficit Reduction charged with reducing spending by another $1.5 trillion over ten years beginning with GFY 2013. The Committee must develop and approve a package of recommendations by November 23, 2011 and Congress must then approve the package by December 23, 2011. The President has until January 15, 2012 to sign the bill into law. If the Committee’s package is not approved, then mandatory spending caps are triggered, which include the potential for an additional $600 billion over 10 years in national security cuts. There is currently a significant lack of detail available to predict specific future aerospace and defense spending.

Environmental Matters

Our current and former business operations are subject to, and affected by, federal, state, local, and foreign environmental laws and regulations relating to the discharge, treatment, storage, disposal, investigation, and remediation of certain materials, substances, and wastes. Our policy is to conduct our business with due regard for the preservation and protection of the environment. We continually assess compliance with these regulations and we believe our current operations are in compliance with all applicable environmental laws and regulations.

As of August 31, 2011, the aggregate range of our anticipated environmental costs was $210.5 million to $352.9 million and the accrued amount was $210.5 million. See Note 7(c) of the Notes to Unaudited Condensed Consolidated Financial Statements for a summary of the environmental reserve activity for the first nine months of fiscal 2011.

Most of our environmental costs are incurred by our Aerospace and Defense segment, and certain of these costs are allowable to be included in our contracts with the U.S. government or reimbursable by Northrop Grumman Corporation (“Northrop”). Prior to the third quarter of fiscal 2010, approximately 88% of such costs related to our Sacramento site and our former Azusa site were included in U.S. government contracts or reimbursed by Northrop. Subsequent to the third quarter of fiscal 2010, because we reached the reimbursement ceiling under the Northrop Agreement, approximately 63% of such costs are included in U.S. government contracts. However, we are seeking to amend our agreement with the U.S. government to increase the amount includable in U.S. government contracts. There can be no assurances that we will be successful in this pursuit.

The inclusion of such environmental costs in our contracts with the U.S. government does impact our competitive pricing and earnings; however, we believe that this impact is mitigated by driving improvements and efficiencies across our operations as well as our ability to deliver innovative and quality products to our customers.

Capital Structure

We have a substantial amount of debt for which we are required to make interest and principal payments. Interest on long-term financing is not a recoverable cost under our U.S. government contracts. As of August 31, 2011 and 2010, we had $389.0 million and $424.1 million of debt principal, respectively. We continue to focus on reducing our net debt (defined as debt principal less cash and marketable securities) position by generating cash from operations through growing our business and driving improvements and efficiencies across our operations. As of August 31, 2011, we had $151.3 million in net debt compared to $202.0 million in net debt as of August 31, 2010.

Retirement Benefits

Our pension plan is currently underfunded and we may be required to make cash contributions in future periods, which may reduce the cash available for our businesses. As of the last measurement date at November 30, 2010, our defined benefit pension plan assets and projected benefit obligations were approximately $1.4 billion and $1.6 billion, respectively. As of August 31, 2011, our defined benefit pension plan assets were $1.3 billion. The Pension Protection Act (the "PPA") requires underfunded pension plans to improve their funding ratios within prescribed intervals based on the funded status of the plan as of specified measurement dates. Our funded ratio as of November 30, 2010 under the PPA for our tax-qualified defined benefit pension plan was 96.2% which was above the 96.0% funding target ratio required under the PPA. The required funded ratio to be met as of the November 30, 2011 measurement date is 100%. We do not expect to make significant contributions to the tax-qualified defined benefit pension plan for several years.

In addition to meeting the November 30, 2010 funding target ratio required under the PPA, we have accumulated $62.7 million in prepayment credits as of November 30, 2010. Companies may prepay contributions and, under certain circumstances, use those prepayment credits to satisfy the required funding of the pension plan's annual required contribution thereby allowing companies to defer cash payments into the pension plan.

Results of Operations

Net Sales:

	Three months ended			Nine months ended		
	August 31, 2011	August 31, 2010	Change*	August 31, 2011	August 31, 2010	Change**
	(In millions)					
Net sales	$ 226.2	$ 210.7	$ 15.5	$ 665.9	$ 631.6	$ 34.3

* *Primary reason for change.* The increase in net sales was primarily due to the following: (i) an increase of $10.2 million in the various air-breathing propulsion programs primarily due to the prior year's awards on Supersonic Sea Skimming Target ("SSST") and Triple Target Terminator ("T3") contracts and (ii) awards received in fiscal 2010 on the Hawk program resulting in $6.3 million of additional net sales.

** *Primary reason for change.* The increase in net sales was primarily due to the following: (i) an increase of $23.1 million in the various air-breathing propulsion programs primarily due to the prior year's awards on SSST and T3 contracts; (ii) awards received in fiscal 2010 on the Hawk program resulting in $20.5 million of additional net sales; and (iii) awards received in fiscal 2010 on the Bomb Live Unit — 129B composite case resulting in $13.1 million of additional net sales. The increase in net sales was partially offset by a decrease of $23.7 million on the Orion program due to NASA funding constraints.

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Operating Income:

	Three months ended August 31, 2011	Three months ended August 31, 2010	Change*	Nine months ended August 31, 2011	Nine months ended August 31, 2010	Change**
	(In millions, except percentage amounts)					
Operating income	$ 9.3	$ 12.4	$ (3.1)	$ 29.7	$ 28.7	$ 1.0
Percentage of net sales	4.1%	5.9%		4.5%	4.5%	

* *Primary reason for change.* The decrease of $3.1 million in the third quarter of fiscal 2011 operating income margin, compared to the comparable prior year period, was primarily due to the following:

- Lower contract profit (excluding the impact of retirement benefit expense) of $3.3 million. See discussion of changes in the contract profit margin in the “Cost of Sales” section below.
- Increase of $2.0 million in environmental remediation costs. See discussion of environmental remediation costs changes in the “Other expense, net” section below.
- Increase of $1.1 million in retirement benefit expense costs. See discussion of “Retirement Benefit Plans” below.

These decreases were partially offset by the following:

- Decrease of $1.8 million in unusual items. See discussion of “Unusual items” below.
- Decrease of $0.6 million in stock-based compensation. See discussion of changes in stock compensation in the “Selling, General and Administrative” section below.

** *Primary reason for change.* The increase of $1.0 million in the first nine months of fiscal 2011, compared to the comparable prior year period, was primarily due to the following:

- Decrease of $5.3 million in unusual items. See discussion of “Unusual items” below.
- Higher contract profit contribution (excluding the impact of retirement benefit expense) of $3.0 million due to higher sales offset by a lower contract profit margin rate of 0.3 percentage points. See discussion of changes in the contract profit margin in the “Cost of Sales” section below.
- Decrease of $1.0 million in depreciation expense. See discussion of “Depreciation and Amortization” below.

These increases were partially offset by the following:

- Increase of $3.3 million in retirement benefit expense costs. See discussion of “Retirement Benefit Plans” below.
- Increase of $2.7 million in stock-based compensation. See discussion of changes in stock compensation in the “Selling, General and Administrative” section below.
- Increase of $2.2 million in environmental remediation costs. See discussion of environmental remediation costs changes in the “Other expense, net” section below.

Cost of sales:

	Three months ended August 31, 2011	Three months ended August 31, 2010	Change*	Nine months ended August 31, 2011	Nine months ended August 31, 2010	Change**
	(In millions, except percentage amounts)					
Cost of sales (exclusive of items shown separately below).	$ 197.5	$ 180.8	$ 16.7	$ 581.1	$ 556.0	$ 25.1
Percentage of net sales	87.3%	85.8%		87.3%	88.0%	

* *Primary reason for change.* The increase in costs of sales as a percentage of net sales was primarily driven by (i) an increase in costs on a space contract related to a test failure and (ii) an increase in costs on a missile defense contract related to performance inefficiencies. These factors were partially offset by a $2.1 million decrease in non-cash aerospace and defense retirement benefit plan expense. See discussion of “Retirement Benefit Plans” below.

** *Primary reason for change.* The decrease in costs of sales as a percentage of net sales was primarily driven by lower non-cash aerospace and defense retirement benefit plan expense of $6.2 million partially offset by (i) an increase in costs on a space contract related to a test failure and (ii) an increase in costs on missile defense contracts related to inefficiencies and a test failure/re-work on rocket motors. See discussion of “Retirement Benefit Plans” below.

Selling, General and Administrative ("SG&A"):

	Three months ended August 31, 2011	Three months ended August 31, 2010	Change*	Nine months ended August 31, 2011	Nine months ended August 31, 2010	Change**
	(In millions, except percentage amounts)					
Selling, General and Administrative	$ 8.7	$ 6.4	$ 2.3	$ 30.0	$ 18.5	$ 11.5
Percentage of net sales	3.8%	3.0%		4.5%	2.9%	

* *Primary reason for change.* The increase in SG&A expense is primarily due to an increase of $3.2 million of non-cash corporate retirement benefit plan expenses. See discussion of "Retirement Benefit Plans" below. The increase in SG&A expense was partially offset by a decrease of $0.6 million in stock-based compensation due to the decrease in the fair value of stock appreciation rights in the current period. See Note 3 of the Unaudited Condensed Consolidated Financial Statements for additional information about the components of stock-based compensation.

** *Primary reason for change.* The increase in SG&A expense is primarily due to an increase of $9.5 million of non-cash corporate retirement benefit plan expenses. See discussion of "Retirement Benefit Plans" below. Additionally, stock-based compensation increased by $2.7 million in the current period compared to the prior period primarily due to changes in the fair value of the stock appreciation rights and stock awards granted in fiscal 2010. See Note 3 of the Unaudited Condensed Consolidated Financial Statements for additional information about the components of stock-based compensation.

Depreciation and Amortization:

	Three months ended August 31, 2011	Three months ended August 31, 2010	Change	Nine months ended August 31, 2011	Nine months ended August 31, 2010	Change*
	(In millions)					
Depreciation and amortization	$ 6.7	$ 6.9	$ (0.2)	$ 18.2	$ 19.2	$ (1.0)

* *Primary reason for change.* The decrease in depreciation and amortization is primarily related to the $1.6 million write-down of a long-lived asset in the fourth quarter of fiscal 2010.

Other expense, net:

	Three months ended August 31, 2011	Three months ended August 31, 2010	Change*	Nine months ended August 31, 2011	Nine months ended August 31, 2010	Change*
	(In millions)					
Other expense, net	$ 3.8	$ 2.2	$ 1.6	$ 6.5	$ 3.5	$ 3.0

* *Primary reason for change.* The increase in other expense, net was primarily due to higher environmental remediation costs. See Note 7(b) and 7(c) of the Unaudited Condensed Consolidated Financial Statements for additional information about the environmental remediation provision adjustments.

Unusual items:

	Three months ended August 31, 2011	Three months ended August 31, 2010	Nine months ended August 31, 2011	Nine months ended August 31, 2010
	(In millions)			
Unusual items:				
Executive severance agreements	$ —	$ —	$ —	$ 1.4
Legal related matters (discussed below)	0.2	2.1	0.6	2.5
Loss on amendment to the $280 million Senior Credit Facility ("Senior Credit Facility")	—	—	—	0.7
(Gain) loss on debt repurchased (discussed below)	—	(0.1)	(0.2)	1.1

In the first nine months of fiscal 2010, we recorded $1.4 million associated with executive severance and had $0.7 million of losses related to amendments to our Senior Credit Facility.

In the third quarter of fiscal 2010, we recorded a charge of $2.0 million related to the estimated unrecoverable costs of legal matters. During the first nine months of fiscal 2011 and 2010, we recorded a charge of $0.6 million and $0.5 million, respectively, for realized losses and interest associated with the failure to register with the SEC the issuance of certain of our common shares under the defined contribution 401(k) employee benefit plan.

A summary of the losses on the 2$^{1}/_{4}$% Convertible Subordinated Debentures ("2$^{1}/_{4}$% Debentures") repurchased during the first nine months of fiscal 2010 is as follows (in millions):

Principal amount repurchased	$ 50.5
Cash repurchase price	(47.4)
	3.1
Write-off of the associated debt discount	(4.5)
Portion of the 2 $^{1}/_{4}$% Debentures repurchased attributed to the equity component (See Note 6)	1.6
Write-off of the deferred financing costs	(0.4)
Loss on 2 $^{1}/_{4}$% Debentures repurchased	$ (0.2)

A summary of the losses on the 9$^{1}/_{2}$% Senior Subordinated Notes ("9$^{1}/_{2}$% Notes") repurchased during the first nine months of fiscal 2010 is as follows (in millions):

Principal amount repurchased	$ 22.5
Cash repurchase price	(23.0)
Write-off of the deferred financing costs	(0.4)
Loss on 9 $^{1}/_{2}$% Notes repurchased	$ (0.9)

A summary of the gain on the debt repurchased during the first nine months of fiscal 2011 is as follows (in millions):

Principal amount repurchased	$ 6.5
Cash repurchase price	(6.4)
	0.1
Write-off of the associated debt discount	(0.4)
Portion of the 2$^{1}/_{4}$% Debentures repurchased attributed to the equity component	0.5
Gain on 2$^{1}/_{4}$% Debentures repurchased	$ 0.2

Interest Expense:

	Three months ended August 31, 2011	Three months ended August 31, 2010	Change	Nine months ended August 31, 2011	Nine months ended August 31, 2010	Change*
			(In millions)			
Interest expense	$ 7.9	$ 8.9	$ (1.0)	$ 23.4	$ 28.6	$ (5.2)
Components of interest expense:						
Contractual interest and other	$ 6.2	$ 6.4	$ (0.2)	$ 18.3	$ 20.1	$ (1.8)
Debt discount amortization	0.9	1.6	(0.7)	2.7	5.5	(2.8)
Amortization of deferred financing costs	0.8	0.9	(0.1)	2.4	3.0	(0.6)

* *Primary reason for change.* The decrease in contractual interest expense was primarily due to lower average debt balances during the first nine months of fiscal 2011 compared to comparable fiscal 2010 periods, including the retirement of $22.5 million and $77.8 million of principal on the 9$^{1}/_{2}$% Notes and 2$^{1}/_{4}$% Debentures, respectively, in fiscal 2010.

Interest Income:

	Three months ended August 31, 2011	Three months ended August 31, 2010	Change*	Nine months ended August 31, 2011	Nine months ended August 31, 2010	Change*
			(In millions)			
Interest income	$ 0.2	$ 0.5	$ (0.3)	$ 0.8	$ 1.2	$ (0.4)

* *Primary reason for change.* The decline in interest income was primarily due to lower average interest rates during the third quarter and during the first nine months of fiscal 2011 compared to comparable fiscal 2010 periods, partially offset by higher average cash balances.

Income Tax Provision (Benefit):

	Three months ended August 31, 2011	Three months ended August 31, 2010	Nine months ended August 31, 2011	Nine months ended August 31, 2010
	(In millions)			
Income tax provision (benefit)	$ 0.3	$ 0.5	$ 3.4	$ (5.2)

The income tax provision of $3.4 million in the first nine months of fiscal 2011 is primarily related to current state taxes of $2.3 million, and net deferred taxes of $1.2 million, which represents the excess of deferred tax expense from goodwill amortization over deferred tax benefit from research credits.

The income tax benefit of $5.2 million in the first nine months of fiscal 2010 was primarily related to us receiving approval on our Private Letter Ruling ("PLR") with the Internal Revenue Service ("IRS") allowing us to write-off in the fiscal 2007 tax year the unamortized portion of expenses capitalized for tax purposes in fiscal 2003. As a result of the PLR approval, we recorded an income tax benefit of $6.3 million during the first nine months of fiscal 2010. The income tax benefit also includes current state tax expense of $2.0 million, deferred federal tax expense of $0.8 million, and a deferred tax benefit of $1.9 million, which relates to prior years.

The difference between operating results at the statutory rate and the income tax provision recorded was primarily due to the separate state tax expense in the first nine months of fiscal 2011. The difference between book earnings at the statutory rate and the income tax provision reflected in the first nine months of fiscal 2010 is primarily due to the benefit recorded for the PLR approval to revoke our IRC Section 59(e) election and the deferred tax benefit relating to prior years.

As of August 31, 2011, the liability for uncertain income tax positions was $1.2 million. Due to the high degree of uncertainty regarding the timing of potential future cash flows associated with these liabilities, we are unable to make a reasonably reliable estimate of the amount and period in which these liabilities might be paid.

Discontinued Operations:

In November 2003, we announced the closing of a GDX manufacturing facility in Chartres, France owned by Snappon SA, a subsidiary of the Company. The decision resulted primarily from declining sales volumes with French automobile manufacturers. In June 2004, we completed the legal process for closing the facility and establishing a social plan. During the first quarter of fiscal 2009, Snappon SA had legal judgments rendered against it under French law, aggregating €2.9 million plus interest related to wrongful discharge claims by certain former employees of Snappon SA. During the second quarter of fiscal 2009, Snappon SA filed for declaration of suspensions of payments with the clerk's office of the Paris Commercial Court (see Note 7(a) of the Unaudited Condensed Consolidated Financial Statements).

Summarized financial information for discontinued operations is set forth below:

	Three months ended August 31, 2011	Three months ended August 31, 2010	Nine months ended August 31, 2011	Nine months ended August 31, 2010
	(In millions)			
Net sales	$ —	$ —	$ —	$ —
(Loss) income before income taxes (1)	(0.1)	(0.7)	(1.3)	0.9
Income tax provision	—	—	—	—
Net (loss) income from discontinued operations	(0.1)	(0.7)	(1.3)	0.9

(1) Includes foreign currency losses of $0.4 million in the third quarter of fiscal 2010. Additionally, (loss) income before income taxes includes foreign currency (losses) and gains of ($1.1) million and $2.1 million in the first nine months of fiscal 2011 and 2010, respectively.

Retirement Benefit Plans:

Components of retirement benefit expense are:

	Three months ended August 31, 2011	Three months ended August 31, 2010	Nine months ended August 31, 2011	Nine months ended August 31, 2010
	(In millions)			
Service cost	$ 0.9	$ 1.2	$ 3.0	$ 3.5
Interest cost on benefit obligation	20.6	22.5	61.5	67.5
Assumed return on plan assets	(25.6)	(26.9)	(76.8)	(80.7)
Recognized net actuarial losses	15.7	13.7	47.1	41.2
Retirement benefit expense	$ 11.6	$ 10.5	$ 34.8	$ 31.5

The increase in retirement benefit expense was primarily due to higher actuarial losses recognized in the third quarter and first nine months of fiscal 2011 compared to the comparable fiscal 2010 periods. The increase in actuarial losses was primarily the result of a decrease in the discount rate due to lower market interest rates used to determine our retirement benefit obligation. The discount rate was 5.21% as of November 30, 2010 compared to 5.65% as of November 30, 2009.

Market conditions and interest rates significantly affect assets and liabilities of our pension plans. Pension accounting permits market gains and losses to be deferred and recognized over a period of years. This "smoothing" results in the creation of other accumulated income or losses which will be amortized to retirement benefit expense or benefit in future years. The accounting method we utilize recognizes one-fifth of the unamortized gains and losses in the market-related value of pension assets and all other gains and losses, including changes in the discount rate used to calculate benefit costs each year. Investment gains or losses for this purpose are the difference between the expected return and the actual return on the market-related value of assets which smoothes asset values over three years. Although the smoothing period mitigates some volatility in the calculation of annual retirement benefit expense, future expenses are impacted by changes in the market value of pension plan assets and changes in interest rates.

Additionally, we sponsor a defined contribution 401(k) plan and participation in the plan is available to all employees. Effective January 15, 2009, we discontinued the employer matching component to the defined contribution 401(k) plan for collective bargaining-unit employees. Effective April 15, 2009, all future contribution investment elections directed into the GenCorp Stock Fund were redirected to other investment options and our union employee matching contributions are being made in cash. Effective the first full payroll in July 2010, for non-collective bargaining-unit employees, matching contributions were reinstated in cash at the same level in effect prior to January 15, 2009 and invested according to participants' investment elections in effect at the time of contribution. The cost of the 401(k) plan was $7.3 million and $1.3 million, respectively, in the first nine months of fiscal 2011 and 2010.

Operating Segment Information:

We evaluate our operating segments based on several factors, of which the primary financial measure is segment performance. Segment performance, which is a non-GAAP financial measure, represents net sales from continuing operations less applicable costs, expenses and provisions for unusual items relating to the segment. Excluded from segment performance are: corporate income and expenses, interest expense, interest income, income taxes, legacy income or expenses, and provisions for unusual items not related to the segment. We believe that segment performance provides information useful to investors in understanding our underlying operational performance. Specifically, we believe the exclusion of the items listed above permits an evaluation and a comparison of results for ongoing business operations, and it is on this basis that management internally assesses operational performance.

Aerospace and Defense Segment

	Three months ended			Nine months ended		
	August 31, 2011	August 31, 2010	Change*	August 31, 2011	August 31, 2010	Change**
			(In millions)			
Net sales	$ 224.3	$ 208.8	$ 15.5	$ 660.7	$ 626.2	$ 34.5
Segment performance	16.0	21.6	(5.6)	55.1	51.7	3.4
Segment margin	7.1%	10.3%		8.3%	8.3%	
Components of segment performance:						
Aerospace and Defense	$ 26.6	$ 28.9	$ (2.3)	$ 78.4	$ 74.4	$ 4.0
Environmental remediation provision adjustments	(5.2)	2.1	(7.3)	(7.0)	1.7	(8.7)
Retirement benefit plan expense	(5.2)	(7.3)	2.1	(15.7)	(21.9)	6.2
Unusual items	(0.2)	(2.1)	1.9	(0.6)	(2.5)	1.9
Aerospace and Defense total	$ 16.0	$ 21.6	$ (5.6)	$ 55.1	$ 51.7	$ 3.4

* *Primary reason for change.* The increase in net sales was primarily due to the following: (i) an increase of $10.2 million in the various air-breathing propulsion programs primarily due to the prior year's awards on SSST and T3 contracts and (ii) awards received in fiscal 2010 on the Hawk program resulting in $6.3 million of additional net sales.

The decrease in the segment margin of 3.2 percentage points, compared to the comparable prior year period, was primarily driven by (i) higher environmental related costs; (ii) an increase in costs on a space contract related to a test failure; and (iii) an increase in costs on a missile defense contract related to performance inefficiencies. These factors were partially offset by a decrease in retirement benefit expense and unusual item charges.

** *Primary reason for change.* The increase in net sales was primarily due to the following: (i) an increase of $23.1 million in the various air-breathing propulsion programs primarily due to the prior year's awards on SSST and T3 contracts; (ii) awards received in fiscal 2010 on the Hawk program resulting in $20.5 million of additional net sales; and (iii) awards received in fiscal 2010 on the Bomb Live Unit — 129B composite case resulting in $13.1 million of additional net sales. The increase in net sales was partially offset by a decrease of $23.7 million on the Orion program due to NASA funding constraints.

The segment margin was unchanged at 8.3% for both periods. The current period reflects the following: (i) higher environmental related costs; (ii) an increase in costs on a space contract related to a test failure; and (iii) an increase in costs on missile defense contracts related to inefficiencies and a test failure/re-work on rocket motors. These factors were partially offset by a decrease in retirement benefit expense, unusual item charges, and favorable contract performance across multiple product lines.

A summary of our backlog is as follows:

	August 31, 2011	November 30, 2010
	(In millions)	
Funded backlog	$ 904.6	$ 804.4
Unfunded backlog	627.0	572.9
Total contract backlog	$ 1,531.6	$ 1,377.3

Total backlog includes both funded backlog (unfilled orders for which funding is authorized, appropriated and contractually obligated by the customer) and unfunded backlog (firm orders for which funding has not been appropriated). Indefinite delivery and quantity contracts and unexercised options are not reported in total backlog. Backlog is subject to funding delays or program restructurings/cancellations which are beyond our control.

Real Estate Segment

	Three months ended			Nine months ended		
	August 31, 2011	August 31, 2010	Change*	August 31, 2011	August 31, 2010	Change*
	(In millions)					
Net sales	$ 1.9	$ 1.9	$ —	$ 5.2	$ 5.4	$ (0.2)
Segment performance	1.2	1.5	(0.3)	3.5	4.0	(0.5)

* *Primary reason for change.* Net sales and segment performance consist primarily of rental property operations.

Use of Non-GAAP Financial Measures

In addition to segment performance (discussed above), we provide the Non-GAAP financial measure of our operational performance called Adjusted EBITDAP. We use this metric to further our understanding of the historical and prospective consolidated core operating performance of our segments, net of expenses incurred by our corporate activities in the ordinary, ongoing and customary course of our operations. Further, we believe that to effectively compare the core operating performance metric from period to period on a historical and prospective basis, the metric should exclude items relating to retirement benefits (pension and postretirement benefits), significant non-cash expenses, the impacts of financing decisions on the earnings, and items incurred outside the ordinary, ongoing and customary course of our operations. Accordingly, we define Adjusted EBITDAP as GAAP income (loss) from continuing operations before income taxes adjusted by interest expense, interest income, depreciation and amortization, retirement benefit expense, and unusual items which we do not believe are reflective of such ordinary, ongoing and customary course activities.

	Three months ended		Nine months ended	
	August 31, 2011	August 31, 2010	August 31, 2011	August 31, 2010
	(In millions, except percentage amounts)			
Income from continuing operations before income taxes	$ 1.6	$ 4.0	$ 7.1	$ 1.3
Interest expense	7.9	8.9	23.4	28.6
Interest income	(0.2)	(0.5)	(0.8)	(1.2)
Depreciation and amortization	6.7	6.9	18.2	19.2
Retirement benefit expense	11.6	10.5	34.8	31.5
Unusual items				
Legal related matters	0.2	2.1	0.6	2.5
(Gain) loss on debt repurchased	—	(0.1)	(0.2)	1.1
Loss on bank amendment	—	—	—	0.7
Executive severance agreement	—	—	—	1.4
Adjusted EBITDAP	$ 27.8	$ 31.8	$ 83.1	$ 85.1
Adjusted EBITDAP as a percentage of net sales	12.3%	15.1%	12.5%	13.5%

In addition to segment performance and Adjusted EBITDAP, we provide the Non-GAAP financial measures of free cash flow and net debt.

	Three months ended		Nine months ended	
	August 31, 2011	August 31, 2010	August 31, 2011	August 31, 2010
	(In millions)			
Cash provided by operating activities	$ 18.2	$ 18.4	$ 50.4	$ 127.9
Capital expenditures	(5.5)	(2.6)	(12.2)	(10.0)
Free cash flow	$ 12.7	$ 15.8	$ 38.2	$ 117.9

	August 31, 2011	August 31, 2010
	(In millions)	
Debt principal	$ 389.0	$ 424.1
Cash and cash equivalents	(237.7)	(163.7)
Marketable securities	—	(58.4)
Net debt	$ 151.3	$ 202.0

We believe that providing this additional information is useful to better understand and assess our operating performance. These measures allow investors, analysts, lenders, and other parties to better evaluate our financial performance and prospects in the same manner as management. Because our method for calculating the Non-GAAP measures may differ from other companies' methods, the Non-GAAP measures presented above may not be comparable to similarly titled measures reported by other companies. These measures are not recognized in accordance with GAAP, and we do not intend for this information to be considered in isolation or as a substitute for GAAP measures.

Other Information

Recently Adopted Accounting Pronouncements

As of December 1, 2010, we adopted the new accounting standards related to the use of the milestone method of revenue recognition that applies to research or development transactions in which one or more payments are contingent upon achieving uncertain future events or circumstances. The adoption of the new standards did not have a material impact on our financial position, results of operations, or cash flows.

New Accounting Pronouncements

In January 2010, the Financial Accounting Standards Board ("FASB") issued updated guidance to improve disclosures regarding fair value measurements. This update requires entities to (i) disclose separately the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements and describe the reasons for the transfers and (ii) present separately (i.e., on a gross basis rather than as one net number), information about purchases, sales, issuances, and settlements in the roll forward of changes in Level 3 fair value measurements. The update requires fair value disclosures by class of assets and liabilities rather than by major category or line item in the statement of financial position. Disclosures regarding the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements for assets and liabilities in both Level 2 and Level 3 are also required. For all portions of the update except the gross presentation of activity in the Level 3 roll forward, this standard was effective for us on March 1, 2010. For the gross presentation of activity in the Level 3 roll forward, the new disclosures will be presented in our quarterly financial statements for the period ending February 28, 2012.

In December 2010, the FASB issued authoritative guidance on application of goodwill impairment model when a reporting unit has a zero or negative carrying amount. When a reporting unit has a zero or negative carrying value, Step 2 of the goodwill impairment test should be performed if qualitative factors indicate that it is more likely than not that a goodwill impairment exists. The guidance is effective for us beginning in the first quarter of fiscal 2012. We are currently evaluating the potential impact, if any, of the adoption of this guidance on our consolidated financial statements.

In December 2010, the FASB issued authoritative guidance on disclosure of supplementary pro forma information for business combinations. The new guidance requires that pro forma financial information should be prepared as if the business combination occurred as of the beginning of the prior annual period. The guidance is effective for us on business combinations with acquisition dates occurring in and from the first quarter of fiscal 2012.

In May 2011, the FASB issued amended guidance on fair value measurement and related disclosures. The new guidance clarified the concepts applicable for fair value measurement and requires new disclosures, with a particular focus on Level 3 measurements. This guidance is effective for us beginning in the second quarter of fiscal 2012, and will be applied retrospectively. We do not anticipate a material impact on our consolidated financial statements as a result of the adoption of this amended guidance.

In June 2011, the FASB issued amended guidance on the presentation of comprehensive income. The amended guidance eliminates one of the presentation options provided by current U.S. GAAP, that is to present the components of other comprehensive income as part of the statement of changes in stockholders' equity. In addition, it gives an entity the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. This guidance is effective for us beginning in the second quarter of fiscal 2012, and will be applied retrospectively. We are currently evaluating the potential impact, if any, of the adoption of this guidance on our consolidated financial statements.

Critical Accounting Policies and Estimates

Our financial statements are prepared in accordance with accounting principles generally accepted in the United States of America that offer acceptable alternative methods for accounting for certain items affecting our financial results, such as determining inventory cost, deferring certain costs, depreciating long-lived assets, recognizing pension benefits, and recognizing revenues.

The preparation of financial statements requires the use of estimates, assumptions, judgments, and interpretations that can affect the reported amounts of assets, liabilities, revenues, and expenses, the disclosure of contingent assets and liabilities and other supplemental disclosures. The development of accounting estimates is the responsibility of our management. Management discusses those areas that require significant judgment with the audit committee of our board of directors. The audit committee has reviewed all financial disclosures in our filings with the SEC. Although we believe the positions we have taken with regard to uncertainties are reasonable, others might reach different conclusions and our positions can change over time as more information becomes available. If an accounting estimate changes, its effects are accounted for prospectively and, if significant, disclosed in the Notes to Unaudited Condensed Consolidated Financial Statements.

The areas that are most affected by our accounting policies and estimates are revenue recognition for long-term contracts, other contract considerations, goodwill, retirement benefit plans, litigation reserves, environmental remediation costs and recoveries, and income taxes. Except for income taxes, which are not allocated to our operating segments, these areas affect the financial results of our business segments.

A detailed description of our significant accounting policies can be found in our most recent Annual Report on Form 10-K for the fiscal year ended November 30, 2010.

Arrangements with Off-Balance Sheet Risk

As of August 31, 2011, arrangements with off-balance sheet risk, consisted of:

- $67.4 million in outstanding commercial letters of credit expiring within the next twelve months, the majority of which may be renewed, primarily to collateralize obligations for environmental remediation and insurance coverage.
- Up to $120.0 million aggregate in guarantees by GenCorp of Aerojet's obligations to U.S. government agencies for environmental remediation activities.
- Guarantees, jointly and severally, by our material domestic subsidiaries of our obligations under our Senior Credit Facility and our $9^{1}/_{2}$% Notes.

In addition to the items discussed above, we will from time to time enter into certain types of contracts that require us to indemnify parties against potential third-party and other claims. These contracts primarily relate to: (i) divestiture agreements, under which we may provide customary indemnification to purchasers of our businesses or assets including, for example, claims arising from the operation of the businesses prior to disposition, liability to investigate and remediate environmental contamination existing prior to disposition; (ii) certain real estate leases, under which we may be required to indemnify property owners for claims arising from the use of the applicable premises; and (iii) certain agreements with officers and directors, under which we may be required to indemnify such persons for liabilities arising out of their relationship with us. The terms of such obligations vary. Generally, a maximum obligation is not explicitly stated.

We also issue purchase orders and make other commitments to suppliers for equipment, materials, and supplies in the normal course of business. These purchase commitments are generally for volumes consistent with anticipated requirements to fulfill purchase orders or contracts for product deliveries received, or expected to be received, from customers and would be subject to reimbursement if a cost-plus contract is terminated.

Liquidity and Capital Resources

Net Cash Provided by (Used in) Operating, Investing, and Financing Activities

Cash and cash equivalents increased by $56.2 million during the first nine months of fiscal 2011. The change in cash and cash equivalents was as follows:

	Nine Months Ended	
	August 31, 2011	August 31, 2010
	(In millions)	
Net Cash Provided by Operating Activities	$ 50.4	$ 127.9
Net Cash Provided by (Used in) Investing Activities	14.5	(68.3)
Net Cash Used in Financing Activities	(8.7)	(22.2)
Net Increase in Cash and Cash Equivalents	$ 56.2	$ 37.4

Net Cash Provided by Operating Activities

The $50.4 million of cash provided by operating activities in the first nine months of fiscal 2011 was primarily the result of net income adjusted for non-cash expenses (defined as depreciation, amortization, stock compensation, and gain on debt repurchased) which generated $27.8 million in the first nine months of fiscal 2011. Additionally, we had $34.8 million of non-cash retirement benefit expense in the first nine months of fiscal 2011. These factors were partially offset by a net cash usage of $9.3 million in noncurrent assets and liabilities primarily related to changes in the environmental remediation recoveries and reserves.

The $127.9 million of cash provided by operating activities in the first nine months of fiscal 2010 was primarily due to an increase in $66.8 million of cash provided by working capital (defined as accounts receivables, inventories, accounts payable, contract advances, income tax related accounts, and other current assets and liabilities). The increase in working capital is due the following (i) an increase in contract advances from prior year related to the timing of contract receipts; (ii) an increase in collections on billed accounts receivables, resulting in a decrease in receivables days outstanding; (iii) a decrease in inventories due to higher sales and timing of overhead spending, resulting in increased inventory turnover; and (iv) higher accounts payable in connection with higher sales and timing of payments to vendors. Additionally, net income adjusted for non-cash expenses (defined as depreciation, amortization, stock compensation, and loss on debt repurchased) generated $36.5 million in operating cash in the first nine months of fiscal 2010. We also had $31.5 million of non-cash retirement benefit expense in the first nine months of fiscal 2010.

Net Cash Provided by (Used In) Investing Activities

During the first nine months of fiscal 2011 and fiscal 2010, we had capital expenditures of $12.2 million and $10.0 million, respectively. The majority of our capital expenditures directly supports our contract and customer requirements and are primarily incurred for asset replacement, capacity expansion, development of new projects, and safety and productivity improvements.

During the first nine months of fiscal 2011, we generated $26.7 million of net cash from the sale of marketable securities. During the first nine months of fiscal 2010, we invested net cash of $58.3 million in marketable securities.

Net Cash Used in Financing Activities

During the first nine months of fiscal 2011, we had $7.6 million in debt repayments (see below) and $1.1 million in vendor financing payments.

During the first nine months of fiscal 2010, cash of $200.0 million was generated reflecting the issuance of $200.0 million in 4 1/16% Debentures in December 2009, offset by $213.2 million in debt repayments. In addition, we incurred $7.7 million in debt issuance costs and had vendor financing payments of $1.3 million.

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Borrowing Activity and Senior Credit Facility:

Our debt activity during the first nine months of fiscal 2011 was as follows:

	November 30, 2010	Debt Discount Amortization	Cash Payments	Non-cash Repurchase Activity	August 31, 2011
			(In millions)		
Term loan	$ 51.1	$ —	$ (0.4)	$ —	$ 50.7
$9^{1}/_{2}$% Notes	75.0	—	—	—	75.0
4.0625% Convertible Subordinated Debentures (“4 1/16% Debentures”)	200.0	—	—	—	200.0
$2^{1}/_{4}$% Debentures	68.6	—	(6.4)	(0.1)	62.1
Debt discount on $2^{1}/_{4}$% Debentures	(4.0)	2.7	—	0.4	(0.9)
Other debt	2.0	—	(0.8)	—	1.2
Total Debt and Borrowing Activity	$ 392.7	$ 2.7	$ (7.6)	$ 0.3	$ 388.1

On March 17, 2010, we executed an amendment (the “Second Amendment”) to our existing Amended and Restated Credit Agreement, originally entered into as of June 21, 2007, by and among the Company, as borrower, the subsidiaries of the Company from time to time party thereto, as guarantors, the lenders from time to time party thereto and Wachovia Bank, National Association, as administrative agent for the lenders, as amended to date (the “Credit Agreement”). The Second Amendment, among other things, (i) permits us to repurchase our outstanding convertible subordinated notes and senior subordinated notes, subject to certain conditions; (ii) permits us to incur additional senior unsecured or subordinated indebtedness, subject to specified limits and other conditions; (iii) permits us to conduct a rescission offer, using stock and/or cash up to $15.0 million, with respect to certain units issued under the GenCorp Savings Plan; (iv) permits us to repurchase our stock, subject to certain conditions; (v) limits the circumstances under which we would have to mandatorily prepay loans under the Senior Credit Facility with the proceeds from equity issuances; and (vi) amends the definitions of the leverage ratio and net cash proceeds from permitted real estate sales. The Second Amendment reduces the Revolver capacity from $80.0 million to $65.0 million and the letter of credit subfacility capacity from $125.0 million to $100.0 million. Under the Second Amendment, the interest rate on LIBOR rate borrowings is LIBOR plus 325 basis points, an increase of 100 basis points, and the letter of credit subfacility commitment fee has been similarly amended. The Second Amendment also provides for a commitment fee on the unused portion of the Revolver in the amount of 62.5 basis points, an increase of 12.5 basis points.

As of August 31, 2011, the borrowing limit under the Revolver was $65.0 million, of which $50.0 million can be utilized for letters of credit, with all of it available. Also as of August 31, 2011, we had $67.4 million outstanding letters of credit under the $100.0 million letter of credit subfacility and had permanently reduced the amount of our term loan subfacility to the $50.7 million outstanding.

The Senior Credit Facility is collateralized by a substantial portion of our real property holdings and substantially all of our other assets, including the stock and assets of our material domestic subsidiaries that are guarantors of the facility. We are subject to certain limitations including the ability to: incur additional senior debt; release collateral, retain proceeds from asset sales, retain proceeds from operations and issuances of debt or equity, make certain investments and acquisitions, grant additional liens, and make restricted payments, including stock repurchases and dividends. In addition, the Credit Agreement contains certain restrictions surrounding the ability to refinance our subordinated debt, including provisions that, except on terms no less favorable to the Credit Agreement, our subordinated debt cannot be refinanced prior to maturity. Furthermore, provided that we have cash and cash equivalents of at least $25.0 million after giving effect thereto, we may redeem (with funds other than Senior Credit Facility proceeds) the subordinated notes to the extent required by the mandatory redemption provisions of the subordinated note indenture. We are also subject to the following financial covenants:

Financial Covenant	Actual Ratios as of August 31, 2011	Required Ratios December 1, 2010 and thereafter
Interest coverage ratio, as defined under the Credit Agreement	5.18 to 1.00	Not less than: 2.25 to 1.00
Leverage ratio, as defined under the Credit Agreement(1)	1.25 to 1.00	Not greater than: 5.50 to 1.00

(1) As a result of the March 17, 2010 amendment, the leverage ratio calculation was amended to allow for all cash and cash equivalents to reduce funded debt as long as there are no loans outstanding under the Revolver.

We were in compliance with our financial and non-financial covenants as of August 31, 2011.

Liquidity and Outlook

Short-term liquidity requirements consist primarily of recurring operating expenses, including but not limited to costs related to our retirement benefit plans, capital and environmental expenditures, and debt service requirements. We believe that our existing cash and cash equivalents, marketable securities, and existing credit facilities will provide sufficient funds to meet our operating plan for the next twelve months. The operating plan for this period provides for full operation of our businesses, and interest and principal payments on our debt.

As of November 30, 2010, our defined benefit pension plan assets and projected benefit obligations were approximately $1.4 billion and $1.6 billion, respectively. The Pension Protection Act (the "PPA") requires underfunded pension plans to improve their funding ratios within prescribed intervals based on the funded status of the plan as of specified measurement dates. Our funded ratio as of November 30, 2010 under the PPA for our tax-qualified defined benefit pension plan was 96.2% which was above the 96.0% funding target ratio required under the PPA. Accordingly, we do not expect to make significant contributions to the tax-qualified defined benefit pension plan for several years. In addition to meeting the November 30, 2010 funding target ratio required under the PPA, we have accumulated $62.7 million in prepayment credits as of November 30, 2010. Companies may prepay contributions and, under certain circumstances, use those prepayment credits to satisfy the required funding of the pension plan's annual required contribution thereby allowing the Company to defer cash payments into the pension plan.

As disclosed in Notes 7(a) and 7(b) of the Notes to Unaudited Condensed Consolidated Financial Statements, we have exposure for certain legal and environmental matters. We believe that it is currently not possible to estimate the impact, if any, that the ultimate resolution of certain of these matters will have on our financial position, results of operations, or cash flows.

Major factors that could adversely impact our forecasted operating cash and our financial condition are described in the section "Risk Factors" in Item 1A of our Annual Report to the SEC on Form 10-K for the fiscal year ended November 30, 2010. In addition, our liquidity and financial condition will continue to be affected by changes in prevailing interest rates on the portion of debt that bears interest at variable interest rates.

Forward-Looking Statements

Certain information contained in this report should be considered "forward-looking statements" as defined by Section 21E of the Private Securities Litigation Reform Act of 1995. All statements in this report other than historical information may be deemed forward-looking statements. These statements present (without limitation) the expectations, beliefs, plans and objectives of management and future financial performance and assumptions underlying, or judgments concerning, the matters discussed in the statements. The words "believe," "estimate," "anticipate," "project" and "expect," and similar expressions, are intended to identify forward-looking statements. Forward-looking statements involve certain risks, estimates, assumptions and uncertainties, including with respect to future sales and activity levels, cash flows, contract performance, the outcome of litigation and contingencies, environmental remediation and anticipated costs of capital. A variety of factors could cause actual results or outcomes to differ materially from those expected and expressed in our forward-looking statements. Important risk factors that could cause actual results or outcomes to differ from those expressed in the forward-looking statements are described in the section "Risk Factors" in Item 1A of our Annual Report to the SEC on Form 10-K for the fiscal year ended November 30, 2010 include the following:

- the earnings and cash flow of the Company's subsidiaries and the distribution of those earnings to the Company;
- cancellation or material modification of one or more significant contracts;
- future reductions or changes in U.S. government spending;
- negative audit of the Company's business by the U.S. government;
- cost overruns on the Company's contracts that require the Company to absorb excess costs;
- failure of the Company's subcontractors or suppliers to perform their contractual obligations;
- failure to secure contracts;
- failure to comply with regulations applicable to contracts with the U.S. government;
- costs and time commitment related to potential acquisition activities;
- significant competition and the Company's inability to adapt to rapid technological changes;
- failure of the Company's information technology infrastructure;
- product failures, schedule delays or other problems with existing or new products and systems;
- the release or explosion of dangerous materials used in the Company's businesses;
- loss of key qualified suppliers of technologies, components, and materials;
- the funded status of the Company's defined benefit pension plan and the Company's obligation to make cash contributions in excess of the amount that the Company can recover in its current period overhead rates;
- effects of changes in discount rates, actual returns on plan assets, and government regulations of defined benefit pension plans;

- the possibility that environmental and other government regulations that impact the Company become more stringent or subject the Company to material liability in excess of its established reserves;
- environmental claims related to the Company's current and former businesses and operations;
- changes in the amount recoverable from environmental claims;
- the results of significant litigation;
- occurrence of liabilities that are inadequately covered by indemnity or insurance;
- the cost of servicing the Company's debt and the Company's ability to comply with the financial and other covenants contained in the Company's debt agreements;
- risks inherent to the real estate market;
- changes in economic and other conditions in the Sacramento, California metropolitan area real estate market or changes in interest rates affecting real estate values in that market;
- the Company's ability to execute its real estate business plan including our ability to obtain, or cause to be obtained, the necessary final governmental zoning, land use and environmental approvals and building permits;
- additional costs related to the Company's divestitures;
- a strike or other work stoppage or the Company's inability to renew collective bargaining agreements on favorable terms;
- the loss of key employees and shortage of available skilled employees to achieve anticipated growth;
- fluctuations in sales levels causing the Company's quarterly operating results and cash flows to fluctuate;
- changes in the Company's contract-related accounting estimates;
- new accounting standards that could result in changes to the Company's methods of quantifying and recording accounting transactions;
- failure to maintain effective internal controls in accordance with the Sarbanes-Oxley Act; and
- those risks detailed from time to time in the Company's reports filed with the SEC.

Additional risk factors may be described from time to time in our future filings with the SEC. Accordingly, all forward-looking statements should be evaluated with the understanding of their inherent uncertainty. All such risk factors are difficult to predict, contain material uncertainties that may affect actual results and may be beyond our control.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes to our disclosures related to certain market risks as reported under Part II, Item 7A, "Quantitative and Qualitative Disclosures About Market Risk," in our Annual Report to the SEC on Form 10-K for the fiscal year ended November 30, 2010, except as noted below.

Interest Rate Risk

We are exposed to market risk principally due to changes in interest rates. Debt with interest rate risk includes borrowings under our Senior Credit Facility. Other than pension assets and liabilities, we do not have any significant exposure to interest rate risk related to our investments.

As of August 31, 2011, our debt totaled $388.1 million: $337.4 million, or 87%, was at an average fixed rate of 4.95%; and $50.7 million, or 13%, was at a variable rate of 3.48%.

The estimated fair value and principal amount for our debt is presented below:

	Fair Value		Principal Amount	
	August 31, 2011	November 30, 2010	August 31, 2011	November 30, 2010
	(In millions)			
Term loan	$ 50.2	$ 49.8	$ 50.7	$ 51.1
9 1/2% Notes	75.1	75.9	75.0	75.0
2 1/4% Debentures(1)	61.8	67.6	62.1	68.6
4 1/16% Debentures	176.0	183.8	200.0	200.0
Other debt	1.2	2.0	1.2	2.0
	$ 364.3	$ 379.1	$ 389.0	$ 396.7

(1) Excludes the unamortized debt discount of $0.9 million and $4.0 million as of August 31, 2011 and November 30, 2010, respectively.

The fair values of the $9^{1}/_{2}$% Notes, $2^{1}/_{4}$% Debentures, and 4 1/16% Debentures were determined using broker quotes that are based on open markets of our debt securities as of August 31, 2011 and November 30, 2010, respectively. The fair value of the term loan was determined using quotes from the administrative agent of our Senior Credit Facility that are based on bid/ask prices of our term loans as of August 31, 2011 and November 30, 2010, respectively. The fair value of the other debt was determined to approximate carrying value.

Item 4. Controls and Procedures

Evaluation of disclosure controls and procedures

Based on our management's evaluation (with the participation of our principal executive officer and principal financial officer), as of the end of the period covered by this report, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended ("the Exchange Act")) are effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms and is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in internal control over financial reporting

There was no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during our first nine months of fiscal 2011 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

Except as disclosed in Note 7 of the Notes to Unaudited Condensed Consolidated Financial Statements, which is incorporated herein by reference, there have been no significant developments in the pending legal proceedings as previously reported in Part, 1 Item 3, Legal Proceedings in our Annual Report on Form 10-K for the fiscal year ended November 30, 2010.

Asbestos Cases. The following table sets forth information related to our historical product liability costs associated with our asbestos litigation cases for the first nine months of fiscal 2011 (dollars in thousands):

Claims filed as of November 30, 2010		141
Claims filed		19*
Claims dismissed		14
Claims settled		3
Claims pending as of August 31, 2011		143
Aggregate settlement costs	$	70
Average settlement costs	$	23

* This number is net of one case tendered to a third party under a contractual indemnity obligation.

Legal and administrative fees for the asbestos cases for the first nine months of fiscal 2011 were $0.3 million.

Item 1A. Risk Factors.

The information presented below sets forth what we reasonably believe represent material changes to the risk factors described in our Annual Report on Form 10-K for the fiscal year ended November 30, 2010, and should be read in conjunction with the risk factors therein and the information described in this report.

Future reductions or changes in U.S. government spending could adversely affect our financial results.

Our primary aerospace and defense customers include the DoD, and its agencies, the government prime contractors that supply products to these customers, and NASA. As a result, we rely on particular levels of U.S. government spending on propulsion systems for defense and space applications and armament systems for precision tactical weapon systems and munitions applications, and our backlog depends, in a large part, on continued funding by the U.S. government for the programs in which we are involved. These spending levels are not generally correlated with any specific economic cycle, but rather follow the cycle of general political support for this type of spending. Moreover, although our contracts often contemplate that our services will be performed over a period of several years, Congress usually must approve funds for a given program each government fiscal year and may significantly reduce or eliminate funding for a program. A decrease in DoD and/or NASA expenditures, the elimination or curtailment of a material program in which we are involved, or changes in payment patterns of our customers as a result of changes in U.S. government spending, could have a material adverse effect on our operating results, financial condition, and/or cash flows.

As a part of the Budget Control Act of 2011 (Public Law 112-25) (the debt-ceiling and deficit-reduction compromise agreement signed into law on August 2, 2011), $350 billion in national security spending cuts over the next 10 years will be initiated. Details of these cuts are yet to be determined, but are anticipated to include a mix of cuts from among the DoD, Department of State, Department of Homeland Security and intelligence agencies. Another aspect of the compromise agreement is the creation of a bipartisan Congressional Joint Select Committee on Deficit Reduction charged with reducing spending by another $1.5 trillion over ten years beginning with GFY 2013. The Committee must develop and approve a package of recommendations by November 23, 2011 and Congress must then approve the package by December 23, 2011. The President has until January 15, 2012 to sign the bill into law. If the Committee's package is not approved, then mandatory spending caps are triggered, which include the potential for an additional $600 billion over 10 years in national security cuts. There is currently a significant lack of detail available to predict specific future aerospace and defense spending. A decrease in future aerospace and defense spending could have a material adverse effect on our operating results, financial condition, and/or cash flows.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults upon Senior Securities

None.

Item 5. Other Information

None.

Item 6. Exhibits

No.	Description
31.1*	Certification of Principal Executive Officer pursuant to Rule 13a — 14 (a) of the Securities Exchange Act of 1934, as amended.
31.2*	Certification of Principal Financial Officer pursuant to Rule 13a — 14 (a) of the Securities Exchange Act of 1934, as amended.
32.1*	Certification of Principal Executive Officer and Principal Financial Officer pursuant to Rule 13a — 14(b) of the Securities and Exchange Act of 1934, as amended, and 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended August 31, 2011, formatted in XBRL (Extensible Business Reporting Language): (i) Condensed Consolidated Statements of Operations, (ii) Condensed Consolidated Balance Sheets, (iii) Condensed Consolidated Statement of Shareholders' Deficit and Comprehensive Income, (iv) Condensed Consolidated Statements of Cash Flows, and (v) Notes to Unaudited Condensed Consolidated Financial Statements.**

* Filed herewith.

** Furnished and not filed herewith.

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

GenCorp Inc.

Date: September 30, 2011

By: /s/ Scott J. Seymour
Scott J. Seymour
President and Chief Executive Officer
(Principal Executive Officer)

Date: September 30, 2011

By: /s/ Kathleen E. Redd
Kathleen E. Redd
Vice President, Chief Financial Officer and Secretary
(Principal Financial Officer and Principal Accounting Officer)

EXHIBIT INDEX

No.	Description
31.1*	Certification of Principal Executive Officer pursuant to Rule 13a — 14 (a) of the Securities Exchange Act of 1934, as amended.
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* Filed herewith.

** Furnished and not filed herewith.

Exhibit 31.1

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Scott J. Seymour, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of GenCorp Inc.;

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

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

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

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

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

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

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

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

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

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

Date: September 30, 2011

/s/ Scott J. Seymour
Scott J. Seymour
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Kathleen E. Redd, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of GenCorp Inc.;

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

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

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

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

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

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

(d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

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

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

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: September 30, 2011

/s/ Kathleen E. Redd
Kathleen E. Redd
Vice President, Chief Financial Officer and Secretary
(Principal Financial Officer and Principal Accounting Officer)

Exhibit 32.1

CERTIFICATIONS
PURSUANT TO 18 UNITED STATES CODE §1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned hereby certifies that to his knowledge the quarterly report on Form 10-Q of GenCorp Inc. for the period ended August 31, 2011 (the Report), as filed with the Securities and Exchange Commission on the date hereof, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of the operations of the Company, as of the dates and the periods expressed in the Report.

/s/ Scott J. Seymour
Scott J. Seymour
President and Chief Executive Officer
(Principal Executive Officer)

Date: September 30, 2011

The undersigned hereby certifies that to her knowledge the quarterly report on Form 10-Q of GenCorp Inc. for the period ended August 31, 2011 (the Report), as filed with the Securities and Exchange Commission on the date hereof, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of the operations of the Company, as of the dates and the periods expressed in the Report.

/s/ Kathleen E. Redd
Kathleen E. Redd
Vice President, Chief Financial Officer and Secretary (Principal Financial Officer and Principal Accounting Officer)

Date: September 30, 2011